

Bank Al Habib Limited

Annual Report 1999

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Board of Directors

Chairman

Hamid D. Habib

Chief Executive & Managing Director

Abbas D. Habib

Directors

Ali Raza D. Habib
Faiz N. Abdulali
Qumail R. Habib*
Liaquat H. Merchant
Anwar Haji Karim
Murtaza H. Habib
Nasim Beg
Hasnain A. Habib

*Denotes Executive Director

Company Secretary

Mahmood S. Allarakhia

Branch Network

Karachi

MAIN BRANCH

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

SHARAH-E-FAISAL BRANCH

20-A-1, Block 6, P.E.C.H.S, Shahrah-e-Faisal
Phones: (92-21) 4530140-42 & 4544301
Fax: (92-21) 4530143

GULSHAN-E-IQBAL BRANCH

B-39, Al-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
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

Lahore

MAIN BRANCH

87, Shahrah-e-Quaid-e-Azam
Phones: (92-42) 6305042-45 & 111-786-1111
Fax: (92-42) 6368864 & 6305046

GARDEN TOWN BRANCH

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 & 111-786-110
Fax: (92-61) 582471
Telex: 42336 ALHML PK

HUSSAIN AGAHI ROAD BRANCH

Lohari Gate Shopping Centre,
Hussain Agahi Road,
Phones: (92-61) 513893 & 548333
Fax: (92-61) 513793

GHALLA MANDI BRANCH

135/C, Ghalla Mandi, Vehari Road,
Phones: (92-61) 232627-28
Fax: (92-61) 232629

Islamabad

MAIN BRANCH

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

F-10 MARKAZ BRANCH

F-10 Markaz, Islamabad
Phone: (92-51) 297758

Rawalpindi

40/3, Jhanzeb Centre, Bank Road,
Rawalpindi Cantt,
Phones: (92-51) 519936-38
Fax: (92-51) 519939

Peshawar

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

Mirpur (Azad Kashmir)

82-A/B, Allama Iqbal Road, Sector B-4,
Phone: (92-58610) 45064
Fax: (92-58610) 44766

Gujrat

Ground Floor, Soufi Hotel, G.T. Road,
Phones: (92-43310) 525623 & 111-786-110
Fax: (92-43317) 401737

Dinga (Distt. Gujrat)

Opp: Civil Hospital

M.A. JINNAH ROAD BRANCH

Godrej Kandawala Building
M.A. Jinnah Road,
Phones: (92-21) 7228494, 7228458
Fax: (92-21) 7228450

Faisalabad

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

Phone: (92-43317) 401737

Fax: (92-43317) 401737

Quetta

Mannan Chowk, M.A. Jinnah Road
Phones: (92-81) 844125 & 111-786-110
Fax: (92-81) 842335

CLOTH MARKET BRANCH

Ground Floor, Louts Manzil,
BR-2, New Neham Road,
Cloth Market,
Phones: (92-21) 2401301-4
Fax: (92-21) 2401300

Sialkot

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

Nawabshah

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

KARACHI STOCK EXCHANGE BRANCH

Room No. 4-6,
Stock Exchange Building
Stock Exchange Road,
Phone: (92-21) 2401516-19
Fax: (92-21) 2401520

Sheikhupura

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

Hyderabad

Qasre Fatima, 90/1-2 Saddar Bazar
Cantonment Area
Phones: (92-2210) 785541 & 785809
Fax: (92-221) 781955

Sahiwal

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

Sukkur

B-2555, Shaheed Gunj,
Phones: (92-71) 22287 & 237173
Fax: (92-71) 25749

Registered Office and Head Office:

126-C, Old Bahawalpur Road, Multan, Phones: (92-61) 580314-16, 544539 & 111-786-110 Fax: 992-61) 582471 Telex: 42336 ALHML PK

Principal Office:

