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## **Board of Directors**

### ***Chairman***

Ali Raza D. Habib

### ***Chief Executive & Managing Director***

Abbas D. Habib

### ***Directors***

Faiz N. Abdulali

Qumail R. Habib\*

Anwar Haji Karim

Tariq Iqbal Khan

Murtaza H. Habib

Syed Mazhar Abbas\*

Hasnain A. Habib

Salman H. Habib

*\* Denotes Executive Director*

### ***Company Secretary***

Mahmood S. Allarakhia



## Directors' Report

The Directors are pleased to present the Eleventh Annual Report together with the audited financial statements for the year ended December 31, 2001.

Al-Hamdolillah, the performance of the Bank during the year has been satisfactory. The operating results for the year and appropriations are as follows:

### OPERATING

(Rupees in '000)

Profit for the year before tax	551,006
Taxation	(305,000)
Profit for the year after tax	<u>246,006</u>
Unappropriated Profit brought forward	4,843
Profit available for Appropriation	<u>250,849</u>
Appropriations:	
Transfer to Statutory Reserve	49,500
Transfer to General Reserve	20,000
Proposed - Fully paid Bonus Shares in the ratio of 20 Ordinary Shares for every 100 shares held	144,271
-Final Cash Dividend @ 5% i.e. Re 0.50 per ordinary share of Rs. 10/- each	36,068
	<u>(249,839)</u>
Unappropriated Profit carried forward	<u><u>1,010</u></u>
Net Earnings per share	<b>Rs. 3.41</b>

### Performance Review

By the Grace of Allah, during the year under review the Bank has continued to make satisfactory progress in all areas of its operations. Deposits of the Bank registered a growth of Rs. 6.874 billion while advances increased by Rs. 1.180 billion. Foreign exchange business also reflected an increase of Rs. 13.460 billion, as compared to the previous year. Due to better yields on government securities and improved lending rates, the profitability of the Bank for the year 2001 increased by Rs. 147.828 million.



## Financial Highlights are as under :

(Rupees in million)

	Dec. 31, 2001	Dec. 31, 2000
Total Customers Deposits	24,696.8	17,822.6
Total Advances	15,901.9	14,722.1
Profit before tax	551.0	403.2
Shareholders' Equity	1,532.1	1,322.2
Foreign Trade Business	52,073.3	38,613.8

In order to further enhance our services to customers, the Bank is installing Automated Teller Machines (ATMs) at selected branches in Karachi, which shall Insha-Allah soon be operational. Moreover, all branches in major cities of Pakistan are in the process of being linked through satellite and radio modem to facilitate on-line banking.

The Bank's credit rating assigned by the Pakistan Credit Rating Agency (Private) Limited (PACRA) has been maintained at AA for long term and A1 + for short term, denoting a very high credit quality, low expectation of credit risk, and obligations supported by highest capacity for timely repayments.

### Future Outlook

Since the last quarter of 2001, there has been a continuous reduction in the discount rate as well as yields on government securities which has resulted in erosion of interest margins due to which the profitability of the Bank will be under pressure during 2002. However, with the expected expansion of our branch network, we are hopeful to sustain these pressures by maintaining satisfactory growth.

### Branch Network

During 2001, nine branches were opened all over Pakistan, bringing the total number of branches to 41. The Bank is planning to further expand its branch network during the year 2002.

### Pattern of Shareholding

The statement of pattern of shareholding of the Bank as at December 31, 2001, is annexed on page 33.

### 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 its 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 14, 2002.

ALI RAZA D. HABIB  
*Chairman*



## Auditors' Report to the Members

W have audited the annexed Balance Sheet of Bank AL Habib Limited as at December 31, 2001, 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 7 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 Board of Directors/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.

W 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. W 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 sixty percent 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 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 expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962, (LVII of 1962), and the Companies Ordinance, 1984, (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2001, and its true balance of 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.

Karachi: February 14, 2002.

