

Bank Al Habib Limited

ANNUAL REPORT 1997

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Board of Directors

Chairman

Hamid D. Habib

Chief Executive & Managing Director

Abbas D. Habib

Directors

Ali Raza D. Habib
Mohammad Usman Kushtiwala*
Faiz N. Abdulali
Anwar Haji Karim
Liaquat H. Merchant
Imran Azim
Qumail R. Habib*
** Denotes Executive Director*

Company Secretary

Mahmood S. Allarakhia

Registered Office and Head Office

126-C, Old Bahawalpur Road,
Multan.
Phones: (92-61) 580314-I6, 544539
& 111-786-110
Fax: (92-61) 582471
Telex: 42336 ALHML PK

Principal Office

Mackinnons Building,
I.I. Chundrigar Road, Karachi.
Phones: (92-21) 2412986-89, 2417065-68
& 111-786-110
Fax: (92-21) 2419752
Telex: 21285 ALHAB PK

Branch Network

Karachi

Main Branch

Mackinnons Building, I.I. Chundrigar Road.
Phones: (92-21) 2412986-89, 2417065-68 &
111-786-110
Fax: (92-21) 2419752, 2425423 & 2412028
Telex: 21286 ALHAB PK

Lahore

Main Branch

87, Shahrah-e-Quaid-e-Azam,
Phones: (92-42) 6305042-46 & 111-786-110
Fax: 92-42) 6368864
Telex: 44610 BAHLR PK

Garden Town Branch

Islamabad

90-91, Razia Sharif Plaza,
Jinnah Avenue, Blue Area.
Phones: (92-51) 270883-4, 814388 - 89
& 111-786-110
Fax: (92-51) 270885
Telex: 54726 BAHID PK

Shahrah-e-Faisal Branch

20-A-1, Block 6, P.E.C.H.S.,
Shahrah-e-Faisal.
Phones: (92-21) 4530140-42
Fax: (92-21) 4530143

Gulshan-e-Iqbal Branch

B-39, AI-Shams Centre, Block 13-A,
University Road, Gulshan-e-Iqbal.
Phones: (92-21) 4989162-63
Fax: (92-21) 4989164

Zamzama Branch

16-C, Commercial Lane 3,
Phase V, Zamzama Boulevard,
Defence Housing Authority.
Phones: (92-21) 5863986, 5861804
& 5861407
Fax: (92-21) 5863914

S.I.T.E. Branch

B/76, S.S. Chambers, S.I.T.E.
Phones: (92-21) 2571710-11 & 2571521
Fax: (92-21) 2571522

Bahadurabad Branch

Central Commercial Area, B.C.H.S.,
Bahadurabad.
Phones: (92-21)4915803-5
Fax: (92-21) 4915802

M. A. Jinnah Road Branch

Godrej Kandawalla Building,
M. A. Jinnah Road.
Phones: 7228494, 7228450, 7228458
7228462, 7228508 & 7219481
Fax: (92-21) 7219468

Cloth Market Branch

Ground Floor, Lotus Manzil,
BR-2, New Nham Road,
Cloth Market.

Hyderabad

Mezzanine Floor,
F-2, Shelter Cantt. Shopping Mall,
Saddar Cantt.
Phones: 781955 & 28195
Fax: (92-221) 781955

Awami Complex, 1-4 Usman Block,
Front Block V, New Garden Town.
Phones: (92-42) 5869365-69
Fax: (92-42) 5869370

Gulberg Branch

3-E, Block E, Ground Floor,
Main Market, Gulberg II.
Phones.: (92-42) 5762502 & 5754586
Fax: (92-42) 5762501

Multan

Main Branch

126-C, Old Bahawalpur Road.
Phones: (92-61) 544539
580314-16 & 111-786-110
Fax: (92-61) 582471
Telex: 42336 ALHML PK

Hussain Agahi Road Branch

Hussain Agahi Road.

Faisalabad

Bank Square, Outside Kutchery Bazar.
Phones: (92-41) 637301-3 & 111-786-110
Fax: (92-41) 614266
Telex: 43528 ALHAB PK

Sialkot

Paris Road.
Phones: (92-432) 592747,
86055 & 111-786-110
Fax: (92-432) 592747.
Telex: 46426 ALHAB PK

Sheikhupura

B-IX-64-95/A,
Sarghoda Road.
Near Sharif Plaza.
Phones: (92-4931) 612906 & 111-786-110
Fax: (92-4931) 612877

Nawabshah

Masjid Road.
Phones: (92-241) 62738 & 62854
Fax: (92-241) 62737

Rawalpindi

M-101 -A, Midjac House, Bank Road,
Rawalpindi Cantt.
Phones: (92-51) 519936-38
Fax: (92-51) 519939

Gujrat

Ground Floor, Soufi Hotel, G.T. Road.
Phones: (92-4331) 525623, & 111-786-110
Fax: (92-4331) 525628

Dinga (Distt. Gujrat}

Opp. Civil Hospital.
Phone: (92-43317) 2737
Fax: (92-43317) 2737

Peshawar

105-106, F.C. Trust Building,
Sonehri Masjid Road.
Phones: (92-91) 279814, 279856,
& 111-786-110
Fax: (92-91) 279861

