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# Corporate Information

## Board of Directors

|   |                         |
|---|-------------------------|
| H.E. Sheikh Hamdan Bin Mubarak Al Nahayan | Chairman                |
| Mr. Abdulla Khalil Al Mutawa              | Director                |
| Mr. Abdulla Nasser Hawaileel Al-Mansoori  | Director                |
| Mr. Khalid Mana Saeed Al Otaiba           | Director                |
| Mr. Ikram Ul-Majeed Sehgal                | Director                |
| Mr. Nadeem Iqbal Sheikh                   | Director                |
| Mr. Mohammad Saleem Akhtar                | Chief Executive Officer |

## Board Advisory Committee

|                                 |           |
|---------------------------------|-----------|
| Mr. Abdulla Khalil Al Mutawa    | Director  |
| Mr. Khalid Mana Saeed Al Otaiba | Director  |
| Mr. Bashir A. Tahir             | Member    |
| Mr. Ganpat Singhvi              | Member    |
| Mr. M. Iftikhar Shabbir         | Secretary |

## Board Audit Committee

|                                 |           |
|---------------------------------|-----------|
| Mr. Abdulla Khalil Al Mutawa    | Director  |
| Mr. Khalid Mana Saeed Al Otaiba | Director  |
| Mr. Bashir A. Tahir             | Member    |
| Mr. Ganpat Singhvi              | Member    |
| Mr. M. Iqbal Saifi              | Secretary |

## Central Management Committee

|                            |                 |
|----------------------------|-----------------|
| Mr. Mohammad Saleem Akhtar | Chairman        |
| Mr. Parvez A. Shahid       | Deputy Chairman |
| Mr. Sirajuddin Aziz        | Member          |
| Mr. Mohammad Yousuf        | Member          |
| Mr. Ijaz Farooq            | Member          |
| Mr. Bakhtiar Khawaja       | Member          |
| Mr. Arfa Waheed Malik      | Member          |
| Mr. Adil Rashid            | Member          |
| Mr. Shakeel Sadiq          | Member          |
| Mr. Adnan Anwar Khan       | Member          |

## Company Secretary

Mr. Hamid Ashraf

## Chief Financial Officer

Mr. Zahid Ali H. Jamall

## Auditors

Taseer Hadi Khalid & Co.  
Chartered Accountants

## Registered / Head Office

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

# Chairman's Review

It is a pleasure to present to you the performance of Bank Alfalah Limited for the year 2004. The year was an eventful one for the Bank amidst significant and promising economic and political developments in the country, which had direct implications for the financial industry's operating environment. Now in its eighth year of operations your bank continues on its path of strategic excellence with a special focus on service and value enhancement. The efforts paid off well and Bank Alfalah further cemented its position as the leading commercial bank in the market.

## The Bank's Operating Environment:

Any financial institution's performance is directly impacted by the influence of varied extraneous variables on its operations. The positive and dynamic interplay of political and economic factors translated into higher performance for the Bank in the period under review. The economic reforms introduced over the last four years have placed the country's economy well on the road to recovery. Real GDP growth was recorded at in excess of 6% which is an all time high in seven years. Foreign exchange reserves were valued at USD 11.7 billion which is favourable. Also inward remittances were recorded at USD 4 billion, which is a 264% increase in the last five years. Activity both in the industrial and agricultural sector picked up as well. The textile sector itself registered an increase of 24% while overall export earnings grew by 18%. Fine tuning of the monetary policy resulted in historically low interest rates that stimulated both large scale manufacturing and rejuvenated the stock exchanges of the country. Another momentous feat in this regard is that Pakistan has finally bid farewell to the IMF's PRGF, being the first developing nation to ever do so.

During the year there was a concerted focus on advancing structural reforms and further strengthening the financial and tax administration at the macro levels. So far these corrective measures have been effective and far reaching

improvements have been achieved. In the economic arena the government is now faced with a more complex challenge of maintaining the success that has been achieved and balancing the imperatives of growth and stability. Also with increased economic momentum it is expected that prices, interest rates and the exchange rate will come under pressure. However there are positive expectations for this especially in the wake of improving political fundamentals. The democratization process is soundly in place and under the current government it is expected that the country will make greater social and economic headways.

## Financial Highlights:

The current year's Profit before Provision and Taxation of the bank stood at Rs.2,026 million as compared to Rs.3,593 million for last year which included a one time gain on sale of PIBs amounting to Rs.2,191 million. The deposits grew by 69% to Rs.129 billion as against Rs.76.7 billion as on 31 Dec 2003.

Foreign trade figures stood at Rs.78.47 billion for imports and Rs.57.32 billion for exports reflecting increases of 68% and 29% respectively.

The Loans and Advances figure stood at Rs.90.29 billion recording an increase of 79%. These figures reflect on the improving market image of Bank Alfalah as a formidable financial institution.

## Human Resource Management:

The strategic importance of nurturing human resource for organizational success cannot be undermined. At Bank Alfalah we are fully aware that a competent workforce can confer a distinct competitive advantage. This facilitates tapping into the organization's core competencies increasing market and customer responsiveness. The Human Resource

Division at Bank Alfalah Limited makes every effort to empower each team member and increase congruency between individual and organizational goals. The Bank's management incorporates human resource management at every level of decision making, thus ensuring that a harmonious corporate culture attuned to innovation and flexibility is maintained.

The state-of-the-art Training and Development Centre at the Bank remains busy in enhancing the skill levels of all employees. A new initiative in Training has been Officer's Batch Training for Leasing, SME and Agricultural Finance, recruitment for which has already begun. At the same time short courses continue to be conducted across Pakistan.

Foreign Trade, Correspondent Banking and Treasury Operations:

Bank Alfalah Limited is uniquely poised as one of the leading foreign trade Banks in the country. In the period under review the Bank transacted more than 12% of the trade volume of the country. Expert knowledge of the local environment coupled with a focus on international standard practices allows the Bank to offer its clients highly efficient range of trade services. This function is further supported by our correspondent banking relationships which include all leading global financial institutions. This further facilitates world wide access for all our valuable clients thus augmenting the service oriented culture of the bank.

In the area of treasury operations our bank remains a key player in the interbank market, enhancing profitability through intuitively priced transactions. Recently the Treasury Division has instituted a corporate desk. This will facilitate transactions dealing in more sophisticated products and services to our larger institutional clients.

Risk Management:

An area of critical focus is risk management which has important implications for the sustaining viability of any

financial institution. Credit risk management is especially important because it is directly linked to the Bank's core functions of financial intermediation. Effective risk management also facilitates more efficient capital allocation between different business opportunities. In today's dynamic operating environment our senior management remains mindful of potential risks at the strategic, macro and micro levels. For maximum efficiency the credit risk management function of Bank Alfalah is independent with a direct reporting line to the senior management. Market risks have impactful implications for the operations of a financial institution. The Bank's risk management policy incorporates all facets of market risk to include interest rate, equity prices, credit spreads, and foreign exchange rates etc to name a few. Our Board and Management practice due diligence for effective monitoring of all these elements. Directors remain cognizant of their fiduciary responsibilities of maintaining the safety and soundness of the institutions.

Despite stiff competition for banking assets, care is taken that the highest quality of our credit portfolio is maintained. Our credit policy imbibes a system of checks and balances that monitors at every level changes in quality of assets and ensures utmost prudence. In-house systems and procedures are geared towards risk mitigation and the best path to risk-reward trade-off.

Credit Rating:

Bank Alfalah Limited's long term rating increased to AA in the long term and A1+ in the short term. These ratings have been assigned by PACRA, Pakistan's leading rating agency. These ratings denote better risk absorption capacity stemming from enhanced equity as well as a well maintained credit portfolio.

Branch Network and Consumer Focus:

During the year Bank Alfalah continued to fortify its banking network across the country. This is essential for furthering the Bank's strategic focus of providing the highest quality

of banking services to the market. This also reiterates Bank Alfalah's commitment to strengthening the Pakistani economy. Consequently during the year 31 branches were inaugurated of which 25 were conventional banking branches and 6 were Islamic banking branches bringing the entire network to encompass 90 branches.

Product innovation and high client value has always been Bank Alfalah Limited's forte. The fast pace of change in the financial services industry makes banking innovation imperative as clients needs vary over time. Bank Alfalah prides itself on its wide ranging product portfolio. Our branded deposit schemes, ATM network, Credit Cards, Debit Cards, Car Finance and other financing schemes are clearly amongst leaders in their product categories. The value of our Car Finance portfolio was impressive with 19,575 number of cars financed during the year while total number of cars financed to date is over 40,000. The number of Alfalah Visa Card issued is over 150,000 cards during the year, bringing the total issuance of credit cards to over 270,000 cards.

#### Strategic Focus:

Bank Alfalah continually reviews its offshore banking operations with a view to further mobilize its organizational strategy of enhancing excellence in banking. Encouraged by the unprecedented success of Bank Alfalah Limited in Pakistan, the bank is in the process of acquiring operations of a bank in Bangladesh. Also we have moved forward applications for branch presence in some neighbouring SAARC countries.

The telecommunications industry in Pakistan is developing at a fast pace. As a versatile organization Bank Alfalah too acquired a 26% stake in the Al-Warid Telecom. This state of the art telecommunications firm is expected to emerge as one of the key players in the communications industry.

#### Future Outlook:

The future augurs well for the local banking industry as key

macroeconomic fundamentals stabilize and improve further. The Bank will continue to invest further in banking innovations which include Islamic Banking, Leasing, SME, Home Loans and other areas of product development to provide higher levels of service and value to our clients. Amidst these encouraging developments Bank Alfalah Limited will continue to embark on its strategy of network enhancement and deposit mobilization.

#### Acknowledgements:

I would like to convey my heartfelt gratitude to the Ministry of Finance, the State Bank of Pakistan and other regulatory bodies for their continued support. I would like to congratulate our staff members on their hard work and sincerity to their organization.

I would also like to extend my thanks to all our invaluable clients, well wishers and correspondents for their trust and support.

Sheikh Hamdan Bin Mubarak Al Nahayan  
Chairman

# Notice of the 13th Annual General Meeting

Notice is hereby given that the 13th Annual General Meeting of Bank Alfalah Limited will be held on Tuesday, April 19, 2005 at 12:30 p.m. at Hotel Marriott, 9 Abdullah Haroon Road, Karachi to transact the following business:

## ORDINARY BUSINESS:

1. To confirm the minutes of the 12th Annual General Meeting held on February 21, 2004 at Karachi.
2. To receive, consider and adopt the audited Annual Accounts and Consolidated Accounts of the Bank for the year ended December 31, 2004 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the Bank for the year 2005 and fix their remuneration.

## SPECIAL BUSINESS:

4. To consider and pass the following resolution as an ordinary resolution:

"RESOLVED that in terms of Securities & Exchange Commission of Pakistan (SECP) Circular No: 19 of 2004 Bank Alfalah Limited be and is hereby authorised to place its quarterly accounts on Bank Alfalah's website instead of sending the same to the shareholders by post subject to permission of SECP and consent of respective Stock Exchanges.

5. To consider and pass the following resolution as an ordinary resolution:

"RESOLVED that as required under SBP Prudential Regulations, the donations of Rs. 17,100,000/- paid at the recommendation of the Board of Directors as reported at Note 27.1 of the Annual Report, be and are hereby approved."

6. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Karachi

Dated: March 28, 2005

HAMID ASHRAF

Company Secretary

## NOTES:

1. The Share Transfer Books of the Bank will remain closed from April 10, 2005 to April 19, 2005 (both days inclusive).
2. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, M. Yousuf Adil Saleem & Associates (Pvt) Ltd., 2nd Floor, Suzaka Chamber, Block 7 & 8, KCHSU, Sharea Faisal, Karachi-75350. not less than 48 hours before the time of the Meeting.

4. Those shareholders, whose shares are deposited with Central Depository Company of Pakistan Ltd. (CDC) are requested to bring their original National Identity Card (NIC) alongwith participant's ID number and their account/sub-account numbers in CDC to facilitate identification at the time of Annual General Meeting. In case of Proxy, attested copies of proxy's NIC or passport, Account and Participant's I.D. numbers must be deposited alongwith the Form of Proxy with our Share Registrar as per paragraph No. 3 above. In case of Proxy for corporate members, the Board of Directors, Resolution/Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier to the Share Registrar).
5. Shareholders are requested to notify change in their address, if any, to our Share Registrar, M. Yousuf Adil Saleem & Associates (Pvt) Ltd.

Statement of Material Facts under Section 160(1)(b) of the Companies Ordinance, 1984 relating to said Special Businesses:

This statement sets out the material facts concerning the special businesses (given at agenda item No: 4 and 5) to be transacted at the 13th Annual General Meeting of the members of Bank Alfalah Limited to be held on Tuesday, April 19, 2005.

Placement of Quarterly Accounts on website:

The Securities & Exchange Commission of Pakistan (SECP) has decided vide its Circular No. 19 dated April 14, 2004 that a listed Company may place its quarterly accounts on its website, instead of sending it by post to the members, subject to fulfilment of certain conditions including consent of the shareholders in the general meeting, permission of SECP and consent of respective Stock Exchanges, and this will be treated as compliance of the provisions of Section 245 of the Companies Ordinance, 1984.

In order to ensure timely availability of the information to the shareholders and save cost of printing and despatching of quarterly accounts by post, the Board of Directors recommend to the shareholders to pass the resolution as mentioned in Agenda No. 4.

Approval of donations:

During the year 2004, the Bank has made donations of Rs. 17,100,000/- to the following as recommended by the Board of Directors:

|   |                  |
|---|------------------|
| 1) Pakistan Human Development Fund (PHDF) | Rs. 15,900,000/- |
| 2) Mr. M. Afzal                           | Rs. 1,000,000/-  |
| 3) Shaukat Khanum Memorial Hospital       | Rs. 200,000/-    |

The Directors are not interested in the above Special Businesses except as shareholders of the Bank.

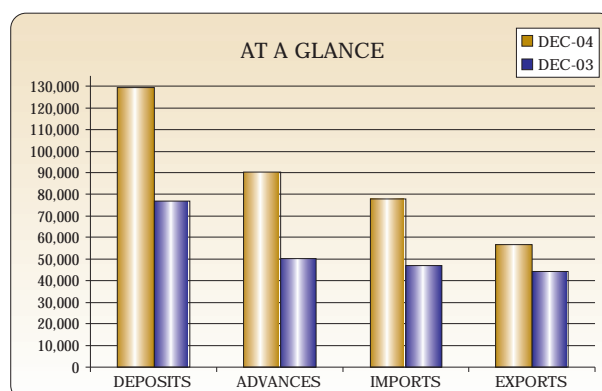
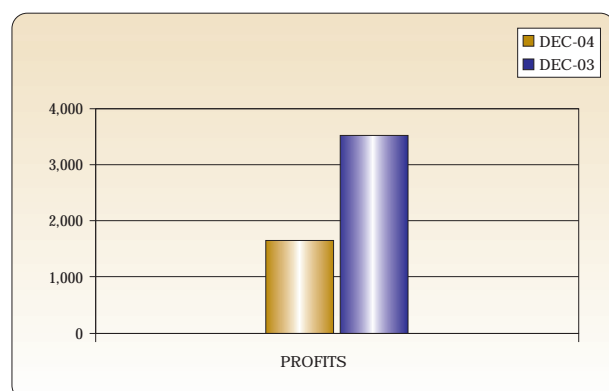
# Directors' Report to the Shareholders

The Board of Directors is pleased to present the audited financial statements of the Bank for the year 2004.

|   | 2004           | 2003        |
|---|----------------|-------------|
|   | Rupees in '000 |             |
| Profit before provision and Taxation  | 2,026,107      | 3,592,771   |
| Provisions  | (372,373)      | (87,091)    |
| Profit before Taxation  | 1,653,734      | 3,505,680   |
| Taxation  | (561,745)      | (1,382,446) |
| Profit After Taxation   | 1,091,989      | 2,123,234   |
| Unappropriated profit brought forward   | 463,042        | 250,050     |
| Effect of Change in accounting policy with respect to dividend<br>declared after the balance sheet date | 500,000        | 250,000     |
|   | 963,042        | 500,050     |
| Transfer from Surplus on revaluation of Fixed Assets  | 23,667         | 14,405      |
| Profit available for appropriations   | 2,078,698      | 2,637,689   |
| Appropriations  |                |             |
| - Transfer to statutory reserve   | (218,398)      | (424,647)   |
| - Issue of Bonus Shares - interim 25% (2003: 100%)  | (500,000)      | (1,000,000) |
| - Final dividend paid for 2003 @ 25 percent (2002:25 percent)   | (500,000)      | (250,000)   |
|   | (1,218,398)    | (1,674,647) |
| Unappropriated profit carried forward   | 860,300        | 963,042     |
| Earnings per share  | Rs. 4.37       | Rs. 8.49    |

## Operating Results - Rs. In Million

### Profit Before Tax





During the year the bank's profit before provision and tax stood at Rs. 2,026.107 million compared to Rs. 3,592.771 million the previous year. The previous year's profit had a one time profit component of sale of PIBs amounting to Rs. 2,190.702 million.

Also during the year under review, the Bank acquired a strategic stake in Warid Telecom (Private) Limited, an associated company. This investment is expected to yield substantial returns to the Bank in the future given the positive outlook for the telecom sector in Pakistan.

Major shareholders of the Bank offered 20 percent shares of the Bank to the general public during the year. The IPO was oversubscribed by 9 times reiterating the public's confidence in Bank Alfalah's management and business model. The Bank was also formally listed on the Karachi and Lahore Stock Exchanges.

The Bank also issued a subordinated debt worth Rs. 1.250 billion (Rs. 1.00 billion Pre-IPO and Rs. 250 million IPO) fortifying the Bank's capital structure in compliance with SBP regulations of Minimum Capital requirements.

The Bank also successfully concluded negotiations with a foreign bank for acquisition of their operations in Bangladesh.

The Bank enhanced the strength of its domestic branch network to 90 branches from 59 in the previous year. This included 11 branch offices of the Bank's Islamic Banking operations.

#### Economic Overview

The country's economy is well on the road to recovery owing to consistency in policies and implementation of sagacious structural reform programs. Real GDP growth

was recorded in excess of 6% and GDP growth during the year 2005 is expected at 7%. Financial institutions are expected to perform well in the forthcoming year as well given the overall conducive economic conditions in the country.

#### Credit Rating

The Bank has been awarded a credit rating of AA (double A) and A1+ (A one plus) for long term and short term respectively. These ratings are indicative of very low expectation of credit risk and a strong capacity for timely payment of financial commitments. Further, the unsecured subordinated debt (Term Finance Certificates) of the Bank has been awarded a credit rating of AA- (double A minus).

#### Corporate Governance

1. The Bank has implemented the requirements of the Code of Corporate Governance relevant for the year ended December 31, 2004. A prescribed statement by the management together with the Auditors' Review Report thereon is 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

|   |  |
|---|--|
| <p>statements and accounting estimates are based on reasonable and prudent judgment, except for the changes as indicated in notes 6.1 and 6.2. with which the auditors concur in auditors' report to the members.</p> <p>d) International Accounting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements.</p> <p>e) The system of internal control is sound in design and has been effectively implemented and monitored.</p> <p>f) There are no doubts about the Bank's ability to continue as a going concern.</p> <p>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.</p> <p>h) Summarized key operating and financial data of last seven years is annexed to the audited accounts.</p> <p>i) Book value of investments by Staff Provident Fund and Staff Gratuity Fund as at December 31, 2004 is:</p> <p>Staff Provident Fund      Rs.365.185 million<br/>Staff Gratuity Fund      Rs. 51.996 million</p> <p>j) The number of Board meetings held during 2004 were 5 and attended by directors as under:</p> | <p>No. of Meetings<br/>attended</p> <p>1. H. E. Hamdan Bin Mubarak Al Nahayan      4<br/>2. Mr: Abdulla Nasser Hawaileel Al Mansoori      3<br/>3. Mr: Abdulla Khalil Al Mutawa      5<br/>4. Mr: Khalid Mana Saeed Al Otaiba      5<br/>5. Mr: Mohammad Saleem Akhtar      5<br/>6. Mr: Nadeem Iqbal Sheikh      5<br/>7. Mr: Ikram Ul-Majeed Sehgal      4</p> <p>k) The pattern of shareholding is attached with this report.</p> <p><b>Risk Management</b></p> <p>In order to comply with SBP guidelines on risk management, our bank has with the approval of its board, chalked out a comprehensive plan which entails review, realignment and fine-tuning of existing policies &amp; procedures on both identification and management of risk. A significant part of the plan has already been developed and implemented to meet SBP guidelines. A few of such initiatives include:</p> <ul style="list-style-type: none"> <li>• Introduction of a standard credit application package that covers both general and industry-specific risk acceptance criteria. We have developed and implemented risk acceptance criteria taking into account the borrower position and industry in which the borrower is operating.</li> <li>• Development of a risk rating structure that ensures a higher degree of sophistication to measure credit risk.</li> <li>• Preparation of Risk Management Manual has been</li> </ul> |
|---|--|

outsourced and is currently being finalized.

- Setting up of the Risk Management division is currently underway.

Other initiatives in process include restructuring and realigning the delegation of credit approval authority in conjunction with the new sophisticated risk management technique, development of a Risk Based Pricing Model to track the capital and treasury operational requirements of the bank, designing of appropriate risk concentration models and defining the peak exposure levels per industry/borrower/risk grade.

#### Subsidiary Companies

Bank Alfalah Limited has effective shareholding in the following two entities:

|   |     |
|---|-----|
| Alfalah Securities (Private) Limited      | 70% |
| Alfalah GHP Investment Management Limited | 56% |

#### Future Plans

In 2005, we plan to open 55 more branches all over Pakistan which includes 5 Islamic Banking branches.

#### Acknowledgement

The Board would like to acknowledge the support of State Bank of Pakistan, Ministry of Finance and other regulatory authorities 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.

MOHAMMAD SALEEM AKHTAR  
 Director & Chief Executive Officer  
 Date : March 12, 2005  
 Abu Dhabi

## SEVEN YEAR FINANCIAL SUMMARY

|  | 1998   | 1999   | 2000   | 2001   | 2002   | Restated<br>2003 | 2004    |       |
|--|--------|--------|--------|--------|--------|------------------|---------|-------|
| Rupees in Million  |        |        |        |        |        |                  |         |       |
| <b>OPERATIONAL RESULTS</b>                                   |        |        |        |        |        |                  |         |       |
| Total Income   | 1,814  | 2,096  | 2,531  | 3,700  | 5,246  | 7,425            | 7,140   |       |
| Operating Expenses   | 337    | 403    | 511    | 744    | 1,184  | 1,803            | 2,679   |       |
| Profit before Income Tax and Provision                       | 162    | 218    | 304    | 510    | 948    | 3,593            | 2,026   |       |
| Profit before Income Tax                                     | 68     | 354    | 400    | 524    | 895    | 3,506            | 1,654   |       |
| Profit after Taxation  | 145    | 157    | 215    | 311    | 446    | 2,123            | 1,092   |       |
| <b>BALANCE SHEET</b>   |        |        |        |        |        |                  |         |       |
| Shareholders' Equity   | 859    | 895    | 901    | 1,362  | 1,616  | 3,753            | 4,369   |       |
| Total Assets   | 14,321 | 21,019 | 28,855 | 40,098 | 65,167 | 98,952           | 154,835 |       |
| Advances - net of provision                                  | 7,758  | 10,327 | 15,242 | 19,131 | 28,319 | 49,216           | 88,931  |       |
| Investments - net of provision                               | 3,407  | 4,993  | 4,875  | 11,397 | 24,470 | 28,904           | 35,503  |       |
| Deposits and other accounts                                  | 11,878 | 15,821 | 20,482 | 30,207 | 51,685 | 76,698           | 129,715 |       |
| <b>OTHERS</b>  |        |        |        |        |        |                  |         |       |
| Imports  | 4,709  | 5,909  | 13,858 | 26,658 | 33,879 | 46,807           | 78,472  |       |
| Exports  | 6,787  | 10,020 | 16,756 | 25,261 | 33,057 | 44,273           | 57,317  |       |
| <b>RATIOS</b>  |        |        |        |        |        |                  |         |       |
| Capital Adequacy   | %      | 13.08  | 13.52  | 8.35   | 9.56   | 8.70             | 8.45    | 8.13* |
| Profit before Tax ratio (PBT/Gross mark up income)           | %      | 4.17   | 18.60  | 17.70  | 15.45  | 19.67            | 86.92   | 29.43 |
| Gross spread ratio (Net mark up income/gross mark up income) | %      | 19.19  | 22.64  | 23.78  | 25.85  | 31.62            | 49.71   | 56.69 |
| Income/Expense ratio   | Times  | 5.38   | 5.20   | 4.95   | 5.07   | 4.43             | 4.12    | 2.67  |
| Return on Average Equity (ROE)                               | %      | 18.45  | 17.90  | 23.94  | 27.49  | 29.95            | 79.08   | 26.89 |
| Return on Average Assets (ROA)                               | %      | 1.17   | 0.89   | 0.89   | 0.90   | 0.85             | 2.59    | 0.86  |
| Advances/Deposits Ratio                                      | %      | 65.31  | 65.27  | 74.42  | 63.33  | 54.79            | 64.17   | 68.56 |
| Cash Dividends   | %      | -      | 20     | 35     | -      | 25               | 25      | -     |
| Stock Dividend   | %      | -      | -      | -      | -      | 33.33            | 100.00  | 25.00 |
| Book value per share excluding revaluation of Assets         | Rs.    | 14.31  | 14.92  | 15.01  | 18.15  | 16.16            | 18.77   | 17.48 |
| Book value per share including revaluation of Assets         | Rs.    | 14.31  | 30.44  | 28.64  | 28.80  | 36.53            | 23.79   | 21.05 |
| Basic Earnings per share                                     | Rs.    | 2.42   | 2.61   | 3.59   | 3.65   | 2.23             | 8.49    | 4.37  |
| Number of Employees  | No.    | 488    | 564    | 695    | 959    | 1,504            | 2,133   | 3,352 |

\*Not yet certified

## 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 as a defaulter by that Stock Exchange.
- iv) None of the Directors or their spouses is engaged in the business of Stock Exchange.
- v) "Statement of Ethics and Business Practices" are signed by the directors and employees of the bank.
- vi) The Board has already adopted its vision/mission statement, overall corporate strategy and significant policies. Work on materiality level is in process and will be approved in due course.
- vii) 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.
- viii) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board of Directors have met five times in the year and written notices on the Board meeting, 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.
- ix) 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.
- x) There was no new appointment of CFO, Company Secretary or Head of Internal Audit after the implementation of Corporate Governance.
- xi) An effective internal audit department has already been established.
- xii) 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.
- xiii) The financial statements of the bank have been duly endorsed by the Chief Executive Officer and the Chief Financial Officer.

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

- xiv) The bank has complied with all the applicable corporate and financial reporting requirements.
- xv) 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.
- xvi) The Board has formed an audit committee. It comprises of four members, two of which are non-executive directors of the bank.
- xvii) Audit Committee met eight times during the year 2004.
- xviii) 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 (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- xix) 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  
Date : March 12, 2005  
Abu Dhabi

## 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 Listing Regulations of Karachi Stock Exchange (Guarantee) Limited and 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 system 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.

Date: March 12, 2005

Taseer Hadi Khalid & Co.  
Chartered Accountants

Karachi.

## STATEMENT OF INTERNAL CONTROLS

This Statement of Internal Controls is based on an ongoing process designed to identify the significant risks in achieving the bank's policies, aims and objectives and to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been continuously in place for the year ended December 31, 2004.

It is the responsibility of the bank's management to establish and maintain an adequate and effective system of internal control and every endeavour is made to implement sound control procedures and to maintain a suitable control environment. In this connection the bank has a systems and procedures manual in place which documents policies, procedures and controls for each area of the bank's business, including financial reporting. The Board of Directors have also instituted an effective Internal Audit Division which not only monitors compliance with these policies, procedures and controls and reports significant deviations regularly to the Board Audit Committee but also regularly reviews the adequacy of the internal control system. The observations and weaknesses pointed out by the external auditors are also addressed promptly and necessary steps are taken by the management to eliminate such weaknesses.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the bank's business strategies and policies. It can therefore only provide reasonable and not absolute assurance against material misstatement or loss. In the view of the management, the bank's system of internal control is considered adequate and sound in design and is being effectively implemented and monitored.

For and on behalf of the Board

Mohammad Saleem Akhtar  
Director & Chief Executive Officer  
Date : March 12, 2005  
Abu Dhabi



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bank Alfalah Limited as at 31 December 2004 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 seventeen 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 except for the changes as indicated in notes 6.1 and 6.2 with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

## AUDITORS' REPORT TO THE MEMBERS

- (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 31 December 2004, 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.

Date: March 12, 2005

Taseer Hadi Khalid & Co.  
Chartered Accountants

Karachi.