HYDER BHIMJI & CO.  
**Chartered Accountants**



## Balance Sheet as at December 31, 2001

	Note	2001 (Rupees in '000)	2000 (Rupees in '000)
<b>ASSETS</b>			
Cash and Balances with Treasury Banks	6	3,381,743	1,437,760
Balances with Other Banks	7	1,396,637	1,785,533
Lendings to Financial Institutions	8	1,237,399	4,083,416
Investments	9	5,663,953	1,289,422
Advances	10	15,901,919	14,722,099
Other Assets	11	945,612	614,078
Operating Fixed Assets	12	449,572	293,502
Deferred Tax Assets		—	—
		<b>28,976,835</b>	<b>24,225,810</b>
<b>LIABILITIES</b>			
Bills Payable	13	224,935	121,078
Borrowings from Financial Institutions	14	1,825,309	4,427,974
Deposits and Other Accounts	15	24,696,787	17,822,654
Other Liabilities	16	541,008	543,790
Deferred Tax Liabilities		—	—
		<b>27,288,039</b>	<b>22,915,496</b>
Net Assets		<b>1,688,796</b>	<b>1,310,314</b>
<b>REPRESENTED BY :</b>			
Share Capital	17	721,354	601,128
Reserves		809,771	716,226
Unappropriated Profit		1,010	4,843
		<b>1,532,135</b>	<b>1,322,197</b>
Surplus/(Deficit) on Revaluation of Assets	18	156,661	(11,883)
		<b>1,688,796</b>	<b>1,310,314</b>
<b>CONTINGENCIES AND</b>	19		

The annexed notes 1 to 39 form an integral part of these accounts.

ALI RAZA D. HABIB  
*Chairman*  
Karachi: February 14, 2002.

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, 2001

	Note	2001 (Rupees in '000)	2000
Mark-up /Return/Interest Earned	20	2,590,957	1,966,390
Mark-up/Return/Interest Expensed	21	1,806,662	1,484,782
Net Mark-up/Interest Income		<u>784,295</u>	<u>481,608</u>
Provision against non-performing loans and advances	10.3	(52,144)	(29,741)
Provision for diminution in the value of investments		–	–
Bad Debts written off directly		–	–
		<u>(52,144)</u>	<u>(29,741)</u>
Net Mark-up/Interest Income after provisions		<u>732,151</u>	<u>451,867</u>
<b>NON-MARK-UP/INTEREST INCOME</b>			
Fees, Commission and Brokerage Income		133,183	115,908
Dividend Income		6,105	7,778
Income from dealing in foreign currencies		178,814	204,805
Other Income	22	39,710	25,318
Total non-markup/Interest Income		<u>357,812</u>	<u>353,809</u>
		<u>1,089,963</u>	<u>805,676</u>
<b>NON-MARK-UP/INTEREST EXPENSES</b>			
Administrative Expenses	23	538,779	402,491
Other provisions/write offs		–	–
Other Charges	24	178	7
Total non-markup/Interest expenses		<u>(538,957)</u>	<u>(402,498)</u>
		<u>551,006</u>	<u>403,178</u>
Extra ordinary/unusual items		–	–
<b>PROFIT BEFORE TAXATION</b>		<u>551,006</u>	<u>403,178</u>
Taxation – Current	25	305,000	250,000
– Prior years		–	–
– Deferred		–	–
		<u>(305,000)</u>	<u>(250,000)</u>
<b>PROFIT AFTER TAXATION</b>		<u>246,006</u>	<u>153,178</u>
Unappropriated Profit brought forward		4,843	2,891
Profit available for appropriation		<u>250,849</u>	<u>156,069</u>
<b>APPROPRIATION</b>			
Transfer to:			
Statutory Reserve		49,500	31,000
Reserve for Proposed issue of Bonus shares		144,271	120,226
General Reserve		20,000	–
Proposed Cash dividend Re. 0.50 per share (2000: Rs. Nil)		36,068	–
Others		–	–
		<u>(249,839)</u>	<u>(151,266)</u>
Unappropriated Profit carried forward		<u>1,010</u>	<u>4,843</u>
<b>Net Earnings per share-Basic and Diluted</b>	26	<u>Rs. 3.41</u>	<u>Rs. 2.12</u>

The annexed notes form an integral part of these accounts.

ALI RAZA D. HABIB  
*Chairman*

ABBAS D. HABIB  
*Chief Executive and  
Managing Director*

ANWAR HAJI KARIM  
*Director*

FAIZ N. ABDULALI  
*Director*

Karachi: February 14, 2002.