Maokinnons Building, I.I. Chundrigar Road, Karachi. Phones: (92-21) 2412986-89, 2417065-68, Fax: (92-21) 2425423 & 2412028, Telex: 21286 ALHAB PK

Notice of Annual General Meeting

Notice is hereby given that the Ninth 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 Tuesday, March 28, 2000 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, 1999 together with the Directors' and Auditors' Reports thereon.
2. To approve the issue of bonus shares as recommended by the Directors and in this regard to pass the following Ordinary Resolution:

"RESOLVED that a sum of Rs. 100,188,000 (Rupees one hundred million one hundred and eighty eight thousand only) out of the unappropriated profit be capitalized and distributed by issuing 10,018,800 fully paid ordinary shares of Rs. 10 each as bonus shares in the proportion of twenty 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 20, 2000 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.

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 authorised to consolidate the fractions into whole shares and sell the shares in the stock market.

FURTHER RESOLVED that the Directors be and are hereby authorised 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 10,018,800 shares."

3. To appoint Auditors for the year 2000 and to fix their remuneration. Messrs Hyder Bhimji & Company, Chartered Accountants, being eligible offer themselves for reappointment.
4. To consider any other business of the Bank with the permission of the Chair.

By order of the Board

MAHMOOD S. ALLARAKHIA
Company Secretary

Karachi: February 23, 2000.

Notes:

1. 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 located at 126-C, Old Bahawalpur Road, Multan, duly stamped and signed not less than 48 hours before the meeting.

2. The share transfer books of the Bank will remain closed from Tuesday, March 21, 2000 to Tuesday, March 28, 2000 both days inclusive. The Shares Department of the Bank is located at 217, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.

3. Members are requested to promptly communicate to the Bank any change in their address.

Directors' Report

The Board of Directors are pleased to present to you the Ninth Annual Report for the year ended December 31, 1999.

Al-Hamdolillah, the working of the Bank during the year has been satisfactory.

The operating results for the year and its appropriations are given below:

	(Rupees in '000)
Profit for the year before tax	312,728
Taxation	(220,000)'

Profit for the year after tax	152,728
Unappropriated Profit brought forward	6,351

Profit available for Appropriation	159,079
Appropriations:	
Transfer to Statutory Reserve Fund	31,000
Transfer to Special Reserve Fund	25,000

Proposed - Fully paid Bonus Shares in the ratio of 20 Ordinary Shares for every 100 shares held	100,188

	159,188

Unappropriated Profit carried forward	2,891
	=====
Earnings per share (pre-tax)	Rs.7.44

Performance Review

The year under review remained under pressure which resulted in further slowing down of the economy. The Government of Pakistan, in order to revive the economy and to boost industrial development, decided on a policy to reduce the rate of return on securities etc., which has in turn led to a decline in the lending rate. The Bank's margins, therefore, decreased resulting in reduced profit for the year.

By the Grace of Allah, Deposits increased to Rs. 14,112.9 million as compared to the corresponding period, registering a growth of Rs. 887.0 million. Within the overall framework of the Bank's lending policy, advances under Export Refinance Scheme increased by Rs. 1,834.8 million while other advances increased by Rs. 1,526.7 million.

The financial highlights are as under :

	(Rupees in million)	
	Dec. 31, 1999	Dec. 31, 1998
Pre-Tax Profit	372.7	444.7
Post-Tax Profit	152.7	203.1
Shareholders' Equity	1169.0	1016.3
Total Customers' Deposits	14112.9	13225.9
Total Advances	10925.3	7563.8
Foreign Trade Business	26525.5	20270.3

The successful conclusion of agreements with lending agencies by the Government of Pakistan and forecast of a larger output in the agricultural sector, the year 2000 is expected to be more prosperous.

However, due to high liquidity in the market, the lending rates would continue to remain low which may keep the financial sector under pressure.

Branch Network

Two more branches were opened during the year at Ghalla Mandi Multan and F-10 Markaz Islamabad, bringing the total number of branches to 30.