Mirpur (Azad Kashmir)

82-A/B, Ailama Iqbal Road, Sector B-4.
Phone: (92-58)25064
Fax: (92-58) 24766

Sahiwal

271, Block-2,
High Street (Jinnah Road).
Phones: (92-441) 66021 & 67021
Fax: (92-441) 64031

Quetta

Mannan Chowk, M.A. Jinnah Road.
Phones: (92-81) 844125, 844131
& 111-786-110
Fax: (92-81) 844125

Sukkur

C-63 I/8, Minara Road.
Phones: (92-71) 22287
Fax: (92-71) 22287

Notice of Annual General Meeting

Notice is hereby given that the Seventh Annual General Meeting of Bank AL Habib Limited will be held at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, on Wednesday, March 25, 1998,

at 12:30 p.m., to transact the following business:

1. To receive and adopt the audited Accounts of the Bank for the year ended December 31, 1997, together with the Directors' and Auditors' Reports thereon.
2. To approve payment of cash dividend @ 20% i.e. Rs. 2.00 per share of Rs. 10 each for the year ended December 31, 1997 as recommended by the Directors.
3. To approve the issue of bonus shares as recommended by the Directors and in this regard to pass the following Ordinary Resolutions:
"RESOLVED that a sum of Rs. 49,500,000 (Rupees forty nine million five hundred thousand only) out of current year's profit be capitalized and distributed by issuing 4,950,000 fully paid ordinary shares of Rs 10 each as bonus shares in the proportion of fifteen shares for every hundred shares held, to those members whose names appear in the register of members as at the close of business on March 10, 1998 and that the shares so distributed shall be treated for all purposes as an increase in the paid-up capital of the Bank.

FURTHER RESOLVED that the bonus shares so distributed shall rank pari passu in all respects with the existing shares of the Bank except that they shall not qualify for dividend for the year ended December 31,1997.

FURTHER RESOLVED that members entitled to a fraction of a share shall be given the sale proceeds of their fractional entitlement, for which purpose the Directors be and are hereby authorized to consolidate the fractions into whole shares and sell the shares in the stock market.

FURTHER RESOLVED that the Directors be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of 4,950,000 shares."

4. To appoint Auditors for the year 1998 and to fix their remuneration. Messrs Hyder Bhimji & Company, Chartered Accountants, being eligible, offer themselves for reappointment.
5. To consider any other business of the Bank with the permission of the Chair.

Notes:

(i) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy must be a member of the Bank. Proxy forms in order to be effective must be received at the Registered Office of the Bank duly stamped and signed not less than 48 hours before the meeting.

(ii) The share transfer books of the Bank will remain closed from Wednesday, March 11, 1998 to Wednesday, March 25, 1998, both days inclusive.

(iii) Members are requested to promptly communicate to the Bank any change in their address.

Directors' Report

The Board of Directors is pleased to present to you the Seventh Annual Report of the Bank for the year ended December 31, 1997.

The operating results and appropriations as recommended by the Board of Directors are as follows:

	(Rupees in '000)
Profit for the year before tax	442,395
Taxation	(243,751)
Profit for the year after tax	198,644

Unappropriated Profit brought forward	475
Profit available for Appropriation	199,119
Appropriations:	
1 Transfer to Statutory Reserve Fund	40,000
-Transfer to Special Reserve	20,000
Transfer to General Reserve	20,000
Proposed - Fully paid Bonus Shares in the ratio of 15 Ordinary Shares for every 100 shares held	49,500
- Cash Dividend @ 20% i.e. Rs. 2.00 per share of Rs. 10 each	66,000

	(195,500)

Unappropriated Profit carried forward	3,619
	=====

Performance Review

	(Rs. in million)			
	Dec. 31, 1997	Dec. 31, 1996	Increase over 1996	%
	Amount	Amount	Amount	
Pre-Tax Profit	442.3	340.90	101.40	29.70
Post-Tax Profit	198.60	152.90	45.70	29.90
Shareholders' Equity	851.1	718.40	132.70	18.40
Total Customers' Deposits	13,445.10	8,572.50	4,872.60	56.80
Total Advances	7,371.90	5,663.70	1,708.20	30.10
Foreign Trade Business	19,768.60	17,320.3	2,448.30	14.10

By the Grace of Allah, the Bank has continued to make satisfactory progress in 1997 in all areas of its operations. With the continued support of the customers, deposits have increased by Rs. 4,872.6 million i.e. by 56.8% over the previous year. In line with the credit policy of the Bank, the total advances also proportionately increased mainly through short term and export finance facilities provided to the clients.

Inshallah, we are hopeful that the Bank will continue to maintain a steady growth in 1998.

In terms of the directives issued by the State Bank of Pakistan, all banks operating in Pakistan must have a minimum paid-up capital of Rs. 500.0 million by December 31, 1998 and in order to comply with these directives, your Bank is taking appropriate steps.

Branch Network

During the year, the Bank has opened five more branches, bringing the total number of branches to twenty seven and, Inshallah, we plan to continue expansion of our branch network during 1998.

Directors

Since our last report, Mr. Habib Mohamed D. Habib, Mr. Mehr A. Barias, Mr. Asghar D. Habib and Mr. Murtaza H. Habib, have resigned and the Board acknowledges the services rendered by them as Directors of the Bank.