## Statement of Changes in Equity for the year ended December 31, 2001

	Share Capital	Reserve for issue of Bonus Shares	Statutory Reserve	Special Reserve	General Reserve	Unappro- priated Profit	Total
	(Rupees in '000)						
Opening Balance Jan 1, 2000	500,940	100,188	318,500	126,500	120,000	2,891	1,169,019
Profit for the year 2000	-	-	-	-	-	153,178	153,178
Transfer to Statutory Reserve	-	-	31,000	-	-	(31,000 )	-
Transfer to Reserve for issue of Bonus Shares	-	120,226	-	-	-	(120,226 )	-
Issue of Bonus Shares	100,188	(100,188 )	-	-	-	-	-
Opening Balance as at Jan 1, 2001	601,128	120,226	349,500	126,500	120,000	4,843	1,322,197
Profit for the year 2001	-	-	-	-	-	246,006	246,006
Transfer to Statutory Reserve	-	-	49,500	-	-	(49,500 )	-
Transfer to General Reserve	-	-	-	-	20,000	(20,000 )	-
Transfer to Reserve for issue of Bonus Shares	-	144,271	-	-	-	(144,271 )	-
Proposed Dividend	-	-	-	-	-	(36,068 )	(36,068)
Issue of Bonus Shares	120,226	(120,226 )	-	-	-	-	-
Closing Balance as at Dec. 31, 2001	721,354	144,271	399,000	126,500	140,000	1,010	1,532,135

ALI RAZA D. HABIB  
*Chairman*  
Karachi : February 14, 2002.

ABBAS D. HABIB  
*Chief Executive and  
Managing Director*

ANWAR HAJI KARIM  
*Director*

FAIZ N. ABDULALI  
*Director*





## Cash Flow Statement for the

	2001 (Rupees in '000)	2000
<b>Cash Flow From Operating Activities</b>		
Profit before Taxation	551,006	403,178
Less : Dividend Income	(6,105)	(7,778)
	544,901	395,400
Adjustments for Non-Cash Charges:		
Depreciation	38,074	32,513
Amortization	4,417	4,341
Provision Against non-performing advances	52,144	29,741
(Gain) on sale of fixed assets	(6,832)	(954)
	87,803	65,641
	632,704	461,041
(Increase) / Decrease in Operating Assets:		
Lendings to financial institutions	2,846,017	(3,903,416)
Advances	(1,231,964)	(3,826,541)
Other Assets (Excluding Advance Taxation)	(330,184)	(161,744)
	1,283,869	(7,891,701)
Increase / (Decrease) in Operating Liabilities:		
Bills Payable	103,857	(25,907)
Borrowings from financial institutions	(2,602,665)	392,654
Deposits	6,874,133	3,709,784
Other Liabilities (excluding current taxation)	23,355	159,742
	4,398,680	4,236,273
	6,315,253	(3,194,387)
Income tax paid	(367,175)	(271,841)
Net cash flow from operating activities (Balance Carried Forward)	5,948,078	(3,466,228)

ALI RAZA D. HABIB  
*Chairman*

ABBAS D. HABIB  
*Chief Executive and  
Managing Director*

Karachi: February 14, 2002.



## year ended December 31, 2001

	Note	2001 (Rupees in '000)	2000
Net cash flow from operating activities (Balance Brought Forward)		<b>5,948,078</b>	(3,466,228)
<b>Cash Flow From Investing Activities</b>			
Net Investment in available-for-sale Securities		<b>(4,205,986)</b>	3,319,591
Dividend Income		<b>4,755</b>	5,528
Investments in operating fixed assets		<b>(198,968)</b>	(66,107)
Sale Proceeds of vehicle and equipment disposed-of		<b>7,238</b>	1,058
Net cash flow from investing activities		<b>(4,392,961)</b>	3,260,070
<b>Cash Flow From Financing Activities</b>			
Dividend paid		<b>(30)</b>	(103)
Net cash flow from financing activities		<b>(30)</b>	(103)
Increase /(Decrease) in Cash and Cash Equivalents		<b>1,555,087</b>	(206,261)
Cash and Cash Equivalents at the Beginning of the Year	27	<b>3,223,293</b>	3,429,554
Cash and Cash Equivalents at the End of the Year	27	<b>4,778,380</b>	3,223,293