## BALANCE SHEET

AS AT DECEMBER 31, 2004

|   | Note | 2004               | 2003<br>(Restated) |
|---|------|--------------------|--------------------|
| Rupees in '000                                      |      |                    |                    |
| <b>ASSETS</b>                                       |      |                    |                    |
| Cash and balances with treasury banks               | 8    | 19,708,518         | 8,423,399          |
| Balances with other banks                           | 9    | 3,183,957          | 626,917            |
| Lendings to financial institutions                  | 10   | -                  | 7,437,733          |
| Investments   | 11   | 35,503,196         | 28,903,596         |
| Advances  | 12   | 88,931,400         | 49,216,120         |
| Other assets  | 13   | 3,226,959          | 1,553,108          |
| Operating fixed assets                              | 14   | 4,280,504          | 2,791,626          |
| Deferred tax asset                                  |      | -                  | -                  |
|   |      | <u>154,834,534</u> | <u>98,952,499</u>  |
| <b>LIABILITIES</b>                                  |      |                    |                    |
| Bills payable                                       | 15   | 2,233,671          | 1,208,671          |
| Borrowings from financial institutions              | 16   | 12,723,830         | 13,127,754         |
| Deposits and other accounts                         | 17   | 129,714,891        | 76,698,322         |
| Sub - ordinated loans                               | 18   | 1,899,480          | 649,740            |
| Liabilities against assets subject to finance lease |      | -                  | -                  |
| Other liabilities                                   | 19   | 2,725,344          | 2,186,754          |
| Deferred tax liabilities                            | 20   | 275,834            | 323,010            |
|   |      | <u>149,573,050</u> | <u>94,194,251</u>  |
| <b>NET ASSETS</b>                                   |      | <u>5,261,484</u>   | <u>4,758,248</u>   |
| <b>REPRESENTED BY</b>                               |      |                    |                    |
| Share capital                                       | 21   | 2,500,000          | 2,000,000          |
| Reserves  |      | 1,008,772          | 790,374            |
| Unappropriated profit                               |      | 860,300            | 963,042            |
|   |      | <u>4,369,072</u>   | <u>3,753,416</u>   |
| Surplus on revaluation of assets                    | 22   | 892,412            | 1,004,832          |
|   |      | <u>5,261,484</u>   | <u>4,758,248</u>   |
| <b>CONTINGENCIES AND COMMITMENTS</b>                | 23   |                    |                    |

The annexed notes 1 to 43 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

## PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED DECEMBER 31, 2004

|  | Note | 2004        | 2003<br>(Restated) |
|--|------|-------------|--------------------|
| Rupees in '000   |      |             |                    |
| Mark-up / return / interest earned   | 24   | 5,620,203   | 4,033,380          |
| Mark-up / return / interest expensed   | 25   | 2,434,459   | 2,028,577          |
| Net mark-up / interest income  |      | 3,185,744   | 2,004,803          |
| Provision against non-performing loans and advances - net  | 12.4 | (370,208)   | (87,091)           |
| Provision for diminution in the value of investments   |      | (2,165)     | -                  |
| Bad debts written off directly   |      | (351)       | (418)              |
|  |      | (372,724)   | (87,509)           |
| Net mark-up / interest income after provisions   |      | 2,813,020   | 1,917,294          |
| <b>NON MARK-UP/INTEREST INCOME</b>   |      |             |                    |
| Fee, commission and brokerage income   |      | 675,868     | 399,383            |
| Dividend income  |      | 52,539      | 112,017            |
| Income from dealing in foreign currencies  |      | 218,820     | 106,848            |
| Other income   | 26   | 572,822     | 2,773,503          |
| Total non-mark up / interest income  |      | 1,520,049   | 3,391,751          |
|  |      | 4,333,069   | 5,309,045          |
| <b>NON MARK-UP/INTEREST EXPENSES</b>   |      |             |                    |
| Administrative expenses  | 27   | 2,677,635   | 1,799,490          |
| Other provisions / write offs  |      | -           | 2,000              |
| Other charges  | 28   | 1,700       | 1,875              |
| Total non-mark up / interest expenses  |      | 2,679,335   | 1,803,365          |
|  |      | 1,653,734   | 3,505,680          |
| Extraordinary / unusual items  |      | -           | -                  |
| <b>PROFIT BEFORE TAXATION</b>  |      | 1,653,734   | 3,505,680          |
| Taxation   |      |             |                    |
| For the year - Current   |      | 586,159     | 1,364,723          |
| - Deferred   |      | (3,663)     | (13,671)           |
| For prior year - Current   |      | (30,000)    | 22,887             |
| - Deferred   |      | 9,249       | 8,507              |
|  | 29   | 561,745     | 1,382,446          |
| <b>PROFIT AFTER TAXATION</b>   |      | 1,091,989   | 2,123,234          |
| Unappropriated profit brought forward as previously reported   |      | 463,042     | 250,050            |
| Effect of Change in accounting policy with respect to dividend declared after the balance sheet date |      | 500,000     | 250,000            |
| Unappropriated profit brought forward as restated  |      | 963,042     | 500,050            |
| Transfer from general reserve  |      | -           | -                  |
| Transfer from surplus on revaluation of fixed assets - Current year net of tax                       |      | 23,667      | 14,405             |
| Profit available for appropriation   |      | 2,078,698   | 2,637,689          |
| <b>APPROPRIATIONS</b>  |      |             |                    |
| Transfer to statutory reserve  |      | (218,398)   | (424,647)          |
| Bonus shares   |      | (500,000)   | (1,000,000)        |
| Final dividend paid for 2003 @ 25 percent (2002: 25 percent)   |      | (500,000)   | (250,000)          |
|  |      | (1,218,398) | (1,674,647)        |
| Unappropriated profit carried forward  |      | 860,300     | 963,042            |
| (Rupees)   |      |             |                    |
| Basic and diluted earnings per share   | 30   | 4.37        | 8.49               |

The annexed notes 1 to 43 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

## CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2004

|   | Note | 2004         | 2003         |
|---|------|--------------|--------------|
| Rupees in '000  |      |              |              |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>            |      |              |              |
| Profit / (loss) before taxation                       |      | 1,653,734    | 3,505,680    |
| Dividend income                                       |      | (52,539)     | (112,017)    |
|   |      | 1,601,195    | 3,393,663    |
| Adjustments for non-cash charges                      |      |              |              |
| Depreciation  |      | 294,446      | 186,574      |
| Amortization - intangible assets                      |      | 11,886       | 21,085       |
| Provision against non-performing advances             |      | 370,208      | 87,091       |
| Provision for diminution in the value of investments  |      | 2,165        | -            |
| Provision against other assets                        |      | -            | 2,000        |
| Bad debts written off directly                        |      | 351          | 418          |
| Gain on sale of fixed assets                          |      | (4,297)      | (6,903)      |
| Provision for gratuity                                |      | 27,531       | 21,096       |
|   |      | 702,290      | 311,361      |
|   |      | 2,303,485    | 3,705,024    |
| (Increase) / decrease in operating assets             |      |              |              |
| Lendings to financial institutions                    |      | 6,787,733    | (2,703,335)  |
| Advances  |      | (40,085,839) | (20,934,823) |
| Others assets - net of provision against other assets |      | (1,675,903)  | (402,028)    |
|   |      | (34,974,009) | (24,040,186) |
| Increase / (decrease) in operating liabilities        |      |              |              |
| Bills payable   |      | 1,025,000    | 449,710      |
| Borrowings from financial institutions                |      | (403,924)    | 7,090,178    |
| Deposits  |      | 53,016,569   | 25,013,338   |
| Other liabilities                                     |      | 1,328,383    | 438,115      |
|   |      | 54,966,028   | 32,991,341   |
|   |      | 22,295,504   | 12,656,179   |
| Gratuity paid   |      | (27,531)     | (73,573)     |
| Income tax paid                                       |      | (1,345,952)  | (539,529)    |
| Net cash flow from operating activities               |      | 20,922,021   | 12,043,077   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>            |      |              |              |
| Net investments in available-for-sale securities      |      | 22,464,569   | (6,096,789)  |
| Net investments in held-to-maturity securities        |      | (27,753,009) | (687,520)    |
| Net investments in held-for-trading securities        |      | (283,065)    | -            |
| Investment in subsidiary companies                    |      | (33,600)     | (42,000)     |
| Investment in associated company                      |      | (1,138,176)  | -            |
| Dividend received                                     |      | 54,629       | 127,389      |
| Investments in operating fixed assets                 |      | (1,798,145)  | (749,771)    |
| Sale proceeds of fixed assets disposed off            |      | 7,195        | 32,976       |
| Net cash flow from investing activities               |      | (8,479,602)  | (7,415,715)  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>            |      |              |              |
| Issue of Term Finance Certificates                    |      | 1,250,000    | -            |
| Redemption of Term Finance Certificates               |      | (260)        | (260)        |
| Dividend paid   |      | (500,000)    | (250,000)    |
| Net cash flow from financing activities               |      | 749,740      | (250,260)    |
| Increase in cash and cash equivalents                 |      | 13,192,159   | 4,377,102    |
| Cash and cash equivalents at beginning of the year    |      | 9,700,316    | 5,323,214    |
| Cash and cash equivalents at end of the year          | 31   | 22,892,475   | 9,700,316    |

The annexed notes 1 to 43 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2004

|  | Share capital    | Statutory reserve | Unappropriated profit | Total            |
|--|------------------|-------------------|-----------------------|------------------|
|  | (Rupees in '000) |                   |                       |                  |
| Balance at January 1, 2003 as previously reported  | 1,000,000        | 365,727           | 250,050               | 1,615,777        |
| Effect of Change in accounting policy with respect to dividend declared after the balance sheet date | -                | -                 | 250,000               | 250,000          |
| Balance at January 1, 2003 as restated   | 1,000,000        | 365,727           | 500,050               | 1,865,777        |
| Profit after tax for the year ended December 31, 2003  | -                | -                 | 2,123,234             | 2,123,234        |
| Transfer to statutory reserve  | -                | 424,647           | (424,647)             | -                |
| Transfer from surplus on revaluation of fixed assets - Current year net of tax                       | -                | -                 | 14,405                | 14,405           |
| Final dividend of 2002 @ 25 percent - paid   | -                | -                 | (250,000)             | (250,000)        |
| Issue of bonus shares  | 1,000,000        | -                 | (1,000,000)           | -                |
| Proposed dividend  | -                | -                 | (500,000)             | (500,000)        |
| Balance at December 31, 2003 as previously reported  | 2,000,000        | 790,374           | 463,042               | 3,253,416        |
| Effect of Change in accounting policy with respect to dividend declared after the balance sheet date | -                | -                 | 500,000               | 500,000          |
| Balance at December 31, 2003 as restated   | 2,000,000        | 790,374           | 963,042               | 3,753,416        |
| Profit after taxation for the year ended December 31, 2004   | -                | -                 | 1,091,989             | 1,091,989        |
| Transfer to statutory reserve  | -                | 218,398           | (218,398)             | -                |
| Transferred from surplus on revaluation of fixed assets - Current year net of tax                    | -                | -                 | 23,667                | 23,667           |
| Issue of bonus shares  | 500,000          | -                 | (500,000)             | -                |
| Final dividend of 2003 @ 25 percent - paid   | -                | -                 | (500,000)             | (500,000)        |
| Balance at December 31, 2004   | <u>2,500,000</u> | <u>1,008,772</u>  | <u>860,300</u>        | <u>4,369,072</u> |

The annexed notes 1 to 43 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2004

#### 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 90 branches (2003: 59 branches) including 11 Islamic branches (2003: 5 branches) with the registered office at B.A. Building, I. I. Chundrigar Road, Karachi. The Bank is listed on Karachi and Lahore Exchanges.

#### 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.

Further, these accounts are being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

#### 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 the 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. CHANGE IN ACCOUNTING ESTIMATES

- 5.1 During the current year, the bank changed the method of computation of provision for irrecoverable advances in order to comply with the requirements of the revised Prudential Regulations, issued by the State Bank of Pakistan. The revised regulations, requires banks / DFIs to discount the value of collaterals considered against non-performing advances and make general provisions against consumer financing.

Had this change not been made the profit for the year and advances would have been higher by Rs. 95.657 million.

- 5.2 During the current year, the bank changed the rate of depreciation on Computers and related Equipments from 20 percent per annum to 25 percent per annum.

Had this change not been made the profit for the year and operating fixed assets would have been higher by Rs. 12.239 million.

### 6. CHANGE IN ACCOUNTING POLICY

- 6.1 During the current year the bank has changed its accounting policy pertaining to recognition of dividends declared subsequent to the year end. The change has been made consequent to the amendment made by the Securities and Exchange Commission of Pakistan in the Companies Ordinance, 1984 and the new policy is in accordance with the requirements of IAS 10 (Events after the Balance Sheet Date). As per the new policy dividends declared subsequent to the balance sheet date are considered as a non-adjusting event and are not recognised in the financial statements as liability. Previously such dividend declarations were being treated as adjusting events in the financial statements of the bank and were recorded as liability. The change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with the benchmark treatment specified in IAS 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies). Had there been no change in the accounting policy, the unappropriated profit would have been lower and other liabilities would have been higher for the year ended December 31, 2003 by Rs. 500 million.

- 6.2 Effective July 13, 2004 the bank has changed its accounting policy in respect of accounting for unrealised surplus/ deficit arising on revaluation of investments categorised as 'held for trading'. Previously, surplus/ deficit was being shown in the balance sheet below equity as required by BSD Circular No. 20 dated August 4, 2000. This has been made to comply with the requirements specified in BSD Circular No. 10 dated July 13, 2004 as amended vide BSD Circular No. 11 dated August 4, 2004 and BSD Circular No.14 dated September 24, 2004. Had the accounting policy not been changed, the profit for the year would have been higher by Rs. 2.165 million.

During the current year, the Bank has also changed its accounting policy in respect of valuation of investments classified as held to maturity. According to the new policy, these investments are carried at amortized cost. Previously, these investments were marked to market as per the requirements of SBP's BSD Circular No. 20 dated August 4, 2000 and the related surplus / deficit was shown in the balance sheet below equity. This change has been made to comply with the requirements laid down in BSD Circular No. 14 dated September 24, 2004, issued by the State Bank of Pakistan. The change in accounting policy did not have any impact on the profit and loss account for the current and the prior period. Had the accounting policy not been changed, the surplus on revaluation of assets as at December 31, 2004 would have been lower by Rs. 393.396 million net of deferred tax.

### 7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 7.1 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 FINANCIAL STATEMENTS

### 7.2 Revenue recognition

Mark-up income and expense and profit on murabaha and musharika financing 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 and ijarah 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.

### 7.3 Advances

Loans and advances including financing under murabaha and musharika and net investment in finance lease / ijarah are stated net of provisions against non-performing advances. Specific and general provisions are 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 / ijarah financing 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.

### 7.4 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.

## NOTES TO THE FINANCIAL STATEMENTS

### Available for sale

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

Investment in associates and subsidiaries are carried at cost less impairment loss, if any.

Investments are classified into 'held to maturity', 'held for trading' or 'available for sale' categories in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004 as amended vide BSD Circular No. 11 dated August 4, 2004 and BSD Circular No.14 dated September 24, 2004.

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 recognised on a time proportion basis over the period of the transaction and is included in mark-up / return / interest earned or expensed.

## 7.5 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 using the rates specified in note 14.2 to the accounts.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### Intangible assets

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

### 7.6 Capital work in progress

Capital work in progress is stated at cost.

### 7.7 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 and minimum tax liability at the rate of 0.5 percent of turnover under section 113 of the Income Tax Ordinance, 2001.

#### 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.

### 7.8 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, 2004 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.

### 7.9 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.

## NOTES TO THE FINANCIAL STATEMENTS

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.

### 7.10 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.

### 7.11 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.

### 7.12 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.

### 7.13 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.

|   |     | 2004              | 2003             |
|---|-----|-------------------|------------------|
|   |     | Rupees in '000    |                  |
| <b>8. CASH AND BALANCES WITH TREASURY BANKS</b>           |     |                   |                  |
| <b>In hand</b>  |     |                   |                  |
| Local currency (including in transit Rs. 60.000 million)  |     | 2,971,777         | 1,580,857        |
| Foreign currency (including in transit Rs. 3.740 million) |     | 497,893           | 637,817          |
| <b>With State Bank of Pakistan in</b>                     |     |                   |                  |
| Local currency current account                            | 8.1 | 13,132,499        | 4,459,474        |
| Foreign currency current account                          | 8.2 | 655,193           | 369,310          |
| Foreign currency deposit account                          | 8.3 | 1,793,320         | 1,107,929        |
| <b>With National Bank of Pakistan in</b>                  |     |                   |                  |
| local currency current account                            |     | 657,836           | 268,012          |
|   |     | <u>19,708,518</u> | <u>8,423,399</u> |

## NOTES TO THE FINANCIAL STATEMENTS

- 8.1 This account is maintained with SBP under the requirement of section 22 of the Banking Companies Ordinance, 1962.
- 8.2 This account is maintained with SBP under the requirement of BSD Circular No.18 dated March 31, 2001.
- 8.3 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 0.62% to 1.29% was paid during the year.
- 8.4 This includes balances of Islamic Banking Division amounting to Rs. 2,719 million (2003: Rs. 187.767 million).

### 9. BALANCES WITH OTHER BANKS

|                         | 2004             | 2003           |
|-------------------------|------------------|----------------|
|                         | Rupees in '000   |                |
| <b>In Pakistan</b>      |                  |                |
| On current account      | 127,174          | 72,011         |
| On deposit account      | 50,000           | 19,534         |
| <b>Outside Pakistan</b> |                  |                |
| On current account      | 1,861,578        | 415,982        |
| On deposit account      | 1,145,205        | 119,390        |
|                         | <b>9.1</b>       |                |
|                         | <u>3,183,957</u> | <u>626,917</u> |

- 9.1 This represents placements of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 1.75% to 4.76% per annum with maturities upto July 2005.

- 9.2 This includes balances of Islamic Banking Division amounting to Rs. 127.523 million (2003: Nil)

|   | 2004           | 2003             |
|---|----------------|------------------|
|   | Rupees in '000 |                  |
| <b>10. LENDINGS TO FINANCIAL INSTITUTIONS</b> |                |                  |
| Call money lendings                           | –              | 650,000          |
| Repurchase agreement lendings (Reverse Repo)  | 10.1           | 6,787,733        |
|   | <u>–</u>       | <u>7,437,733</u> |

#### 10.1 Securities held as collateral against lendings to financial institutions

|                           | 2004           |                             |          | 2003             |                             |                  |
|---------------------------|----------------|-----------------------------|----------|------------------|-----------------------------|------------------|
|                           | 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        |
| Pakistan Investment Bonds | –              | –                           | –        | 1,850,000        | –                           | 1,850,000        |
|                           | <u>–</u>       | <u>–</u>                    | <u>–</u> | <u>6,787,733</u> | <u>–</u>                    | <u>6,787,733</u> |

## NOTES TO THE FINANCIAL STATEMENTS

## 11. INVESTMENTS

## 11.1 Investment by type

|   | 2004            |                        |            | 2003            |                        |            |
|---|-----------------|------------------------|------------|-----------------|------------------------|------------|
|   | Held<br>by Bank | Given as<br>collateral | Total      | Held<br>by bank | Given as<br>collateral | Total      |
|   | Rupees in '000  |                        |            |                 |                        |            |
| Available for sale securities   |                 |                        |            |                 |                        |            |
| Treasury Bills  | –               | –                      | –          | 11,014,906      | 3,862,995              | 14,877,901 |
| Pakistan Investment Bonds   | 3,328,439       | 877,420                | 4,205,859  | 8,331,101       | 2,458,230              | 10,789,331 |
| Federal Investment Bonds  | 15,598          | –                      | 15,598     | 301,093         | –                      | 301,093    |
| Fully paid up ordinary shares/units                                   | 512,034         | –                      | 512,034    | 1,074,734       | –                      | 1,074,734  |
| Term Finance Certificates   | 362,043         | –                      | 362,043    | 302,557         | –                      | 302,557    |
| Certificate of Investments  | 205,168         | –                      | 205,168    | 400,000         | –                      | 400,000    |
| Prize Bonds   | 4,297           | –                      | 4,297      | 23,952          | –                      | 23,952     |
| Swift Shares  | 631             | –                      | 631        | 631             | –                      | 631        |
| Shares of Pakistan Export Finance<br>Guarantee Agency Ltd.            | 5,725           | –                      | 5,725      | 5,725           | –                      | 5,725      |
|   | 4,433,935       | 877,420                | 5,311,355  | 21,454,699      | 6,321,225              | 27,775,924 |
| Held to maturity securities   |                 |                        |            |                 |                        |            |
| Government Bonds  | 85,341          | –                      | 85,341     | 85,341          | –                      | 85,341     |
| Pakistan Investment Bonds   | 8,534,837       | 1,598,129              | 10,132,966 | –               | –                      | –          |
| Treasury Bills  | 13,918,840      | 3,259,769              | 17,178,609 | –               | –                      | –          |
| Term Finance Certificates   | 1,141,429       | –                      | 1,141,429  | 699,995         | –                      | 699,995    |
|   | 23,680,447      | 4,857,898              | 28,538,345 | 785,336         | –                      | 785,336    |
| Held for Trading  |                 |                        |            |                 |                        |            |
| Fully paid up ordinary shares<br>-Listed Companies                    | 283,065         | –                      | 283,065    | –               | –                      | –          |
| Associates  |                 |                        |            |                 |                        |            |
| Warid Telecom (Pvt.) Ltd.   | 1,138,176       | –                      | 1,138,176  | –               | –                      | –          |
| Subsidiaries  |                 |                        |            |                 |                        |            |
| Alfalah Securities (Pvt.) Ltd.  | 42,000          | –                      | 42,000     | 42,000          | –                      | 42,000     |
| Alfalah GHP Investment<br>Management Ltd.                             | 33,600          | –                      | 33,600     | –               | –                      | –          |
|   | 75,600          | –                      | 75,600     | 42,000          | –                      | 42,000     |
|   | 29,611,223      | 5,735,318              | 35,346,541 | 22,282,035      | 6,321,225              | 28,603,260 |
| Provision for diminution in value<br>of held for trading investments  | (2,165)         | –                      | (2,165)    | –               | –                      | –          |
| Surplus on revaluation of available<br>for sale securities (net) 22.2 | 138,471         | 20,349                 | 158,820    | 289,871         | 10,465                 | 300,336    |
|   | 136,306         | 20,349                 | 156,655    | 289,871         | 10,465                 | 300,336    |
|   | 29,747,529      | 5,755,667              | 35,503,196 | 22,571,906      | 6,331,690              | 28,903,596 |

11.1.1 This includes investments of Islamic Banking Division amounting to Rs. 124.587 million (2003: Nil).

11.1.2 This includes investment in related parties amounting to Rs. 1,213.776 million (2003: Rs. 42 million).

## NOTES TO THE FINANCIAL STATEMENTS

### 11.2 Investments by segment

|   | Note    | 2004              | 2003              |
|---|---------|-------------------|-------------------|
| Rupees in '000  |         |                   |                   |
| <b>Federal Government Securities</b>  |         |                   |                   |
| - Treasury Bills  | 11.2.1  | 17,178,609        | 14,877,901        |
| - Pakistan Investment Bonds   | 11.2.2  | 14,338,825        | 10,789,331        |
| - Federal Investment Bonds  | 11.2.3  | 15,598            | 301,093           |
| - Government Bonds  | 11.2.4  | 85,341            | 85,341            |
| - Prize Bonds   |         | 4,297             | 23,952            |
|   |         | <u>31,622,670</u> | <u>26,077,618</u> |
| <b>Fully Paid up Ordinary Shares</b>  |         |                   |                   |
| - Listed Companies  | 11.2.5  | 795,099           | 1,074,734         |
| - Unlisted Companies  | 11.2.6  | 6,356             | 6,356             |
|   |         | <u>801,455</u>    | <u>1,081,090</u>  |
| <b>Term Finance Certificates, Debentures,<br/>Bonds and Participation Term Certificates</b> |         |                   |                   |
| - Term Finance Certificates - quoted  | 11.2.7  | 362,043           | 302,557           |
| - Term Finance Certificates - unquoted  | 11.2.8  | 1,141,429         | 699,995           |
|   |         | <u>1,503,472</u>  | <u>1,002,552</u>  |
| Investment in subsidiary companies  | 11.2.9  | 75,600            | 42,000            |
| Investment in associated company  | 11.2.10 | 1,138,176         | -                 |
| <b>Other Investments</b>  |         |                   |                   |
| Certificate of Investments  | 11.2.11 | 205,168           | 400,000           |
|   |         | <u>35,346,541</u> | <u>28,603,260</u> |
| Provision for diminution in value of held<br>for trading investments                        |         | (2,165)           | -                 |
| Surplus on revaluation of available<br>for sale securities (net)                            | 22.2    | 158,820           | 300,336           |
|   |         | <u>156,655</u>    | <u>300,336</u>    |
|   |         | <u>35,503,196</u> | <u>28,903,596</u> |

11.2.1 Treasury bills are for the periods of six months and one year. The rates of profit on treasury bills range between 1.95% to 2.90% per annum with maturities upto September 2005.

11.2.2 Pakistan Investment Bonds are for the periods of three, five, ten and fifteen years. The rates of profit range from 6% to 14% per annum with maturities from January 2005 to June 2019.

11.2.3 Federal Investment Bonds are for the period of ten years. The rate of profit is 15% per annum with maturities ranging from April 2005 to October 2005.

11.2.4 This represents bonds issued by the Federal Government to settle the dues of Heavy Mechanical Complex at the rate of 6% per annum redeemable on maturity in March 2009.

## NOTES TO THE FINANCIAL STATEMENTS

### 11.2.5 Investments in listed companies / funds include the following:

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

| 2004                                | 2003      |   | 2004           | 2003             |
|-------------------------------------|-----------|---|----------------|------------------|
| No. of shares<br>certificates/units |           |   | Rupees in '000 |                  |
|                                     |           | <b>MUTUAL FUNDS</b>                           |                |                  |
| –                                   | 400,000   | Pakistan Income Fund Units*                   | –              | 19,984           |
| –                                   | 100,000   | Pakistan Stock Market Fund Units*             | –              | 6,081            |
| 50,000                              | 50,000    | Atlas Income Fund**                           | 25,000         | 25,000           |
| 8,095,790                           | –         | ABAMCO Composite Fund                         | 80,898         | –                |
| 2,500,000                           | –         | Meezan Balanced Fund                          | 25,000         | –                |
| 2,319,500                           | –         | Pakistan Strategic Allocation Fund            | 23,190         | –                |
|                                     |           | *The par value of these units is Rs. 50       |                |                  |
|                                     |           | **The par value of these units is Rs. 500     |                |                  |
|                                     |           | <b>INVESTMENT COMPANIES &amp; BANKS</b>       |                |                  |
| 2,635,000                           | 3,833,000 | Askari Commercial Bank Limited                | 188,788        | 160,932          |
| 150,000                             | 475,000   | National Bank of Pakistan                     | 12,129         | 25,641           |
| –                                   | 998,500   | Prime Commercial Bank Limited                 | –              | 13,570           |
| 399,000                             | –         | Bank of Punjab                                | 26,616         | –                |
| 275,000                             | –         | Muslim Commercial Bank Limited                | 16,447         | –                |
|                                     |           | <b>MODARABAS</b>                              |                |                  |
| –                                   | 1,814,000 | First National Bank Modaraba                  | –              | 18,140           |
|                                     |           | <b>CEMENT</b>                                 |                |                  |
| –                                   | 950,000   | Maple Leaf Cement Company                     | –              | 31,466           |
| –                                   | 2,208,000 | Fauji Cement Limited                          | –              | 28,461           |
| 698,000                             | 7,004,000 | D. G. Khan Cement Limited (Preference Shares) | 7,696          | 77,185           |
| 300,000                             | –         | Pioneer Cement Limited                        | 6,086          | –                |
|                                     |           | <b>FUEL &amp; ENERGY</b>                      |                |                  |
| 2,887,000                           | 6,475,500 | Hub Power Company Limited                     | 98,939         | 263,718          |
| –                                   | 300,640   | Oil & Gas Development Corporation Limited     | –              | 9,623            |
| –                                   | 173,800   | Pakistan Oilfields Limited                    | –              | 40,584           |
| –                                   | 1,258,000 | Southern Electric Power Co. Limited           | –              | 21,410           |
| –                                   | 258,100   | Attock Refinery Limited                       | –              | 27,496           |
| 5,342,000                           | 5,902,500 | Kohinoor Energy Limited                       | 166,790        | 164,269          |
| 250,000                             | –         | Sui Northern Gas Pipelines Limited            | 15,358         | –                |
| 475,000                             | –         | Sui Southern Gas Company Limited              | 12,580         | –                |
| 150,000                             | –         | Japan Power Generation Limited                | 1,080          | –                |
|                                     |           | <b>TECHNOLOGY &amp; COMMUNICATION</b>         |                |                  |
| 1,000,000                           | 400,000   | Pakistan Telecommunication Company Limited    | 44,250         | 14,512           |
| 1,534,500                           | –         | Call Mate Telips Limited                      | 24,972         | –                |
| 1,400,000                           | –         | Southern Networks Limited                     | 14,000         | –                |
|                                     |           | <b>CHEMICALS &amp; PHARMACEUTICALS</b>        |                |                  |
| –                                   | 1,312,700 | Fauji Fertilizer Company Limited              | –              | 126,662          |
| 400,000                             | –         | Pakistan PTA Limited                          | 5,280          | –                |
|                                     |           |   | <u>795,099</u> | <u>1,074,734</u> |



## NOTES TO THE FINANCIAL STATEMENTS

### 11.2.6 Investment in unlisted companies

| 2004          | 2003    |  | 2004           | 2003         |
|---------------|---------|--|----------------|--------------|
| No. of shares |         |  | Rupees in '000 |              |
| 572,531       | 572,531 | Pakistan Export Finance Guarantee Agency Limited<br>Chief Executive : Mr. S. M. Zaem | 5,725          | 5,725        |
| 5             | 5       | Shares of SWIFT  | 631            | 631          |
|               |         |  | <u>6,356</u>   | <u>6,356</u> |

### 11.2.7 Term Finance Certificates - Quoted, Secured

#### Dewan Salman Fibres Limited

11,800 (2003: 11,800) certificates of Rs 5,000 each

Mark up: 16% per annum

Redemption: Eight equal quarterly installments commencing September 2003

Maturity: June 2005

14,726

44,179

#### ICI Pakistan Limited

NIL (2003: 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 at any time at par value plus a premium

Maturity: August 2006

–

59,952

#### Engro Asahi Polymer & Chemical Limited

NIL (2003: 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

#### Gulistan Textile Mills Limited

6,000 (2003: 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

19,984

29,976

#### Pak Arab Refinery Company Limited

NIL (2003: 15,000) certificates of Rs 5,000 each

Mark up: 1.45% above SBP discount rate with a floor of 13% per annum and a ceiling of 15% per annum

Redemption: Two equal semi-annual installments commencing March 2004

Maturity: December 2004

–

74,940

## NOTES TO THE FINANCIAL STATEMENTS

|   | 2004           | 2003   |
|---|----------------|--------|
|   | Rupees in '000 |        |
| <p>Quetta Textile Mills Limited<br/> NIL (2003: 8,712) certificates of Rs 5,000 each<br/> Mark up: 2.5% above weighted average of the last three cut off yield of 5 year Pakistan Investment Bond with a floor of 13% per annum and a ceiling of 18% per annum<br/> Redemption: Six semi-annual installments commencing December 2004; the issuer has a call option exercisable at par after March 2005<br/> Maturity: September 2007</p>   | -              | 43,560 |
| <p>Bank Al Habib Limited<br/> 250 (2003: Nil) certificates of Rs. 100,000 each<br/> 4,350 (2003: NIL) certificates of Rs 5,000 each<br/> Mark up: The average 6 month Karachi Inter Bank Offer Rate (KIBOR) + 1.50% per annum with a floor of 3.50% and a cap of 10.00% per annum<br/> Redemption: The TFC is structured to redeem 0.25% of principal semi-annually in the first 78 months and the remaining principal in three semi-annual instalments of 33.25% respectively starting from the 84th month<br/> Maturity: June 2012</p>  | 46,750         | -      |
| <p>Trust Leasing Corporation Limited<br/> 11,136* (2003: NIL) certificates of Rs 5,000 each<br/> Mark up: 3.00% + KIBOR (6 months ask side) with a floor of 6.00% per annum and a cap of 10.00% per annum<br/> Redemption: Principal repayment in 10 equal semi-annual instalments; profit payable on semi-annual basis<br/> Maturity: July 2009<br/> * 8,000 in pre IPO Participation, 3,136 in IPO</p>  | 55,680         | -      |
| <p>Crescent Leasing Corporation Limited<br/> 10,000 (2003: NIL) certificates of Rs 5,000 each<br/> Mark up: Six months KIBOR (Average, Ask Side) + 1.75% per annum<br/> Redemption: Ten equal semi-annual instalments commencing January 2005; the issuer has a call option exercisable at any time from the beginning of the nineteenth month till the end of the sixtieth month from the issue date only on a profit payment date subject to a 30 day notice period<br/> Maturity: July 2009</p>  | 50,000         | -      |
| <p>First Dawood Investment Bank Limited (formerly Dawood Leasing Company Limited)<br/> 6,000 (2003: NIL) certificates of Rs 5,000 each<br/> Mark up: On SBP discount rate + 1.75% per annum with a floor of 13.50% and a cap of 17.50% per annum<br/> Redemption: Bullet at maturity; the issuer has a call option exercisable in whole for redemption at face value at the end of every 5 years from the date of issue. The investor has a Put Option exercisable in whole for redemption at face value at the end of every 5 years from the date of issue.<br/> Maturity September 2006</p> | 33,615         | -      |

## NOTES TO THE FINANCIAL STATEMENTS

|  | 2004           | 2003    |
|--|----------------|---------|
|  | Rupees in '000 |         |
| <p>First Dawood Investment Bank Limited (formerly Dawood Leasing Company Limited)<br/>           2,000 (2003: NIL) certificates of Rs 5,000 each<br/>           Mark up: On SBP discount rate + 1.75% per annum with a floor of 12.25% and a cap of 16.25% per annum<br/>           Redemption: Bullet at maturity; the issuer has a call option exercisable in whole for redemption at face value at the end of every 5 years from the date of issue. The investor has a Put Option exercisable in whole for redemption at face value at the end of every 5 years from the date of issue.<br/>           Maturity: September 2007</p>   | 11,304         | -       |
| <p>Gulshan Spinning Mills Limited<br/>           10,000 (2003: NIL) certificates of Rs 5,000 each<br/>           Mark up: Six months KIBOR (Average, Ask Side) + 1.80% per annum with a cap of 15% per annum<br/>           Redemption: Seven equal semi-annual instalments commencing June 2006<br/>           Maturity: June 2009</p>  | 50,000         | -       |
| <p>Paramount Spinning Mills Limited<br/>           16,000 (2003: NIL) certificates of Rs 5,000 each<br/>           Mark up: Six months KIBOR (Average, Ask Side) + 1.80% per annum with a cap of 15% per annum<br/>           Redemption: Seven equal semi-annual instalments commencing June 2006<br/>           Maturity: September 2009</p>   | 79,984         | -       |
|  | 362,043        | 302,557 |
| <b>11.2.8 Term Finance Certificates - Unquoted, Secured</b>  |                |         |
| <p>Pakistan International Airlines Corporation<br/>           100,000 (2003: 100,000) certificates of Rs 5,000 each<br/>           Mark up: SBP discount rate + 0.5% per annum with a floor of 8% per annum and a cap of 12.50% per annum.<br/>           Redemption: first four equal semi-annual instalments commencing August 2003 amounting to Rs. 5,000 each. Next six equal semi-annual instalments commencing August 2005 amounting to Rs. 12,499,500 each, subsequent six equal semi-annual instalments 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.<br/>           Maturity: February 2011</p> | 499,985        | 499,995 |
| <p>Al-Abbas Sugar Mills (Pvt.) Limited<br/>           10,000 (2003: 10,000) certificates of Rs 5,000 each<br/>           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.<br/>           Redemption: Nineteen equal quarterly instalments 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.<br/>           Maturity: July 2008</p>   | 39,474         | 50,000  |

## NOTES TO THE FINANCIAL STATEMENTS

|  | 2004           | 2003    |
|--|----------------|---------|
|  | Rupees in '000 |         |
| <p>Pakistan Mobile Communications (Pvt.) Limited<br/>30,000 (2003: 30,000) certificates of Rs 5,000 each<br/>Mark up: Six month KIBOR (Average, Ask Side) + 1.60% per annum<br/>with a floor of 4.95% per annum and a cap of 12.00% per annum<br/>Redemption: Five equal semi-annual instalments commencing September 2006;<br/>the issuer has a call option exercisable any time from the 36th month to 54th<br/>month on a coupon date subject to 30 days notice period to repay in whole or in part.<br/>Maturity: September 2009</p>   | 150,000        | 150,000 |
| <p>Pakistan Mobile Communications (Pvt.) Limited<br/>50,000 (2003: NIL) certificates of Rs 5,000 each<br/>Mark up: Simple average of last three 6-month Treasury Bills cut-off rate + 2.25%<br/>per annum with a floor of 6.00% per annum and a cap of 12% per annum.<br/>Redemption: Five equal semi-annual instalments commencing September 2006;<br/>the issuer has a call option exercisable any time from the first principal repayment<br/>date (i.e. starting from the 36th month) onwards on a coupon date subject to<br/>30 days notice period to repay in whole or in part.<br/>Maturity: September 2008</p> | 251,970        | -       |
| <p>Azgard Nine Limited (formerly Legler Nafees Denim Mills Limited)<br/>500 (2003: NIL) certificates of Rs 100,000 each<br/>Mark up: Six month KIBOR + 1.75% per annum with no floor and cap<br/>Redemption: Eight equal semi-annual instalments commencing from eighteenth<br/>month of the issue date; the issuer has a call option exercisable at profit payment<br/>date to redeem in full or in part the outstanding issue amount of the TFCs<br/>Maturity: August 2009</p>   | 50,000         | -       |
| <p>Bosicor Pakistan Limited<br/>20,000 (2003: NIL) certificates of Rs 5,000 each<br/>Mark up: Six month KIBOR (Average, Ask Side) + 5.5% per annum with a floor<br/>of 9.00% per annum and a cap of 13.00% per annum payable semi-annually<br/>Redemption: Seven equal semi-annual instalments commencing August 2006;<br/>the issuer has a call option exercisable at any time from the 1st principal repayment<br/>date (i.e starting from the 24th month) onwards on a coupon date subject to a<br/>60 days notice period to repay in whole or in part.<br/>Maturity: August 2009</p>                               | 100,000        | -       |
| <p>Security Leasing Corporation Limited<br/>10,000 (2003: NIL) certificates of Rs 5,000 each<br/>Mark up: Six month KIBOR (Average, Ask Side) + 1.90 basis point per annum<br/>Redemption: Ten equal semi-annual instalments commencing January 2005;<br/>the issuer has a call option exercisable at any time from the beginning<br/>of the nineteenth month till the end of the sixtieth month from the issue date<br/>only on profit payment date subject to a 30 days notice period.<br/>Maturity: April 2008</p>  | 50,000         | -       |
|  | 1,141,429      | 699,995 |

## NOTES TO THE FINANCIAL STATEMENTS

11.2.9 This represents investment in 4.2 million (2003: 4.2 million) ordinary shares of Rs. 10 each of Alfalah Securities (Private) Limited - Chief Executive Mr. Mohammad Shoib Memon and 3.36 million (2003: NIL) ordinary shares of Rs. 10 each in Alfalah GHP Investment Management Limited - Chief Executive Mr. Aziz Anis Dhedhi.