Pattern of Shareholdings

The statement of pattern Of shareholdings of the Bank as at December 31, 1997, is shown on page 27.

Auditors

Our present auditors, Messrs Hyder Bhimji & Company, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

General

We are grateful to our customers for their support, to the State Bank of Pakistan for their continued guidance and to our foreign and local correspondent banks for their valuable services. We also thank all our staff members for their sincere and dedicated services, which enabled the Bank to achieve these results.

Balance Sheet as at December 31, 1997

	Note	1997 (Rupees in '000)	1996
ASSETS			
Cash	4	949,717	2,117,051
Balances with Other Banks	5	46,185	41,793
Money at Call and Short Notice		-	300,000
Investments	6	7,439,737	2,489,068
Advances - (net of provision)	7	7,371,934	5,663,722
Operating Fixed Assets	8	108,100	115,352
Capital Work-in-Progress	9	1,589	1,030
Other Assets	10	597,244	520,478
		-----	-----
		16,514,506	11,248,494
LIABILITIES			
Deposits and Other Accounts	11	113,445,196	8,572,525
Borrowings From Other Banks, Agents etc.	12	1,564,225	1,269,067
Bills Payable		238,352	190,660
Other Liabilities	13	397,234	497,767
Deferred Liabilities for Taxation		18,380	-
		-----	-----
		15,663,387	10,530,019
		-----	-----
Net Assets		851,119	718,475
		=====	=====
REPRESENTED BY:			
Share Capital	14	330,000	300,000
Reserve Fund and Other Reserves	15	517,500	418,000
Unappropriated Profit		3,619	475
		-----	-----
Shareholders' Equity		851,119	718,475
		=====	=====
MEMORANDUM ITEMS:			
Bills for Collection	16	1,269,289	1,658,782
Acceptances, Endorsements and Other Obligations		1,885,258	1,314,080
Contingent Liabilities and Commitments	17	12,554,102	9,246,722

The annexed notes form an integral part of these accounts.

Profit and Loss Account for the year ended December 31, 1997

	Note	1997 (Rupees in '000)	1996
Mark up /Interest and discount and / or return earned		1,848,480	1,217,480
Less: Cost / Return on deposits, borrowings etc.		(1,280,433)	(819,814)
		-----	-----
		568,047	397,666
Fees, commissions and brokerage		63,773	62,219
Dividend income		3,852	3,245
Other operating income	18	113,201	110,774
		-----	-----
		180,826	176,238
		-----	-----
		748,873	573,904
Operating Expenses:			
Administrative expenses	19	264,163	222,958
Provisions against non-performing advances	7.2	37,167	11,238
Provision for diminution in value of investments	6	6,328	-
		-----	-----
		(307,658)	(234,196)
		441,215	339,708
Other income	20	1,180	1,252
		-----	-----
Profit before taxation		442,395	340,960
Taxation - current	21	225,371	188,000
- deferred		18,380	-
		-----	-----
Profit after taxation		(243,751)	(188,000)
		-----	-----
Unappropriated Profit brought forward		198,644	152,960
Profit available for appropriation		475	5,515
		-----	-----
		199,119	158,475
APPROPRIATIONS			
Transfer to:			
Statutory Reserve Fund		40,000	69,000
Special Reserve		20,000	14,000
General Reserve		20,000	-
Reserve for issue of Bonus Shares		49,500	30,000
Proposed cash dividend		66,000	45,000
		-----	-----
		(195,500)	(158,000)
		-----	-----
Unappropriated profit carried forward		3,619	475
		=====	=====

The annexed notes form an integral part of these accounts.

Cash Flow Statement for the year ended December 31, 1997

1997
(Rupees in '000)

1996

Cash Flow From Operating Activities

Profit before taxation	442,395	340,960
Less: Dividend income	3,852	3,245
	-----	-----
	438,543	337,715
Add: Adjustment for non-cash charges		
Depreciation	17,088	13,004
Provision for diminution in the value of investments	6,328	-
Provision against non-performing advances	37,167	11,238
	-----	-----
	60,583	24,242
	-----	-----
	499,126	361,957
(Increase)/Decrease in operating assets:		
Government securities	(4,956,997)	(478,077)
Advances	(1,745,379)	(1,421,324)
Other assets (excluding advance tax)	(77,325)	(163,032)
	-----	-----
	(6,779,701)	(2,062,433)
Increase / (Decrease) in operating liabilities:		
Deposits and other accounts	4,872,671	2,219,173
Bills Payable	47,692	(343,492)
Other liabilities (excluding provision for taxation)	(168,181)	89,246
	-----	-----
	4,752,182	1,964,927
	-----	-----
Cash inflow / (outflow) before tax	(1,528,393)	264,451
Income tax paid	(179,728)	(231,164)
	-----	-----
Net cash inflow / (outflow) from operating activities (balance carried forward)	(1,708,121)	33,287
	-----	-----
Net cash inflow / (outflow) from operating activities (balance brought forward)	(1,708,121)	33,287
	-----	-----
Cash Flow From Investing Activities		
Net sale proceeds of investment securities	-	44,318
Dividend income	3,852	3,245
Fixed capital expenditure	(9,994)	(70,270)
Sale proceeds of fixed assets	158	373
	-----	-----
Net cash inflow/(outflow) from investing activities	(5,984)	(22,334)
	-----	-----
Cash Flow From Financing Activities		
Borrowings from other banks, agents etc.	295,158	280,001
Dividend paid	(43,995)	(43,537)
	-----	-----
Net cash inflow / (outflow) from financing activities	251,163	236,464
	-----	-----
Increase / (Decrease) in cash and cash equivalents for the year	(1,462,942)	247,417
	-----	-----
Cash and cash equivalents at the beginning of the year	2,458,844	2,211,427
	-----	-----