ANWAR HAJI KARIM  
*Director*

FAIZ N. ABDULALI  
*Director*



## Notes to the Accounts for the year ended December 31, 2001

### 1. STATUS AND NATURE OF BUSINESS

The Bank was incorporated in Pakistan on October 15, 1991 as a public limited company under the Companies Ordinance 1984, having its registered office in Multan with the principal place of business being in Karachi. Its shares are listed on all the Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 41 branches operating throughout the country.

### 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 portion of mark-up thereon.

### 3. STATEMENT OF

These accounts have been prepared in accordance with the directives issued by the State Bank of Pakistan, the requirements of Banking Companies Ordinance, 1962, Companies Ordinance, 1984 and the accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standing Interpretations Committee of IASC, as adopted in Pakistan.

### 4. BASIS OF

These accounts have been prepared under the historical cost convention, except for certain investments which are stated at fair value.

### 5. SIGNIFICANT ACCOUNTING POLICIES

#### 5.1 Cash and Cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks and balances with other banks.

#### 5.2 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.

#### 5.3 Advances

Advances are stated net of specific and general provisions for bad and doubtful debts. Specific 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. Advances are written off when they are considered irrecoverable.

#### 5.4 Investments

In accordance with the directive of the State Bank of Pakistan issued vide BSD Circular No. 20 dated August 4, 2000, marketable investments (Government securities, shares of listed companies and listed term finance certificates) are marked to market. Investments that do not have an active market are stated at cost.

Deficit in the value of investments 'Held for trading' is charged to the profit and loss account whereas surplus arising on account of revaluation is shown separately in the balance sheet below shareholders equity. Surplus/(Deficit) arising on investments 'held to maturity' and 'available-for-sale' is also reported below shareholders equity in 'Surplus/(Deficit) on revaluation of securities'. Any permanent impairment in the value of 'available-for-sale' and 'held to maturity' investments is charged to profit and loss account.



Purchase of investments is recognized and recorded using the 'Settlement Date' method of accounting.

### 5.5 Repurchase agreements

The Bank enters into repurchase agreements for spot purchase or sale of securities with a commitment of forward sale or repurchase, with the same counterparty. The securities sold under a repurchase agreement are included in the investment portfolio and the corresponding amount is reflected under Borrowings from Financial institutions.

Likewise, securities purchased in case of reverse repo are classified as Lendings to Financial Institutions and excluded from investments.

### 5.6 Operating 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 off 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 accounted for as deferred cost and written off over a period of five years.

Capital-work-in-progress is stated at cost till the completion of the project.

Intangible assets comprise of computer software which is stated at cost less accumulated amortization. Computer softwares are amortized over a period of two years on straight line method.

### 5.7 Taxation

#### ***Current***

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.

#### ***Deferred***

Deferred tax liability is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 5.8 Staff retirement benefits

#### ***Defined Benefit Plan - Employee Gratuity Fund***

The Bank has started a defined benefit plan i.e. staff gratuity fund during the year under review for its regular permanent employees administered by the Board of Trustees. Provisions are made in the accounts to cover obligations on the basis of valuation as given in Note No. 29.

#### ***Defined Contribution Plan - Employee Provident Fund***

The bank has a defined contribution plan i.e. provident fund for its regular permanent employees, administered by the Board of Trustees. Monthly contributions are made both by the bank and the employees to the fund in accordance with the terms of the scheme.