11.2.10 This represents investment in 113.817 million (2003: NIL) ordinary shares of Rs. 10 each of Warid Telecom (Private) Limited - Chief Executive Mr. Hamid Farooq.

11.2.11 Particulars of Certificates of Investment are as follows:

|  | Tenor    | Profit rate<br>(% per annum) | 2004           | 2003           |
|--|----------|------------------------------|----------------|----------------|
|  |          |                              | Rupees in '000 |                |
| Pak Libya Holding Co. (Pvt.) Limited   | 3 years  | 5.25                         | 205,168        | 300,000        |
| First Dawood Investment Bank Limited<br>(formerly Dawood Leasing<br>Company Limited) | 6 months | 5.5                          | -              | 50,000         |
| First Dawood Investment Bank Limited<br>(formerly Dawood Leasing<br>Company Limited) | 1 year   | 5                            | -              | 50,000         |
|  |          |                              | <u>205,168</u> | <u>400,000</u> |

The investment includes PIBs having book value of Rs. 35 million (2003: 48.062 million) pledged with the National Bank of Pakistan as security to facilitate T.T. discounting facility.

|  |      |  | 2004              | 2003              |
|--|------|--|-------------------|-------------------|
|  |      |  | Rupees in '000    |                   |
| <b>12. ADVANCES</b>  |      |  |                   |                   |
| Loans, cash credits, running finances, etc. in Pakistan      |      |  | 80,733,210        | 45,709,334        |
| Net Investment in Finance Lease / Ijarah Financing           | 12.2 |  | 6,374,637         | 1,517,397         |
| Bills discounted and purchased<br>(excluding treasury bills) |      |  |                   |                   |
| Payable in Pakistan  |      |  | 1,647,111         | 1,064,076         |
| Payable outside Pakistan                                     |      |  | 1,536,499         | 2,081,424         |
|  |      |  | <u>3,183,610</u>  | <u>3,145,500</u>  |
|  |      |  | 90,291,457        | 50,372,231        |
| Provision for non-performing advances                        | 12.4 |  | (1,360,057)       | (1,156,111)       |
|  |      |  | <u>88,931,400</u> | <u>49,216,120</u> |
| <b>12.1 Particulars of advances</b>                          |      |  |                   |                   |
| <b>12.1.1 In local currency</b>                              |      |  | 86,892,902        | 45,656,382        |
| <b>In foreign currencies</b>                                 |      |  | 2,038,498         | 3,559,738         |
|  |      |  | <u>88,931,400</u> | <u>49,216,120</u> |
| <b>12.1.2 Short term (for up to one year)</b>                |      |  | 57,723,151        | 38,068,584        |
| <b>Long term (for over one year)</b>                         |      |  | 31,208,249        | 11,147,536        |
|  |      |  | <u>88,931,400</u> | <u>49,216,120</u> |

## NOTES TO THE FINANCIAL STATEMENTS

### 12.2 Net Investment in Finance Lease / Ijarah Financing

|   | 2004                    |  |                 |           | 2003      |
|---|-------------------------|--|-----------------|-----------|-----------|
|   | Not later than one year | Later than one year & less than five years | Over five years | Total     | Total     |
|   | Rupees in '000          |  |                 |           |           |
| Lease rental receivable                 | 974,019                 | 5,030,940                                  | 243,616         | 6,248,575 | 1,524,154 |
| Add: Residual value                     | 76,222                  | 900,959                                    | 20,496          | 997,677   | 205,082   |
| Minimum lease payments                  | 1,050,241               | 5,931,899                                  | 264,112         | 7,246,252 | 1,729,236 |
| Financial charges for future period     | (132,701)               | (693,693)                                  | (45,221)        | (871,615) | (211,839) |
| Present value of minimum lease payments | 917,540                 | 5,238,206                                  | 218,891         | 6,374,637 | 1,517,397 |

12.3 Advances include Rs. 2.935 billion (2003: Rs. 2.845 billion) which have been placed under non-performing status as detailed below:

| Category of classification        | Domestic         | Overseas | Total            | Provision required |                | Provision held |                |
|-----------------------------------|------------------|----------|------------------|--------------------|----------------|----------------|----------------|
|                                   |                  |          |                  | Specific           | General        | Specific       | General        |
| Other assets especially mentioned | 97,101           | -        | 97,101           | -                  | -              | 14             | -              |
| Substandard                       | 30,073           | -        | 30,073           | 4,064              | -              | 4,067          | -              |
| Doubtful                          | 1,798,532        | -        | 1,798,532        | 1,989              | -              | 2,573          | -              |
| Loss                              | 1,008,707        | -        | 1,008,707        | 829,553            | -              | 844,465        | -              |
|                                   | <u>2,934,413</u> | <u>-</u> | <u>2,934,413</u> | <u>835,606</u>     | <u>508,938</u> | <u>851,119</u> | <u>508,938</u> |

Classified advances include an amount of Rs. 1.776 billion (2003: Rs. 1.335 billion) fully covered through available liquid securities classified due to non-renewal of facilities.

### 12.4 Particulars of provision against non-performing advances:

|                     | 2004             |                |                  | 2003             |                |                  |
|---------------------|------------------|----------------|------------------|------------------|----------------|------------------|
|                     | Specific         | General        | Total            | Specific         | General        | Total            |
|                     | Rupees in '000   |                |                  |                  |                |                  |
| Opening balance     | 1,006,215        | 149,896        | 1,156,111        | 1,055,135        | 62,872         | 1,118,007        |
| Charge for the year | 92,053           | 359,052        | 451,105          | 82,390           | 87,075         | 169,465          |
| Reversals           | (80,887)         | (10)           | (80,897)         | (82,323)         | (51)           | (82,374)         |
|                     | 11,166           | 359,042        | 370,208          | 67               | 87,024         | 87,091           |
| Amounts written off | 12.5.1 (166,262) | -              | (166,262)        | (48,987)         | -              | (48,987)         |
| Closing balance     | <u>851,119</u>   | <u>508,938</u> | <u>1,360,057</u> | <u>1,006,215</u> | <u>149,896</u> | <u>1,156,111</u> |

## NOTES TO THE FINANCIAL STATEMENTS

### 12.5 Particulars of write offs

|   | Note | 2004           | 2003          |
|---|------|----------------|---------------|
| Rupees in '000                              |      |                |               |
| 12.5.1 Against provisions                   | 12.4 | 166,262        | 48,987        |
| Directly charged to profit and loss account |      | 351            | 418           |
|   |      | <u>166,613</u> | <u>49,405</u> |
| 12.5.2 Write-offs of Rs. 500,000 and above  | 12.6 | 159,623        | 46,973        |
| Write-offs of below Rs. 500,000             |      | 6,990          | 2,432         |
|   |      | <u>166,613</u> | <u>49,405</u> |

### 12.6 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, 2004 is given in Annexure-I.

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

|   | Balance as at December 31, 2004 | 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                            | 121,098                         | 125,319   |
| 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>121,098</u>                  | <u>125,319</u>  |

12.7 This includes advances of Islamic Banking Division amounting to Rs. 4,063.277 million (2003: NIL).

## NOTES TO THE FINANCIAL STATEMENTS

## 13. OTHER ASSETS

|  | Note | 2004             | 2003             |
|--|------|------------------|------------------|
| Rupees in '000   |      |                  |                  |
| Income / mark-up accrued in local currency             |      | 1,330,454        | 857,194          |
| Income / mark-up accrued in foreign currency           |      | 22,325           | 52,565           |
| Advances, deposits, advance rent and other prepayments |      | 752,856          | 481,538          |
| Dividend receivable                                    |      | 413              | 2,503            |
| Branch adjustment account                              | 13.1 | 947,883          | -                |
| Unrealised gain on forward foreign exchange contracts  |      | 29,994           | 21,317           |
| Prepaid exchange risk fee                              |      | 3,552            | 7,778            |
| Stationery and stamps on hands                         |      | 32,032           | 21,783           |
| Short term receivables                                 |      | 1,328            | 569              |
| Receivable from brokers                                | 13.2 | 246,558          | 268,135          |
| Others   |      | -                | 14,000           |
|  |      | <u>3,367,395</u> | <u>1,727,382</u> |
| Less: Provision held against other assets              | 13.4 | (9,619)          | (9,619)          |
| Mark-up held in suspense account                       |      | (130,817)        | (164,655)        |
|  |      | <u>3,226,959</u> | <u>1,553,108</u> |

13.1 This represents normal banking transactions between branches acknowledged subsequent to the balance sheet date by the responding branches.

13.2 This represents amount receivable from brokers against sale of shares

13.3 This includes amount of Rs. 30.152 million receivable from related party

13.4 Provisions against other assets

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

## 14. OPERATING FIXED ASSETS

|                          |      |                  |                  |
|--------------------------|------|------------------|------------------|
| Capital work-in-progress | 14.1 | 495,553          | 293,498          |
| Property and equipment   | 14.2 | 3,752,322        | 2,461,097        |
| Intangible assets        | 14.3 | 32,629           | 37,031           |
|                          |      | <u>4,280,504</u> | <u>2,791,626</u> |

14.1 Capital work-in-progress

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Advances to suppliers and contractors | <u>495,553</u> | <u>293,498</u> |
|---------------------------------------|----------------|----------------|



## NOTES TO THE FINANCIAL STATEMENTS

### 14.2 Property and equipment

| Description            | Cost and revaluation at January 1, 2004 | Additions/ (disposals)/ *adjustments | Revaluation surplus | Cost as at December 31, 2004 | Accumulated depreciation at January 1, 2004 | Depreciation for the year/ (on disposal)/ *adjustments | Depreciation released on revaluation | Accumulated depreciation at December 31, 2004 | Net book value at December 31, 2004 | Rate of depreciaton % per annum |
|------------------------|---|--------------------------------------|---------------------|------------------------------|---|--|--------------------------------------|---|-------------------------------------|---------------------------------|
| Office premises        | 685,832                                 | 1,005,832                            | -                   | 1,691,664                    | -   | 14,375   | -                                    | 14,375  | 1,677,289                           | 2.5 - 5.5                       |
| Revaluation            | 1,138,799                               | -                                    | -                   | 1,138,799                    | -   | 40,113   | -                                    | 40,113  | 1,098,686                           | 2.5 - 5.5                       |
|                        | 1,824,631                               | 1,005,832                            | -                   | 2,830,463                    | -   | 54,488   | -                                    | 54,488  | 2,775,975                           |                                 |
| Lease hold improvement | 211,191                                 | 85,379                               | -                   | 295,292                      | 56,549                                      | 49,479   | -                                    | 105,960                                       | 189,332                             | 20                              |
|                        |   | -                                    |                     |                              |   |  |                                      |   |                                     |                                 |
|                        |   | *(1,278)                             |                     |                              |   | *(68)  |                                      |   |                                     |                                 |
| Furniture and fixtures | 168,811                                 | 93,274                               | -                   | 259,610                      | 57,001                                      | 19,304   | -                                    | 74,656  | 184,954                             | 10 - 25                         |
|                        |   | (2,200)                              |                     |                              |   | (1,607)  |                                      |   |                                     |                                 |
|                        |   | *(275)                               |                     |                              |   | *(42)  |                                      |   |                                     |                                 |
| Office equipment       | 558,236                                 | 334,534                              | -                   | 887,179                      | 259,199                                     | 134,994  | -                                    | 388,813                                       | 498,366                             | 20 - 25                         |
|                        |   | (5,646)                              |                     |                              |   | (4,835)  |                                      |   |                                     |                                 |
|                        |   | *55                                  |                     |                              |   | *(545)   |                                      |   |                                     |                                 |
| Vehicles               | 149,975                                 | 69,587                               | -                   | 212,213                      | 78,998                                      | 36,181   | -                                    | 108,518                                       | 103,695                             | 25                              |
|                        |   | (7,228)                              |                     |                              |   | (5,734)  |                                      |   |                                     |                                 |
|                        |   | *(121)                               |                     |                              |   | *(927)   |                                      |   |                                     |                                 |
| 2004                   | 2,912,844                               | 1,588,606                            | -                   | 4,484,757                    | 451,747                                     | 294,446  | -                                    | 732,435                                       | 3,752,322                           |                                 |
|                        |   | (15,074)                             |                     |                              |   | (12,176)   |                                      |   |                                     |                                 |
|                        |   | *(1,619)                             |                     |                              |   | *(1,582)   |                                      |   |                                     |                                 |
| 2003                   | 2,045,011                               | 619,472                              | 307,606             | 2,912,844                    | 505,268                                     | 186,574  | (209,196)                            | 451,747                                       | 2,461,097                           |                                 |
|                        |   | (57,245)                             |                     |                              |   | (29,105)   |                                      |   |                                     |                                 |
|                        |   | *(2,000)                             |                     |                              |   | *(1,794)   |                                      |   |                                     |                                 |

14.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 201.192 million.

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

## NOTES TO THE FINANCIAL STATEMENTS

14.2.3 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 516.802 million respectively and additions thereafter at cost.

14.2.4 As at December 31, 2004, un-depreciated balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 1,098.686 million (2003: Rs. 1,138.799 million).

### 14.3 Intangible assets

| Description       | COST                  |                        |                         | DEPRECIATION          |                           |                         | Net book value as at December 31, 2004 | Rate of amortization % per annum |
|-------------------|-----------------------|------------------------|-------------------------|-----------------------|---------------------------|-------------------------|--|----------------------------------|
|                   | As at January 1, 2004 | Additions/ (deletions) | As at December 31, 2004 | As at January 1, 2004 | Amortization for the year | As at December 31, 2004 |  |                                  |
| (Rupees in '000)  |                       |                        |                         |                       |                           |                         |  |                                  |
| Computer software | 45,375                | 7,484                  | 52,859                  | 8,344                 | 11,886                    | 20,230                  | 32,629                                 | 20%                              |
| Goodwill          | 15,440                | -                      | 15,440                  | 15,440                | -                         | 15,440                  | -                                      |                                  |
| 2004              | 60,815                | 7,484                  | 68,299                  | 23,784                | 11,886                    | 35,670                  | 32,629                                 |                                  |
| 2003              | 35,051                | 25,764                 | 60,815                  | 2,699                 | 21,085                    | 23,784                  | 37,031                                 |                                  |

14.4 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) |       |                          |                |               |                  |                            |
| Office Equipment | 1,573 | 1,572                    | 1              | 3             | Cash             | Aleemuddin & Sons          |
| Vehicle          | 795   | 77                       | 718            | 765           | Insurance claim  | Adamjee Insurance Co. Ltd. |
| Vehicle          | 795   | 155                      | 640            | 740           | Insurance claim  | Adamjee Insurance Co. Ltd. |

|  | 2004              | 2003              |
|--|-------------------|-------------------|
| Rupees in '000                             |                   |                   |
| 15. BILLS PAYABLE                          |                   |                   |
| In Pakistan                                | 2,233,671         | 1,208,671         |
| Outside Pakistan                           | -                 | -                 |
|  | <u>2,233,671</u>  | <u>1,208,671</u>  |
| 16. BORROWINGS FROM FINANCIAL INSTITUTIONS |                   |                   |
| In Pakistan                                | 12,252,275        | 12,798,678        |
| Outside Pakistan                           | 471,555           | 329,076           |
|  | <u>12,723,830</u> | <u>13,127,754</u> |

## NOTES TO THE FINANCIAL STATEMENTS

|                | Note   | 2004              | 2003              |
|----------------|--|-------------------|-------------------|
| Rupees in '000 |  |                   |                   |
| 16.1           | Particulars of borrowings from financial institutions                |                   |                   |
|                | In local currency  | 12,252,275        | 12,798,678        |
|                | In foreign currencies  | 471,555           | 329,076           |
|                |  | <u>12,723,830</u> | <u>13,127,754</u> |
| 16.2           | Details of borrowings from financial institutions                    |                   |                   |
|                | Secured  |                   |                   |
|                | Borrowings from State Bank of Pakistan under export refinance scheme | 16.2.1 6,677,505  | 5,244,207         |
|                | Repurchase agreement borrowings                                      | 16.2.2 5,459,770  | 6,304,471         |
|                |  | 12,137,275        | 11,548,678        |
|                | Unsecured  |                   |                   |
|                | Call borrowings  | 16.2.3 115,000    | 1,250,000         |
|                | Overdrawn nostro accounts  | 471,555           | 329,076           |
|                |  | 586,555           | 1,579,076         |
|                |  | <u>12,723,830</u> | <u>13,127,754</u> |

16.2.1 This represents borrowing from SBP under export refinance scheme at rates ranging from 1.50 % to 3.50 % per annum maturing within six months up to June 2005. 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.

16.2.2 This represents repurchase agreement borrowings from other banks at rates ranging from 2.0% to 4.50% per annum maturing up to March 2005.

16.2.3 This represents call borrowing in interbank market at the rate of 4.0% per annum maturing in January 2005.

|                                     | 2004               | 2003              |
|-------------------------------------|--------------------|-------------------|
| Rupees in '000                      |                    |                   |
| 17. DEPOSITS AND OTHER ACCOUNTS     |                    |                   |
| Customers                           |                    |                   |
| Fixed deposits                      | 21,892,081         | 11,103,147        |
| Savings deposits                    | 65,965,795         | 44,625,779        |
| Current accounts - Remunerative     | -                  | -                 |
| Current accounts - Non-remunerative | 36,213,567         | 18,636,930        |
| Margin, call and sundry deposits    | 2,123,779          | 879,749           |
|                                     | 126,195,222        | 75,245,605        |
| Financial Institutions              |                    |                   |
| Remunerative deposits               | 3,503,281          | 1,444,483         |
| Non-remunerative deposits           | 16,388             | 8,234             |
|                                     | 3,519,669          | 1,452,717         |
|                                     | <u>129,714,891</u> | <u>76,698,322</u> |

## NOTES TO THE FINANCIAL STATEMENTS

|  | 2004   | 2003              |
|--|--|-------------------|
|  | Rupees in '000   |                   |
| 17.1 Particulars of deposits   |  |                   |
| In local currency  | 117,687,673  | 69,159,499        |
| In foreign currencies  | 12,027,218   | 7,538,823         |
|  | <u>129,714,891</u>   | <u>76,698,322</u> |
| 17.2 These include deposits of Rs. 6,548.307 million [Foreign currency Rs. 323.768 million (2003: Nil)] (2003: 113.712 million) of Islamic Banking Division. |  |                   |
| 18. SUB-ORDINATED LOANS  |  |                   |
| Term Finance Certificates I - Quoted, Unsecured  | 649,480  | 649,740           |
| Mark-up  | 1.33% above 5 year PIB yield;<br>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 instalments commencing June 2008   |                   |
| Maturity   | December 2008  |                   |
| Term Finance Certificates II - Quoted, Unsecured   | 1,250,000  | -                 |
| Mark-up  | Base Rate* + 1.50%<br>*Base rate is the simple average of the ask rate of the six months (KIBOR) prevailing on the base rate setting date.   |                   |
| Subordination  | The TFCs are subordinated as to the payment of principal and profit. In the case of occurrence of an event of default, the TFC holder will rank below the senior unsecured creditors and depositors and other creditors of the bank. |                   |
| Rating   | A +  |                   |
| Tenor  | Eight years  |                   |
| Redemption   | 3 equal semi-annual instalments commencing 84th month of the issue date  |                   |
| Maturity   | December 2012  |                   |
|  | <u>1,899,480</u>   | <u>649,740</u>    |

## NOTES TO THE FINANCIAL STATEMENTS

|   | Note | 2004               | 2003<br>(Restated) |
|---|------|--------------------|--------------------|
| Rupees in '000  |      |                    |                    |
| <b>19. OTHER LIABILITIES</b>  |      |                    |                    |
| Mark-up / return / interest payable in local currency                           |      | 701,230            | 528,461            |
| Mark-up / return / interest payable in foreign currency                         |      | 37,154             | 23,720             |
| Unearned commission and income on bills discounted                              |      | 88,495             | 55,978             |
| Accrued expenses  |      | 280,216            | 150,427            |
| Branch adjustment account   |      | –                  | 196,229            |
| Taxation  |      | 79,255             | 869,048            |
| Lease security deposit  |      | 997,677            | 205,082            |
| Payable to defined benefit plan   |      | –                  | –                  |
| Exchange difference payable to SBP  |      | 6,693              | 4,997              |
| Payable to brokers  | 19.1 | 384,043            | 53,857             |
| Others  |      | 150,581            | 98,955             |
|   |      | <u>2,725,344</u>   | <u>2,186,754</u>   |
| 19.1 This represents amounts payable to brokers against purchase of shares      |      |                    |                    |
| 19.2 These include Rs. 411.728 million (2003: Nil) of Islamic Banking Division  |      |                    |                    |
| <b>20. DEFERRED TAX (LIABILITIES) / ASSETS</b>                                  |      |                    |                    |
| Deferred debits arising in respect of:  |      |                    |                    |
| Provision for doubtful debts  |      | 729,330            | 587,880            |
| Excess of Tax WDV over Accounting WDV of Fixed Assets                           |      | 21,720             | 6,800              |
| License fee charged off   |      | 14,053             | 14,630             |
|   |      | <u>765,103</u>     | <u>609,310</u>     |
| Deferred credits arising in respect of:   |      |                    |                    |
| Write offs/ reversals of provision for bad debts                                |      | (450,401)          | (374,990)          |
| Leasing operations  |      | (119,135)          | (16,720)           |
| Excess of accounting net book value over tax written down value of fixed assets |      | –                  | –                  |
| Surplus on revaluation of fixed assets  |      | (422,874)          | (439,320)          |
| Surplus on revaluation of securities  |      | (48,527)           | (101,290)          |
|   |      | <u>(1,040,937)</u> | <u>(932,320)</u>   |
|   |      | <u>(275,834)</u>   | <u>(323,010)</u>   |

## NOTES TO THE FINANCIAL STATEMENTS

### 21. SHARE CAPITAL

#### 21.1 Authorized capital

| 2004           | 2003 |  | 2004 | 2003 |
|----------------|------|--|------|------|
| Rupees in '000 |      |  |      |      |

|             |             |                               |           |           |
|-------------|-------------|-------------------------------|-----------|-----------|
| 400,000,000 | 200,000,000 | Ordinary shares of Rs.10 each | 4,000,000 | 2,000,000 |
|-------------|-------------|-------------------------------|-----------|-----------|

#### 21.2 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          |
| 125,000,000        | 25,000,000         | Bonus shares                                     | 1,250,000        | 250,000          |
| 50,000,000         | 100,000,000        | Bonus shares issued during the year              | 500,000          | 1,000,000        |
| <u>250,000,000</u> | <u>200,000,000</u> |  | <u>2,500,000</u> | <u>2,000,000</u> |

### 22. SURPLUS ON REVALUATION OF ASSETS

Surplus arising on revaluation of:

|                |      |                |                  |
|----------------|------|----------------|------------------|
| - fixed assets | 22.1 | 782,118        | 805,785          |
| - securities   | 22.2 | 110,294        | 199,047          |
|                |      | <u>892,412</u> | <u>1,004,832</u> |

#### 22.1 Surplus on revaluation of fixed assets

|  |                |                |
|--|----------------|----------------|
| Surplus on revaluation of fixed assets   | 1,347,752      | 1,347,752      |
| Deficit reversed due to disposal   | 243            | 243            |
| Less: related deferred tax liability   | (468,999)      | (468,999)      |
| Transferred to retained earnings relating to incremental depreciation (net of tax) | (96,878)       | (73,211)       |
|  | <u>782,118</u> | <u>805,785</u> |

#### 22.2 Surplus on revaluation of securities

|   |                |                |
|---|----------------|----------------|
| i) Government securities                | 105,481        | 222,359        |
| ii) Quoted shares                       | 40,464         | 70,133         |
| iii) Term Finance Certificates - quoted | 12,875         | 7,844          |
|   | 158,820        | 300,336        |
| Less: related deferred tax liability    | (48,526)       | (101,289)      |
|   | <u>110,294</u> | <u>199,047</u> |

### 23. CONTINGENCIES AND COMMITMENTS

#### 23.1 Direct credit substitutes

Contingent liability in respect of guarantees given favouring:

|  |                  |                  |
|--|------------------|------------------|
| i) Government  | 636,962          | 2,099,911        |
| ii) Banking companies and other financial institutions | 72,475           | 99,836           |
| iii) Others  | 559,050          | 527,697          |
|  | <u>1,268,487</u> | <u>2,727,444</u> |

## NOTES TO THE FINANCIAL STATEMENTS

|  | 2004              | 2003             |
|--|-------------------|------------------|
|  | Rupees in '000    |                  |
| 23.2 Transaction-related contingent liabilities  |                   |                  |
| Contingent liability in respect of performance bonds, bid bonds, shipping guarantees, standby letters of credit etc. favouring:  |                   |                  |
| i) Government  | 9,154,516         | 4,411,462        |
| ii) Banking companies and other financial institutions   | 75,037            | 79,876           |
| iii) Others  | 3,286,554         | 2,274,302        |
|  | <u>12,516,107</u> | <u>6,765,640</u> |
| 23.3 Trade-related contingent liabilities  |                   |                  |
| Letters of credit  | 14,698,842        | 9,592,550        |
| Acceptances  | 4,510,247         | 2,456,680        |
| 23.4 Other contingencies   |                   |                  |
| Claims against the bank not acknowledged as debts  | 701,200           | 660,373          |
| 23.5 Commitments in respect of forward lending   |                   |                  |
| Commitments to extend credit   | 866,000           | 475,000          |
| 23.6 Commitments in respect of forward exchange contracts  |                   |                  |
| Purchase   | 8,947,317         | 5,960,635        |
| Sale   | 5,351,909         | 4,027,393        |
| 23.7 Commitments for the acquisition of operating fixed assets and intangibles   | 119,300           | 258,490          |
| 23.8 Commitments in respect of repo transactions   |                   |                  |
| - Repurchase   | 5,542,013         | 6,388,064        |
| - Resale   | -                 | 6,807,219        |
| 23.9 Commitments in respect of Equity Investments  |                   |                  |
| - Sale   | -                 | 274,157          |
| - Purchase   | -                 | 274,283          |
| 23.10 Other commitments  |                   |                  |
| - For purchase of 25% equity in Shamil Bank of Bangladesh  | -                 | 77,851           |
| - The bank has entered into a sale and purchase agreement with a foreign bank for opening of a branch of Bank Alfalah Limited by taking over their operations in Bangladesh. Capital commitment for assigned capital Taka 1 billion equivalent to USD 17 million and for software, equipment and premium is USD 2 million. |                   |                  |

## NOTES TO THE FINANCIAL STATEMENTS

|   | 2004             | 2003             |
|---|------------------|------------------|
|   | Rupees in '000   |                  |
| <b>24. MARK-UP /RETURN / INTEREST EARNED</b>  |                  |                  |
| a) On loans and advances to:  |                  |                  |
| i) customers  | 4,152,725        | 2,600,923        |
| ii) financial institutions  | 18,909           | 24,657           |
| b) On investments in:   |                  |                  |
| i) available for sale securities  | 628,338          | 1,270,754        |
| ii) held to maturity securities   | 691,503          | 38,751           |
| c) On deposits with financial institutions  | 81,913           | 46,198           |
| d) On securities purchased under resale agreements  | 46,815           | 52,097           |
|   | <u>5,620,203</u> | <u>4,033,380</u> |
| 24.1 These include mark-up earned of Rs. 96.626 million (2003: Nil) of Islamic Banking Division |                  |                  |
| <b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>   |                  |                  |
| Deposits (including exchange risk fee)  | 1,795,093        | 1,694,997        |
| Securities sold under repurchase agreements   | 398,704          | 168,958          |
| Other short term borrowings   | 156,290          | 99,631           |
| Term Finance Certificates   | 84,372           | 64,991           |
|   | <u>2,434,459</u> | <u>2,028,577</u> |
| <b>26. OTHER INCOME</b>   |                  |                  |
| Postage, telex, service charges etc.  | 319,276          | 213,348          |
| Net profit on sale of property and equipment  | 4,297            | 6,903            |
| Gain on sale of shares / certificates/units - net   | 246,117          | 362,550          |
| Gain on sale of PIBs  | 3,132            | 2,190,702        |
|   | <u>572,822</u>   | <u>2,773,503</u> |
| <b>27. ADMINISTRATIVE EXPENSES</b>  |                  |                  |
| Salaries, allowances, etc.  | 1,025,856        | 705,504          |
| Charge for defined benefit plan - Gratuity  | 27,531           | 21,096           |
| Contribution to defined contribution plan - Provident Fund                                      | 34,014           | 22,053           |
| Brokerage and commissions   | 140,039          | 82,090           |
| Rent, taxes, insurance, electricity, etc.   | 324,774          | 210,686          |
| License fee   | -                | 38,500           |
| Legal and professional charges  | 41,977           | 25,475           |
| Communication   | 125,968          | 115,972          |
| Repairs and maintenance   | 110,136          | 58,465           |
| Stationery and printing   | 78,272           | 56,035           |
| Advertisement and publicity   | 243,643          | 96,732           |
| Donations   | 27.1             | 17,100           |
| Auditors' remuneration  | 27.2             | 2,820            |
| Depreciation  | 14.2             | 294,446          |
| Amortisation of intangible assets   | 14.3             | 11,886           |
| Amortisation of deferred cost   |                  | -                |
| Entertainment, vehicle running expenses, travelling and subscription                            | 127,214          | 93,848           |
| Others  | 71,959           | 59,710           |
|   | <u>2,677,635</u> | <u>1,799,490</u> |



## NOTES TO THE FINANCIAL STATEMENTS

|  | 2004            | 2003             |
|--|-----------------|------------------|
|  | Rupees in '000  |                  |
| <b>27.1 Donations</b>  |                 |                  |
| Pakistan Human Development Fund (PHDF)                                 | 15,900          | 1,500            |
| Mr. M Afzal  | 1,000           | -                |
| Shaukat Khanum Memorial Hospital                                       | 200             | -                |
| Rising Sun Institute - Lahore  | -               | 2,000            |
| Nishtar Hospital - Multan  | -               | 100              |
|  | <u>17,100</u>   | <u>3,600</u>     |
| None of the Directors or their spouses had any interest in the donees. |                 |                  |
| <b>27.2 Auditors' remuneration</b>                                     |                 |                  |
| Audit fee  | 1,505           | 1,000            |
| Fee for half yearly review   | 600             | 350              |
| Special certifications and sundry advisory services                    | 365             | 365              |
| Out-of-pocket expenses   | 350             | 350              |
|  | <u>2,820</u>    | <u>2,065</u>     |
| <b>28. OTHER CHARGES</b>   |                 |                  |
| Penalties imposed by State Bank of Pakistan                            | <u>1,700</u>    | <u>1,875</u>     |
| <b>29. TAXATION</b>  |                 |                  |
| For the year   |                 |                  |
| Current  | 586,159         | 1,364,723        |
| Deferred   | (3,663)         | (13,671)         |
|  | <u>582,496</u>  | <u>1,351,052</u> |
| For prior year   |                 |                  |
| Current  | (30,000)        | 22,887           |
| Deferred   | 9,249           | 8,507            |
|  | <u>(20,751)</u> | <u>31,394</u>    |
|  | <u>561,745</u>  | <u>1,382,446</u> |

The income tax assessments of the bank have been finalised upto and including tax year 2004. 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 disallowance relating to profit and loss expenses. However, adequate provision has been made in accounts in this respect.