Cash and cash equivalents at the end of the year	995,902	2,458,844
	=====	=====
Cash and cash equivalents		
Cash in hand and with State Bank of Pakistan / National Bank of Pakistan	949,717	2,117,051
Balances with other banks	46,185	41,793
Money at call and short notice	-	300,000
	-----	-----
	995,902	2,458,844
	=====	=====

Notes to the Accounts for the year ended December 31, 1997

1. STATUS AND NATURE OF BUSINESS

The Bank was incorporated in Pakistan on October 15, 1991, as a public limited company and its shares are listed on all the Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these accounts as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

These accounts have been prepared under the historical cost convention and are in conformity with generally accepted accounting standards of banking institutions in Pakistan.

3.2 Investments

Investments are stated at cost, less provisions, if any, for permanent diminution in its value. Profit or loss on sale of investments are dealt with through the profit and loss account in the year in which they arise.

3.3 Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged by using the straight line method during the estimated useful life of the assets. Half year's depreciation is charged on fixed assets purchased or disposed of during the year. Gain or loss on sale of fixed assets are treated as revenue items.

Maintenance and normal repairs are charged to income as and when incurred while costs incurred on renovations are capitalized and amortized over a period of five years.

3.4 Taxation

Provision for taxation is based on taxable income at the current rates of taxation after taking into

account applicable exemptions and rebates, as permissible under the Income Tax Ordinance, 1979.

The Bank accounts for deferred taxation using the liability method on all major timing differences except where these are not expected to reverse in the foreseeable future.

3.5 Staff Retirement Benefits

The Bank operates a recognized provident fund scheme which is administered by the Board of Trustees and contributions thereto are charged to profit and loss account in accordance with the terms of the scheme.

3.6 Advances

Advances are stated net of provisions for bad and doubtful debts. Provisions for bad and doubtful debts are determined by the management keeping in view the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

3.7 Revenue Recognition

Income is recognized on accrual basis, except for commission on letters of credit and guarantees which is taken to income account at the time of receipt.

3.8 Foreign Currencies

Assets and liabilities in foreign currencies have been translated into rupees at the rate of exchange approximating those ruling at the Balance Sheet date except those covered by forward exchange contracts which are converted at contracted rates. Exchange gains and losses have been accounted for in the current year's income.

3.9 Operating Lease

Lease rentals payable on assets held under operating lease are charged to profit and loss account for the year.

3.10 Comparative Figures

Figures have been rounded off to the nearest thousand rupees.

Previous year's figures have been rearranged, wherever necessary, to facilitate comparison.

	1997	1996
	(Rupees in '000)	

4. CASH

In Hand		
Local currency	187,843	192,166
Foreign currencies	169,567	160,466
With State Bank of Pakistan in:		
Special deposit account		
Export Refinance	-	1,269,067
Others	-	-
Current Account	555,094	475,696
With National Bank of Pakistan in Current Account	37,213	19,656

-----	-----
949,717	2,117,051
=====	=====

5. BALANCES WITH OTHER BANKS

In Pakistan		
in Current Accounts	8,956	9,684
in Deposit Account	2,500	-
	-----	-----
	11,456	9,684
Outside Pakistan		
in Current Accounts	134,729	32,109
in Deposit Account	-	-
	-----	-----
	34,729	32,109
	-----	-----
	46,185	41,793
	=====	=====

6. INVESTMENTS (at cost less provisions)

Federal and Provincial Government Securities		
Federal Investment Bonds	480,604	959,607
Short Term Federal Bonds	6,930,000	1,494,000
	-----	-----
	7,410,604	2,453,607
Other Investments		
National Investment Trust Units	35,461	35,461
Less: Provision for diminution in value of investments	(6,328)	-
	-----	-----
	29,133	35,461
	-----	-----
	7,439,737	2,489,068
	=====	=====

Notes:

(i) Investments are made in securities for yield and are usually held to maturity.

(ii) Market value of National Investment Trust Units Rs. 29.133 million (1996: Rs. 35.461 million) and book value of Federal and Provincial Government Securities Rs.7,712.801 million (1996: Rs. 2,575.246 million).

(iii) The Bank enters into transactions of repurchase (repo) or resale (reverse repo) of government securities at contracted rates for specified periods of time. As a consequence thereof, at year end, securities of the face value of Rs. 303.220 million (1996: Rs. 581.000 million) under repurchase commitments have been deleted from investments and securities of the face value of Rs. Nil (1996: Rs. Nil) under resale commitments have been included under investments.