## 5.9 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.

## 5.10 Operating lease

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

	2001 (Rupees in '000)	2000
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>		
In hand		
Local currency	461,575	334,768
Foreign currency	129,635	242,688
	<b>591,210</b>	<b>577,456</b>
With State Bank of Pakistan in:		
Local currency current account	1,660,153	517,061
Local currency deposit account		
Special Deposit-Institutional Deposits	176,278	-
Special Deposit-Commodity Operations	105,000	-
	<b>281,278</b>	<b>-</b>
Foreign currency deposit account:		
Cash reserve foreign currency deposits	788,550	-
Placement of foreign currency deposits	-	289,761
	<b>788,550</b>	<b>289,761</b>
	<b>2,729,981</b>	<b>806,822</b>
With National Bank of Pakistan in:		
Local currency current account	60,552	53,482
	<b>3,381,743</b>	<b>1,437,760</b>
<b>7. BALANCES WITH OTHER</b>		
In Pakistan		
In current accounts	60,489	49,188
In deposit accounts	2,500	2,500
	<b>62,989</b>	<b>51,688</b>
Outside Pakistan		
In current accounts	103,569	391,884
In deposit accounts	1,230,079	1,341,961
	<b>1,333,648</b>	<b>1,733,845</b>
	<b>1,396,637</b>	<b>1,785,533</b>



**2001**                      **2000**  
(Rupees in '000)

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	<b>918,000</b>	1,490,000
Repurchase agreement lendings (Reverse Repo)	<b>319,399</b>	2,593,416
	<b>1,237,399</b>	4,083,416
	<b>1,237,399</b>	4,083,416

	2001			2000		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
8.1 Securities held as collateral against lending to financial Institutions						
	(Rupees in '000)					
Treasury Bills	319,399	-	319,399	1,648,416	-	1,648,416
Federal Investment Bonds	-	-	-	945,000	-	945,000
	<b>319,399</b>	-	<b>319,399</b>	2,593,416	-	2,593,416
	<b>319,399</b>	-	<b>319,399</b>	2,593,416	-	2,593,416

## 9. INVESTMENTS

	2001			2000		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
9.1 Investment by types						
	(Rupees in '000)					
Available-for-sale securities						
Federal Investment Bonds	531,648	150,000	681,648	812,241	100,000	912,241
Pakistan Investment Bonds	2,488,529	100,000	2,588,529	-	-	-
Treasury Bills	1,456,655	778,995	2,235,650	297,036	-	297,036
Term Finance Certificates	79,982	-	79,982	-	-	-
Quoted shares	20,401	-	20,401	21,900	-	21,900
Others-Notes 9.3 & 9.4	35,700	-	35,700	35,700	-	35,700
	<b>4,612,915</b>	<b>1,028,995</b>	<b>5,641,910</b>	1,166,877	100,000	1,266,877
Associates						
Quoted shares	22,043	-	22,043	22,545	-	22,545
	<b>4,634,958</b>	<b>1,028,995</b>	<b>5,663,953</b>	1,189,422	100,000	1,289,422
	<b>4,634,958</b>	<b>1,028,995</b>	<b>5,663,953</b>	1,189,422	100,000	1,289,422



	2001	2000
	(Rupees in '000)	
<b>9.2 Investment by segments</b>		
Federal Government Securities		
– Treasury Bills	<b>2,235,650</b>	297,036
– Pakistan Investment Bonds	<b>2,588,529</b>	–
– Federal Investment Bonds	<b>681,648</b>	912,241
	<b>5,505,827</b>	1,209,277
Fully paid-up Ordinary Shares		
– Listed Companies	<b>42,444</b>	44,445
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates		
– Listed TFCs	<b>79,982</b>	–
Others		
– Equity contribution towards Khushhali-Bank – Note 9.3	<b>30,000</b>	30,000
– Equity contribution towards Pakistan Export Finance Guarantee Agency Limited – Note 9.4	<b>5,700</b>	5,700
	<b>5,663,953</b>	1,289,422

9.3 The Bank has subscribed / paid Rs. 30 million being its proportionate share towards the equity of Khushhali-Bank formed as per the directives of Government of Pakistan to provide micro finance in rural communities with the objective of alleviating poverty.

9.4 The Bank has subscribed / paid Rs. 5.7 million being its proportionate share towards the equity of Pakistan Export Finance Guarantee Agency Limited, which is a joint venture between Asian Development Bank and thirteen commercial banks operating in Pakistan.