In respect of assessment year 2002-03, the appeal filed by the Bank with the Commissioner of Income Tax (Appeals) on the issue of additional tax levied under section 183 of the Income Tax Ordinance, 1979 (repealed) has been disposed off in the favour of the bank.

Further, during the year, various appeals have also been decided in bank's favour pertaining to assessment years 1990-91 to 2001-02.

## NOTES TO THE FINANCIAL STATEMENTS

|  | 2004                         | 2003      |
|--|------------------------------|-----------|
|  | Rupees in '000               |           |
| <b>29.1 Relationship between tax expense and accounting profit</b> |                              |           |
| Profit before tax  | 1,653,734                    | 3,505,680 |
| Tax at the applicable rate of 41% (2003: 44%)                      | 678,031                      | 1,542,499 |
| Effect of:   |                              |           |
| - change in tax rate   | 9,249                        | 8,507     |
| - income chargeable to tax at reduced rates                        | (18,914)                     | (39,314)  |
| - income exempt from tax   | (96,708)                     | (159,577) |
| - other differences  | 20,087                       | 7,444     |
| - prior year provision   | (30,000)                     | 22,887    |
| Tax expense for the year   | 561,745                      | 1,382,446 |
| <b>30. BASIC EARNINGS PER SHARE</b>                                |                              |           |
| Profit for the year  | 1,091,989                    | 2,123,234 |
|  | Number of shares in thousand |           |
| Weighted average number of ordinary shares                         | 250,000                      | 250,000   |
| Basic and diluted earnings per share                               | Rs. 4.37                     | Rs. 8.49  |
| <b>31. CASH AND CASH EQUIVALENTS</b>                               |                              |           |
| Cash and balances with treasury banks                              | 19,708,518                   | 8,423,399 |
| Balances with other banks  | 3,183,957                    | 626,917   |
| Call lendings  | -                            | 650,000   |
|  | 22,892,475                   | 9,700,316 |
| <b>32. STAFF STRENGTH</b>  |                              |           |
|  | Number of employees          |           |
| Total number of employees at the end of the year                   | 3,352                        | 2,133     |
| <b>33. DEFINED BENEFIT PLAN</b>                                    |                              |           |
| <b>33.1 Principal actuarial assumptions</b>                        |                              |           |
| Discount factor used (% per annum compounded)                      | 9.00                         | 7.00      |
| Expected yield on investments (% per annum)                        | 9.00                         | 9.15      |
| Salary increase (% per annum)                                      | 9.00                         | 7.00      |
| Normal retirement age  | 60 years                     | 60 years  |

## NOTES TO THE FINANCIAL STATEMENTS

|   | 2004           | 2003          |
|---|----------------|---------------|
|   | Rupees in '000 |               |
| <b>33.2 Reconciliation of payable to defined benefit plan</b> |                |               |
| Present value of defined benefit obligations                  | 176,786        | 135,457       |
| Fair value of plan assets                                     | (131,193)      | (86,303)      |
| Net actuarial losses not recognized                           | (45,593)       | (49,154)      |
| Unrecognized transitional obligation                          | -              | -             |
|   | <u>-</u>       | <u>-</u>      |
| <b>33.3 Movement in payable to defined benefit plan</b>       |                |               |
| Opening balance   | -              | 45,784        |
| Liability for clerical staff                                  | -              | 6,693         |
| Charge for the year   | 27,531         | 21,096        |
| Contribution to fund made during the year                     | (27,531)       | (73,573)      |
| Closing balance   | <u>-</u>       | <u>-</u>      |
| <b>33.4 Charge for defined benefit plan</b>                   |                |               |
| Current service cost  | 17,298         | 10,429        |
| Interest cost   | 9,482          | 7,512         |
| Expected return on plan assets                                | (7,897)        | (1,224)       |
| Actuarial losses  | 5,269          | 1,905         |
| Past service cost   | 3,379          | -             |
| Amortization of transitional obligation                       | -              | 2,474         |
|   | <u>27,531</u>  | <u>21,096</u> |
| <b>33.5 Actual return on plan assets</b>                      | <u>6,522</u>   | <u>2,500</u>  |

## 34. REMUNERATION OF DIRECTORS AND EXECUTIVES

|                            | Chief Executive Officer |              | Executives     |                |
|----------------------------|-------------------------|--------------|----------------|----------------|
|                            | 2004                    | 2003         | 2004           | 2003           |
|                            | (Rupees in '000)        |              |                |                |
| Managerial remuneration    | 5,100                   | 4,200        | 126,932        | 85,349         |
| Bonus                      | 2,950                   | 1,000        | 37,214         | 28,382         |
| Gratuity                   | 375                     | 350          | 7,217          | 4,294          |
| Provident fund             | -                       | -            | 7,215          | 4,303          |
| Rent and house maintenance | 960                     | -            | 41,628         | 29,209         |
| Utilities                  | 240                     | -            | -              | -              |
| Medical                    | -                       | 147          | -              | -              |
| Others                     | -                       | -            | -              | -              |
|                            | <u>9,625</u>            | <u>5,697</u> | <u>220,206</u> | <u>151,537</u> |
| Number of persons          | <u>1</u>                | <u>1</u>     | <u>112</u>     | <u>65</u>      |

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

## NOTES TO THE FINANCIAL STATEMENTS

## 35. MATURITIES OF ASSETS AND LIABILITIES

|  | 2004           |                   |                           |                             |                 |
|--|----------------|-------------------|---------------------------|-----------------------------|-----------------|
|  | Total          | Upto three months | Over 3 months to one year | Over one year to five years | Over five years |
|  | Rupees in '000 |                   |                           |                             |                 |
| <b>Assets</b>                          |                |                   |                           |                             |                 |
| Cash and balances with treasury banks  | 19,708,518     | 19,708,518        | -                         | -                           | -               |
| Balances with other banks              | 3,183,957      | 3,154,225         | 29,732                    | -                           | -               |
| Lending to financial institutions      | -              | -                 | -                         | -                           | -               |
| Investments                            | 35,503,196     | 9,418,680         | 10,442,934                | 8,671,105                   | 6,970,477       |
| Advances                               | 88,931,400     | 23,908,261        | 33,814,890                | 26,306,253                  | 4,901,996       |
| Other assets                           | 3,226,959      | 2,540,716         | 262,647                   | 236,060                     | 187,536         |
| Operating fixed assets                 | 4,280,504      | 378,847           | 757,694                   | 1,801,124                   | 1,342,839       |
|  | 154,834,534    | 59,109,247        | 45,307,897                | 37,014,542                  | 13,402,848      |
| <b>Liabilities</b>                     |                |                   |                           |                             |                 |
| Bills payable                          | 2,233,671      | 2,233,671         | -                         | -                           | -               |
| Borrowings from financial institutions | 12,723,830     | 6,046,324         | 6,677,506                 | -                           | -               |
| Deposits and other accounts *          | 129,714,891    | 46,339,090        | 7,036,590                 | 7,726,828                   | 68,612,383      |
| Subordinated loans                     | 1,899,480      | 260               | 770                       | 652,080                     | 1,246,370       |
| Other liabilities                      | 2,725,344      | 1,300,539         | 141,517                   | 1,213,234                   | 70,054          |
| Deferred tax liabilities               | 275,834        | -                 | -                         | -                           | 275,834         |
|  | 149,573,050    | 55,919,884        | 13,856,383                | 9,592,142                   | 70,204,641      |
| Net assets                             | 5,261,484      | 3,189,363         | 31,451,514                | 27,422,400                  | (56,801,793)    |
| Share capital                          | 2,500,000      |                   |                           |                             |                 |
| Reserves                               | 1,008,772      |                   |                           |                             |                 |
| Unappropriated profit                  | 860,300        |                   |                           |                             |                 |
| Surplus on revaluation of assets       | 892,412        |                   |                           |                             |                 |
|  | 5,261,484      |                   |                           |                             |                 |

\* 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.

35.1 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 36. YIELD / INTEREST RATE RISK

|  | Effective yield/Interest rate | 2004        |                                  |                           |                             |                 |                                    |
|--|-------------------------------|-------------|----------------------------------|---------------------------|-----------------------------|-----------------|------------------------------------|
|  |                               | Total       | Exposed to yield / interest risk |                           |                             |                 | Not expose to yield/ interest rate |
|  |                               |             | Upto 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          | 0.117                         | 19,708,518  | 1,793,320                        | -                         | -                           | -               | 17,915,198                         |
| Balances with other banks                      | 0.771                         | 3,183,957   | 1,165,473                        | 29,732                    | -                           | -               | 1,988,752                          |
| Lending to financial institutions              | 0.000                         | -           | -                                | -                         | -                           | -               | -                                  |
| Investments                                    | 4.644                         | 35,503,196  | 7,061,973                        | 10,442,934                | 8,671,105                   | 6,970,477       | 2,356,707                          |
| Advances                                       | 6.36                          | 88,931,400  | 23,908,261                       | 33,814,890                | 26,306,253                  | 4,901,996       | -                                  |
| Other assets                                   |                               | 2,213,498   | -                                | -                         | -                           | -               | 2,213,498                          |
|  |                               | 149,540,569 | 33,929,027                       | 44,287,556                | 34,977,358                  | 11,872,473      | 24,474,155                         |
| Liabilities                                    |                               |             |                                  |                           |                             |                 |                                    |
| Bills payable                                  |                               | 2,233,671   | -                                | -                         | -                           | -               | 2,233,671                          |
| Borrowings from financial institutions         | 3.268                         | 12,723,830  | 5,574,769                        | 6,677,506                 | -                           | -               | 471,555                            |
| Deposits and other accounts                    | 2.04                          | 129,714,891 | 7,985,356                        | 75,648,973                | 7,726,828                   | -               | 38,353,734                         |
| Subordinated loans                             | 7.040                         | 1,899,480   | 260                              | 770                       | 652,080                     | 1,246,370       | -                                  |
| Other liabilities                              |                               | 2,277,378   | -                                | -                         | -                           | -               | 2,277,378                          |
|  |                               | 148,849,250 | 13,560,385                       | 82,327,249                | 8,378,908                   | 1,246,370       | 43,336,338                         |
| On-balance sheet gap                           |                               | 691,319     | 20,368,642                       | (38,039,693)              | 26,598,450                  | 10,626,103      | (18,862,183)                       |
| Cumulative yield/interest risk sensitivity gap |                               |             | 20,368,642                       | (17,671,051)              | 8,927,399                   | 19,553,502      | 691,319                            |

36.1 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.

## NOTES TO THE FINANCIAL STATEMENTS

| 37. CURRENCY RISK    | 2004               |                    |                          |                               |
|----------------------|--------------------|--------------------|--------------------------|-------------------------------|
|                      | Assets             | Liabilities        | Off-balance sheet items* | Net foreign currency exposure |
|                      | (Rupees in '000)   |                    |                          |                               |
| Pakistan Rupee       | 141,526,556        | 136,311,717        | (4,520,256)              | 694,583                       |
| United States Dollar | 5,967,263          | 10,280,234         | 4,265,630                | (47,341)                      |
| Great Britain Pound  | 1,129,765          | 1,332,534          | 193,621                  | (9,148)                       |
| Japanese Yen         | 260,205            | -                  | (264,585)                | (4,380)                       |
| Euro                 | 559,956            | 923,273            | 334,164                  | (29,153)                      |
| Other currencies     | 96,824             | 1,492              | (8,574)                  | 86,758                        |
|                      | <u>149,540,569</u> | <u>148,849,250</u> | <u>-</u>                 | <u>691,319</u>                |

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

37.1 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.

| 38. FAIR VALUE OF FINANCIAL INSTRUMENTS | 2004               |                    | 2003              |                   |
|---|--------------------|--------------------|-------------------|-------------------|
|   | Book value         | Fair value         | Book value        | Fair value        |
|   | (Rupees in '000)   |                    |                   |                   |
| On-balance sheet financial instruments  |                    |                    |                   |                   |
| Assets                                  |                    |                    |                   |                   |
| Cash balances with treasury banks       | 19,708,518         | 19,708,518         | 8,423,399         | 8,423,399         |
| Balances with other banks               | 3,183,957          | 3,183,957          | 626,917           | 626,917           |
| Lendings to financial institutions      | -                  | -                  | 7,437,733         | 7,437,733         |
| Investments                             | 35,503,196         | 35,503,196         | 28,903,596        | 28,903,596        |
| Advances                                | 88,931,400         | 88,931,400         | 49,216,120        | 49,216,120        |
| Other assets                            | 2,213,498          | 2,213,498          | 1,180,969         | 1,180,969         |
|   | <u>149,540,569</u> | <u>149,540,569</u> | <u>95,788,734</u> | <u>95,788,734</u> |
| Liabilities                             |                    |                    |                   |                   |
| Bills payable                           | 2,233,671          | 2,233,671          | 1,208,671         | 1,208,671         |
| Borrowings from financial institutions  | 12,723,830         | 12,723,830         | 13,127,754        | 13,127,754        |
| Deposits and other accounts             | 129,714,891        | 129,714,891        | 76,698,322        | 76,698,322        |
| Subordinated loan                       | 1,899,480          | 1,899,480          | 649,740           | 649,740           |
| Other liabilities                       | 2,277,378          | 2,277,378          | 1,461,580         | 1,461,580         |
|   | <u>148,849,250</u> | <u>148,849,250</u> | <u>93,146,067</u> | <u>93,146,067</u> |
| Off-balance sheet financial instruments |                    |                    |                   |                   |
| Forward purchase of foreign exchange    | 8,947,317          | 8,959,825          | 5,960,635         | 5,996,455         |
| Forward sale of foreign exchange        | 5,351,909          | 5,334,423          | 4,027,393         | 4,041,896         |

## NOTES TO THE FINANCIAL STATEMENTS

### 39. 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.

#### 39.1 Segment by class of business

|                                       | 2004               |               |                   |               |                               |               |
|---------------------------------------|--------------------|---------------|-------------------|---------------|-------------------------------|---------------|
|                                       | Deposits           |               | Advances          |               | Contingencies and Commitments |               |
|                                       | Rupees in '000     | Percent       | Rupees in '000    | Percent       | Rupees in '000                | Percent       |
| Agribusiness                          | 3,968,333          | 3.06          | 5,416,003         | 6.09          | 395,188                       | 1.20          |
| Automobile & Transportation Equipment | 2,536,873          | 1.96          | 1,696,521         | 1.91          | 2,155,811                     | 6.53          |
| Chemical and Pharmaceuticals          | 766,126            | 0.59          | 1,666,375         | 1.87          | 1,772,534                     | 5.37          |
| Cement                                | 378,931            | 0.29          | 320,339           | 0.36          | 113,900                       | 0.35          |
| Communication                         | 1,474,730          | 1.14          | 904,668           | 1.02          | 1,471,369                     | 4.46          |
| Electronic & Electrical Appliances    | 873,139            | 0.67          | 622,135           | 0.70          | 1,473,309                     | 4.47          |
| Educational Institutes                | 930,363            | 0.72          | 98,665            | 0.11          | 3,450                         | 0.01          |
| Financial                             | 4,373,560          | 3.37          | 1,302,492         | 1.46          | 3,961,833                     | 12.01         |
| Fertilizers                           | 905,060            | 0.70          | 50,412            | 0.06          | 52,997                        | 0.16          |
| Food & Allied Products                | 398,518            | 0.31          | 1,021,923         | 1.15          | 249,656                       | 0.76          |
| Glass & Ceramics                      | 188,364            | 0.15          | 41,971            | 0.05          | 13,252                        | 0.04          |
| Ghee & Edible Oil                     | 82,037             | 0.06          | 632,687           | 0.71          | 381,941                       | 1.16          |
| Housing Societies / Trusts            | 1,331,014          | 1.03          | 1,000,000         | 1.12          | 127,898                       | 0.39          |
| Insurance                             | 582,841            | 0.45          | 27,682            | 0.03          | 7,507                         | 0.02          |
| Import & Export                       | 1,114,921          | 0.86          | 989,569           | 1.11          | 475,845                       | 1.44          |
| Iron / Steel                          | 1,357,530          | 1.05          | 779,737           | 0.88          | 1,332,387                     | 4.04          |
| Oil and Gas                           | 6,795,734          | 5.24          | 225,000           | 0.25          | 1,702,038                     | 5.16          |
| Paper & Board                         | 154,363            | 0.12          | 444,861           | 0.50          | 105,401                       | 0.32          |
| Production & Transmission of Energy   | 17,732,157         | 13.67         | 854,400           | 0.96          | 4,849,622                     | 14.70         |
| Real Estate / Construction            | 4,669,511          | 3.60          | 1,524,737         | 1.71          | 325,955                       | 0.99          |
| Retail / Wholesale Trade              | 3,526,547          | 2.72          | 2,780,929         | 3.13          | 847,430                       | 2.57          |
| Rice Processing and Trading           | 603,024            | 0.46          | 1,270,432         | 1.43          | 17,760                        | 0.05          |
| Sugar                                 | 453,798            | 0.35          | 1,002,153         | 1.13          | 83,373                        | 0.25          |
| Shoes & Leather Garments              | 523,428            | 0.40          | 819,795           | 0.92          | 187,387                       | 0.57          |
| Sports Goods                          | 438,964            | 0.34          | 274,290           | 0.31          | 230                           | -             |
| Surgical Goods                        | 258,345            | 0.20          | 261,798           | 0.29          | -                             | -             |
| Textile Spinning                      | 1,207,846          | 0.93          | 8,358,384         | 9.40          | 1,214,615                     | 3.68          |
| Textile Weaving                       | 774,082            | 0.60          | 2,365,910         | 2.66          | 937,476                       | 2.84          |
| Textile Composite                     | 1,145,087          | 0.88          | 6,695,673         | 7.53          | 1,164,013                     | 3.53          |
| Welfare Institutions                  | 2,341,562          | 1.81          | 167,646           | 0.19          | 10,849                        | 0.03          |
| Individuals                           | 44,037,924         | 33.95         | 26,528,018        | 29.83         | 552,168                       | 1.67          |
| Others                                | 23,790,179         | 18.32         | 18,786,195        | 21.13         | 7,006,489                     | 21.23         |
|                                       | <u>129,714,891</u> | <u>100.00</u> | <u>88,931,400</u> | <u>100.00</u> | <u>32,993,683</u>             | <u>100.00</u> |

#### 39.2 Segment by sector

|                     |                    |               |                   |               |                   |               |
|---------------------|--------------------|---------------|-------------------|---------------|-------------------|---------------|
| Public / Government | 35,023,956         | 27.00         | 5,369,265         | 6.04          | 8,993,886         | 27.26         |
| Private             | 94,690,935         | 73.00         | 83,562,135        | 93.96         | 23,999,797        | 72.74         |
|                     | <u>129,714,891</u> | <u>100.00</u> | <u>88,931,400</u> | <u>100.00</u> | <u>32,993,683</u> | <u>100.00</u> |

## NOTES TO THE FINANCIAL STATEMENTS

### 40. GEOGRAPHICAL SEGMENT ANALYSIS

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

### 41. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties are executed substantially on the same terms, including mark up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e. under the comparable uncontrolled price method).

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Details of transactions with related parties and balances with them excluding those entered into with directors/ executives as per their terms of employment as at the year-end were as follows:

|   | 2004           | 2003          |
|---|----------------|---------------|
|   | Rupees in '000 |               |
| <b>41.1 Current account / borrowings</b>                              |                |               |
| Balance at beginning of the year                                      | 3,448          | 8,567         |
| Net movement  | 97,258         | (5,119)       |
| Balance at the end of the year  | <u>100,706</u> | <u>3,448</u>  |
| These accounts are of current nature which are subject to variations. |                |               |
| <b>41.2 Deposits / placements</b>                                     |                |               |
| Balance at beginning of the year                                      | 25,164         | -             |
| Placements during the year  | 30,799,008     | 60,000        |
| Withdrawal during the year  | (30,763,843)   | (34,836)      |
| Balance at the end of the year  | <u>60,329</u>  | <u>25,164</u> |



## NOTES TO THE FINANCIAL STATEMENTS

|   | 2004           | 2003   |
|---|----------------|--------|
|   | Rupees in '000 |        |
| 41.3 Mark-up / interest earned                                      | 3,137          | -      |
| Brokerage expense   | 5,299          | -      |
| Rent income   | 838            | -      |
| Finance lease income  | 82             | -      |
| Lease rentals   | 398            | -      |
| Leases disbursed during the year to subsidiary company              | 1,885          | -      |
| Maximum amount utilised under Running Finance arrangement           | 211,152        | -      |
| Contribution to employee provident fund                             | 34,014         | 22,053 |
| Remuneration to Directors / Chief Executive                         | 9,625          | 5,697  |
| Receivable against trade of marketable securities                   | 30,152         | -      |
| Receivable against others   | 8,171          | -      |
| Security deposit  | 209            | -      |
| Communication charges recovered                                     | 503            | -      |
| Bank charges recovered  | 36             | -      |
| Expenses paid and recovered from subsidiary company during the year | -              | 863    |

41.4 There are no loans and advances to directors and related parties, except to the extent described above and in note 12.6.1.

#### 42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 12, 2005 by the Board of Directors of the bank.

#### 43. GENERAL

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

Chief Executive Officer

Director

Director

Chairman

## STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2004

| S. No. | Name and address of the Borrower  | Name of individuals / partners / directors (with N.I.C. No.)   | Father's / Husband's Name   | Outstanding Liabilities at January 1, 2004 |         |        |        | 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.     | Shepherd & Shepherd (Pvt) Ltd.<br>37/107, Peoples Town, Shah Faisal Colony Karachi                                | Akhtar Mahmood*<br>Khalid Javed*   | Not Available<br>S/o Ch. Umer Din   | 3,245                                      | 1,034   | -      | 4,279  | 3,245                 | 1,034               | -                               | 4,279           |
| 2.     | Al Ameen Textile Mills Ltd.<br>506, Mohammadi House, I I Chundrigar Road Karachi                                  | Khurshid Anwar*<br>Zaheer Anwar*<br>Zafeer Anwar*<br>Asiya Anwar*<br>K. A. Majeed*<br>Sultan Mahmood*<br>S. M. Rizvi*<br>Zakia Begum*<br>Zarina Mahmood* | S/o Fazal Ellahi<br>S/o Sh. Khurshid Anwar<br>Not Available<br>D/o Sh. Khurshid Anwar<br>Not Available<br>Not Available<br>Not Available<br>W/o Sh. Khurshid Anwar<br>Not Available | 501  | 302     | -      | 803    | 501                   | 302                 | -                               | 803             |
| 3.     | Noor Textile Mills Ltd.<br>506, Mohammadi House, I I Chundrigar Road, Karachi.                                    | Khurshid Anwar*<br>Naseem Anwar*<br>Abdul Nabi Memon*<br>Nur Nabi Memon*<br>S. Mohammed Sadik*<br>Abdul Latif*<br>Ali Hussain Monteey*                   | S/o Fazal Ellahi<br>Not Available<br>Not Available<br>Not Available<br>Not Available<br>Not Available<br>Not Available  | 10,205                                     | 890     | -      | 11,095 | 10,205                | 890                 | -                               | 11,095          |
| 4.     | Tariq Cotton Mills Ltd.<br>408, Mashriq Centre,<br>Sir Shah Suleman Road,<br>Block-14, Gulshane Iqbal,<br>Karachi | Saeeduddin*<br>Jawed Saeed*<br>Hameeduddin*<br>Mairajuddin*<br>Talat Saeed (Ms)*<br>S. K. Jahngir*   | S/o Fahimuddin<br>Not Available<br>S/o Fahimuddin<br>S/o Fahimuddin<br>D/o Jawed Saeed<br>Not Available   | 7,382                                      | 8,100   | -      | 15,482 | 7,382                 | 8,100               | -                               | 15,482          |
| 5.     | Shahsons Fisheries Ltd.<br>D-6, Fish Harbour, West Wharf, Karachi   | Farooq Gaffar Danawalla*<br>Mohammad Hanif Khan*<br>Sadiq Kappaya*   | Abdul Gaffar Danawalla<br>Mohammad Akber Khan<br>Haji Ishaq   | 36,734                                     | -       | -      | 36,734 | 1,912                 | -                   | -                               | 1,912           |
| 6.     | Dacca Silk Factory<br>294-C-II, 2nd Floor, Latif Cloth Market, Karachi  | Mazher Ahmed*  | S/o Mian Mohammed   | 666  | 420     | -      | 1,086  | 666                   | 420                 | -                               | 1,086           |

## ANNEXURE-I

## STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2004

| S. No. | Name and address of the Borrower   | Name of individuals / partners / directors (with N.I.C. No.)   | Father's / Husband's Name                              | Outstanding Liabilities at January 1, 2004 |              |             |            | Principal written-off | Mark-up written-off | Other financial relief provided | Total (9+10+11) |
|--------|--|--|--|--|--------------|-------------|------------|-----------------------|---------------------|---------------------------------|-----------------|
|        |  |  |  | 5<br>Principal                             | 6<br>Mark-up | 7<br>Others | 8<br>Total |                       |                     |                                 |                 |
| 1      |  |  |  |  |              |             |            | 9                     | 10                  | 11                              | 12              |
| 7.     | Bilal Spinning Mills Ltd.<br>5 Lotia Building, Club Rd.<br>Karachi                   | Mohd Awaiz Nadeem*<br>Ch. Mohd Siddique*<br>S. M. Afzal Javed* | Not Available<br>Not Available<br>S/o Mohammad Hussain | 389,438                                    | 14,897       | -           | 404,335    | 105,199               | -                   | -                               | 105,199         |
| 8.     | Linex International<br>Unit 148, Plot 14-A,<br>Sector-30, Korangi Ind. Area, Karachi | Arif Alam*<br>Zafar Alam*                                      | S/o Habibur Rehman<br>S/o Habibur Rehman               | 21,511                                     | 3,835        | -           | 25,346     | 21,426                | 3,835               | -                               | 25,261          |
| 9.     | Mana & Co.<br>C-1/D-4, Sector-16<br>Korangi Industrial Area<br>Karachi               | Maqsood Hussain<br>Sagarwalla*                                 | S/o Jaffar Ali   | 14,625                                     | 537          | -           | 15,162     | 2,625                 | 537                 | -                               | 3,162           |
| 10.    | Javed Bros.<br>27-Steel Market, Industrial<br>Area, Loha Market, Lahore.             | Mr. Javed Iqbal*   | Mr. Mian Muhammad Iqbal                                | 2,918                                      | 362          | -           | 3,280      | 2,280                 | -                   | -                               | 2,280           |
| 11.    | Sharia Habib<br>104/B-II, Gulberg-III, Lahore  | Mr. Ameer Nawaz Sheikh*<br>Mr. Haabeeb Nawaz*                  | Mr. Sheikh Bagh Din<br>Mr. Ameer Nawaz Sheikh          | 4,856                                      | -            | -           | 4,856      | 3,056                 | -                   | -                               | 3,056           |
| 12.    | First Hajveri Modaraba<br>Hajveri centre, 92-8-1 M Alam<br>Road Gulberg - III Lahore | Mohammad Nasir Javeed<br>NIC # 274-89-290351                   | Sheikh Azmat Ali                                       | 1,126                                      | -            | -           | 1,126      | 1,126                 | -                   | -                               | 1,126           |
|        | TOTAL:   | -  |  | 493,207                                    | 30,377       | -           | 523,584    | 159,623               | 15,118              | -                               | 174,741         |

\* Not available in the records of the bank.

**Consolidated Annual Accounts  
of  
Bank Alfalah Limited  
and  
Subsidiary Companies**



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Bank Alfalah Limited and its subsidiary companies as at 31 December 2004 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. The financial statements include unaudited certified returns from the branches, except for seventeen branches which have been audited by us. 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. The financial statements of Alfalah GHP Investment Management Limited have been audited by another firm of chartered accountants and our opinion in so far as it relates to the amounts included for the said company, is based solely on the report of such auditor.

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 2004 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.

Date: March 12, 2005

Taseer Hadi Khalid & Co.  
Chartered Accountants

Karachi.

## CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2004

|   | Note | 2004               | 2003<br>(Restated) |
|---|------|--------------------|--------------------|
| Rupees in '000                                      |      |                    |                    |
| <b>ASSETS</b>                                       |      |                    |                    |
| Cash and balances with treasury banks               | 8    | 19,708,523         | 8,423,399          |
| Balances with other banks                           | 9    | 3,194,776          | 626,917            |
| Lendings to financial institutions                  | 10   | -                  | 7,437,733          |
| Investments   | 11   | 35,427,596         | 28,861,596         |
| Advances  | 12   | 88,838,824         | 49,216,120         |
| Other assets  | 13   | 3,588,083          | 1,586,890          |
| Operating fixed assets                              | 14   | 4,298,464          | 2,792,710          |
| Deferred tax asset                                  |      | -                  | -                  |
|   |      | <u>155,056,266</u> | <u>98,945,365</u>  |
| <b>LIABILITIES</b>                                  |      |                    |                    |
| Bills payable                                       | 15   | 2,233,671          | 1,208,671          |
| Borrowings from financial institutions              | 16   | 12,723,830         | 13,127,754         |
| Deposits and other accounts                         | 17   | 129,654,561        | 76,673,157         |
| Sub - ordinated loans                               | 18   | 1,899,480          | 649,740            |
| Liabilities against assets subject to finance lease | 19   | 2,429              | -                  |
| Other liabilities                                   | 20   | 2,967,258          | 2,186,785          |
| Deferred tax liabilities                            | 21   | 275,654            | 323,010            |
|   |      | <u>149,756,883</u> | <u>94,169,117</u>  |
| <b>NET ASSETS</b>                                   |      | <u>5,299,383</u>   | <u>4,776,248</u>   |
| <b>REPRESENTED BY</b>                               |      |                    |                    |
| Share capital                                       | 22   | 2,500,000          | 2,000,000          |
| Reserves  |      | 1,008,772          | 790,374            |
| Unappropriated profit                               |      | 856,297            | 963,042            |
|   |      | <u>4,365,069</u>   | <u>3,753,416</u>   |
| Surplus / (deficit) on revaluation of assets        | 23   | 892,412            | 1,004,832          |
| Minority interest                                   |      | 41,902             | 18,000             |
|   |      | <u>5,299,383</u>   | <u>4,776,248</u>   |
| <b>CONTINGENCIES AND COMMITMENTS</b>                | 24   |                    |                    |

The annexed notes 1 to 44 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2004

|  | Note | 2004        | 2003<br>(Restated)<br>Rupees in '000 |
|--|------|-------------|--------------------------------------|
| Mark-up/return/interest earned   | 25   | 5,616,984   | 4,033,380                            |
| Mark-up/return/interest expensed   | 26   | 2,434,642   | 2,028,577                            |
| Net mark-up/interest income  |      | 3,182,342   | 2,004,803                            |
| Provision against non-performing loans and advances - net  | 12.4 | (370,208)   | (87,091)                             |
| Provision for diminution in the value of investments   |      | (2,165)     | -                                    |
| Bad debts written off directly   |      | (351)       | (418)                                |
|  |      | (372,724)   | (87,509)                             |
| Net mark-up/interest income after provisions   |      | 2,809,618   | 1,917,294                            |
| <b>NON MARK-UP/INTEREST INCOME</b>   |      |             |                                      |
| Fee, commission and brokerage income   |      | 691,382     | 399,383                              |
| Dividend income  |      | 52,539      | 112,017                              |
| Income from dealing in foreign currencies  |      | 218,820     | 106,848                              |
| Other income   | 27   | 574,860     | 2,773,503                            |
| Total non-mark up/interest income  |      | 1,537,601   | 3,391,751                            |
|  |      | 4,347,219   | 5,309,045                            |
| <b>NON MARK-UP/INTEREST EXPENSES</b>   |      |             |                                      |
| Administrative expenses  | 28   | 2,697,707   | 1,799,490                            |
| Other provisions/write offs  |      | -           | 2,000                                |
| Other charges  | 29   | 1,700       | 1,875                                |
| Total non-mark up/interest expenses  |      | 2,699,407   | 1,803,365                            |
|  |      | 1,647,812   | 3,505,680                            |
| Extraordinary/unusual items  |      | -           | -                                    |
| <b>PROFIT BEFORE TAXATION</b>  |      | 1,647,812   | 3,505,680                            |
| Taxation   |      |             |                                      |
| For the year - Current   |      | 586,917     | 1,364,723                            |
| - Deferred   |      | (3,843)     | (13,671)                             |
| For prior year - Current   |      | (30,000)    | 22,887                               |
| - Deferred   |      | 9,249       | 8,507                                |
|  | 30   | 562,323     | 1,382,446                            |
| <b>PROFIT AFTER TAXATION</b>   |      | 1,085,489   | 2,123,234                            |
| Loss attributable to minority interest   |      | 2,497       | -                                    |
|  |      | 1,087,986   | 2,123,234                            |
| Unappropriated profit brought forward as previously reported   |      | 463,042     | 250,050                              |
| Effect of Change in accounting policy with respect to dividend declared after the balance sheet date |      | 500,000     | 250,000                              |
| Unappropriated profit brought forward as restated  |      | 963,042     | 500,050                              |
| Transfer from general reserve  |      | -           | -                                    |
| Transfer from surplus on revaluation of fixed assets - Current year net of tax                       |      | 23,667      | 14,405                               |
| Profit available for appropriation   |      | 2,074,695   | 2,637,689                            |
| <b>APPROPRIATIONS</b>  |      |             |                                      |
| Transfer to statutory reserve  |      | (218,398)   | (424,647)                            |
| Bonus Shares   |      | (500,000)   | (1,000,000)                          |
| Final dividend paid for 2003 @ 25 percent (2002: 25 percent)   |      | (500,000)   | (250,000)                            |
|  |      | (1,218,398) | (1,674,647)                          |
| Unappropriated profit carried forward  |      | 856,297     | 963,042                              |
| Basic and diluted earnings per share   | 31   | 4.35        | 8.49                                 |

The annexed notes 1 to 44 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2004

|  | Note | 2004         | 2003         |
|--|------|--------------|--------------|
| Rupees in '000   |      |              |              |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |      |              |              |
| Profit/(loss) before taxation                          |      | 1,647,812    | 3,505,680    |
| Less: Dividend income                                  |      | (52,539)     | (112,017)    |
|  |      | 1,595,273    | 3,393,663    |
| Adjustments for non-cash charges                       |      |              |              |
| Depreciation   |      | 296,456      | 186,622      |
| Amortization - intangible assets                       |      | 12,057       | 21,085       |
| Provision against non-performing advances              |      | 370,208      | 87,091       |
| Provision for diminution in the value of investments   |      | 2,165        | -            |
| Provision against other assets                         |      | -            | 2,000        |
| Bad Debts written off directly                         |      | 351          | 418          |
| Gain on sale of fixed assets                           |      | (4,297)      | (6,903)      |
| Provision for Gratuity                                 |      | 27,531       | 21,096       |
|  |      | 704,471      | 311,409      |
|  |      | 2,299,744    | 3,705,072    |
| (Increase)/decrease in operating assets                |      |              |              |
| Lendings to financial institutions                     |      | 6,787,733    | (2,703,335)  |
| Advances   |      | (39,993,263) | (20,934,823) |
| Others assets  |      | (2,003,294)  | (435,810)    |
|  |      | (35,208,824) | (24,073,968) |
| Increase/ (decrease) in operating liabilities          |      |              |              |
| Bills Payable  |      | 1,025,000    | 449,710      |
| Borrowings from financial institutions                 |      | (403,924)    | 7,090,178    |
| Deposits   |      | 52,981,404   | 24,988,173   |
| Other liabilities                                      |      | 1,570,266    | 438,146      |
|  |      | 55,172,746   | 32,966,207   |
|  |      | 22,263,666   | 12,597,311   |
| Gratuity paid  |      | (27,531)     | (73,573)     |
| Income tax paid  |      | (1,346,710)  | (539,529)    |
| Net cash flow from operating activities                |      | 20,889,425   | 11,984,209   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>             |      |              |              |
| Net investments in available-for-sale securities       |      | 22,464,569   | (6,096,789)  |
| Net investments in held-to-maturity securities         |      | (27,753,009) | (687,520)    |
| Net investments in held for trading securities         |      | (283,065)    | -            |
| Investment in associated company                       |      | (1,138,176)  | -            |
| Proceeds from the issue of share capital of subsidiary |      | 26,400       | 18,000       |
| Dividend received                                      |      | 54,629       | 127,389      |
| Investments in operating fixed assets                  |      | (1,817,154)  | (750,903)    |
| Sale proceeds of fixed assets disposed of              |      | 7,195        | 32,976       |
| Net cash flow from investing activities                |      | (8,438,611)  | (7,356,847)  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>             |      |              |              |
| Issue of Term Finance Certificates                     |      | 1,250,000    | (260)        |
| Redemption of Term Finance Certificates                |      | (260)        | -            |
| Receipt against lease obligation                       |      | 2,429        | -            |
| Dividend paid  |      | (500,000)    | (250,000)    |
| Net cash flow from financing activities                |      | 752,169      | (250,260)    |
| Increase in cash and cash equivalents                  |      | 13,202,983   | 4,377,102    |
| Cash and cash equivalents at beginning of the year     |      | 9,700,316    | 5,323,214    |
| Cash and cash equivalents at end of the year           | 32   | 22,903,299   | 9,700,316    |

The annexed notes 1 to 44 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, 2004

|  | Share capital    | Statutory reserve | Unappropriated profit | Total            |
|--|------------------|-------------------|-----------------------|------------------|
|  | (Rupees in '000) |                   |                       |                  |
| Balance at January 1, 2003 as previously reported  | 1,000,000        | 365,727           | 250,050               | 1,615,777        |
| Effect of Change in accounting policy with respect to dividend declared after the balance sheet date | -                | -                 | 250,000               | 250,000          |
| Balance at January 1, 2003 as restated   | 1,000,000        | 365,727           | 500,050               | 1,865,777        |
| Profit after tax for the year ended December 31, 2003  | -                | -                 | 2,123,234             | 2,123,234        |
| Transfer to statutory reserve  | -                | 424,647           | (424,647)             | -                |
| Transfer from surplus on revaluation of fixed assets - Current year net of tax                       | -                | -                 | 14,405                | 14,405           |
| Final dividend of 2002 @ 25 percent - Paid   | -                | -                 | (250,000)             | (250,000)        |
| Issue of bonus shares  | 1,000,000        | -                 | (1,000,000)           | -                |
| Proposed dividend  | -                | -                 | (500,000)             | (500,000)        |
| Balance at December 31, 2003 as previously reported  | 2,000,000        | 790,374           | 463,042               | 3,253,416        |
| Effect of Change in accounting policy with respect to dividend declared after the balance sheet date | -                | -                 | 500,000               | 500,000          |
| Balance at December 31, 2003 as restated   | 2,000,000        | 790,374           | 963,042               | 3,753,416        |
| Profit after taxation for the year ended December 31, 2004   | -                | -                 | 1,087,986             | 1,087,986        |
| Transfer to statutory reserve  | -                | 218,398           | (218,398)             | -                |
| Transfer from surplus on revaluation of fixed assets - Current year net of tax                       | -                | -                 | 23,667                | 23,667           |
| Issue of bonus shares  | 500,000          | -                 | (500,000)             | -                |
| Final dividend of 2003 @ 25 percent - Paid   | -                | -                 | (500,000)             | (500,000)        |
| Balance at December 31, 2004   | <u>2,500,000</u> | <u>1,008,772</u>  | <u>856,297</u>        | <u>4,365,069</u> |

The annexed notes 1 to 44 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

### 1. STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (holding company and the bank) 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 90 branches (2003: 59 branches) including 11 Islamic branches (2003: 5 branches) with the registered office at B. A. Building, I. I. Chundrigar Road, Karachi. The Bank is listed on Karachi and Lahore Stock Exchanges.

The bank has invested in 70 percent shares of Alfalah Securities (Private) Limited. The principal objective of the company is to undertake the business of brokerage house. Alfalah Securities (Private) Limited was incorporated on September 23, 2003 with registered office in Karachi, Pakistan.

During the year, the bank invested in 56 percent shares of Alfalah GHP Investment Management Limited, which will act as asset management company, investment advisor / fund manager and constitute, float and manage open-ended and closed-ended funds. Alfalah GHP Investment Management Limited was incorporated on October 18, 2004 as a public limited company under Companies Ordinance, 1984 with registered office in Karachi, Pakistan.

During the year, the bank invested in 26 percent shares of Warid Telecom (Private) Limited. The company has acquired licence to launch business of mobile telecommunication from Pakistan Telecommunication Authority.

### 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.

Further, these accounts are being circulated to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984.

### 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 the State Bank of Pakistan for the financial statements.

## CONSOLIDATED NOTES TO 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. CHANGE IN ACCOUNTING ESTIMATES

- 5.1 During the current year, the bank changed the method of computation of provision for irrecoverable advances in order to comply with the requirements of the revised Prudential Regulations, issued by the State Bank of Pakistan. The revised regulations, requires banks / DFLs to discount the value of collaterals considered against non-performing advances and make general provisions against consumer financing.

Had this change not been made the profit for the year and advances would have been higher by Rs. 95.657 million.

- 5.2 During the current year, the bank changed the rate of depreciation on Computers and related Equipments from 20 percent per annum to 25 percent per annum.

Had this change not been made the profit for the year and operating fixed assets would have been higher by Rs. 12.239 million.

### 6. CHANGE IN ACCOUNTING POLICY

- 6.1 During the current year the bank has changed its accounting policy pertaining to recognition of dividends declared subsequent to the year end. The change has been made consequent to the amendment made by the Securities and Exchange Commission of Pakistan in the Companies Ordinance, 1984 and the new policy is in accordance with the requirements of IAS 10 (Events after the Balance Sheet Date). As per the new policy dividends declared subsequent to the balance sheet date are considered as a non-adjusting event and are not recognised in the financial statements as liability. Previously such dividend declarations were being treated as adjusting events in the financial statements of the bank and were recorded as liability. The change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with the benchmark treatment specified in IAS 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies). Had there been no change in the accounting policy, the unappropriated profit would have been lower and other liabilities would have been higher for the year ended December 31, 2003 by Rs. 500 million.

- 6.2 Effective July 13, 2004 the bank has changed its accounting policy in respect of accounting for unrealised surplus/ deficit arising on revaluation of investments categorised as 'held for trading'. Previously, surplus/ deficit was being shown in the balance sheet below equity as required by BSD Circular No. 20 dated August 4, 2000. This has been made to comply with the requirements specified in BSD Circular No. 10 dated July 13, 2004 as amended vide BSD Circular No. 11 dated August 4, 2004 and BSD Circular No.14 dated September 24, 2004. Had the accounting policy not been changed, the profit for the year would have been higher by Rs. 2.165 million.

During the current year, the Bank has also changed its accounting policy in respect of valuation of investments classified as held to maturity. According to the new policy, these investments are carried at amortized cost. Previously, these investments were marked to market as per the requirements of SBP's BSD Circular No. 20 dated August 4, 2000 and the related surplus / deficit was shown in the balance sheet below equity. This change has been made to comply with the requirements laid down in BSD Circular No. 14 dated September 24, 2004, issued by the State Bank of Pakistan. The change in accounting policy did not have any impact on the profit and loss account for the current and the prior period. Had the accounting policy not been changed, the surplus on revaluation of assets as at December 31, 2004 would have been lower by Rs. 393.396 million net of deferred tax.

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 7.1 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 bank has following subsidiaries:

|   | Percentage of shareholding |
|---|----------------------------|
| Alfalah Securities (Private) Limited      | 70 percent                 |
| Alfalah GHP Investment Management Limited | 56 percent                 |

Associates are those companies in which the Bank directly or indirectly, beneficially owns or holds more than 20 percent of the voting securities.

The bank has one associated company Warid Telecom Private Limited (Percentage of shareholding: 26 percent).

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 subsidiaries 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.

Investments in associates are accounted for under equity method of accounting.

However, investment in Warid Telecom (Private) Limited have been stated at cost in these consolidated accounts as the company has not commenced commercial operations to the date of these accounts.

#### 7.2 Cash and cash equivalents

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

#### 7.3 Revenue recognition

Mark-up income and expense and profit on murabaha and musharika financing 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 recognised 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 and ijarah 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.

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

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.

Brokerage, commission and other income are accrued as and when due. Referral fees is recognized when received.

Capital gains and losses on sale of listed securities are recognized in the year in which they arise. Income from investment in listed securities under purchase and resale arrangements is recognized on accrual basis.

### 7.4 Advances

Loans and advances including financing under murabaha and musharika and net investment in finance lease / ijarah are stated net of provisions against non-performing advances. Specific and general provisions are 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 / ijarah financing 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.

### 7.5 Investments

The investments of the Group 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.

Investments of the holding company (the bank) are classified into 'held to maturity', 'held for trading' or 'available for sale' categories in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004 as amended vide BSD Circular No. 11 dated August 4, 2004 and BSD Circular No.14 dated September 24, 2004.

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.

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

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.

Investments of subsidiaries and associates are accounted for in accordance with the requirements of International Accounting Standard 39, Financial Instruments; Recognition and Measurement.

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 recognised on a time proportion basis over the period of the transaction and is included in mark-up / return / interest earned or expensed.

## 7.6 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 using rates mentioned in note 14.2 to these accounts.

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.

### Leased

Assets subject to finance lease are initially recognised at lower of present value of minimum lease payments under the lease agreement and fair value of the assets are stated net off accumulated depreciation and impairment loss, if any. The related obligations are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability. Depreciation on leased assets is charged on leased assets to income by applying straight-line method.

### Intangible assets

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

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 7.7 Capital work in progress

Capital work in progress is stated at cost.

### 7.8 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 and minimum tax liability at the rate of 0.5 percent of turnover under section 113 of the Income Tax Ordinance, 2001.

#### 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.

### 7.9 Staff retirement benefits

#### Defined Benefit Plan

The holding company 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, 2004 using the Projected Unit Credit Method.

#### Defined Contribution Plan

The bank and its subsidiary, Alfalah Securities (Private) Limited operate a recognised Provident Fund Scheme for all their permanent employees to which equal monthly contributions are made both by the employer and employees at the rate of 8.33 percent of basic salary.

### 7.10 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.

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 7.11 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.

### 7.12 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.

### 7.13 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.

### 7.14 Impairment

The carrying amount of Group'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.

|   |     | 2004              | 2003             |
|---|-----|-------------------|------------------|
| Rupees in '000  |     |                   |                  |
| <b>8. CASH AND BALANCES WITH TREASURY BANKS</b>           |     |                   |                  |
| <b>In hand</b>  |     |                   |                  |
| Local currency (including in transit Rs. 60.000 million)  |     | 2,971,782         | 1,580,857        |
| Foreign currency (including in transit Rs. 3.740 million) |     | 497,893           | 637,817          |
| <b>With State Bank of Pakistan in</b>                     |     |                   |                  |
| Local currency current account                            | 8.1 | 13,132,499        | 4,459,474        |
| Foreign currency current account                          | 8.2 | 655,193           | 369,310          |
| Foreign currency deposit account                          | 8.3 | 1,793,320         | 1,107,929        |
| <b>With National Bank of Pakistan in</b>                  |     |                   |                  |
| Local currency current account                            |     | 657,836           | 268,012          |
|   |     | <u>19,708,523</u> | <u>8,423,399</u> |



## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

- 8.1 This account is maintained with SBP under the requirement of section 22 of the Banking Companies Ordinance, 1962.
- 8.2 This account is maintained with SBP under the requirement of BSD Circular No.18 dated March 31, 2001.
- 8.3 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 0.62% to 1.29% was paid during the year.
- 8.4 This includes balances of Islamic Banking Division amounting to Rs. 2,719 million (2003: Rs. 187.767 million)

|                                     |     | 2004             | 2003           |
|-------------------------------------|-----|------------------|----------------|
|                                     |     | Rupees in '000   |                |
| <b>9. BALANCES WITH OTHER BANKS</b> |     |                  |                |
| <b>In Pakistan</b>                  |     |                  |                |
| On current account                  |     | 137,993          | 72,011         |
| On deposit account                  |     | 50,000           | 19,534         |
| <b>Outside Pakistan</b>             |     |                  |                |
| On current account                  |     | 1,861,578        | 415,982        |
| On deposit account                  | 9.1 | 1,145,205        | 119,390        |
|                                     |     | <u>3,194,776</u> | <u>626,917</u> |

9.1 This represents placements of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 1.75% to 4.76% per annum with maturities upto July 2005.

9.2 This includes balances of Islamic Banking Division amounting to Rs. 127.523 million (2003: Nil)

## 10. LENDINGS TO FINANCIAL INSTITUTIONS

|  |      |          |                  |
|--|------|----------|------------------|
| Call money lendings                          |      | -        | 650,000          |
| Repurchase agreement lendings (Reverse Repo) | 10.1 | -        | 6,787,733        |
|  |      | <u>-</u> | <u>7,437,733</u> |

### 10.1 Securities held as collateral against lendings to financial institutions

|                           | 2004         |                             |          | 2003             |                             |                  |
|---------------------------|--------------|-----------------------------|----------|------------------|-----------------------------|------------------|
|                           | 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        |
| Pakistan Investment Bonds | -            | -                           | -        | 1,850,000        | -                           | 1,850,000        |
|                           |              | <u>-</u>                    | <u>-</u> | <u>6,787,733</u> | <u>-</u>                    | <u>6,787,733</u> |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 11. INVESTMENTS

#### 11.1 Investment by type

|  | 2004            |                        |            | 2003            |                        |            |
|--|-----------------|------------------------|------------|-----------------|------------------------|------------|
|  | Held<br>by Bank | Given as<br>collateral | Total      | Held<br>by bank | Given as<br>collateral | Total      |
| Rupees in '000   |                 |                        |            |                 |                        |            |
| Available for sale securities  |                 |                        |            |                 |                        |            |
| Treasury Bills   | –               | –                      | –          | 11,014,906      | 3,862,995              | 14,877,901 |
| Pakistan Investment Bonds  | 3,328,439       | 877,420                | 4,205,859  | 8,331,101       | 2,458,230              | 10,789,331 |
| Federal Investment Bonds   | 15,598          | –                      | 15,598     | 301,093         | –                      | 301,093    |
| Fully paid up ordinary shares/units  | 512,034         | –                      | 512,034    | 1,074,734       | –                      | 1,074,734  |
| Term Finance Certificates  | 362,043         | –                      | 362,043    | 302,557         | –                      | 302,557    |
| Certificate of Investments   | 205,168         | –                      | 205,168    | 400,000         | –                      | 400,000    |
| Prize Bonds  | 4,297           | –                      | 4,297      | 23,952          | –                      | 23,952     |
| Swift Shares   | 631             | –                      | 631        | 631             | –                      | 631        |
| Shares of Pakistan Export Finance<br>Guarantee Agency Ltd.                 | 5,725           | –                      | 5,725      | 5,725           | –                      | 5,725      |
|  | 4,433,935       | 877,420                | 5,311,355  | 21,454,699      | 6,321,225              | 27,775,924 |
| Held to maturity securities  |                 |                        |            |                 |                        |            |
| Government Bonds   | 85,341          | –                      | 85,341     | 85,341          | –                      | 85,341     |
| Pakistan Investment Bonds  | 8,534,837       | 1,598,129              | 10,132,966 | –               | –                      | –          |
| Treasury Bills   | 13,918,840      | 3,259,769              | 17,178,609 | –               | –                      | –          |
| Term Finance Certificates  | 1,141,429       | –                      | 1,141,429  | 699,995         | –                      | 699,995    |
|  | 23,680,447      | 4,857,898              | 28,538,345 | 785,336         | –                      | 785,336    |
| Held for Trading   |                 |                        |            |                 |                        |            |
| Fully paid up ordinary shares<br>-Listed Companies                         | 283,065         | –                      | 283,065    | –               | –                      | –          |
| Associates   |                 |                        |            |                 |                        |            |
| Warid Telecom (Pvt.) Ltd.  | 1,138,176       | –                      | 1,138,176  | –               | –                      | –          |
| Less: Provision for diminution in value<br>of held for trading investments | (2,165)         | –                      | (2,165)    | –               | –                      | –          |
| Surplus on revaluation of available<br>for sale securities (net) 23.2      | 138,471         | 20,349                 | 158,820    | 289,871         | 10,465                 | 300,336    |
|  | 136,306         | 20,349                 | 156,655    | 289,871         | 10,465                 | 300,336    |
|  | 29,671,929      | 5,755,667              | 35,427,596 | 22,529,906      | 6,331,690              | 28,861,596 |

11.1.1 This includes investments of Islamic Banking Division amounting to Rs. 124.587 million (2003: Nil).

11.1.2 This includes investment in related parties amounting to Rs. 1,138.176 million (2003: Rs. Nil).

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 11.2 Investments by segment

|   | Note    | 2004              | 2003              |
|---|---------|-------------------|-------------------|
| Rupees in '000  |         |                   |                   |
| <b>Federal Government Securities</b>  |         |                   |                   |
| - Treasury Bills  | 11.2.1  | 17,178,609        | 14,877,901        |
| - Pakistan Investment Bonds   | 11.2.2  | 14,338,825        | 10,789,331        |
| - Federal Investment Bonds  | 11.2.3  | 15,598            | 301,093           |
| - Government Bonds  | 11.2.4  | 85,341            | 85,341            |
| - Prize Bonds   |         | 4,297             | 23,952            |
|   |         | <u>31,622,670</u> | <u>26,077,618</u> |
| <b>Fully Paid up Ordinary Shares</b>  |         |                   |                   |
| - Listed Companies  | 11.2.5  | 795,099           | 1,074,734         |
| - Unlisted Companies  | 11.2.6  | 6,356             | 6,356             |
|   |         | <u>801,455</u>    | <u>1,081,090</u>  |
| <b>Term Finance Certificates, Debentures,<br/>Bonds and Participation Term Certificates</b> |         |                   |                   |
| - Term Finance Certificates - quoted  | 11.2.7  | 362,043           | 302,557           |
| - Term Finance Certificates - unquoted  | 11.2.8  | 1,141,429         | 699,995           |
|   |         | <u>1,503,472</u>  | <u>1,002,552</u>  |
| Investment in Associated company  | 11.2.9  | 1,138,176         | -                 |
| <b>Other Investments</b>  |         |                   |                   |
| Certificate of Investments  | 11.2.10 | 205,168           | 400,000           |
|   |         | <u>35,270,941</u> | <u>28,561,260</u> |
| Provision for diminution in value of held<br>for trading investments                        |         | (2165)            | -                 |
| Surplus on revaluation of available<br>for sale securities (net)                            | 23.2    | 158,820           | 300,336           |
|   |         | <u>35,427,596</u> | <u>28,861,596</u> |

11.2.1 Treasury bills are for the periods of six months and one year. The rates of profit on treasury bills range between 1.95% to 2.90% per annum with maturities upto September 2005.

11.2.2 Pakistan Investment Bonds are for the periods of three, five, ten and fifteen years. The rates of profit range from 6% to 14% per annum with maturities from January 2005 to June 2019.

11.2.3 Federal Investment Bonds are for the period of ten years. The rate of profit is 15% per annum with maturities ranging from April 2005 to October 2005.

11.2.4 This represents bonds issued by the Federal Government to settle the dues of Heavy Mechanical Complex at the rate of 6% per annum redeemable on maturity in March 2009.