Y2K

The new software 'Bank Plus' was implemented and became operational during the year in all the branches of the Bank. Al-Hamdolillah, no Y2K problem was faced.

Pattern of Shareholding

The statement of pattern of shareholding of the Bank as at December 31, 1999, is given .

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.

Karachi: February 23,2000.

On Behalf of the Board of Directors
HAMID D. HABIB
Chairman

Auditors' Report to the Members

We have audited the annexed Balance Sheet of Bank Al Habib Limited as at December 31, 1999, 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, 1999, 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 23, 2000

HYDER BHIMJI & GO.
Chartered Accountants

Balance Sheet as at December 31, 1999

	Note	1999 (Rupees in '000)	1998
ASSETS			
Cash	4	1,839,504	1,258,286
Balances with Other Banks	5	1,590,050	448,826
Money at Call and Short Notice		180,000	100,000
Investments	6	4,600,990	6,999,149
Advances - (net of provision)	7	10,925,299	7,563,887
Operating Fixed Assets	8	241,841	210,285
Capital Work-in-Progress	9	20,869	415
Other Assets	10	471,684	316,300
		-----	-----
		19,870,187	16,897,148
LIABILITIES			
Deposits and Other Accounts	11	14,112,870	13,225,945
Borrowings From Other Banks, Agents etc.	12	4,035,320	2,083,305

Bills Payable		146,985	134,410
Other Liabilities	13	405,993	437,197
		-----	-----
		18,701,168	15,880,857
		-----	-----
Net Assets		1,169,019	1,016,291
		=====	=====

REPRESENTED BY:

Share Capital	14	940	379,500
Reserve for proposed issue of Bonus Shares		100,188	121,440
Reserve Fund and Other Reserves	15	565,000	509,000
Unappropriated Profit		2,891	6,351
		-----	-----
Shareholders' Equity		1,169,019	1,016,291
		=====	=====

MEMORANDUM ITEMS:

Bills for Collection	16	2,619,786	1,645,336
Acceptances, Endorsements and Other Obligations		2,064,833	1,267,343
Contingent Liabilities and Commitments	17		

The annexed notes form an integral part of these accounts.

HAMID D. HABIB
Chairman
Karachi: February 23, 2000.

ABBAS D. HABIB
*Chief Executive and
Managing Director*

ANWAR HAJI KARIM
Director

FAIZ N. ABDULALI
Director

Profit and Loss Account for the year ended December 31, 1999

	Note	1999 (Rupees in '000)	1998
Mark-up / Interest and discount and / or return earned		1,878,610	2,135,626
Less: Cost / Return on deposits, borrowings etc.		(1,443,208)	(1,614,999)
		435,404	520,627
Fees, commissions and brokerage		82,270	63,982
Profit from investment securities		10,496	--
Dividend income		1,854	963
Other operating income	18	160,498	158,633
		-----	-----
		255,118	223,178
		-----	-----
		690,522	743,805
Operating Expenses:			
Administrative expenses	19	888,088	308,272
Provisions against non-performing advance	7.2	4,423	(18,464)
Provision for diminution in value of investm	6	(18,974)	13,122
		-----	-----
		(320,537)	(302,930)
		-----	-----
		369,986	440,875
Other income	20	2,743	3,867
		-----	-----
Profit before taxation		372,728	444,742
Taxation - current	21	220,000	280,000
- deferred		--	(18,380)
		-----	-----
		(220,000)	(241,820)
		-----	-----
Profit after taxation		152,728	2,031
Unappropriated Profit brought forward		6,851	3,619
		-----	-----
Profit available for appropriation		159,079	206,741
		=====	=====
APPROPRIATIONS			
Transfer to:			
Statutory Reserve Fund		31,000	41,000
Special Reserve		25,000	--
Reserve for proposed issue of Bonus Shares		100,188	121
Proposed Cash Dividend		--	37,950
		-----	-----
		(156,188)	(200,390)
		-----	-----
Unappropriated profit carried forward		2,801	6,351
		=====	=====

The annexed notes form an integral part of these accounts.