1997	1996
(Rupees in '000)	

7. ADVANCES

Loans, cash credits, overdrafts etc.		
In Pakistan	6,044,265	4,755,173

Outside Pakistan	-	-
	-----	-----
	6,044,265	4,755,173
Bills discounted and purchased (excluding Government Treasury Bills)		
Payable in Pakistan	40,346	45,945
Payable outside Pakistan	1,343,738	883,834
	-----	-----
	1,384,084	929,779
	-----	-----
	7,428,349	5,684,952
Provision for non-performing advances - Note 7.2	(56,415)	(21,230)
	-----	-----
	7,371,934	5,663,722
	=====	=====

Advances include Rs. 181.833 million (1996: Rs. 38.041 million) which have been placed on non-performing status against which adequate realizable securities and provisions are held.

	1997	1996
	(Rupees in '000)	
7.1 Particulars of advances		
In local currency	7,371,934	5,663,722
In foreign currencies	-	-
	-----	-----
	7,371,934	5,663,722
	=====	=====
(i) Debts considered good in respect of which the Bank is fully secured	7,371,742	5,663,722
(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security	192	-
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	-	-
(iv) Debts considered doubtful or bad not provided for	-	-
	-----	-----
	7,371,934	5,663,722
	=====	=====

**Balance
Outstanding at
Dec, 31**

**Maximum total amount
of advances including
temporary advances
granted during the year**

**1997
(Rupees in '000)**

1996

**1997
(Rupees in '000)**

1996

(i) Debts due by directors 1997: Rs. Nil
(1996: Rs. Nil) or executives of the Bank
or any of them either severally or jointly

with any other persons	3,504	3,657	3,713	3,686
(ii) 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	264,725	248,163	265,046	248,163
(iii) Debts due by subsidiary companies, controlled firms, managed modarabas and other associated undertakings	-	-	-	-

7.2 Particulars of provision against non-performing advances

	1996 (Rupees in '000)	1997
Opening balance	21,230	10,373
Charge for the year	40,288	153,701
Less: Reversals / recoveries	(3,121)	(4,132)
Net charge for the year	37,167	11,238
Amounts written-off - Note 7.3	(1,982)	(381)
Closing balance	56,415	21,230
Note: The above amount relates to specific provisions made and no general provision has been made.		
Provision against:		
Advances to banks	-	-
Advances to others	56,415	21,230
	56,415	21,230

7.3 Amounts written -off during the year

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 1997, is given in Annexure-1.

8. OPERATING FIXED ASSETS

	Cost			Depreciation			(Rupees in '000)		Rate of Depreciation %
	At Jan.1 1997	Add-itions (Disposals)	At Dec.31 1997	At Jan.1 1997	Charge for the year	Adjust-ment on Disposal during the year	At Dec.31 1997	Book Value At Dec.31 1997	
Land - freehold	--	--	--	--	--	--	--	--	--
- leasehold	--	--	--	--	--	--	--	--	--
Buildings on freehold land	--	--	--	--	--	--	--	--	--
Buildings on leasehold land	87,757	87,757	--	8,321	8,776	--	17,097	70,660	10.00%
Furniture and fixtures	23,475	2,991	26,466	4,110	2,497	--	6,607	19,859	10.00%
Office equipment	26,269	6,162	32,417	10,952	5,357	(11)	16,298	16,119	20.00%

		(14)							
Vehicles	2,368	842	2,982	1,134	459	(73)	1,520	1,462	20.00%
		(228)							
1997	139,869	9,753	149,622	24,517	17,089	(84)	41,522	108,100	
1996	70,284	69,585	139,869	11,825	13,004	(312)	24,517	115,352	

1997 **1996**
(Rupees in '000)

9. CAPITAL WORK-IN-PROGRESS

Civil works	600	-
Advances to suppliers	959	1,030
Consultant fees and other charges	30	-
	-----	-----
	1,589	1,030
	=====	=====

10. OTHER ASSETS

Stationery and stamps on hand	10,593	8,556
Income / mark up accrued on advances and investments	383,471	206,261
Other receivables	4,677	9,470
Prepaid exchange risk fee	81,223	44,880
Other advances, deposits, advance rent and other prepayments	86,288	18,940
Capitalized expenditure*	29,084	29,873
Suspense account	1,908	36,084
Fund management assets	-	166,414
	-----	-----
	597,244	520,478
	=====	=====

*Caplitalized expenditure consists of renovation costs incurred on premises and is amortized over a period of five years.

1997 **1996**
(Rupees in '000)

11. DEPOSITS AND OTHER ACCOUNTS

Fixed deposits	6,286,793	3,973,588
Savings deposits	3,985,615	3,311,429
Current accounts	3,172,788	1,287,508
Deposits and other accounts of banks	-	-
	-----	-----
	13,445,196	8,572,525
	=====	=====

11.1 Particulars of deposits and other accounts

In local currency	3,590,236	2,906,806
In foreign currencies	9,854,960	5,665,719
	-----	-----
	13,445,196	8,572,525
	=====	=====

12. BORROWINGS FROM OTHER BANKS, AGENTS ETC.

In Pakistan	1,564,225	1,269,067
Outside Pakistan	-	-
	-----	-----
	1,564,225	1,269,067
	=====	=====
12.1 Particulars of borrowings from other banks, agents etc.		
In local currency	1,564,225	1,269,067
In foreign currencies	-	-
	-----	-----
	1,564,225	1,269,067
	=====	=====
12.2 Secured		
Loans from State Bank of Pakistan		
Export Refinance	1,584,225	1,269,067
Others	-	-
	-----	-----
	1,564,225	1,269,067
	=====	=====

Note - Loans from State Bank of Pakistan has been obtained under the Export Refinance Scheme at mark - up rates ranging from 9.00 % to 10.00 % p.a.