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 11.2.5 Investments in listed companies / funds include the following:

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

| 2004                                | 2003      |   | 2004           | 2003      |
|-------------------------------------|-----------|---|----------------|-----------|
| No. of shares<br>certificates/units |           |   | Rupees in '000 |           |
|                                     |           | <b>MUTUAL FUNDS</b>                           |                |           |
| –                                   | 400,000   | Pakistan Income Fund Units*                   | –              | 19,984    |
| –                                   | 100,000   | Pakistan Stock Market Fund Units*             | –              | 6,081     |
| 50,000                              | 50,000    | Atlas Income Fund**                           | 25,000         | 25,000    |
| 8,095,790                           | –         | ABAMCO Composite Fund                         | 80,898         | –         |
| 2,500,000                           | –         | Meezan Balanced Fund                          | 25,000         | –         |
| 2,319,500                           | –         | Pakistan Strategic Allocation Fund            | 23,190         | –         |
|                                     |           | *The par value of these units is Rs. 50       |                |           |
|                                     |           | **The par value of these units is Rs. 500     |                |           |
|                                     |           | <b>INVESTMENT COMPANIES &amp; BANKS</b>       |                |           |
| 2,635,000                           | 3,833,000 | Askari Commercial Bank Limited                | 188,788        | 160,932   |
| 150,000                             | 475,000   | National Bank of Pakistan                     | 12,129         | 25,641    |
| –                                   | 998,500   | Prime Commercial Bank Limited                 | –              | 13,570    |
| 399,000                             | –         | Bank of Punjab                                | 26,616         | –         |
| 275,000                             | –         | Muslim Commercial Bank Limited                | 16,447         | –         |
|                                     |           | <b>MODARABAS</b>                              |                |           |
| –                                   | 1,814,000 | First National Bank Modaraba                  | –              | 18,140    |
|                                     |           | <b>CEMENT</b>                                 |                |           |
| –                                   | 950,000   | Maple Leaf Cement Company                     | –              | 31,466    |
| –                                   | 2,208,000 | Fauji Cement Limited                          | –              | 28,461    |
| 698,000                             | 7,004,000 | D. G. Khan Cement Limited (Preference Shares) | 7,696          | 77,185    |
| 300,000                             | –         | Pioneer Cement Limited                        | 6,086          | –         |
|                                     |           | <b>FUEL &amp; ENERGY</b>                      |                |           |
| 2,887,000                           | 6,475,500 | Hub Power Company Limited                     | 98,939         | 263,718   |
| –                                   | 300,640   | Oil & Gas Development Corporation Limited     | –              | 9,623     |
| –                                   | 173,800   | Pakistan Oilfields Limited                    | –              | 40,584    |
| –                                   | 1,258,000 | Southern Electric Power Co. Limited           | –              | 21,410    |
| –                                   | 258,100   | Attock Refinery Limited                       | –              | 27,496    |
| 5,342,000                           | 5,902,500 | Kohinoor Energy Limited                       | 166,790        | 164,269   |
| 250,000                             | –         | Sui Northern Gas Pipelines Limited            | 15,358         | –         |
| 475,000                             | –         | Sui Southern Gas Company Limited              | 12,580         | –         |
| 150,000                             | –         | Japan Power Generation Limited                | 1,080          | –         |
|                                     |           | <b>TECHNOLOGY &amp; COMMUNICATION</b>         |                |           |
| 1,000,000                           | 400,000   | Pakistan Telecommunication Company Limited    | 44,250         | 14,512    |
| 1,534,500                           | –         | Call Mate Telips Limited                      | 24,972         | –         |
| 1,400,000                           | –         | Southern Networks Limited                     | 14,000         | –         |
|                                     |           | <b>CHEMICALS &amp; PHARMACEUTICALS</b>        |                |           |
| –                                   | 1,312,700 | Fauji Fertilizer Company Limited              | –              | 126,662   |
| 400,000                             | –         | Pakistan PTA Limited                          | 5,280          | –         |
|                                     |           |   | 795,099        | 1,074,734 |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 11.2.6 Investment in unlisted companies

| 2004                             | 2003    |  | 2004           | 2003         |
|----------------------------------|---------|--|----------------|--------------|
| No. of shares certificates/units |         |  | Rupees in '000 |              |
| 572,531                          | 572,531 | Pakistan Export Finance Guarantee Agency Limited<br>Chief Executive : Mr. S. M. Zaem | 5,725          | 5,725        |
| 5                                | 5       | Shares of SWIFT  | 631            | 631          |
|                                  |         |  | <u>6,356</u>   | <u>6,356</u> |

### 11.2.7 Term Finance Certificates - Quoted, Secured

#### Dewan Salman Fibres Limited

11,800 (2003: 11,800) certificates of Rs 5,000 each

Mark up: 16% per annum

Redemption: Eight equal quarterly installments commencing September 2003

Maturity: June 2005

14,726

44,179

#### ICI Pakistan Limited

NIL (2003: 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 at any time at par value plus a premium

Maturity: August 2006

–

59,952

#### Engro Asahi Polymer & Chemical Limited

NIL (2003: 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

#### Gulistan Textile Mills Limited

6,000 (2003: 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

19,984

29,976

#### Pak Arab Refinery Company Limited

NIL (2003: 15,000) certificates of Rs 5,000 each

Mark up: 1.45% above SBP discount rate with a floor of 13% per annum and a ceiling of 15% per annum

Redemption: Two equal semi-annual installments commencing March 2004

Maturity: December 2004

–

74,940

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

|  | 2004           | 2003   |
|--|----------------|--------|
|  | Rupees in '000 |        |
| <p><b>Quetta Textile Mills Limited</b><br/>           NIL (2003: 8,712) certificates of Rs 5,000 each<br/>           Mark up: 2.5% above weighted average of the last three cut off yield of 5 year Pakistan Investment Bond with a floor of 13% per annum and a ceiling of 18% per annum<br/>           Redemption: Six semi-annual installments commencing December 2004; the issuer has a call option exercisable at par after March 2005<br/>           Maturity: September 2007</p>   | -              | 43,560 |
| <p><b>Bank Al Habib Limited</b><br/>           9,350 (2003: NIL) certificates of Rs 5,000 each<br/>           Mark up: The average 6 month Karachi Inter Bank Offer Rate (KIBOR) + 1.50% per annum with a floor of 3.50% and a cap of 10.00% per annum<br/>           Redemption: The TFC is structured to redeem 0.25% of principal semi-annually in the first 78 months and the remaining principal in three semi-annual instalments of 33.25% respectively starting from the 84th month<br/>           Maturity: June 2012</p>  | 46,750         | -      |
| <p><b>Trust Leasing Corporation Limited</b><br/>           11,136* (2003: NIL) certificates of Rs 5,000 each<br/>           Mark up: 3.00% + KIBOR (6 months ask side) with a floor of 6.00% per annum and a cap of 10.00% per annum<br/>           Redemption: Principal repayment in 10 equal semi-annual instalments; profit payable on semi-annual basis<br/>           Maturity: July 2009<br/>           * 8,000 in pre IPO Participation, 3,136 in IPO</p>  | 55,680         | -      |
| <p><b>Crescent Leasing Corporation Limited</b><br/>           10,000 (2003: NIL) certificates of Rs 5,000 each<br/>           Mark up: Six months KIBOR (Average, Ask Side) + 1.75% per annum<br/>           Redemption: Ten equal semi-annual instalments commencing January 2005; the issuer has a call option exercisable at any time from the beginning of the nineteenth month till the end of the sixtieth month from the issue date only on a profit payment date subject to a 30 day notice period<br/>           Maturity: July 2009</p>  | 50,000         | -      |
| <p><b>First Dawood Investment Bank Limited (formerly Dawood Leasing Company Limited)</b><br/>           6,000 (2003: NIL) certificates of Rs 5,000 each<br/>           Mark up: On SBP discount rate + 1.75% per annum with a floor of 13.50% and a cap of 17.50% per annum<br/>           Redemption: Bullet at maturity; the issuer has a call option exercisable in whole for redemption at face value at the end of every 5 years from the date of issue. The investor has a Put Option exercisable in whole for redemption at face value at the end of every 5 years from the date of issue.<br/>           Maturity September 2006</p> | 33,615         | -      |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

|  | 2004           | 2003    |
|--|----------------|---------|
|  | Rupees in '000 |         |
| <p>First Dawood Investment Bank Limited (formerly Dawood Leasing Company Limited)<br/>           2,000 (2003: NIL) certificates of Rs 5,000 each<br/>           Mark up: On SBP discount rate + 1.75% per annum with a floor of 12.25% and a cap of 16.25% per annum<br/>           Redemption: Bullet at maturity; the issuer has a call option exercisable in whole for redemption at face value at the end of every 5 years from the date of issue. The investor has a Put Option exercisable in whole for redemption at face value at the end of every 5 years from the date of issue.<br/>           Maturity: September 2007</p>   | 11,304         | -       |
| <p>Gulshan Spinning Mills Limited<br/>           10,000 (2003: NIL) certificates of Rs 5,000 each<br/>           Mark up: Six months KIBOR (Average, Ask Side) + 1.80% per annum with a cap of 15% per annum<br/>           Redemption: Seven equal semi-annual instalments commencing June 2006<br/>           Maturity: June 2009</p>  | 50,000         | -       |
| <p>Paramount Spinning Mills Limited<br/>           16,000 (2003: NIL) certificates of Rs 5,000 each<br/>           Mark up: Six months KIBOR (Average, Ask Side) + 1.80% per annum with a cap of 15% per annum<br/>           Redemption: Seven equal semi-annual instalments commencing June 2006<br/>           Maturity: September 2009</p>   | 79,984         | -       |
|  | 362,043        | 302,557 |
| <b>11.2.8 Term Finance Certificates - Unquoted, Secured</b>  |                |         |
| <p>Pakistan International Airlines Corporation<br/>           100,000 (2003: 100,000) certificates of Rs 5,000 each<br/>           Mark up: SBP discount rate + 0.5% per annum with a floor of 8% per annum and a cap of 12.50% per annum.<br/>           Redemption: first four equal semi-annual instalments commencing August 2003 amounting to Rs. 5,000 each. Next six equal semi-annual instalments commencing August 2005 amounting to Rs. 12,499,500 each, subsequent six equal semi-annual instalments 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.<br/>           Maturity: February 2011</p> | 499,985        | 499,995 |
| <p>Al-Abbas Sugar Mills (Pvt.) Limited<br/>           10,000 (2003: 10,000) certificates of Rs 5,000 each<br/>           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.<br/>           Redemption: Nineteen equal quarterly instalments 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.<br/>           Maturity: July 2008</p>   | 39,474         | 50,000  |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

|  | 2004           | 2003    |
|--|----------------|---------|
|  | Rupees in '000 |         |
| <p>Pakistan Mobile Communications (Pvt.) Limited<br/>30,000 (2003: 30,000) certificates of Rs 5,000 each<br/>Mark up: Six month KIBOR (Average, Ask Side) + 1.60% per annum<br/>with a floor of 4.95% per annum and a cap of 12.00% per annum<br/>Redemption: Five equal semi-annual instalments commencing September 2006;<br/>the issuer has a call option exercisable any time from the 36th month to 54th<br/>month on a coupon date subject to 30 days notice period to repay in whole or in part.<br/>Maturity: September 2009</p>   | 150,000        | 150,000 |
| <p>Pakistan Mobile Communications (Pvt.) Limited<br/>50,000 (2003: NIL) certificates of Rs 5,000 each<br/>Mark up: Simple average of last three 6-month Treasury Bills cut-off rate + 2.25%<br/>per annum with a floor of 6.00% per annum and a cap of 12% per annum.<br/>Redemption: Five equal semi-annual instalments commencing September 2006;<br/>the issuer has a call option exercisable any time from the first principal repayment<br/>date (i.e. starting from the 36th month) onwards on a coupon date subject<br/>to 30 days notice period to repay in whole or in part.<br/>Maturity: September 2008</p> | 251,970        | -       |
| <p>Azgard Nine Limited (formerly Legler Nafees Denim Mills Limited)<br/>500 (2003: NIL) certificates of Rs 100,000 each<br/>Mark up: Six month KIBOR + 1.75% per annum with no floor and cap<br/>Redemption: Eight equal semi-annual instalments commencing from eighteenth<br/>month of the issue date; the issuer has a call option exercisable at profit payment<br/>date to redeem in full or in part the outstanding issue amount of the TFCs<br/>Maturity: August 2009</p>   | 50,000         | -       |
| <p>Bosicor Pakistan Limited<br/>20,000 (2003: NIL) certificates of Rs 5,000 each<br/>Mark up: Six month KIBOR (Average, Ask Side) + 5.5% per annum with a floor<br/>of 9.00% per annum and a cap of 13.00% per annum payable semi-annually<br/>Redemption: Seven equal semi-annual instalments commencing August 2006;<br/>the issuer has a call option exercisable at any time from the 1st principal repayment<br/>date (i.e starting from the 24th month) onwards on a coupon date subject to a<br/>60 days notice period to repay in whole or in part.<br/>Maturity: August 2009</p>                               | 100,000        | -       |
| <p>Security Leasing Corporation Limited<br/>10,000 (2003: NIL) certificates of Rs 5,000 each<br/>Mark up: Six month KIBOR (Average, Ask Side) + 1.90 basis point per annum<br/>Redemption: Ten equal semi-annual instalments commencing January 2005;<br/>the issuer has a call option exercisable at any time from the beginning<br/>of the nineteenth month till the end of the sixtieth month from the issue date<br/>only on profit payment date subject to a 30 days notice period.<br/>Maturity: April 2008</p>  | 50,000         | -       |
|  | 1,141,429      | 699,995 |



## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

11.2.9 This represents investment in 113.817 million (2003: NIL) ordinary shares of Rs. 10 each of Warid Telecom (Private) Limited - Chief Executive Mr. Hamid Farooq.

11.2.10 Particulars of Certificates of Investment are as follows:

|  | Tenor    | Profit rate<br>(% per annum) | 2004           | 2003           |
|--|----------|------------------------------|----------------|----------------|
| Rupees in '000   |          |                              |                |                |
| Pak Libya Holding Co. (Pvt.) Limited   | 3 years  | 5.25                         | 205,168        | 300,000        |
| First Dawood Investment Bank Limited<br>(formerly Dawood Leasing<br>Company Limited) | 6 months | 5.5                          | –              | 50,000         |
| First Dawood Investment Bank Limited<br>(formerly Dawood Leasing<br>Company Limited) | 1 year   | 5                            | –              | 50,000         |
|  |          |                              | <u>205,168</u> | <u>400,000</u> |

The investment includes PIBs having book value of Rs. 35 million (2003: 48.062 million) pledged with the National Bank of Pakistan as security to facilitate T.T. discounting facility.

|  | Note | 2004              | 2003              |
|--|------|-------------------|-------------------|
| Rupees in '000   |      |                   |                   |
| <b>12. ADVANCES</b>  |      |                   |                   |
| Loans, cash credits, running finances, etc. in Pakistan      |      | 80,642,466        | 45,709,334        |
| Net Investment in Finance Lease/ Ijara financing             | 12.2 | 6,372,805         | 1,517,397         |
| Bills discounted and purchased<br>(excluding treasury bills) |      |                   |                   |
| Payable in Pakistan  |      | 1,647,111         | 1,064,076         |
| Payable outside Pakistan                                     |      | 1,536,499         | 2,081,424         |
|  |      | <u>3,183,610</u>  | <u>3,145,500</u>  |
|  |      | 90,198,881        | 50,372,231        |
| Provision for non-performing advances                        | 12.4 | (1,360,057)       | (1,156,111)       |
|  |      | <u>88,838,824</u> | <u>49,216,120</u> |
| <b>12.1 Particulars of advances</b>                          |      |                   |                   |
| <b>12.1.1 In local currency</b>                              |      |                   |                   |
| In foreign currencies  |      | 86,800,326        | 45,656,382        |
|  |      | 2,038,498         | 3,559,738         |
|  |      | <u>88,838,824</u> | <u>49,216,120</u> |
| <b>12.1.2 Short term (for up to one year)</b>                |      |                   |                   |
| Long term (for over one year)                                |      | 57,630,575        | 38,068,584        |
|  |      | 31,208,249        | 11,147,536        |
|  |      | <u>88,838,824</u> | <u>49,216,120</u> |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 12.2 Net Investment in Finance Lease / Ijarah Financing

|   | 2004                    |  |                 |           | 2003      |
|---|-------------------------|--|-----------------|-----------|-----------|
|   | Not later than one year | Later than one year & less than five years | Over five years | Total     | Total     |
|   | Rupees in '000          |  |                 |           |           |
| Lease rental receivable                 | 974,019                 | 5,029,108                                  | 243,616         | 6,246,743 | 1,524,154 |
| Add: Residual value                     | 76,222                  | 900,959                                    | 20,496          | 997,677   | 205,082   |
| Minimum lease payments                  | 1,050,241               | 5,930,067                                  | 264,112         | 7,244,420 | 1,729,236 |
| Financial charges for future period     | (132,701)               | (693,693)                                  | (45,221)        | (871,615) | (211,839) |
| Present value of minimum lease payments | 917,540                 | 5,236,374                                  | 218,891         | 6,372,805 | 1,517,397 |

12.3 Advances include Rs. 2.935 billion (2003: Rs. 2.845 billion) which have been placed under non-performing status as detailed below:

| Category of classification        | Domestic         | Overseas | Total            | Provision required |                | Provision held |                |
|-----------------------------------|------------------|----------|------------------|--------------------|----------------|----------------|----------------|
|                                   |                  |          |                  | Specific           | General        | Specific       | General        |
| Other assets especially mentioned | 97,101           | -        | 97,101           | -                  | -              | 14             | -              |
| Substandard                       | 30,073           | -        | 30,073           | 4,064              | -              | 4,067          | -              |
| Doubtful                          | 1,798,532        | -        | 1,798,532        | 1,989              | -              | 2,573          | -              |
| Loss                              | 1,008,707        | -        | 1,008,707        | 829,553            | -              | 844,465        | -              |
|                                   | <u>2,934,413</u> | <u>-</u> | <u>2,934,413</u> | <u>835,606</u>     | <u>508,938</u> | <u>851,119</u> | <u>508,938</u> |

Classified advances include an amount of Rs. 1.776 billion (2003: Rs. 1.335 billion) fully covered through available liquid securities classified due to non-renewal of facilities.

### 12.4 Particulars of provision against non-performing advances:

|                     | 2004           |                |                  | 2003             |                |                  |
|---------------------|----------------|----------------|------------------|------------------|----------------|------------------|
|                     | Specific       | General        | Total            | Specific         | General        | Total            |
|                     | Rupees in '000 |                |                  |                  |                |                  |
| Opening balance     | 1,006,215      | 149,896        | 1,156,111        | 1,055,135        | 62,872         | 1,118,007        |
| Charge for the year | 92,053         | 359,052        | 451,105          | 82,390           | 87,075         | 169,465          |
| Reversals           | (80,887)       | (10)           | (80,897)         | (82,323)         | (51)           | (82,374)         |
|                     | 11,166         | 359,042        | 370,208          | 67               | 87,024         | 87,091           |
| Amounts written off | (166,262)      | -              | (166,262)        | (48,987)         | -              | (48,987)         |
| Closing balance     | <u>851,119</u> | <u>508,938</u> | <u>1,360,057</u> | <u>1,006,215</u> | <u>149,896</u> | <u>1,156,111</u> |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 12.5 Particulars of write offs

|   | Note | 2004           | 2003          |
|---|------|----------------|---------------|
| Rupees in '000                              |      |                |               |
| 12.5.1 Against general provisions           | 12.4 | 166,262        | 48,987        |
| Directly charged to profit and loss account |      | 351            | 418           |
|   |      | <u>166,613</u> | <u>49,405</u> |
| 12.5.2 Write-offs of Rs. 500,000 and above  | 12.6 | 159,623        | 46,973        |
| Write-offs of below Rs. 500,000             |      | 6,990          | 2,432         |
|   |      | <u>166,613</u> | <u>49,405</u> |

### 12.6 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, 2004 is given in Annexure-I.

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

|   | Balance as at December 31, 2004 | 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                            | 121,098                         | 125,319   |
| 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>121,098</u>                  | <u>125,319</u>  |

12.7 This includes advances of Islamic Banking Division amounting to Rs. 4,063.277 million (2003: NIL).

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 13. OTHER ASSETS

|  | Note | 2004           | 2003      |
|--|------|----------------|-----------|
|  |      | Rupees in '000 |           |
| Income / mark-up accrued in local currency             |      | 1,330,454      | 857,194   |
| Income / mark-up accrued in foreign currency           |      | 22,325         | 52,565    |
| Advances, deposits, advance rent and other prepayments |      | 777,399        | 482,035   |
| Membership card  |      | 31,000         | 31,000    |
| Dividend Receivable                                    |      | 413            | 2,503     |
| Unrealized gain on forward foreign exchange contracts  |      | 29,994         | 21,317    |
| Prepaid exchange risk fee                              |      | 3,552          | 7,778     |
| Stationery and stamps on hands                         |      | 32,032         | 21,783    |
| Short term receivables                                 |      | 1,328          | 569       |
| Branch adjustment                                      | 13.1 | 947,883        | -         |
| Receivable from brokers                                | 13.2 | 552,139        | 268,135   |
| Others   |      | -              | 14,000    |
| Pre-operating and other expenses                       | 13.3 | -              | 2,285     |
|  |      | 3,728,519      | 1,761,164 |
| Less: Provision held against other assets              | 13.4 | (9,619)        | (9,619)   |
| Mark-up held in suspense account                       |      | (130,817)      | (164,655) |
|  |      | 3,588,083      | 1,586,890 |

13.1 This represents normal banking transactions between branches acknowledged subsequent to the balance sheet date by the responding branches.

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

### 13.3 PRE-OPERATING AND OTHER EXPENSES

|                            |  |   |       |
|----------------------------|--|---|-------|
| Pre-incorporation expenses |  | - | 100   |
| Membership fee             |  | - | 266   |
| Registration charges       |  | - | 5     |
| Stamp charges              |  | - | 371   |
| Salaries and wages         |  | - | 1,451 |
| Auditor's remuneration     |  | - | 48    |
| Communication charges      |  | - | 83    |
| Travelling                 |  | - | 37    |
| Professional charges       |  | - | 200   |
| Fees                       |  | - | 20    |
| Stationary                 |  | - | 12    |
| Insurance                  |  | - | 11    |
| Depreciation               |  | - | 47    |
| Others                     |  | - | 5     |
|                            |  | - | 2,285 |

### 13.4 Provisions against other assets

|                     |  |       |       |
|---------------------|--|-------|-------|
| Opening balance     |  | 9,619 | 7,619 |
| Charge for the year |  | -     | 2,000 |
| Closing balance     |  | 9,619 | 9,619 |

### 14. OPERATING FIXED ASSETS

|                                       |      |           |           |
|---------------------------------------|------|-----------|-----------|
| Capital work-in-progress              | 14.1 | 500,318   | 293,498   |
| Property and equipment                | 14.2 | 3,765,004 | 2,462,181 |
| Intangible assets                     | 14.3 | 33,142    | 37,031    |
|                                       |      | 4,298,464 | 2,792,710 |
| 14.1 Capital work-in-progress         |      | 500,318   | 293,498   |
| Advances to suppliers and contractors |      | 500,318   | 293,498   |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 14.2 Property and equipment

| Description            | Cost and revaluation at January 1, 2004 | Additions/ (disposals)/ *adjustments | Revaluation surplus | Cost as at December 31, 2004 | Accumulated depreciation at January 1, 2004 | Depreciation for the year/ (on disposal)/ *adjustments | Depreciation released on revaluation | Accumulated depreciation at December 31, 2004 | Net book value at December 31, 2004 | Rate of depreciation % per annum |
|------------------------|---|--------------------------------------|---------------------|------------------------------|---|--|--------------------------------------|---|-------------------------------------|----------------------------------|
| (Rupees in '000)       |   |                                      |                     |                              |   |  |                                      |   |                                     |                                  |
| <b>Owned</b>           |   |                                      |                     |                              |   |  |                                      |   |                                     |                                  |
| Office premises        | 685,832                                 | 1,005,832                            | -                   | 1,691,664                    | -   | 14,375   | -                                    | 14,375  | 1,677,289                           | 2.5 - 5.5                        |
| Revaluation            | 1,138,799                               | -                                    | -                   | 1,138,799                    | -   | 40,113   | -                                    | 40,113  | 1,098,686                           | 2.5 - 5.5                        |
|                        | 1,824,631                               | 1,005,832                            | -                   | 2,830,463                    | -   | 54,488   | -                                    | 54,488  | 2,775,975                           |                                  |
| Lease hold improvement | 211,191                                 | 85,379                               | -                   | 295,292                      | 56,549                                      | 49,479   | -                                    | 105,960                                       | 189,332                             | 20                               |
|                        |   | (1,278)                              | -                   |                              |   | *(68)  |                                      |   |                                     |                                  |
| Furniture and fixtures | 168,811                                 | 95,144                               | -                   | 261,480                      | 57,001                                      | 19,342   | -                                    | 74,694  | 186,786                             | 10 - 25                          |
|                        |   | (2,200)                              | -                   |                              |   | (1,607)  |                                      |   |                                     |                                  |
|                        |   | (275)                                | -                   |                              |   | *(42)  |                                      |   |                                     |                                  |
| Office equipment       | 559,210                                 | 341,079                              | -                   | 894,698                      | 259,246                                     | 135,871  | -                                    | 389,737                                       | 504,961                             | 20 - 25                          |
|                        |   | (5,646)                              | -                   |                              |   | (4,835)  |                                      |   |                                     |                                  |
|                        |   | 55                                   | -                   |                              |   | *(545)   |                                      |   |                                     |                                  |
| Vehicles               | 150,133                                 | 69,663                               | -                   | 212,447                      | 78,999                                      | 36,231   | -                                    | 108,569                                       | 103,878                             | 25                               |
|                        |   | (7,228)                              | -                   |                              |   | (5,734)  |                                      |   |                                     |                                  |
|                        |   | (121)                                | -                   |                              |   | *(927)   |                                      |   |                                     |                                  |
|                        | 2,913,976                               | 1,597,097                            | -                   | 4,494,380                    | 451,795                                     | 295,411  | -                                    | 733,448                                       | 3,760,932                           |                                  |
|                        |   | (15,074)                             |                     |                              |   | (12,176)   |                                      |   |                                     |                                  |
|                        |   | (1,619)                              |                     |                              |   | *(1,582)   |                                      |   |                                     |                                  |
| <b>Leased</b>          |   |                                      |                     |                              |   |  |                                      |   |                                     |                                  |
| Vehicles               | -                                       | 5,069                                | -                   | 5,069                        | -   | 997  | -                                    | 997   | 4,072                               | 33                               |
| 2004                   | 2,913,976                               | 1,602,166                            | -                   | 4,499,449                    | 451,795                                     | 296,408  | -                                    | 734,445                                       | 3,765,004                           |                                  |
|                        |   | (15,074)                             |                     |                              |   | (12,176)   |                                      |   |                                     |                                  |
|                        |   | *(1,619)                             |                     |                              |   | *(1,582)   |                                      |   |                                     |                                  |
| 2003                   | 2,045,011                               | 620,604                              | 307,606             | 2,913,976                    | 505,268                                     | 186,622  | (209,196)                            | 451,795                                       | 2,462,181                           |                                  |
|                        |   | (57,245)                             |                     |                              |   | (29,105)   |                                      |   |                                     |                                  |
|                        |   | *(2,000)                             |                     |                              |   | *(1,794)   |                                      |   |                                     |                                  |

14.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 201.192 million.

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

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

14.2.3 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.

14.2.4 As at December 31, 2004, un-depreciated balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 1,098.686 million (2003: Rs. 1,138.799 million).

### 14.3 Intangible assets

| Description       | COST                  |                        |                         | DEPRECIATION          |                           |                         | Net book value as at December 31, 2004 | Rate of amortization % per annum |
|-------------------|-----------------------|------------------------|-------------------------|-----------------------|---------------------------|-------------------------|--|----------------------------------|
|                   | As at January 1, 2004 | Additions/ (deletions) | As at December 31, 2004 | As at January 1, 2004 | Amortization for the year | As at December 31, 2004 |  |                                  |
| (Rupees in '000)  |                       |                        |                         |                       |                           |                         |  |                                  |
| Computer software | 45,375                | 8,168                  | 53,543                  | 8,344                 | 12,057                    | 20,401                  | 33,142                                 | 20%                              |
| Goodwill          | 15,440                | -                      | 15,440                  | 15,440                | -                         | 15,440                  | -                                      |                                  |
| 2004              | 60,815                | 8,168                  | 68,983                  | 23,784                | 12,057                    | 35,841                  | 33,142                                 |                                  |
| 2003              | 35,051                | 25,764                 | 60,815                  | 2,699                 | 21,085                    | 23,784                  | 37,031                                 |                                  |

14.4 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) |       |                          |                |               |                  |                            |
| Office Equipment | 1,573 | 1,572                    | 1              | 3             | Cash             | Aleemuddin & Sons          |
| Vehicle          | 795   | 77                       | 718            | 765           | Insurance claim  | Adamjee Insurance Co. Ltd. |
| Vehicle          | 795   | 155                      | 640            | 740           | Insurance claim  | Adamjee Insurance Co. Ltd. |

|  | 2004              | 2003              |
|--|-------------------|-------------------|
| Rupees in '000                             |                   |                   |
| 15. BILLS PAYABLE                          |                   |                   |
| In Pakistan                                | 2,233,671         | 1,208,671         |
| Outside Pakistan                           | -                 | -                 |
|  | <u>2,233,671</u>  | <u>1,208,671</u>  |
| 16. BORROWINGS FROM FINANCIAL INSTITUTIONS |                   |                   |
| In Pakistan                                | 12,252,275        | 12,798,678        |
| Outside Pakistan                           | 471,555           | 329,076           |
|  | <u>12,723,830</u> | <u>13,127,754</u> |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

|  | Note   | 2004       | 2003       |
|--|--------|------------|------------|
| Rupees in '000   |        |            |            |
| <b>16.1 Particulars of borrowings from financial institutions</b>    |        |            |            |
| In local currency  |        | 12,252,275 | 12,798,678 |
| In foreign currencies  |        | 471,555    | 329,076    |
|  |        | 12,723,830 | 13,127,754 |
| <b>16.2 Details of borrowings from financial institutions</b>        |        |            |            |
| <b>Secured</b>   |        |            |            |
| Borrowings from State Bank of Pakistan under export refinance scheme | 16.2.1 | 6,677,505  | 5,244,207  |
| Repurchase agreement borrowings                                      | 16.2.2 | 5,459,770  | 6,304,471  |
|  |        | 12,137,275 | 11,548,678 |
| <b>Unsecured</b>   |        |            |            |
| Call borrowings  | 16.2.3 | 115,000    | 1,250,000  |
| Overdrawn nostro accounts  |        | 471,555    | 329,076    |
|  |        | 586,555    | 1,579,076  |
|  |        | 12,723,830 | 13,127,754 |

16.2.1 This represents borrowing from SBP under export refinance scheme at rates ranging from 1.50 % to 3.50 % per annum maturing within six months up to June 2005. 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.

16.2.2 This represents repurchase agreement borrowings from other banks at rates ranging from 2.0% to 4.50% per annum maturing up to March 2005.

16.2.3 This represents call borrowing in interbank market at rates ranging from 4.0% per annum maturing in January 2005.

|  | 2004        | 2003       |
|--|-------------|------------|
| Rupees in '000                         |             |            |
| <b>17. DEPOSITS AND OTHER ACCOUNTS</b> |             |            |
| <b>Customers</b>                       |             |            |
| Fixed deposits                         | 21,892,081  | 11,103,147 |
| Savings deposits                       | 65,965,795  | 44,625,779 |
| Current accounts - Non-remunerative    | 36,153,237  | 18,611,765 |
| Margin, call and sundry deposits       | 2,123,779   | 879,749    |
|  | 126,134,892 | 75,220,440 |
| <b>Financial Institutions</b>          |             |            |
| Remunerative deposits                  | 3,503,281   | 1,444,483  |
| Non-remunerative deposits              | 16,388      | 8,234      |
|  | 3,519,669   | 1,452,717  |
|  | 129,654,561 | 76,673,157 |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

|   |  | 2004               | 2003              |
|---|--|--------------------|-------------------|
|   |  | Rupees in '000     |                   |
| <b>17.1 Particulars of deposits</b>   |  |                    |                   |
| In local currency   |  | 117,627,343        | 69,134,334        |
| In foreign currencies   |  | 12,027,218         | 7,538,823         |
|   |  | <u>129,654,561</u> | <u>76,673,157</u> |
| <b>17.2</b> These include deposits of Rs. 6,548.307 million [Foreign currency Rs. 323.768 million (2003: Nil)] (2003: 113.712 million) of Islamic Banking Division. |  |                    |                   |
| <b>18. SUB-ORDINATED LOANS</b>  |  |                    |                   |
| Term Finance Certificates I - Quoted, Unsecured   |  | 649,480            | 649,740           |
| Mark-up   | 1.33% above 5 year PIB yield;<br>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 instalments commencing June 2008   |                    |                   |
| Maturity  | December 2008  |                    |                   |
| Term Finance Certificates II - Quoted, Unsecured  |  | 1,250,000          | -                 |
| Mark-up   | Base Rate* + 1.50%<br>*Base rate is the simple average of the ask rate of the six months (KIBOR) prevailing on the base rate setting date.   |                    |                   |
| Subordination   | The TFCs are subordinated as to the payment of principal and profit. In the case of occurrence of an event of default, the TFC holder will rank below the senior unsecured creditors and depositors and other creditors of the bank. |                    |                   |
| Rating  | A +  |                    |                   |
| Tenor   | Eight years  |                    |                   |
| Redemption  | 3 equal semi-annual instalments commencing 84th month of the issue date  |                    |                   |
| Maturity  | December 2012  |                    |                   |
|   |  | <u>1,899,480</u>   | <u>649,740</u>    |



## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

|                             | 31 December 2004       |                                     |                       | 31 December 2003       |                                     |                       |
|-----------------------------|------------------------|-------------------------------------|-----------------------|------------------------|-------------------------------------|-----------------------|
|                             | Minimum lease payments | Financial charges of future periods | Principal outstanding | Minimum lease payments | Financial charges of future periods | Principal outstanding |
|                             | Rupees in '000         |                                     |                       |                        |                                     |                       |
| Upto 1 year                 | 776                    | 139                                 | 637                   | -                      | -                                   | -                     |
| Over one year to four years | 1,926                  | 134                                 | 1,792                 | -                      | -                                   | -                     |
|                             | <u>2,702</u>           | <u>273</u>                          | <u>2,429</u>          | <u>-</u>               | <u>-</u>                            | <u>-</u>              |

19.1 The subsidiary has entered into leasing arrangement with Faysal Bank Limited for vehicles. Lease rentals are payable in monthly instalments in June 2008. Financial charges, included in the lease rentals, are determined on the basis of discount factors applied at rates ranging from 7 percent per annum to 7.75 percent per annum.

|   | Note | 2004               | 2003<br>(Restated) |
|---|------|--------------------|--------------------|
|   |      | Rupees in '000     |                    |
| <b>20. OTHER LIABILITIES</b>  |      |                    |                    |
| Mark-up/return/interest payable in local currency                               |      | 701,230            | 528,461            |
| Mark-up/return/interest payable in foreign currency                             |      | 37,154             | 23,720             |
| Unearned commission and income on bills discounted                              |      | 88,495             | 55,978             |
| Accrued expenses  |      | 283,538            | 150,458            |
| Branch adjustment account   |      | -                  | 196,229            |
| Taxation  |      | 79,255             | 869,048            |
| Lease security deposit  |      | 997,468            | 205,082            |
| Exchange difference payable to SBP  |      | 6,693              | 4,997              |
| Payable to brokers  | 20.1 | 622,844            | 53,857             |
| Others  |      | 150,581            | 98,955             |
|   |      | <u>2,967,258</u>   | <u>2,186,785</u>   |
| 20.1 This represents amounts payable to brokers against purchase of shares.     |      |                    |                    |
| 20.2 These include Rs. 411.728 million (2003: Nil) of Islamic Banking Division. |      |                    |                    |
| <b>21. DEFERRED TAX (LIABILITIES) / ASSETS</b>                                  |      |                    |                    |
| Deferred debits arising in respect of:  |      |                    |                    |
| Provision for doubtful debts  |      | 729,330            | 587,880            |
| Excess of Tax WDV over Accounting WDV of Fixed Assets                           |      | 21,720             | 6,800              |
| License Fee charged off   |      | 14,053             | 14,630             |
| Asset acquired under leasing arrangement  |      | 73                 | -                  |
| Pro operating expenses  |      | 1,351              | -                  |
|   |      | <u>766,527</u>     | <u>609,310</u>     |
| Deferred credits arising in respect of:   |      |                    |                    |
| Write offs/ reversals of provision for bad debts                                |      | (450,401)          | (374,990)          |
| Leasing Operations  |      | (119,135)          | (16,720)           |
| Excess of accounting net book value over tax written down value of fixed assets |      | (1,244)            | -                  |
| Surplus on revaluation of fixed assets  |      | (422,874)          | (439,320)          |
| Surplus on revaluation of securities  |      | (48,527)           | (101,290)          |
|   |      | <u>(1,042,181)</u> | <u>(932,320)</u>   |
|   |      | <u>(275,654)</u>   | <u>(323,010)</u>   |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 22. SHARE CAPITAL