HAMID D. HABIB
Chairman
Karachi: February 23, 2000.

ABBAS D. HABIB
*Chief Executive and
Managing Director*

ANWAR HAJI KARIM
Director

FAIZ N. ABDULALI
Director

Cash Flow Statement for the year ended December 31, 1999

	1999	1998
	(Rupees in '000)	
Cash Flow From Operating Activities		
Profit before taxation	372,728	444,742
Less: Dividend income	(1,854)	(963)
	-----	-----
	370,874	443,779
Add: Adjustment for non-cash charges:		
Depreciation	27,190	20,691
Provision for diminution in the value of investments	(16,974)	19,122
Provision against non-performing advances	4,423	(18,464)
Gain on disposal of fixed assets	(2,743)	(3,863)
	-----	-----
	11,896	11,486
	-----	-----
	382,770	455,265
(Increase) / Decrease in operating assets:		
Government securities	2,436,275	427,466
Advances	(3,365,855)	(173,490)
Other assets (excluding advance tax)	(155,334)	280,114
	-----	-----
	(1,084,894)	534,090
Increase/(Decrease) in operating liabilities:		
Deposits and other accounts	886,925	(219,250)
Bills payable	12,575	(103,942)
Other liabilities (excluding provision for taxation)	54,787	(26,988)
	-----	-----
	954,287	(350,180)
	-----	-----
Cash inflow before tax	252,163	639,175
Income tax paid	(266,802)	(168,243)
	-----	-----
Net cash (outflow) /inflow from operating activities (balance car	(14,639)	470,932
Net cash (outflow) /inflow from operating activities (balance br	(14,639)	470,932
Cash Flow From Investing Activities		
Net (purchase) of investment securities	(21,142)	--
Dividend income	1,854	963
Fixed capital expenditure	(79,451)	(121,719)
Sale proceeds of fixed assets	2,994	4,710
	-----	-----
Net cash (outflow) from investing activities	(95,745)	(116,046)
Cash Flow From Financing Activities		
Borrowings from other banks, agents etc.	1,952,015	519,080
Dividend paid	(39,189)	(82,758)
	-----	-----
Net cash inflow from financing activities	1,912,828	456,324
Increase in cash and cash equivalents for the year	1,802,442	811,210
Cash and cash equivalents at the beginning of the year	1,807,112	995,902
	-----	-----
Cash and cash equivalents at December 31, 1999	3,609,554	1,807,112
	=====	=====
Cash and cash equivalents		
Cash in hand and with State Bank of Pakistan / National Bank o	1,839,504	1,258,286
Balances with other banks	1,590,050	448,828
Money at call and short notice	180,000	100,000
	-----	-----
	3,609,554	1,807,112
	=====	=====

HAMID D. HABIB
Chairman

ABBAS D. HABIB
Chief Executive and

ANWAR HAJI KARIM
Director

FAIZ N. ABDULALI
Director

Managing Director

Karachi: February 23, 2000.

Notes to the Accounts for the year ended December 31, 1999**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.

	1999	1998
	(Rupees in '000)	
4. CASH		
In Hand		
Local currency	562,484	281,569

Foreign currencies	104,016	159,976
	-----	-----
	666,500	441,545
With State Bank of Pakistan in:		
Current Account	858,922	788,729
Deposit Account	259,497	--
	-----	-----
	1,118,419	788,729
With National Bank of Pakistan in:		
Current Account	54,585	28,012
	-----	-----
	1,839,504	1,258,286
	=====	=====

5. BALANCES WITH OTHER BANKS

In Pakistan		
in Current Accounts	24,940	34,803
in Deposit Accounts	2,500	2,500
	-----	-----
	27,440	37,303
Outside Pakistan		
in Current Accounts	25,081	12,714
in Deposit Accounts	1,537,529	398,809
	-----	-----
	1,562,610	411,523
	-----	-----
	1,590,050	448,826
	=====	=====