1997 **1996**
(Rupees in '000)

13. OTHER LIABILITIES

Mark-up/Interest on loans/borrowings	33,668	7,428
Profit payable on PLS deposits and other accounts	87,311	100,092
Interest on foreign currency deposits	38,677	42,754
Taxation (provision less payments)	78,382	32,739
Branch adjustment account	3,454	227
Accrued expenses	5,428	3,642
Advance payments and security deposits	1,168	776
Unclaimed dividends	2,468	1,463
Proposed cash dividend	66,000	45,000
Fund management liabilities	-	166,414
Other (withholding tax, zakat payable, etc.)	80,678	97,232
	-----	-----
	397,234	497,767
	=====	=====

14. SHARE CAPITAL**Authorised Capital:**

60,000,000 ordinary shares of Rs. 10 each	600,000	600,000
	=====	=====
Issued, subscribed and paid-up:		
30,000,000 ordinary shares of Rs. 10 each issued for cash	300,000	300,000
3,000,000 ordinary shares of Rs. 10 each issued as bonus shares	30,000	-
	-----	-----
33,000,000 ordinary shares of Rs. 10 each	330,000	300,000

=====

15. RESERVE FUND AND OTHER RESERVES

	Capital Reserve	Statutory Reserve Fund	Revenue Reserves Special* Reserve	General Reserve	Reserve for issue of bonus shares	1997 '(Rupees in '000)	1996
Balance at the beginning of the year	-	206,500	81,500	100,000	30,000	418,000	305,000
Transfer from profit and loss account	-	40,000	20,000	20,000	49,500	129,500	113,000
Other movement	-	-	-	-	(30,000)	(30,000)	-
	-----	-----	-----	-----	-----	-----	-----
Balance at the end of the year	-	246,500	101,500	120,000	49,500	517,500	418,000
	=====	=====	=====	=====	=====	=====	=====

Represents reserve created under section 23(1)(ix) of the Income Tax Ordinance, 1979.

1997
(Rupees in '000)

16. BILLS FOR COLLECTION

Payable in Pakistan	82,715	102,239
Payable outside Pakistan	1,186,574	1,556,543
	-----	-----
	1,269,289	1,658,782
	=====	=====

17. CONTINGENT LIABILITIES AND COMMITMENTS

Contingencies

Money for which the Bank is continentally liable:

a) Contingent liability in respect of guarantees given on behalf of directors, officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings

- -

b) Contingent liability in respect of guarantees given favouring:

(i) Government

287,740 188,457

(ii) Banking companies and other financial institutions

- 75,473

(iii) Others

74,702 80,216

c) Liability on bills of exchange rediscounted

- 122,140

362,442 466,286

Commitments

Commitments in respect of forward exchange contracts including forward contracts with State Bank of Pakistan in respect of foreign currency deposits

Sale	1,609,600	1,605,950
Purchase	10,232,934	6,549,906
Commitments in respect of operating leases	45,906	43,580
Other commitments in respect of 'Repo' transactions	303,220	581,000
	-----	-----
	12,191,660	8,780,436
	-----	-----
	12,554,102	9,246,722
	=====	=====

1997 **1996**
(Rupees in '000)

18. OTHER OPERATING INCOME

Income from dealing in foreign currencies	97,240	95,964
Miscellaneous income (rent of lockers, recovery of fax, telephone, telex, courier charges etc.)	15,961	14,810
	-----	-----
	113,201	110,774
	=====	=====

19. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.	100,882	81,581
Contribution to staff provident fund	4,526	3,545
Non executive directors' fees and allowances	16	9
Brokerage and commission	4,916	10,232
Rent, taxes, insurance, electricity etc,	41,931	31,938
Legal and professional charges	984	985
Communications	18,957	17,023
Repairs and maintenance	18,814	17,172
Rentals of operating leases	25,780	20,995
Stationery and printing	6,880	6,462
Advertisement and publicity	3,005	1,846
Donations	2,370	2,475
Auditors' remuneration - Note 19.1	155	117
Depreciation - Note 8	17,089	13,004
Other expenditure (travelling, vehicle running expenses, automation expenses etc.)	17,858	15,574
	-----	-----
	264,163	222,958
	=====	=====

19.1. Auditors' remuneration

Audit fee	100	100
Fee for audit of provident fund etc.	15	17
Special certifications and sundry advisory services	40	-
	-----	-----
	155	117
	=====	=====

1997 **1996**
(Rupees in '000)

20. OTHER INCOME

Profit on sale of fixed assets	1,180	1,252
	=====	=====

21. TAXATION

As an allowable deduction under section 23(1)(ix) of the Income Tax Ordinance, 1979, the Bank has transferred Rs. 20.000 million (1996: Rs. 14.000 million) to Special Reserve. The Central Board of Revenue has not granted approval for the creation of this Reserve and the matter is pending.