#### 22.1 Authorized capital

| 2004           | 2003 |  | 2004 | 2003 |
|----------------|------|--|------|------|
| Rupees in '000 |      |  |      |      |

|                    |                    |                               |                  |                  |
|--------------------|--------------------|-------------------------------|------------------|------------------|
| <u>400,000,000</u> | <u>200,000,000</u> | Ordinary shares of Rs.10 each | <u>4,000,000</u> | <u>2,000,000</u> |
|--------------------|--------------------|-------------------------------|------------------|------------------|

#### 22.2 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          |
| 125,000,000        | 25,000,000         | Bonus shares                                     | 1,250,000        | 250,000          |
| 50,000,000         | 100,000,000        | Bonus shares issued during the year              | 500,000          | 1,000,000        |
| <u>250,000,000</u> | <u>200,000,000</u> |  | <u>2,500,000</u> | <u>2,000,000</u> |

### 23. SURPLUS ON REVALUATION OF ASSETS

Surplus arising on revaluation of:

|                |      |                |                  |
|----------------|------|----------------|------------------|
| - fixed assets | 23.1 | 782,118        | 805,785          |
| - securities   | 23.2 | 110,294        | 199,047          |
|                |      | <u>892,412</u> | <u>1,004,832</u> |

#### 23.1 Surplus on revaluation of fixed assets

|  |                 |                 |
|--|-----------------|-----------------|
| Surplus on revaluation of fixed assets   | 1,347,752       | 1,347,752       |
| Deficit reversed due to disposal   | 243             | 243             |
| Less: related deferred tax liability   | (468,999)       | (468,999)       |
| Transferred to retained earnings relating to incremental depreciation (net of tax) | <u>(96,878)</u> | <u>(73,211)</u> |
|  | <u>782,118</u>  | <u>805,785</u>  |

#### 23.2 Surplus on revaluation of securities

|   |                |                |
|---|----------------|----------------|
| i) Government securities                | 105,481        | 222,359        |
| ii) Quoted shares                       | 40,464         | 70,133         |
| iii) Term Finance Certificates - quoted | 12,875         | 7,844          |
|   | <u>158,820</u> | <u>300,336</u> |
| Less: related deferred tax liability    | (48,526)       | (101,289)      |
|   | <u>110,294</u> | <u>199,047</u> |

### 24. CONTINGENCIES AND COMMITMENTS

#### 24.1 Direct credit substitutes

Contingent liability in respect of guarantees given favouring:

|  |                  |                  |
|--|------------------|------------------|
| i) Government  | 636,962          | 2,099,911        |
| ii) Banking companies and other financial institutions | 72,475           | 99,836           |
| iii) Others  | 559,050          | 527,697          |
|  | <u>1,268,487</u> | <u>2,727,444</u> |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

|   | 2004              | 2003             |
|---|-------------------|------------------|
|   | Rupees in '000    |                  |
| 24.2 Transaction-related contingent liabilities   |                   |                  |
| Contingent liability in respect of performance bonds, bid bonds, shipping guarantees, standby letters of credit etc. favouring:   |                   |                  |
| i) Government   | 9,154,516         | 4,411,462        |
| ii) Banking companies and other financial institutions  | 75,037            | 79,876           |
| iii) Others   | 3,286,554         | 2,274,302        |
|   | <u>12,516,107</u> | <u>6,765,640</u> |
| 24.3 Trade-related contingent liabilities   |                   |                  |
| Letters of credit   | 14,698,842        | 9,592,550        |
| Acceptances   | 4,510,247         | 2,456,680        |
| 24.4 Other contingencies  |                   |                  |
| Claims against the bank not acknowledged as debts   | 701,200           | 660,373          |
| 24.5 Commitments in respect of forward lending  |                   |                  |
| Commitments to extend credit  | 866,000           | 475,000          |
| 24.6 Commitments in respect of forward exchange contracts   |                   |                  |
| Purchase  | 8,947,317         | 5,960,635        |
| Sale  | 5,351,909         | 4,027,393        |
| 24.7 Commitments for the acquisition of operating fixed assets and intangibles  | 119,300           | 258,490          |
| 24.8 Commitments in respect of repo transactions  |                   |                  |
| - Repurchase  | 5,542,013         | 6,388,064        |
| - Resale  | -                 | 6,807,219        |
| 24.9 Commitments in respect of Equity Investments   |                   |                  |
| - Sale  | -                 | 274,157          |
| - Purchase  | -                 | 274,283          |
| 24.10 Other commitments   |                   |                  |
| - For purchase of 25% equity in Shamil Bank of Bangladesh   | -                 | 77,851           |
| - The bank has entered into a sale and purchase agreement with a foreign bank for opening up a branch of Bank Alfalah Limited by taking over their operations in Bangladesh. Capital commitment for assigned capital is Taka 1 billion equivalent to USD 17 million and for software, equipment and premium is USD 2 million. |                   |                  |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

|   | 2004             | 2003             |
|---|------------------|------------------|
|   | Rupees in '000   |                  |
| <b>25. MARK-UP / RETURN / INTEREST EARNED</b>                           |                  |                  |
| a) On loans and advances to:  |                  |                  |
| i) customers  | 4,149,506        | 2,600,923        |
| ii) financial institutions  | 18,909           | 24,657           |
| b) On investments in:   |                  |                  |
| i) available for sale securities  | 628,338          | 1,270,754        |
| ii) held to maturity securities   | 691,503          | 38,751           |
| c) On deposits with financial institutions                              | 81,913           | 46,198           |
| d) On securities purchased under resale agreements                      | 46,815           | 52,097           |
|   | <u>5,616,984</u> | <u>4,033,380</u> |
| <b>26. MARK-UP / RETURN / INTEREST EXPENSED</b>                         |                  |                  |
| Deposits (including exchange risk fee)                                  | 1,795,093        | 1,694,997        |
| Securities sold under repurchase agreements                             | 398,704          | 168,958          |
| Other short term borrowings   | 156,473          | 99,631           |
| Term Finance Certificates   | 84,372           | 64,991           |
|   | <u>2,434,642</u> | <u>2,028,577</u> |
| <b>27. OTHER INCOME</b>   |                  |                  |
| Postage, telex, service charges etc.                                    | 321,112          | 213,348          |
| Net profit on sale of property and equipment                            | 4,297            | 6,903            |
| Gain on sale of shares/certificates/units - net                         | 246,319          | 362,550          |
| Gain on sale of PIBs  | 3,132            | 2,190,702        |
|   | <u>574,860</u>   | <u>2,773,503</u> |
| <b>28. ADMINISTRATIVE EXPENSES</b>                                      |                  |                  |
| Salaries and allowances   | 1,036,826        | 705,504          |
| Charge for defined benefit plan - Gratuity                              | 27,531           | 21,096           |
| Contribution to defined contribution plan - Provident Fund              | 34,014           | 22,053           |
| Brokerage and commissions   | 134,703          | 82,090           |
| Rent, taxes, insurance, electricity, etc.                               | 325,108          | 210,686          |
| License fee   | -                | 38,500           |
| Legal and professional charges  | 47,317           | 25,475           |
| Communication   | 126,860          | 115,972          |
| Repairs and maintenance   | 110,185          | 58,465           |
| Stationery and printing   | 78,726           | 56,035           |
| Advertisement and publicity   | 243,971          | 96,732           |
| Donations   | 28.1             | 17,100           |
| Auditors' remuneration  | 28.2             | 2,985            |
| Depreciation  | 14.2             | 296,456          |
| Amortization of intangible assets                                       | 14.3             | 12,057           |
| Entertainment, vehicle running expenses,<br>travelling and subscription | 128,774          | 93,848           |
| Others  | 75,094           | 59,710           |
|   | <u>2,697,707</u> | <u>1,799,490</u> |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

|  | 2004           | 2003      |
|--|----------------|-----------|
|  | Rupees in '000 |           |
| <b>28.1 Donations</b>  |                |           |
| Pakistan Human Development Fund (PHDF)                                 | 15,900         | 1,500     |
| Mr. M Afzal  | 1,000          | -         |
| Shoukat Khanam Memorial Hospital                                       | 200            | -         |
| Rising Sun Institute - Lahore  | -              | 2,000     |
| Nishtar Hospital - Multan  | -              | 100       |
|  | 17,100         | 3,600     |
| None of the directors or their spouses had any interest in the donees. |                |           |
| <b>28.2 Auditors' remuneration</b>                                     |                |           |
| Audit fee  | 1,670          | 1,000     |
| Fee for half yearly review   | 600            | 350       |
| Special certifications and sundry advisory services                    | 365            | 365       |
| Out-of-pocket expenses   | 350            | 350       |
|  | 2,985          | 2,065     |
| <b>29. OTHER CHARGES</b>   |                |           |
| Penalties imposed by the State Bank of Pakistan                        | 1,700          | 1,875     |
| <b>30. TAXATION</b>  |                |           |
| For the year   |                |           |
| Current  | 586,917        | 1,364,723 |
| Deferred   | (3,843)        | (13,671)  |
|  | 583,074        | 1,351,052 |
| For prior year   |                |           |
| Current  | (30,000)       | 22,887    |
| Deferred   | 9,249          | 8,507     |
|  | (20,751)       | 31,394    |
|  | 562,323        | 1,382,446 |

The income tax assessments of the bank have been finalised upto and including tax year 2004. 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 disallowance relating to profit and loss expenses. However, adequate provision has been made in accounts in this respect.

In respect of assessment year 2002-03, the appeal filed by the Bank with the Commissioner of Income Tax (Appeals) on the issue of additional tax levied under section 183 of the Income Tax Ordinance, 1979 (repealed) has been disposed off in the favour of the bank.

Further, during the year, various appeals have also been decided in bank's favour pertaining to assessment years 1990-91 to 2001-02.

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

|  | 2004           | 2003                         |
|--|----------------|------------------------------|
|  | Rupees in '000 |                              |
| <b>30.1 Relationship between tax expense and accounting profit</b> |                |                              |
| Profit before tax  | 1,647,812      | 3,505,680                    |
| Tax at the applicable rate of 41% (2003: 44%)                      | 678,789        | 1,542,499                    |
| Effect of:   |                |                              |
| - change in tax rate   | 9,249          | 8,507                        |
| - income chargeable to tax at reduced rates                        | (19,093)       | (39,314)                     |
| - income exempt from tax   | (96,708)       | (159,577)                    |
| - other differences  | 20,086         | 7,444                        |
| - prior year provision   | (30,000)       | 22,887                       |
| Tax expense for the year   | 562,323        | 1,382,446                    |
| <b>31. BASIC EARNINGS PER SHARE</b>                                |                |                              |
| Profit for the year  | 1,087,986      | 2,123,234                    |
|  |                | Number of shares in thousand |
| Weighted average number of ordinary shares                         | 250,000        | 250,000                      |
| Basic and diluted earnings per share                               | Rs. 4.35       | Rs. 8.49                     |
| <b>32. CASH AND CASH EQUIVALENTS</b>                               |                |                              |
| Cash and balances with treasury banks                              | 19,708,523     | 8,423,399                    |
| Balances with other banks  | 3,194,776      | 626,917                      |
| Call lendings  | -              | 650,000                      |
|  | 22,903,299     | 9,700,316                    |
| <b>33. STAFF STRENGTH</b>  |                |                              |
|  |                | Number of employees          |
| Total number of employees at the end of the year                   | 3,388          | 2,147                        |
| <b>34. DEFINED BENEFIT PLAN</b>                                    |                |                              |
| <b>34.1 Principal actuarial assumptions</b>                        |                |                              |
| Discount factor used (% per annum compounded)                      | 9.00           | 7.00                         |
| Expected yield on investments (% per annum)                        | 9.00           | 9.15                         |
| Salary increase (% per annum)                                      | 9.00           | 7.00                         |
| Normal retirement age  | 60 years       | 60 years                     |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

|   | 2004           | 2003          |
|---|----------------|---------------|
|   | Rupees in '000 |               |
| <b>34.2 Reconciliation of payable to defined benefit plan</b> |                |               |
| Present value of defined benefit obligations                  | 176,786        | 135,457       |
| Fair value of plan assets                                     | (131,193)      | (86,303)      |
| Net actuarial losses not recognized                           | (45,593)       | (49,154)      |
| Unrecognized transitional obligation                          | -              | -             |
|   | <u>-</u>       | <u>-</u>      |
| <b>34.3 Movement in payable to defined benefit plan</b>       |                |               |
| Opening balance   | -              | 45,784        |
| Liability for clerical staff                                  | -              | 6,693         |
| Charge for the year   | 27,531         | 21,096        |
| Contribution to fund made during the year                     | (27,531)       | (73,573)      |
| Closing balance   | <u>-</u>       | <u>-</u>      |
| <b>34.4 Charge for defined benefit plan</b>                   |                |               |
| Current service cost  | 17,298         | 10,429        |
| Interest cost   | 9,482          | 7,512         |
| Expected return on plan assets                                | (7,897)        | (1,224)       |
| Actuarial losses  | 5,269          | 1,905         |
| Past service cost   | 3,379          | -             |
| Amortization of transitional obligation                       | -              | 2,474         |
|   | <u>27,531</u>  | <u>21,096</u> |
| <b>34.5 Actual return on plan assets</b>                      | <u>6,522</u>   | <u>2,500</u>  |
| <b>35. REMUNERATION OF DIRECTORS AND EXECUTIVES</b>           |                |               |

|                            | Chief Executive Officer |              | Executives     |                |
|----------------------------|-------------------------|--------------|----------------|----------------|
|                            | 2004                    | 2003         | 2004           | 2003           |
|                            | (Rupees in '000)        |              |                |                |
| Managerial remuneration    | 6,121                   | 4,200        | 128,434        | 85,349         |
| Bonus                      | 2,950                   | 1,000        | 37,214         | 28,382         |
| Gratuity                   | 375                     | 350          | 7,217          | 4,294          |
| Provident fund             | 40                      | -            | 7,267          | 4,303          |
| Rent and house maintenance | 1,200                   | -            | 41,667         | 29,209         |
| Utilities                  | 300                     | -            | 100            | -              |
| Medical                    | 13                      | 147          | 16             | -              |
| Others                     | 102                     | -            | 104            | -              |
|                            | <u>11,101</u>           | <u>5,697</u> | <u>222,019</u> | <u>151,537</u> |
| Number of persons          | <u>1</u>                | <u>1</u>     | <u>116</u>     | <u>65</u>      |

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

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 36. MATURITIES OF ASSETS AND LIABILITIES

|   | Total       | 2004              |                           |                             |                 |
|---|-------------|-------------------|---------------------------|-----------------------------|-----------------|
|   |             | Upto three months | Over 3 months to one year | Over one year to five years | Over five years |
| Rupees in '000                                      |             |                   |                           |                             |                 |
| <b>Assets</b>                                       |             |                   |                           |                             |                 |
| Cash and balances with treasury banks               | 19,708,523  | 19,708,523        | -                         | -                           | -               |
| Balances with other banks                           | 3,194,776   | 3,165,044         | 29,732                    | -                           | -               |
| Lending to financial institutions                   | -           | -                 | -                         | -                           | -               |
| Investments   | 35,427,596  | 9,418,680         | 10,442,934                | 8,671,105                   | 6,894,877       |
| Advances  | 88,838,824  | 23,815,685        | 33,814,890                | 26,306,253                  | 4,901,996       |
| Other assets  | 3,588,083   | 2,867,336         | 264,992                   | 236,567                     | 219,188         |
| Operating fixed assets                              | 4,298,464   | 378,847           | 757,694                   | 1,816,318                   | 1,345,605       |
|   | 155,056,266 | 59,354,115        | 45,310,242                | 37,030,243                  | 13,361,666      |
| <b>Liabilities</b>                                  |             |                   |                           |                             |                 |
| Bills payable                                       | 2,233,671   | 2,233,671         | -                         | -                           | -               |
| Borrowings from financial institutions              | 12,723,830  | 6,046,324         | 6,677,506                 | -                           | -               |
| Deposits and other accounts *                       | 129,654,561 | 46,278,760        | 7,036,590                 | 7,726,828                   | 68,612,383      |
| Subordinated loans                                  | 1,899,480   | 260               | 770                       | 652,080                     | 1,246,370       |
| Liabilities against assets subject to finance lease | 2,429       | 262               | 813                       | 1,354                       | -               |
| Other liabilities                                   | 2,967,258   | 1,542,453         | 141,517                   | 1,213,234                   | 70,054          |
| Deferred tax liabilities                            | 275,654     | -                 | -                         | -                           | 275,654         |
|   | 149,756,883 | 56,101,730        | 13,857,196                | 9,593,496                   | 70,204,461      |
| Net assets  | 5,299,383   | 3,252,385         | 31,453,046                | 27,436,747                  | (56,842,795)    |
| Share capital                                       | 2,500,000   |                   |                           |                             |                 |
| Reserves  | 1,008,772   |                   |                           |                             |                 |
| Unappropriated profit                               | 856,297     |                   |                           |                             |                 |
| Surplus on revaluation of assets                    | 892,412     |                   |                           |                             |                 |
| Minority interest                                   | 41,902      |                   |                           |                             |                 |
|   | 5,299,383   |                   |                           |                             |                 |

\* 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.

36.1 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.



## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 37. YIELD / INTEREST RATE RISK

|   | Effective yield/Interest rate | 2004           |                                  |                           |                             |                   | Not exposed to yield/interest rate |
|---|-------------------------------|----------------|----------------------------------|---------------------------|-----------------------------|-------------------|------------------------------------|
|   |                               | Total          | Exposed to yield / interest risk |                           |                             | Over five years   |                                    |
|   |                               |                | Upto three months                | Over 3 months to one year | Over one year to five years |                   |                                    |
| Rupees in '000  |                               |                |                                  |                           |                             |                   |                                    |
| <b>On-balance sheet financial instruments</b>         |                               |                |                                  |                           |                             |                   |                                    |
| <b>Assets</b>   |                               |                |                                  |                           |                             |                   |                                    |
| Cash and balances with treasury banks                 | 0.117                         | 19,708,523     | 1,793,320                        | -                         | -                           | -                 | 17,915,203                         |
| Balances with other banks                             | 0.771                         | 3,194,776      | 1,165,473                        | 29,732                    | -                           | -                 | 1,999,571                          |
| Lending to financial institutions                     | 0.000                         | -              | -                                | -                         | -                           | -                 | -                                  |
| Investments   | 4.644                         | 35,427,596     | 7,061,973                        | 10,442,934                | 8,671,105                   | 6,894,877         | 2,356,707                          |
| Advances  | 6.36                          | 88,838,824     | 23,815,685                       | 33,814,890                | 26,306,253                  | 4,901,996         | -                                  |
| Other assets  |                               | 2,543,622      | -                                | -                         | -                           | -                 | 2,543,622                          |
|   |                               | 149,713,341    | 33,836,451                       | 44,287,556                | 34,977,358                  | 11,796,873        | 24,815,103                         |
| <b>Liabilities</b>                                    |                               |                |                                  |                           |                             |                   |                                    |
| Bills payable   |                               | 2,233,671      | -                                | -                         | -                           | -                 | 2,233,671                          |
| Borrowings from financial institutions                | 3.268                         | 12,723,830     | 5,574,769                        | 6,677,506                 | -                           | -                 | 471,555                            |
| Deposits and other accounts                           | 2.04                          | 129,654,561    | 7,985,356                        | 75,648,973                | 7,726,828                   | -                 | 38,293,404                         |
| Subordinated loans                                    | 7.040                         | 1,899,480      | 260                              | 770                       | 652,080                     | 1,246,370         | -                                  |
| Other liabilities                                     |                               | 2,518,399      | -                                | -                         | -                           | -                 | 2,518,399                          |
|   |                               | 149,029,941    | 13,560,385                       | 82,327,249                | 8,378,908                   | 1,246,370         | 43,517,029                         |
| <b>On-balance sheet gap</b>                           |                               | <b>683,400</b> | <b>20,276,066</b>                | <b>(38,039,693)</b>       | <b>26,598,450</b>           | <b>10,550,503</b> | <b>(18,701,926)</b>                |
| <b>Cumulative yield/interest risk sensitivity gap</b> |                               |                | <b>20,276,066</b>                | <b>(17,763,627)</b>       | <b>8,834,823</b>            | <b>19,385,326</b> | <b>683,400</b>                     |

37.1 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.

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 38. CURRENCY RISK

|                      | 2004               |                    |                          |                               |
|----------------------|--------------------|--------------------|--------------------------|-------------------------------|
|                      | Assets             | Liabilities        | Off-balance sheet items* | Net foreign currency exposure |
|                      | (Rupees in '000)   |                    |                          |                               |
| Pakistan Rupee       | 141,699,328        | 136,492,408        | (4,520,256)              | 686,664                       |
| United States Dollar | 5,967,263          | 10,280,234         | 4,265,630                | (47,341)                      |
| Great Britain Pound  | 1,129,765          | 1,332,534          | 193,621                  | (9,148)                       |
| Japanese Yen         | 260,205            | –                  | (264,585)                | (4,380)                       |
| Euro                 | 559,956            | 923,273            | 334,164                  | (29,153)                      |
| Other currencies     | 96,824             | 1,492              | (8,574)                  | 86,758                        |
|                      | <u>149,713,341</u> | <u>149,029,941</u> | <u>–</u>                 | <u>683,400</u>                |

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

38.1 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.

### 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

|   | 2004               |                    | 2003              |                   |
|---|--------------------|--------------------|-------------------|-------------------|
|   | Book value         | Fair value         | Book value        | Fair value        |
|   | (Rupees in '000)   |                    |                   |                   |
| On-balance sheet financial instruments  |                    |                    |                   |                   |
| Assets                                  |                    |                    |                   |                   |
| Cash balances with treasury banks       | 19,708,523         | 19,708,523         | 8,423,399         | 8,423,399         |
| Balances with other banks               | 3,194,776          | 3,194,776          | 626,917           | 626,917           |
| Lendings to financial institutions      | –                  | –                  | 7,437,733         | 7,437,733         |
| Investments                             | 35,427,596         | 35,427,596         | 28,861,596        | 28,861,596        |
| Advances                                | 88,838,824         | 88,838,824         | 49,216,120        | 49,216,120        |
| Other assets                            | 2,543,622          | 2,543,622          | 1,180,988         | 1,180,988         |
|   | <u>149,713,341</u> | <u>149,713,341</u> | <u>95,746,753</u> | <u>95,746,753</u> |
| Liabilities                             |                    |                    |                   |                   |
| Bills payable                           | 2,233,671          | 2,233,671          | 1,208,671         | 1,208,671         |
| Borrowings from financial institutions  | 12,723,830         | 12,723,830         | 13,127,754        | 13,127,754        |
| Deposits and other accounts             | 129,654,561        | 129,654,561        | 76,673,157        | 76,673,157        |
| Subordinated loan                       | 1,899,480          | 1,899,480          | 649,740           | 649,740           |
| Other liabilities                       | 2,518,399          | 2,518,399          | 1,461,611         | 1,461,611         |
|   | <u>149,029,941</u> | <u>149,029,941</u> | <u>93,120,933</u> | <u>93,120,933</u> |
| Off-balance sheet financial instruments |                    |                    |                   |                   |
| Forward purchase of foreign exchange    | 8,947,317          | 8,959,825          | 5,960,635         | 5,996,455         |
| Forward sale of foreign exchange        | 5,351,909          | 5,334,423          | 4,027,393         | 4,041,896         |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 40. 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.

#### 40.1 Segment by class of business

|                                       | 2004               |               |                   |               |                               |               |
|---------------------------------------|--------------------|---------------|-------------------|---------------|-------------------------------|---------------|
|                                       | Deposits           |               | Advances          |               | Contingencies and Commitments |               |
|                                       | Rupees in '000     | Percent       | Rupees in '000    | Percent       | Rupees in '000                | Percent       |
| Agribusiness                          | 3,968,333          | 3.06          | 5,416,003         | 6.09          | 395,188                       | 1.20          |
| Automobile & Transportation Equipment | 2,536,873          | 1.96          | 1,696,521         | 1.91          | 2,155,811                     | 6.53          |
| Chemical and Pharmaceuticals          | 766,126            | 0.59          | 1,666,375         | 1.88          | 1,772,534                     | 5.37          |
| Cement                                | 378,931            | 0.29          | 320,339           | 0.36          | 113,900                       | 0.35          |
| Communication                         | 1,474,730          | 1.14          | 904,668           | 1.02          | 1,471,369                     | 4.46          |
| Electronic & Electrical Appliances    | 873,139            | 0.67          | 622,135           | 0.70          | 1,473,309                     | 4.47          |
| Educational Institutes                | 930,363            | 0.72          | 98,665            | 0.11          | 3,450                         | 0.01          |
| Financial                             | 4,373,560          | 3.37          | 1,302,492         | 1.46          | 3,961,833                     | 12.01         |
| Fertilizers                           | 905,060            | 0.70          | 50,412            | 0.06          | 52,997                        | 0.16          |
| Food & Allied Products                | 398,518            | 0.31          | 1,021,923         | 1.15          | 249,656                       | 0.76          |
| Glass & Ceramics                      | 188,364            | 0.15          | 41,971            | 0.05          | 13,252                        | 0.04          |
| Ghee & Edible Oil                     | 82,037             | 0.06          | 632,687           | 0.71          | 381,941                       | 1.16          |
| Housing Societies / Trusts            | 1,331,014          | 1.03          | 1,000,000         | 1.12          | 127,898                       | 0.39          |
| Insurance                             | 582,841            | 0.45          | 27,682            | 0.03          | 7,507                         | 0.02          |
| Import & Export                       | 1,114,921          | 0.86          | 989,569           | 1.11          | 475,845                       | 1.44          |
| Iron / Steel                          | 1,357,530          | 1.05          | 779,737           | 0.88          | 1,332,387                     | 4.04          |
| Oil and Gas                           | 6,795,734          | 5.24          | 225,000           | 0.25          | 1,702,038                     | 5.16          |
| Paper & Board                         | 154,363            | 0.12          | 444,861           | 0.50          | 105,401                       | 0.32          |
| Production & Transmission of Energy   | 17,732,157         | 13.68         | 854,400           | 0.96          | 4,849,622                     | 14.70         |
| Real Estate / Construction            | 4,669,511          | 3.60          | 1,524,737         | 1.71          | 325,955                       | 0.99          |
| Retail / Wholesale Trade              | 3,526,547          | 2.72          | 2,780,929         | 3.13          | 847,430                       | 2.57          |
| Rice Processing and Trading           | 603,024            | 0.47          | 1,270,432         | 1.43          | 17,760                        | 0.05          |
| Sugar                                 | 453,798            | 0.35          | 1,002,153         | 1.13          | 83,373                        | 0.25          |
| Shoes & Leather Garments              | 523,428            | 0.40          | 819,795           | 0.92          | 187,387                       | 0.57          |
| Sports Goods                          | 438,964            | 0.34          | 274,290           | 0.31          | 230                           | 0.00          |
| Surgical Goods                        | 258,345            | 0.20          | 261,798           | 0.29          | -                             | -             |
| Textile Spinning                      | 1,207,846          | 0.93          | 8,358,384         | 9.40          | 1,214,615                     | 3.68          |
| Textile Weaving                       | 774,082            | 0.60          | 2,365,910         | 2.66          | 937,476                       | 2.84          |
| Textile Composite                     | 1,145,087          | 0.88          | 6,695,673         | 7.53          | 1,164,013                     | 3.53          |
| Welfare Institutions                  | 2,341,562          | 1.81          | 167,646           | 0.19          | 10,849                        | 0.03          |
| Individuals                           | 44,037,924         | 33.97         | 26,528,018        | 29.86         | 552,168                       | 1.67          |
| Others                                | 23,729,849         | 18.28         | 18,693,619        | 21.09         | 7,006,489                     | 21.23         |
|                                       | <u>129,654,561</u> | <u>100.00</u> | <u>88,838,824</u> | <u>100.00</u> | <u>32,993,683</u>             | <u>100.00</u> |

#### 40.2 Segment by sector

|                     |                    |               |                   |               |                   |               |
|---------------------|--------------------|---------------|-------------------|---------------|-------------------|---------------|
| Public / Government | 35,023,956         | 27.01         | 5,369,265         | 6.04          | 8,993,886         | 27.26         |
| Private             | 94,630,605         | 72.99         | 83,469,559        | 93.96         | 23,999,797        | 72.74         |
|                     | <u>129,654,561</u> | <u>100.00</u> | <u>88,838,824</u> | <u>100.00</u> | <u>32,993,683</u> | <u>100.00</u> |

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

### 41. GEOGRAPHICAL SEGMENT ANALYSIS

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

### 42. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties are executed substantially on the same terms, including mark up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e. under the comparable uncontrolled price method).

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Details of transactions with related parties and balances with them excluding those entered into with directors/ executives as per their terms of employment as at the year-end were as follows:

|   | 2004           | 2003    |
|---|----------------|---------|
|   | Rupees in '000 |         |
| 42.1 Current account / borrowings                                       |                |         |
| Balance at beginning of the year  | 3,448          | 8,567   |
| Net movement  | 6,449          | (5,119) |
| Balance at the end of the year  | 9,897          | 3,448   |
| These accounts are of current nature which are subject to variations.   |                |         |
| Contribution to employee provident fund                                 | 34,014         | 22,053  |
| Remuneration to Directors / Chief Executive                             | 9,625          | 5,697   |
| Remuneration to Directors / Chief Executive of the subsidiary companies | 1,476          | -       |

42.2 There are no loans and advances to directors and related parties, except to the extent described above and in note 12.6.1.