6. INVESTMENTS (at cost less provisions)**Investment Securities:**

Federal and Provincial Government Securities		
Federal Investment Bonds	925,732	644,357
Treasury Bills	3,621,131	6,338,781
	-----	-----
	4,546,863	6,983,138
Fully paid-up ordinary shares		
Listed companies	21,142	--
Other Investments		
National Investment Trust (N.I.T) Units	35,461	35,461
Less: Provision for diminution in value of investments	(2,476)	(19,450)
	-----	-----
	32,985	16,011
	-----	-----
	4,600,990	6,999,149
	=====	=====

Market value of Investment in listed companies is Rs. 26.553 million (1998: Rs. Nil) The book value of Federal and Provincial Government Securities is Rs. 4,546.863 million (1998: Rs. 6,983.138 million).

In respect of N.I.T Units, the Bank has accepted a letter of comfort from the Government of Pakistan (GOP) whereby the GOP has guaranteed the redemption price at Rs. 13.70 per unit on the condition that the Bank shall continue to hold the units for a minimum period of five years from the date of letter of comfort. The Bank has accounted for the diminution in the value of N.I.T Units between its cost and the guaranteed redemption price,

1999 **1998**
(Rupees in '000)

7. ADVANCES

Loans, cash credits, overdrafts etc.		
In Pakistan	9,559,102	6,580,914
Outside Pakistan	--	--
	-----	-----
	9,559,102	6,580,914
Bills discounted and purchased (excluding Government Treasury Bills)		
Payable in Pakistan	57,341	34,992
Payable outside Pakistan	1,329,018	985,932
	-----	-----
	1,386,359	1,020,924
	-----	-----
	10,945,461	7,601,838
Provision for non-performing advances - Note 7.2	(20,162)	(37,951)

10,925,299	7,563,887
=====	=====

Advances include Rs. 131.028 million (1998: Rs. 54.949 million) which have been placed on non-performing status against which adequate provisions and realizable securities are held.

7.1 Particulars of advances

In local currency	10,925,299	7,563,887
In foreign currencies	--	--
	-----	-----
	10,925,299	7,563,887
	=====	=====

(i) Debts considered good in respect of which the Bank is fully secured	10,025,299	7,563.60
(ii) Debts considered good for which [he Bank holds no other security than the debtors' personal security	--	288
(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	--	--
	-----	-----
	10,925,299	7,563,887
	=====	=====

Balance Outstanding at Dec. 31, 1999	Maximum total amount of advances including temporary advances granted during the year
--	--

Rupees in '000

(i) Debts due by directors 1999: Rs. Nil (1998: Rs. Nil) or executives of the Bank or any of them either severally or jointly with any other persons	2,689	3,029
(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	302,941	344,311
Debts due by subsidiary companies, controlled firms, managed modarabas and other associated undertakings	--	--

Particulars of specific provision against non-performing advances

	1999	1998
	(Rupees in '000)	
Opening balance	37,951	56,415
Charge for the year	4,423	(18,464)
Amounts written-off Note 7.3	(4,511)	--
Reversal*	(17,701)	--
	-----	-----
Closing balance	20,162	37,951
	=====	=====
Provision against:		
Advances to banks	--	--
Advances to others	20,162	37,951
	-----	-----
	20,162	37,951
	=====	=====

* Relates to restructuring of account.