22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

(Rupees in '000)

	Chief Executive		Executive Director		Executives	
	1997	1996	1997	1996	1997	1996
Fees	-	-	-	-	-	-
Managerial remuneration	852	852	2,176	1,964	6,768	6,242
Provident fund	85	-	218	129	675	622
Rent allowance	341	362	870	835	2,700	2,643
Utilities	85	64	218	147	675	469
Bonus	142	142	398	328	1,207	1,018
Medical	-	-	10	48	137	119
	-----	-----	-----	-----	-----	-----
	1,505	1,420	3,890	3,451	12,162	11,113
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	2	2	7	7
	=====	=====	=====	=====	=====	=====

In addition to the above, the chief executive, executive directors and executives are provided with company maintained cars and chauffeurs.

23. MATURITIES OF ASSETS AND LIABILITIES

(Rupees in '000)

	Total	Upto one	Over one	Over one	Over five
	Dec. 31 1997	month	month to one year	year to five years	years
Assets					
Cash	949,717	949,717	-	-	-
Balances with other banks	46,185	46,185	-	-	-
Money at call and short notice	-	-	-	-	-
Investments	7,439,737	1,700,000	5,359,133	295,177	85,427
Advances	7,371,934	61,817	6,741,541	559,266	9,307
Operating fixed assets	108,100	-	330	18,731	89,039
Capital work-in-progress	1,589	1,589	-	-	-
Other assets	597,241	243,500	306,932	46,018	794
	-----	-----	-----	-----	-----
	16,514,506	3,002,808	12,407,939	919,192	184,567
	=====	=====	=====	=====	=====
Liabilities					
Deposits and other accounts	13,445,196	11,509,020	1,360,613	575,563	-
Borrowings from other banks, agents etc.	1,564,225	143,744	1,420,481	-	-

Bills payable	238,352	238,352	-	-	-
Other liabilities	397,234	58,103	338,381	750	-
Deferred liabilities for taxation	18,380	-	18,380	-	-
	-----	-----	-----	-----	-----
	15,663,387	11,949,219	3,137,855	576,313	-
	=====	=====	=====	=====	=====
Net Assets	851,119	(8,946,411)	9,270,084	342,879	184,567
	=====	=====	=====	=====	=====
Shareholders' equity	851,119				
	=====				

24. SEGMENT ANALYSIS**24.1 Geographic segment**

	Profit before taxation	Total assets employed	Net assets employed	Bills for collection	(Rupees in '000) Endorsements and other obligations
Pakistan	442,395	16,514,506	851,119	1,269,289	1,885,258
Asia Pacific (Including South Asia)	-	-	-	-	-
Europe	-	-	-	-	-
United States of America and Canada	-	-	-	-	-
Middle East	-	-	-	-	-
Others	-	-	-	-	-
	-----	-----	-----	-----	-----
	442,395	16,514,506	851,119	1,269,289	1,885,258
	=====	=====	=====	=====	=====

24.2 Segment by class of business

	Deposits		Advances	
	Rupees		Rupees	
	in '000	%	in '000	%
Chemical and Pharmaceuticals	55,283	0.41	116,173	1.58
Agribusiness	41,228	0.31	125,651	1.70
Textile	213,962	1.59	4,331,197	58.75
Cement	7,096	0.05	4,082	0.06
Sugar	23,204	0.17	129,142	1.75
Shoes and leather garments	20,974	0.16	34,371	0.47
Automobile and transportation equipment	72,672	0.54	15,710	0.21
Financial	317,395	2.36	436,206	5.92
Insurance	59,233	0.44	-	0.00
Transportation	17,241	0.13	27,029	0.37
Electronics and electric appliances	36,778	0.27	19,520	0.26
Production and transmission of energy	30,263	0.23	11,857	0.16
Others	12,549,867*	93.34	2,120,996	28.77
	-----	-----	-----	-----
	13,445,196	100.00	7,371,934	100.00
	=====	=====	=====	=====

* Pertains mainly to local and foreign currency deposits of individuals.

24.3 Segment by sector

	Deposits		Advances	
	Rupees		Rupees	
	in '000	%	in '000	%

Public / Government	190,316	1.42	95,216	1.29
Private	13,254,880	98.58	7,276,718	98.71
	-----	-----	-----	-----
	13,445,196	100.00	7,371,934	100.00
	=====	=====	=====	=====

25. CURRENCY BREAKDOWN OF ASSETS AND LIABILITIES

	Assets		Liabilities	
	Rupees in '000	%	Rupees in '000	%
Pak rupees	15,292,896	92.60	6,669,247	40.39
U.S. dollars	1,123,484	6.80	9,198,003	55.70
Pound sterling	42,292	0.26	514,147	3.11
Deutsche mark	30,328	0.19	117,898	0.71
Japanese yen	659	0.00	1,963	0.01
Other European currencies	22,919	0.14	11,320	0.07
Other currencies	1,928	0.01	1,928	0.01
	-----	-----	-----	-----
	16,514,506	100	16,514,506	100.00
	=====	=====	=====	=====