### 43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 12, 2005 by the Board of Directors of the bank.

### 44. GENERAL

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

Chief Executive Officer

Director

Director

Chairman

**STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2004**

| S. No. | Name and address of the Borrower   | Name of individuals / partners / directors (with N.I.C. No.)   | Father's / Husband's Name   | Outstanding Liabilities at January 1, 2004 |         |        |        | 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.     | Shepherd & Shepherd (Pvt) Ltd.<br>37/107, Peoples Town, Shah Faisal Colony Karachi                       | Akhtar Mahmood*<br>Khalid Javed*   | Not Available<br>S/o Ch. Umer Din   | 3,245                                      | 1,034   | -      | 4,279  | 3,245                 | 1,034               | -                               | 4,279           |
| 2.     | Al Ameen Textile Mills Ltd.<br>506, Mohammadi House, I I Chundrigar Road Karachi                         | Khurshid Anwar*<br>Zaheer Anwar*<br>Zafeer Anwar*<br>Asiya Anwar*<br>K. A. Majeed*<br>Sultan Mahmood*<br>S. M. Rizvi*<br>Zakia Begum*<br>Zarina Mahmood* | S/o Fazal Ellahi<br>S/o Sh. Khurshid Anwar<br>Not Available<br>D/o Sh. Khurshid Anwar<br>Not Available<br>Not Available<br>Not Available<br>W/o Sh. Khurshid Anwar<br>Not Available | 501  | 302     | -      | 803    | 501                   | 302                 | -                               | 803             |
| 3.     | Noor Textile Mills Ltd.<br>506, Mohammadi House, I I Chundrigar Road, Karachi.                           | Khurshid Anwar*<br>Naseem Anwar*<br>Abdul Nabi Memon*<br>Nur Nabi Memon*<br>S. Mohammed Sadik*<br>Abdul Latif*<br>Ali Hussain Monteey*                   | S/o Fazal Ellahi<br>Not Available<br>Not Available<br>Not Available<br>Not Available<br>Not Available<br>Not Available  | 10,205                                     | 890     | -      | 11,095 | 10,205                | 890                 | -                               | 11,095          |
| 4.     | Tariq Cotton Mills Ltd.<br>408, Mashriq Centre, Sir Shah Suleman Road, Block-14, Gulshane Iqbal, Karachi | Saeeduddin*<br>Jawed Saeed*<br>Hameeduddin*<br>Mairajuddin*<br>Talat Saeed (Ms)*<br>S. K. Jahngir*   | S/o Fahimuddin<br>Not Available<br>S/o Fahimuddin<br>S/o Fahimuddin<br>D/o Jawed Saeed<br>Not Available   | 7,382                                      | 8,100   | -      | 15,482 | 7,382                 | 8,100               | -                               | 15,482          |
| 5.     | Shahsons Fisheries Ltd.<br>D-6, Fish Harbour, West Wharf, Karachi  | Farooq Gaffar Danawalla*<br>Mohammad Hanif Khan*<br>Sadiq Kappaya*   | Abdul Gaffar Danawalla<br>Mohammad Akber Khan<br>Haji Ishaq   | 36,734                                     | -       | -      | 36,734 | 1,912                 | -                   | -                               | 1,912           |
| 6.     | Dacca Silk Factory<br>294-C-II, 2nd Floor, Latif Cloth Market, Karachi                                   | Mazher Ahmed*  | S/o Mian Mohammed   | 666  | 420     | -      | 1,086  | 666                   | 420                 | -                               | 1,086           |

## ANNEXURE-I

## STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2004

| S. No. | Name and address of the Borrower   | Name of individuals / partners / directors (with N.I.C. No.)   | Father's / Husband's Name                              | Outstanding Liabilities at January 1, 2004 |         |        |         | 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              |
| 7.     | Bilal Spinning Mills Ltd.<br>5 Lota Building, Club Rd.<br>Karachi                    | Mohd Awaiz Nadeem*<br>Ch. Mohd Siddique*<br>S. M. Afzal Javed* | Not Available<br>Not Available<br>S/o Mohammad Hussain | 389,438                                    | 14,897  | -      | 404,335 | 105,199               | -                   | -                               | 105,199         |
| 8.     | Linex International<br>Unit 148, Plot 14-A,<br>Sector-30, Korangi Ind. Area, Karachi | Arif Alam*<br>Zafar Alam*                                      | S/o Habibur Rehman<br>S/o Habibur Rehman               | 21,511                                     | 3,835   | -      | 25,346  | 21,426                | 3,835               | -                               | 25,261          |
| 9.     | Mana & Co.<br>C-1/D-4, Sector-16<br>Korangi Industrial Area<br>Karachi               | Maqsood Hussain<br>Sagarwalla*                                 | S/o Jaffar Ali   | 14,625                                     | 537     | -      | 15,162  | 2,625                 | 537                 | -                               | 3,162           |
| 10.    | Javed Bros.<br>27-Steel Market, Industrial<br>Area, Loha Market, Lahore.             | Mr. Javed Iqbal*   | Mr. Mian Muhammad Iqbal                                | 2,918                                      | 362     | -      | 3,280   | 2,280                 | -                   | -                               | 2,280           |
| 11.    | Sharia Habib<br>104/B-II, Gulberg-III, Lahore  | Mr. Ameer Nawaz Sheikh*<br>Mr. Haabeeb Nawaz*                  | Mr. Sheikh Bagh Din<br>Mr. Ameer Nawaz Sheikh          | 4,856                                      | -       | -      | 4,856   | 3,056                 | -                   | -                               | 3,056           |
| 12.    | First Hajveri Modaraba<br>Hajveri centre, 92-8-1 M Alam<br>Road Gulberg - III Lahore | Mohammad Nasir Javeed<br>NIC # 274-89-290351                   | Sheikh Azmat Ali                                       | 1,126                                      | -       | -      | 1,126   | 1,126                 | -                   | -                               | 1,126           |
|        | TOTAL:   | -  | -  | 493,207                                    | 30,377  | -      | 523,584 | 159,623               | 15,118              | -                               | 174,741         |

\* Not available in the records of the bank.

## COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS AS AT DECEMBER 31, 2004

| Number of<br>Share Holders | From    | To      | Number of<br>Shares Held |
|----------------------------|---------|---------|--------------------------|
| 52                         | 1       | 100     | 3,471                    |
| 1148                       | 101     | 500     | 345,118                  |
| 724                        | 501     | 1,000   | 618,157                  |
| 10,425                     | 1,001   | 5,000   | 15,385,671               |
| 363                        | 5,001   | 10,000  | 2,669,533                |
| 132                        | 10,001  | 15,000  | 1,672,458                |
| 52                         | 15,001  | 20,000  | 924,447                  |
| 35                         | 20,001  | 25,000  | 822,673                  |
| 38                         | 25,001  | 30,000  | 1,042,092                |
| 27                         | 30,001  | 35,000  | 876,409                  |
| 14                         | 35,001  | 40,000  | 533,463                  |
| 12                         | 40,001  | 45,000  | 515,864                  |
| 19                         | 45,001  | 50,000  | 915,848                  |
| 8                          | 50,001  | 55,000  | 414,036                  |
| 7                          | 55,001  | 60,000  | 398,925                  |
| 9                          | 60,001  | 65,000  | 567,775                  |
| 7                          | 65,001  | 70,000  | 468,083                  |
| 2                          | 70,001  | 75,000  | 149,750                  |
| 5                          | 75,001  | 80,000  | 384,792                  |
| 4                          | 80,001  | 85,000  | 326,592                  |
| 6                          | 85,001  | 90,000  | 522,850                  |
| 7                          | 90,001  | 95,000  | 654,148                  |
| 5                          | 95,001  | 100,000 | 497,625                  |
| 2                          | 100,001 | 105,000 | 206,250                  |
| 3                          | 105,001 | 110,000 | 322,946                  |
| 4                          | 110,001 | 115,000 | 563,704                  |
| 3                          | 115,001 | 120,000 | 354,290                  |
| 6                          | 120,001 | 125,000 | 747,750                  |
| 3                          | 125,001 | 130,000 | 383,650                  |
| 2                          | 130,001 | 135,000 | 265,625                  |
| 1                          | 135,001 | 140,000 | 136,550                  |
| 2                          | 140,001 | 145,000 | 285,417                  |
| 2                          | 145,001 | 150,000 | 297,900                  |
| 2                          | 150,001 | 155,000 | 304,375                  |
| 2                          | 155,001 | 160,000 | 317,382                  |
| 1                          | 160,001 | 165,000 | 163,125                  |
| 3                          | 165,001 | 170,000 | 505,150                  |
| 2                          | 175,001 | 180,000 | 356,233                  |
| 1                          | 180,001 | 185,000 | 184,057                  |
| 3                          | 185,001 | 190,000 | 563,300                  |
| 1                          | 190,001 | 195,000 | 191,000                  |
| 6                          | 195,001 | 200,000 | 1,193,800                |
| 1                          | 200,001 | 205,000 | 202,375                  |
| 2                          | 205,001 | 210,000 | 416,212                  |
| 1                          | 210,001 | 215,000 | 212,000                  |
| 1                          | 215,001 | 220,000 | 217,100                  |
| 2                          | 225,001 | 230,000 | 454,609                  |
| 1                          | 230,001 | 235,000 | 235,000                  |
| 6                          | 245,001 | 250,000 | 1,494,535                |
| 2                          | 250,001 | 255,000 | 503,623                  |
| 2                          | 255,001 | 260,000 | 512,575                  |
| 1                          | 260,001 | 265,000 | 261,250                  |
| 2                          | 275,001 | 280,000 | 551,450                  |
| 1                          | 285,001 | 290,000 | 285,700                  |

## COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS

AS AT DECEMBER 31, 2004

| Number of Share Holders | From       | To         | Number of Shares Held |
|-------------------------|------------|------------|-----------------------|
| 2                       | 295,001    | 300,000    | 600,000               |
| 1                       | 310,001    | 315,000    | 312,500               |
| 3                       | 315,001    | 320,000    | 952,900               |
| 2                       | 325,001    | 330,000    | 655,150               |
| 1                       | 340,001    | 345,000    | 343,475               |
| 2                       | 385,001    | 390,000    | 777,500               |
| 2                       | 420,001    | 425,000    | 850,000               |
| 1                       | 455,001    | 460,000    | 457,635               |
| 3                       | 495,001    | 500,000    | 1,500,000             |
| 1                       | 500,001    | 505,000    | 503,750               |
| 3                       | 515,001    | 520,000    | 1,551,022             |
| 3                       | 520,001    | 525,000    | 1,574,799             |
| 1                       | 560,001    | 565,000    | 560,250               |
| 1                       | 590,001    | 595,000    | 592,940               |
| 1                       | 610,001    | 615,000    | 612,750               |
| 1                       | 620,001    | 625,000    | 621,197               |
| 1                       | 655,001    | 660,000    | 656,234               |
| 1                       | 685,001    | 690,000    | 685,625               |
| 2                       | 690,001    | 695,000    | 1,380,926             |
| 1                       | 785,001    | 790,000    | 787,548               |
| 1                       | 840,001    | 845,000    | 840,432               |
| 1                       | 860,001    | 865,000    | 863,531               |
| 1                       | 995,001    | 1,000,000  | 1,000,000             |
| 1                       | 1,055,001  | 1,060,000  | 1,058,688             |
| 1                       | 1,150,001  | 1,155,000  | 1,150,400             |
| 1                       | 1,245,001  | 1,250,000  | 1,250,000             |
| 1                       | 1,270,001  | 1,275,000  | 1,271,100             |
| 1                       | 1,285,001  | 1,290,000  | 1,287,582             |
| 1                       | 1,305,001  | 1,310,000  | 1,306,467             |
| 1                       | 1,585,001  | 1,590,000  | 1,589,875             |
| 1                       | 1,695,001  | 1,700,000  | 1,697,545             |
| 1                       | 1,850,001  | 1,855,000  | 1,853,984             |
| 1                       | 1,965,001  | 1,970,000  | 1,968,702             |
| 1                       | 2,010,001  | 2,015,000  | 2,013,447             |
| 1                       | 2,395,001  | 2,400,000  | 2,395,437             |
| 1                       | 2,440,001  | 2,445,000  | 2,444,800             |
| 1                       | 2,465,001  | 2,470,000  | 2,468,669             |
| 2                       | 2,495,001  | 2,500,000  | 5,000,000             |
| 1                       | 2,615,001  | 2,620,000  | 2,617,075             |
| 2                       | 2,620,001  | 2,625,000  | 5,246,306             |
| 1                       | 2,985,001  | 2,990,000  | 2,985,926             |
| 2                       | 3,280,001  | 3,285,000  | 6,561,563             |
| 1                       | 4,915,001  | 4,920,000  | 4,915,937             |
| 1                       | 5,120,001  | 5,125,000  | 5,124,937             |
| 1                       | 6,650,001  | 6,655,000  | 6,650,090             |
| 1                       | 7,115,001  | 7,120,000  | 7,118,656             |
| 1                       | 8,155,001  | 8,160,000  | 8,159,417             |
| 1                       | 10,155,001 | 10,160,000 | 10,155,576            |
| 1                       | 10,655,001 | 10,660,000 | 10,655,368            |
| 1                       | 14,995,001 | 15,000,000 | 15,000,000            |
| 2                       | 15,295,001 | 15,300,000 | 30,599,268            |
| 1                       | 15,620,001 | 15,625,000 | 15,624,686            |
| 1                       | 27,745,001 | 27,750,000 | 27,749,622            |
| 13,242                  |            |            | 250,000,000           |



## COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS

AS AT DECEMBER 31, 2004

| Shareholder's Category        | Number of Shareholders | Number of Shares Held | Percentage |
|-------------------------------|------------------------|-----------------------|------------|
| Charitable Trusts             | 2                      | 151,250               | 0.061      |
| Foreigners                    | 70                     | 183,860,992           | 73.544     |
| Financial Institutions        | 14                     | 2,490,075             | 0.996      |
| Individuals                   | 12,971                 | 43,535,482            | 17.414     |
| Insurance Companies           | 5                      | 266,250               | 0.107      |
| Investment Companies          | 4                      | 2,737,500             | 1.095      |
| Joint Stock Companies         | 158                    | 15,748,201            | 6.299      |
| Leasing Companies             | 2                      | 7,500                 | 0.003      |
| Modarabas                     | 7                      | 301,000               | 0.120      |
| Modaraba Management Companies | 1                      | 15,000                | 0.006      |
| Mutual Fund                   | 3                      | 860,250               | 0.344      |
| Others                        | 5                      | 26,500                | 0.011      |
|                               | 13,242                 | 250,000,000           | 100.000    |

## COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS

AS AT DECEMBER 31, 2004

| Shareholder's Category   | Number of Shareholders | Number of Shares Held | Percentage       |
|--|------------------------|-----------------------|------------------|
| 1 Associated Companies, Undertakings and related Parties                 |                        | -                     | -                |
| 2 NIT / ICP  |                        | -                     | -                |
| 3 Directors, Chief Executive Officer and their spouse and minor children |                        | 44,225,374            | 17.69            |
| H. E. Sheikh Hamdan Bin Mubarak Al Nahayan                               | 25,506,961             |                       |                  |
| Mr. Abdulla Nasser Hawaileel   | 16,344,183             |                       |                  |
| Mr. Abdulla Khalil Al Mutawa   | 2,100                  |                       |                  |
| Mr. Khalid Mana Saeed Al Otaiba  | 12,500                 |                       |                  |
| Mr. Ikram ul Majeed Sehgal   | 621,197                |                       |                  |
| Mr. Nadeem Iqbal Sheikh  | 1,568,426              |                       |                  |
| Mr. Mohammad Saleem Akhter   | 170,007                |                       |                  |
| 4 Executives   |                        | 1,869,851             | 0.748            |
| 5 Public Sector Companies and Corporations                               |                        | 685,625               | 0.274            |
| 6 Banks, DFIs, NBFIs, Insurance Companies Modarabas & Mutual Funds       |                        | 3,254,450             | 1.302            |
| Trading in Shares by Directors , CEO, CFO & Company Secretary :          |                        |                       |                  |
| NAME   |                        | Shares Purchased 2004 | Shares Sold 2004 |
| - H.E..Sheikh Hamdan Bin Mubarak Al Nahayan (Director)                   |                        | 3,002,672             | 11,262,201       |
| - Mr. Abdullah Naseer Hawaileel (Director)                               |                        | 111,455               | 5,658,032        |
| - Mr. Nadeem Iqbal Sheikh (Director)                                     |                        | 150,000               | -                |
| - Mr. Mohammad Saleem Akhtar (CEO)                                       |                        | 1,000                 | -                |
| - Chief Financial Officer (CFO)  |                        | 1,000                 | -                |
| - Company Secretary / Wife   |                        | 12,494                | -                |
| Shareholders Holding Ten Percent or more                                 |                        |                       |                  |
| Total Paid Up Capital  | 250,000,000 SHARES     |                       |                  |
| 10% of the Paid-up Capital of the Company                                | 25,000,000 SHARES      |                       |                  |
|  | Holding                |                       | %                |
| H. E. Nahayan Mabarak Al Nahayan   | 41,851,782             |                       | 16.741           |
| H. E. Sheikh Hamdan Bin Mubarak Al Nahayan                               | 25,506,961             |                       | 10.203           |

## BRANCH NETWORK

### KARACHI

#### Main Branch

B.A. Building, I.I.Chundrigar Road.  
Phone : (021) 2414030-39 UAN No. : 111-777-786  
Fax : 2417006, 2434181

#### Cloth Market Branch

Cochinwala Market, Luxmidas Street.  
Phone : (021) 2401621-6 Fax : 2401627-2418896

#### Clifton Branch

World Trade Centre, Khayaban-e-Romi, Clifton.  
Phone : (021) 5833778-82 Fax : 5879175

#### Shahrah-e-Faisal Branch

Fortune Centre, Shahrah-e-Faisal.  
Phone : (021) 4313536-37 , 4522441-2 Fax : 4313539

#### Jodia Bazar Branch

Gulzar Manzil, Jodia Bazar.  
Phone : (021) 7532483-4,7544816-20 Fax : 7532485

#### Korangi Industrial Area Branch

Aiwan-e-Sanat, Plot No.ST-4/2, Sector 23,  
Korangi Industrial Area.  
Phone : (021) 5065701-2 Fax : 5050653

#### M.A.Jinnah Road Branch

Plot No.23/1, Zelin Place (Habib Bank Building),  
M.A.Jinnah Road/Abdullah Haroon Road.  
Phone : (021)2750627-28, 30, 2731502 Fax : 2750629

#### S.I.T.E. Branch

D-40, Estate Avenue, Siemens Chowrangi, S.I.T.E.  
Phone : (021) 2581247, 2582114-6  
Fax : 2582113, 2581247

#### North Karachi Industrial Area Branch

Sector 12-B, North Karachi Industrial Area,  
Opp: Police Station Gabol Town.  
Phone : (021) 6987644, 6986170 Fax : 6986051

#### Paper Market Branch

Plot No. S.R.7/23, Campbell Street, Paper Market.  
Phone : (021) 2211353-58 Fax : 2211243

#### Gulshan-e-Iqbal Branch

Plot No.SB-15, Block 13-B, KDA Scheme No.24,  
University Road, Gulshan-e-Iqbal.  
Phone : (021) 4984851, 4984937, 4984904  
Fax : 4984971

#### Karachi Stock Exchange Branch

18-20, Karachi Stock Exchange Building,  
Stock Exchange Road.  
Phone : (021) 2417515-19 Fax : 2418353

#### North Napier Road Branch

Surv. No. 35 / Sheet No. NP-10 (Old Surv.No.A26/5),  
Napier Quarters.  
Phone : (021) 2544021-24, 2540989 Fax : 2540066

#### Bahadurabad Branch

Prime Arcade, Shop No. 1-3,  
Bahadur Shah Zafar Road, Bahadurabad.  
Phone : (021) 4129677-81, 4128578-81 Fax : 4129676

#### Timber Market Branch

Ground Floor, Sur. No. 15, Siddique Wahab Road,  
Lawrence Quarters.  
Phone : (021) 2750635-9 Fax : 2750632

#### Defence Housing Authority Branch

Plot No.40 & 42 C,26th Commercial Street Phase V,  
Defence Housing Authority.  
Phone : (021) 5374330-35 Fax : 5373722

#### PECHS Branch

Shop No. 3, 154-S, Block-2, PE.C.H.S.  
Phone : (021) 4535861-2 4538423-24 Fax : 4314221

#### Federal 'B' Area Branch

C-28, Block - 13, Federal 'B' Area.  
Phone : (021) 6803041, 6344700,5&6 Fax : 6803043

#### Eidgah Branch

45/1/2, Wadhmal Udham Quarters,  
Near Light House, M.A. Jinnah Road.  
Phone : (021) 2741471-3 Fax : 2741474

#### Marriot Road Branch

Karachi Survey # 67, Sheet # M.R.1,  
Murad Khan Road, Marriot Road.  
Phone : (021) 2414138-40 & 2412080 Fax : 2412082

#### Hyderi (North Nazimabad) Branch

Plot # ST-4, Al-Burhan Circle Hyderi, Block 'E',  
North Nazimabad.  
Phone : (021) 6626066, 6626004, 6625880  
Fax : 6625402

#### Gulistan-e-Jauhar Branch

30-31, Saima Classic Rashid Minhas Road.  
Phone : (021) 4815926-27, 4815930 Fax : 4815924

#### Tipu Sultan Road Branch

Z-111-112, Adamjee Nagar, Tipu Sultan Road.  
Phone : (021) 4398457-9 Fax : 4398456

#### DHA Phase-I Branch

114, 9th East Street, Phase-I,  
Defence Housing Authority, Main Korangi Road.  
Phone : (021) 5887571-73 Fax : 5887574

## BRANCH NETWORK

## HYDERABAD

Plot No.476/1 & 476/2, adjacent to Hotel Faran, Saddar.  
Phone : (0221) 786020-22, 784242 Fax : 786023

## SUKKUR

B-2823/B-2851, Frere Road, Sarafa Bazar.  
Phone : (071) 28173-75, 24753, 24750 Fax : 28176

## QUETTA

M.A. Jinnah Road Branch  
Property No.2-12(1), M.A.Jinnah Road.  
Phone : (081) 841057, 841180-83 Fax : 827562

Hazar Gunji Branch  
Plot No. 332, 333, 334, Truck Stand, Hazar Gunji.  
Phone : (081) 460520 Fax : 460519

## GAWADAR

Gawadar Palace Motel, Airport Road.  
Phone : (0864) 211796-98 Fax : 210185

## LAHORE

LDA Plaza Branch  
LDA Plaza, Kashmir Road.  
Phone : (042)6306201-06 Fax : 6307836, 6368905

Gulberg Branch  
125/E-I, Gulberg-III, Main Boulevard.  
Phone : (042) 5877800-8 Fax : 5754900, 5877807

Defence Branch  
G-9, Commercial Area, Phase-I, LCCHS.  
Phone : (042) 5729772-6, 5729722-26  
Fax : 5729727, 5733591

Circular Road Branch  
A-43/A, Opp: Mazar Hazrat Shah Mohammad Ghous,  
Circular Road.  
Phone : (042) 7638256-8 Fax : 7653384

Township Branch  
47-B/1, Block 10, Akbar Chowk, Township.  
Phone : (042) 5152833-6 Fax : 5113716

Badami Bagh Branch  
29-30 PECO Road, Badami Bagh.  
Phone : (042) 7704961-66 Fax : 7728074

Allama Iqbal Town Branch  
36, College Block, Allam Iqbal Town.  
Phone : (042) 5432961-5 Fax : 5432960

Shah Alam Market Branch  
Hilal-e-Ahmar Health Complex, Shah Alam Market.  
Phone : (042) 7673401-6 Fax : 7673409

Shadman Market Branch  
Shop No. 2, Ground Floor,  
Business Centre, Shadman Market.  
Phone : (042) 7538116-18 Fax : 7538119

Tufail Road Branch  
50/3, Tufail Road.  
Phone : (042) 6689016-19 Fax : 6688374

Lahore Stock Exchange Branch  
Basement Level - 2, Lahore Stock Exchange Building,  
19, Khayaban-e-Iqbal.  
Phone : (042) 6307461-69 Fax : 6307460

Baghbanpura Branch  
G.T. Road, Baghbanpura.  
Phone : (042) 6844002-09 Fax : 6844010

Ravi Road Branch  
13 Ravi Raod.  
Phone : (042) 7708661-65 Fax : 7708660

Liberty Branch  
10-C, Commercial Area, Liberty Market, Gulberg-III.  
Phone : (042) 5756288 & 5756355 Fax : 5755226

Raiwind Road Branch  
Thoker Niaz Beg, Raiwind Road.  
Phone : (042) 5431802-05 Fax : 5431806

Shahdin Manzil Branch  
Shahdin Manzil, Faysal Chowk, Mall Road.  
Phone : (042) 6012000-30, 6300581, 6300586  
Fax : 6300589

## ISLAMABAD

Blue Area Branch  
1-B, Awan Arcade, Jinnah Avenue, Blue Area.  
Phone : (051) 2206986-7 Fax : 2279897, 2274766

I-10 Markaz Branch  
4-A, I-10 Markaz.  
Phone : (051) 4435804-6 Fax : 4435807

## RAWALPINDI

The Mall Branch  
8, The Mall.  
Phone : (051) 5566084-6 Fax : 5584213, 5567462

Satellite Town Branch  
B/20, North Star Plaza, Satellite Town, Murree Road.  
Phone : (051) 4424080-6 Fax : 4424087

## BRANCH NETWORK

Jinnah Road Branch  
A-351, Jinnah Road (Old City Saddar Road).  
Phone : (051) 5775325-8 Fax : 5775324

## WAH CANTT

4-1/100, Officers Colony, The Mall.  
Phone : (0596) 539426-28 Fax : 511980

## FAISALABAD

Main Branch  
Ground Floor, State Life Building, Liaqat Road.  
Phone : (041) 617436-9 Fax : 617432, 640834

Peoples Colony Branch  
237-B, Commercial Area, D-Ground,  
Peoples Colony No. 1.  
Phone : (041) 722636-39 Fax : 722184

## PESHAWAR

Peshawar Cantt. Branch  
6/38/L-Islamia Road.  
Phone : (091) 287051-5 Fax : 287058, 9212254

Peshawar City Branch  
Park Inn Hotel Building, Khyber Bazar, Peshawar City.  
Phone : (091) 251794, 250796, 2590023-27  
Fax : 251380

## MULTAN

Abdali Road Branch  
62-A, Abdali Road.  
Phone : (061) 4546792-6 Fax : 4570233, 4540970

Vehari Road Branch  
618/B, Vehari Road.  
Phone : (061) 6244492-95 Fax : 6244496

## SIALKOT

40/A, Paris Road.  
Phone : (0432) 590098, 591741 Fax : 591742, 593210

## RAHIM YAR KHAN

City Centre Complex, Shahi Road.  
Phone : (068) 5879880-1, 5885970 Fax : 5879882

## GUJRANWALA

B XII-7S-145, Krishan Nagar, G.T. Road.  
Phone : (055) 3859931-3, 3847031-33  
Fax : 3856471, 3255295

## SAHIWAL

183-Sarwar Shaheed Road.  
Phone : (0441) 67691-5 Fax : 67696

## SARGODHA

Block # 5, Liaqat Road, Opp: Jamia Mosque Hamid Ali.  
Phone : (0451) 724138-9 Fax : 724193

## GUJRAT

15/231, Circular Road, Opp: Rampair Mahal  
Phone : (0433) 530219, 530068-70 Fax : 530319

## MARDAN

C-929 to 932 & C-662, Ex-Arif Hotel Building,  
Bank Road.  
Phone : (0931) 73631-3 Fax : 73733

## BAHAWALPUR

Ground Floor, Bdg. No. V/912, Circular Road.  
Phone : (0621) 889922-5 Fax : 889874

## DERA GHAZI KHAN

24-Block # 15, Liaqat Bazar.  
Phone : (0641) 468105 Fax : 468104

## MINGORA, SWAT

Khasra No.95, Makan Bagh, Saidu Sharif Road,  
Opposite PTCL Office.  
Phone : (0936) 726745-6, 726740-4 Fax : 726747

## JHELUM

Bungalow No.67, Kazam Kamal Road.  
Phone : (0541) 610162, 610172, 610182 Fax : 610050

## MIAN CHANNU

Ghazi Morr, G.T. Road.  
Phone : (065) 2665301-4 Fax : 2665383

## SHEIKHUPURA

Main Lahore-Sargodha Road.  
Phone : (04931) 614972-79 Fax : 614976

## DERA ISMAIL KHAN

Plot # 3666-B, Kashmir Chowk, North Circular Road,  
Phone : (0961) 720606-10 Fax : 720612

## BRANCH NETWORK

## OKARA

Plot No. 14, Sahiwal Road.  
Phone : (0442) 550418-22 Fax : 550423

## ABBOTTABAD

191, Supply Bazar, Main Mansehra Road.  
Phone : (0992) 344723-6 Fax : 344728

## JHANG

9-D, Yousuf Shah Road, Jhang Saddar.  
Phone : (0471) 624701-3 Fax : 624704

## TOBA TEK SINGH

105-Farooq Road, Mohallah Jamia Masjid.  
Phone : (0462) 517837-9 Fax : 517841

## BUREWALA

95-C, Al-Aziz Market, College Road.  
Phone : (067) 3771901-4 Fax : 3355042

## KOHAT

Bannur Road, Kohat Cantt.  
Phone : (0922) 522791-7 Fax : 522798

## SADIQABAD

28-29 D, Allama Iqbal Road.  
Phone : (068) 5802501-4 Fax : 5802704

## MANDI BAHAUDDIN

17/207 Alvi Plaza, Alvi Hospital Chowk, Phalia Road.  
Phone : (0456) 509730-32 Fax : 509729

## LALA MUSA

G.T. Road.  
Phone : (053) 518068 Fax : 518068

## ISLAMIC BANKING BRANCHES

Uni-Tower, Karachi  
213 - Uni-Towers, I.I.Chundrigar Road.  
Phone : (021) 2472295-8 Fax : 2425970

Shahrah-e-Faisal, Karachi  
Faiyaz Centre, Shahrah-e-Faisal.  
Phone : (021) 4313580 Fax : 4313581

Main Branch, Lahore  
66-Main Boulevard, Gulberg.  
Phone : (042) 5715241-5 Fax : 5715249

McLeod Road, Lahore  
Abid Plaza, 13, McLeod Road.  
Phone : (042) 7211631-5 Fax : 7211640

New Garden Town, Lahore  
Awami Complex Block # 1, New Garden Town.  
Phone : (042) 5846374-8 Fax : 5846386

Y Block, Lahore  
93-Y, Commercial Area, Phase III,  
Defence Housing Authority.  
Phone : (042) 5746191-5 Fax : 5746190

Johar Town, Lahore  
69-R-I, M.A. Johar Town.  
Phone : (042) 5313401-05 Fax : 5313406

Jinnah Avenue, Islamabad  
8-E, REDCO Plaza, Jinnah Avenue, Blue Area.  
Phone : (051) 2879580-4 Fax : 2879589

Cantt. Rawalpindi  
125-D, Murree Road.  
Phone : (051) 5795184-88 Fax : 5795189

Kutchery Bazar Faisalabad  
P-36, Kutchery Bazar.  
Phone : (041) 603021-5 Fax : 603028

Medical College Road, Faisalabad  
1-Ramana, Opp: Punjab Medical College, Jail Road.  
Phone : (041) 8581602-04 Fax : 8581582

Gujranwala  
Faisal Arcade G.T. Road.  
Phone : (0431) 557301-5 Fax : 557310

Multan  
2, Bosan Road.  
Phone : (061) 750941-5 Fax : 750885

Peshawar  
Jamrud Road.  
Phone : (091) 5701385-89 Fax : 5701392

Sialkot  
Ali Building, Khadim Ali Road.  
Phone : (0432) 241302-5 Fax : 241306

## FORM OF PROXY

**Folio/CDC Account No.**

I/We \_\_\_\_\_  
of \_\_\_\_\_ being member(s) of  
**BANK ALFALAH LIMITED** ("the Bank"), holding \_\_\_\_\_ ordinary  
shares, hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ or failing  
him/her \_\_\_\_\_  
of \_\_\_\_\_, who is also a  
member of the Bank, as my/our proxy to vote for me/ us, and on my/our behalf at the **13th**  
Annual General Meeting of the Bank to be held on **Tuesday, April 19, 2005** and at any  
adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

**Witness:**

Name: \_\_\_\_\_

NIC No: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**(Member's signature on  
Rs. 5/- Revenue Stamp)**

1. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
2. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, M. Yousuf Adil Saleem & Associates (Pvt) Ltd., 2nd Floor, Suzaka Chamber, Block 7 & 8, KCHSU, Sharea Faisal, Karachi-75350. not less than 48 hours before the time of the Meeting.
3. In case of proxy for an individual beneficial owner of CDC, attested copy of beneficial owner's National Identity Card, Account and Participant's ID numbers must be deposited alongwith the form of proxy with the Share Registrar. The proxy must produce his/her original identity card at the time of the Meeting. In case of proxy for corporate members, he/she should bring the usual documents required for such purpose.





**AFFIX  
CORRECT  
POSTAGE**

**BANK ALFALAH LIMITED**

**Share Registrar**

M. Yousuf Adil Saleem & Associates (Pvt.) Ltd.  
Second Floor, Suzaka Chamber, Block-7 & 8,  
KCHSU, Sharea Faisal, Karachi-75350.

Fold : Here

Fold : Here

Fold : Here

Fold : Here