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, 1999, is given in Annexure-1

8. OPERATING FIXED ASSETS

	Cost		Depreciation				(Rupees in '000)		Rate of Depreciation %
	At Jan. 1 1999	Additions (Disposals)	At Dec.31 1999	At Jan.1 1999	Charge for the year	Adjustment on Disposal during the year	At Dec.31 1999	Book Value At Dec.31 1999	
Land leasehold	60,407	--	60,407	--	--	--	--	60,407	--
Buildings on leasehold 1	137,198	47,331	184,529	28,345	16,086	--	44,431	140,098	10.00
Furniture and fixtures	28,619	1,760 (71)	30,308	9,361	2,947	(28)	12,280	18,028	10.00
Office equipment	41,582	8,852 (164)	50,270	22,293	7,426	'(130)	29,589	20,681	20.00
Vehicles	3,886	1,054 (881)	4,059	1,408	731	(707)	1,432	2,627	20.00
1999	271,692	58,997 (1,116)	329,573	61,407	27,190	(865)	87,732	241,841	
1998	149,622	123,723 (1,653)	271,692	41,522	20,691	'(806)	61,407	210,285	
			1999	1998					
			(Rupees in '000)						

9. CAPITAL WORK-IN-PROGRESS

Civil works	3,321	41
Advances against purchase of premises	17,398	--
Consultant fees and other charges	150	--
	20,869	415

10. OTHER ASSETS

Stationery and stamps on hand	13,627	10,520
Income / mark-up accrued on advances and investments	355,272	167,754
Other receivables	26,963	11,787
Prepaid exchange risk fee	179,113	54,121
Other advances, deposits, advance rent and other prepayments	54,606	45,635
Capitalized expenditure*	25,250	26,453
Suspense account	--	30
	471,654	316,300

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

11. DEPOSITS AND OTHER ACCOUNTS

Fixed deposits	8,224,276	6,933,074
Saving deposits*	2,951,324	3,384,236
Current accounts	2,676,543	2,422,338
Deposits and other accounts of banks	260,721	486,297
	14,112,870	13,225,945

* The decrease is mainly due to reduction in foreign currency saving deposits.

11.1 Particulars of deposits and other accounts

In local currency	10,336,544	7,452,502
In foreign currencies	3,776,326	5,773,443
	14,112,870	13,225,945

12. BORROWINGS FROM OTHER BANKS, AGENTS ETC.

In Pakistan	4,035,320	2,083,305
Outside Pakistan	--	--

	4,035,320	2,083,305
	=====	=====

12.1 Particulars of borrowings from other banks, agents etc.

In local currency	4,035,320	2,083,305
In foreign currencies	--	--
	-----	-----
	4,035,320	2,083,305
	=====	=====

12.2 Secured

Loans from State Bank of Pakistan		
Export Refinance	4,035,320	2,083,305
Others	--	--
	-----	-----
	4,035,320	2,083,305
	=====	=====

Note: Loans from State Bank of Pakistan have been obtained under the Export Refinance Scheme at mark-up rate of 6.00% p.a.

13. OTHER LIABILITIES

Mark-up / Interest on loans / borrowings	56,297	63,734
Profit payable on PLS deposits and other accounts	99,907	60,875
Interest on foreign currency deposits	11,722	25,631
Taxation (provision less payments)	104,957	151,759
Branch adjustment account	4,476	2,211
Accrued expenses	4,569	4,272
Advance payments and security deposits	1,720	1,474
Unclaimed dividends	4,473	5,712
Proposed cash dividend	--	37,950
Special exporters account	5,389	24,948
Others	112,483	58,631
	-----	-----
	405,993	437,197
	=====	=====

14. SHARE CAPITAL

Authorised Capital:

100,000,000 ordinary shares of Rs. 10 each	1,000,000	600,000
	=====	=====

Issued, subscribed and paid-up:

30,000,000 ordinary shares of Rs. 10 each issued for cash	800,000	300,000
20,094,000 ordinary shares of Rs. 10 each issued as bonus shares	200,940	79,500
	-----	-----
50,094,000	500,940	379,500
	=====	=====

15. RESERVE FUND AND OTHER RESERVE\$

	Capital Reserve	Revenue Reserves			1999	1998
		Statutory Reserve Fund	Special * Reserve	General Reserve		
Balance at the beginnin	--	287,500	101,500	120,000	509,000	468,000
Transfer from profit and	--	31,000	25,000	--	56,000	41,000
Other movements	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Balance at the end of th	--	318,500	126,500	120,000	565,000	509,000
	=====	=====	=====	=====	=====	=====

* This represents reserve created under section 23 (1) (ix) of Income Tax Ordinance, 1979.