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1997 (Rupees in '000)	1996
i) Advances given during the year	31,837	350,000
ii) Advances repaid during the year	15,275	101,837
iii) Advances (at year end)	264,725	248,163
iv) Deposits (at year end)	29,902	1,379
v) Mark up / Interest expensed	3,739	1,954
vi) Mark up / Interest earned	36,459	7,008
vii) Provision for non-performing advances charged against income during the year	-	-
viii) Provision for non-performing advances at year end	-	-
ix) Commitments and contingent liabilities for irrevocable commitments and contingencies	14,985	2,721
x) Others	-	-

Annexure - 1

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended Dec. 31, 1997
Annexure-- 1

S. No.	Name and address of the company / Person	Name of Individuals/ Partners / Directors (with NIC No.)	Father's Husband's Name	Outstanding Liabilities on the Opening day of the Year	Amount written off	Other Financial Reliefs provided	Total (6+7)
=====	=====	=====	=====	=====	=====	=====	=====
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
=====	=====	=====	=====	=====	=====	=====	=====

1.	Global Trading Corporation 615, Rambharti Road, Jodia, Bazar, Karachi	Mrs. Sabiha Tauqeer Proprietress (517-56-217821)	W/o Khawaja Tauqeer Ahmed	3,121,119	1,676,619	-	1,676,619
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Auditors' Report to the Members

We have audited the annexed Balance Sheet of Bank AL Habib Limited as at December 31, 1997, and the related Profit and Loss Account and Statement of Changes in Financial Position (Cash Flow Statement) together with the notes forming part thereof for the year then ended, in which are incorporated certified returns from all the branches which have been audited by us and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and after due verification thereof, found them satisfactory and we report that:

(a) in our opinion proper books of account have been kept by Bank AL Habib Limited as required by the Companies Ordinance, 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 and Statement of Changes in Financial Position (Cash Flow Statement) together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962, and the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account and Statement of Changes in Financial Position (Cash Flow Statement) together with the notes forming part thereof give the information required by the Banking Companies Ordinance, 1962, and the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 1997, and its true balance of the profit for the year then ended;

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

Karachi: February 24, 1998

HYDER BHIMJI & CO.
Chartered Accountants

Pattern of Shareholdings as at December 31, 1997

Number of Shareholders	Size of Shareholding	Total Shares held
102	From 1	To 100 4,642
490	From 101	To 500 114,720
3,794	From 501	To 1,000 2,099,860
454	From 1,001	To 5,000 839,645
74	From 5,001	To 10,000 463,340

92	From	10,001	To	15,000	1,062,210
14	From	15,001	To	20,000	240,416
28	From	20,001	To	25,000	616,650
12	From	25,001	To	30,000	329,450
23	From	30,001	To	35,000	754,754
2	From	35,001	To	40,000	73,780
10	From	40,001	To	45,000	430,540
1	From	45,001	To	50,000	47,740
6	From	50,001	To	55,000	330,000
3	From	55,001	To	60,000	171,180
3	From	65,001	To	70,000	198,550
1	From	70,001	To	75,000	71,500
1	From	75,001	To	80,000	77,000
1	From	80,001	To	85,000	84,150
2	From	85,001	To	90,000	176,000
1	From	100,001	To	105,000	102,850
4	From	105,001	To	110,000	440,000
2	From	115,001	To	120,000	234,840
3	From	120,001	To	125,000	368,500
1	From	130,001	To	135,000	132,000
8	From	135,001	To	140,000	1,100,000
1	From	140,001	To	145,000	143,990
2	From	170,001	To	175,000	342,980
3	From	195,001	To	200,000	594,000
2	From	215,001	To	220,000	439,840
1	From	230,001	To	235,000	231,890
1	From	260,001	To	265,000	260,975
13	From	270,001	To	275,000	3,575,000
1	From	290,001	To	295,000	294,250
1	From	305,001	To	310,000	308,990
3	From	330,001	To	335,000	996,488
2	From	435,001	To	440,000	880,000
3	From	545,001	To	550,000	1,645,900
1	From	625,001	To	630,000	625,050
1	From	665,001	To	670,000	669,100
1	From	690,001	To	695,000	693,990
1	From	735,001	To	740,000	737,400
1	From	1,075,001	To	1,080,000	1,078,990
1	From	1,720,001	To	1,725,000	1,720,950
1	From	7,195,001	To	7,200,000	7,195,700
-----					-----
5,172					33,000,000
=====	=====	=====	=====	=====	=====

Note: Incremental grouping of 5,000 shares after size of holding of 60,000 shares has only been reported for those slabs where there is shareholding.

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Individuals	5,114	18,896,575	57.26
Investment Companies	5	54,560	0.17
Insurance Companies	4	1,957,240	5.93
Joint Stock Companies	22	2,267,095	6.87
Financial Institutions	15	8,830,840	26.76
Modaraba Companies	4	124,340	0.38
Foreign Companies	6	711,610	2.16

Co-operative Society	1	110,000	0.33
Charitable Trust	1	47,740	0.14
	-----	-----	-----
TOTAL:	5,172	33,000,000	100.00
	=====	=====	=====