1999	1998
(Rupees in '000)	(Rupees in '000)

16. BILLS FOR COLLECTION

Payable in Pakistan	119,500	83,770
Payable outside Pakistan	2,500,286	1,561,566
	-----	-----

	2,619,786	1,645,336
	=====	=====

17. CONTINGENT LIABILITIES AND COMMITMENTS**Contingencies**

Money for which the Bank is contingently liable:

a) Contingent liability in respect of guarantees given on behalf of directors, 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	275,442	307,387
(ii) Banking companies and other financial institutions	--	--
(iii) Others	117,729	107,041
c) Liability on bills of exchange rediscounted	--	--
	-----	-----
	393,171	414,428

Commitments

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

Sale	810,526	842,983
Purchase	2,175,388	5,811,176
Commitments in respect of operating leases	51,117	52,270
Other commitments in respect of 'Repo' transactions	250,000	2,290,000
	-----	-----
	3,285,031	8,996,429
	-----	-----
	3,678,202	9,410,857
	=====	=====

18. OTHER OPERATING INCOME

Income from dealing in foreign currencies	140,689	139,711
Miscellaneous income (rent of lockers, recovery of fax, telephone, telex, courier charges etc.)	19,809	18,922
	-----	-----
	160,408	158,633
	=====	=====

19. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.	118,294	108,911
Contribution to staff provident fund	5,508	5.03
Non executive directors' fees and allowances	7	9
Brokerage and commission	1,647	7,390
Rent, taxes, insurance, electricity etc.	48,657	47,968
Legal and professional charges	1,656	1,625
Communications	21,151	18,983
Repairs and maintenance	21,187	25,928
Rentals of operating leases	31,906	29,291
Security charges	10,293	7,622
Stationery and printing	12,019	9,240
Advertisement and publicity	2,396	2,015
Donations	2,695	2,470
Auditors' remuneration - Note 19.1	150	150
Depreciation - Note 8	27,190	20,691
Other expenditure (travelling, vehicle running expenses, automation expenses etc.)	28,352	20,945
	-----	-----
	333,088	308,272
	=====	=====

19.1 Auditors' remuneration

Audit fee	125	125
Fee for audit of provident fund etc.	15	15
Special certifications and sundry advisory services	10	10
	-----	-----
	150	150

20. OTHER INCOME

Profit on sale of fixed assets	2,743	3,867
--------------------------------	-------	-------

21. TAXATION

As an allowable deduction under section 23(1) (ix) of the Income Tax Ordinance, 1979, the Bank has so far transferred Rs. 126.500 million to Special Reserve. As the Central Board of Revenue has not granted approval for the creation of this Reserve, the tax liability in respect thereof has been paid by the Bank. However, a writ petition is being filed with The Honourable High Court of Pakistan.

22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

(Rupees in'000)

	Chief Executive		Director		Executives	
	1999	1998	1999	1998	1999	1998
Fees						
Managerial remuneratio	1,915	931	939	872	9,828	7,839
Provident fund	192	93	94	87	801	753
Rent allowance	360	372	174	349	2,247	3,128
Utilities	192	93	94	87	981	782
Bonus	150	142	73	145	786	1,702
Medical	3	6	16	10	206	182
Others	229	--	95	--	1,188	--
	3,041	1,637	1,485	1,550	16,037	14,386
Number of persons	1	1	1	1	9	8

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

23. MATURITIES OF ASSETS AND LIABILITIES

(Rupees in'000/)

	Total Dec, 31 1999	Upto one month	Over one month to one year	Over one year to five years	Over five years
Cash	1,889,504	1,829,504	--	--	--
Balances with other ban	1,590,050	1,590,050	--	--	--
Money at call and short	180,000	180,000	--	--	--
Investments	4,800,990	21,142	3,654,116	925,732	--
Advances	10,925,299	119,539	10,350,838	398,120	56,802
Operating fixed assets	241,841	--	909	25,981	214,951
Capital work-in-progress	20,869	--	11,221	9,848	--
Other assets	471,634	44,143	382,645	44,172	673
	19,870,187	3,794,378	14,399,729	14,403,654	272,426
Liabilities					
Deposits and other acc	14,112,870	12,731,417*	841,802	539,651	--
Borrowings from other banks, agents etc.	4,035,320	175,038	3,860,282	--	--
Bills payable	146,985	146,985	--	--	--
Other liabilities	405,993	118,463	275,974	11,556	--
	18,701,168	13,171,903	4,978,058	551,207	--
Net Assets	1,169,019	(9,377,525)	9,421.67	852,447	272,426
Shareholders' equity	1,169,019				

* Saving deposits have been reported under one month maturity. However, they are not expected to be payable within one month period.

24. SEGMENT ANALYSIS

(Rupees in'000)

24.1 Geographic segment

Profit before taxation	Total assets employed	Net assets employed	Bills for collection	Endorsements obligations
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Pakistan	372,728	19,870,187	1,169,019	2,619,786	2,064,833
----------	---------	------------	-----------	-----------	-----------

24.2 Segment by class of business

	Deposits		Advances		
	Rupees in '000	%	Rupees in '000	%	
Chemical and Pharmaceuticals	562,071		398		3.04
Agribusiness	519,527		368		0.46
Textile	550,199		3.90		6,064,324
Cement	35,046		0.25		25,004
Sugar	576,779		4.09		308,857
Shoes and leather garments	53,472		0.38		71,373
Automobile and transportation equipment	35,653		0.25		51,590
Financial	391,245		277		1,022,572
Insurance	77,004		0.55		--
Transportation	23,143		0.16		1,939
Electronics and electric appliances	49,814		0.35		10,073
Production and transmission of energy	5,533		0.04		--
Others	11,233,384*		79.60		2,987,640
	14,112,870		10,000		10,925,299
					100.00

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

24.3 Segment by sector

	Deposits		Advances	
	Rupees in '000	%	Rupees in '000	%
Public / Government	440,261	3.12	798,551	7.31
Private	13,672,609	96.88	10,126,748	92.69
	14,112,870	100.00	10,925,299	100.00

25. CURRENCY BREAKDOWN OF ASSETS AND LIABILITIES

	Assets		Liabilities	
	Rupees in '000	%	Rupees in '000	%
Pak rupees	17,425,377	87.69	16,063,279	80.84
U.S. dollars	2,298,601	11.57	3,472,184	17.47
Pound sterling	37,454	0.19	190,150	0.96
Deutsche mark	58,965	0.30	57,888	0.29
Japanese yen	294	0.00	725	0.01
Other European currencies	47,824	0.24	84,396	0.42
Other currencies	1,672	0.01	1,559	0.01
	19,870,187	100.00	19,870,187	100.00

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1999	1998
	(Rupees in '000)	
i) Advances given during the year	38,334	124,442
ii) Advances repaid during the year	74,605	49,955
iii) Advances (at year end)	302,941	339,212
iv) Deposits (at year end)	300,475	391,633
v) Mark-up / interest expensed	15,877	8,963
vi) Mark-up / Interest earned	39,365	36,521
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	150,120	37,679
x) Others	--	--

27. GENERAL

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

27.2 Figures have been rounded off to the nearest thousand rupees in the financial statements.

HAMID D. HABIB

ABBAS D. HABIB

ANWAR HAJI KARIM

FAIZ N. ABDULALI