	2001	2000
	(Rupees in '000)	
<b>10. ADVANC</b>		
Loans, cash credits, running finance, etc.		
In Pakistan	<b>13,809,210</b>	12,740,943
Bills discounted and purchased (excluding Treasury Bills)		
Payable in Pakistan	<b>87,001</b>	48,665
Payable outside Pakistan	<b>2,107,755</b>	1,982,394
	<b>2,194,756</b>	2,031,059
	<b>16,003,966</b>	14,772,002
Provision for non-performing advances	<b>(102,047)</b>	(49,903)
	<b>15,901,919</b>	14,722,099



**2001**                      **2000**  
(Rupees in '000)

**10.1 Particulars of advances:**

10.1.1	In local currency	<b>15,901,919</b>	14,722,099
10.1.2	Short Term (for upto one year)	<b>13,610,546</b>	13,423,499
	Long Term (for over one year)	<b>2,291,373</b>	1,298,600
		<b>15,901,919</b>	14,722,099

**10.2 Advances include Rs. 185.260 million (2000: Rs. 116.961 million) which have been placed under non-performing status as detailed below:**

Category of Classification	Amount	Provision Required	Provision Held
		(Rupees in '000)	
Substandard	65,750	4,394	4,394
Doubtful	41,973	-	-
Loss	77,537	77,653	77,653
	<u>185,260</u>	<u>82,047</u>	82,047
General Provision			<u>20,000</u>
			<u>102,047</u>

The provision held by the Bank is in accordance with the Prudential Regulation No. VIII.

**10.3 Particulars of provision against non-performing loans and advances:**

	2001			2000		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	49,903	-	49,903	20,162	-	20,162
Charge for the year	35,438	20,000	55,438	29,741	-	29,741
Reversals	(3,294)	-	(3,294)	-	-	-
Closing balance	<u>82,047</u>	<u>20,000</u>	<u>102,047</u>	<u>49,903</u>	<u>-</u>	<u>49,903</u>

**10.4 Details of Loans 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 Rupees five hundred thousand or above allowed to a person (s) during the year ended December 31, 2001, stands Nil.





### 10.5 Particulars of Loans and Advances to Directors, Associated Companies, etc.

Balance as at Dec. 31, 2001      Maximum total amount of advances including temporary advances granted during the year  
(Rupees in '000)

(i) Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons.	4,399	6,119
(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.	202,629	230,018
	<u>207,028</u>	<u>236,137</u>

2001      2000  
(Rupees in '000)

### 11. OTHER ASSETS

Income/Mark-up accrued in local currency	621,044	472,797
Income/Mark-up accrued in foreign currency	7,556	7,867
Advances, deposits, advance rent and other prepayments	82,089	29,759
Branch adjustment account	327	—
Suspense account	32,448	—
Deferred costs*	57,239	35,455
Stationery and stamps on hand	15,012	14,065
Receivable from SBP/Government of Pakistan	114,175	20,596
Dividend receivable	3,600	2,250
Others	12,122	31,289
	<u>945,612</u>	<u>614,078</u>

\*Deferred Cost consists of renovation costs incurred on premises and amortized over a period of five years.

2001      2000  
(Rupees in '000)

### 12. OPERATING FIXED ASSETS

Capital work-in-progress	12.1	141,346	35,189
Property and equipment	12.2	306,507	255,615
Intangible assets	12.3	1,719	2,698
		<u>449,572</u>	<u>293,502</u>



		2001	2000
		(Rupees in '000)	
<b>12.1</b>	<b>Capital work-in-progress</b>		
	Civil works	<b>24,770</b>	4,685
	Advance payment towards property and equipment	<b>115,956</b>	30,229
	Consultants fee and other charges	<b>620</b>	275
		<b>141,346</b>	35,189

### 12.2 Property and equipment

		(Rupees in '000)						
		Cost			Depreciation			
	At Jan.1 2001	Add- itions/ (Dele- tions)	At Dec. 31 2001	At Jan.1 2001	Charge/ Impair- ment	At Dec. 31 2001	Book value at Dec. 31 2001	Rate of Depr- eciation %
Lease hold land	60,407	-	60,407	-	-	-	60,407	-
Building on Lease hold Land	214,674	79,077	293,751	64,391	25,421	89,812	203,939	10
Furniture and Fixtures	34,410	6,419 (144)	40,685	15,523	3,704 (124)	19,103	21,582	10
Electrical Office and Computer Equipments	61,519	2,834 (1,001)	63,352	37,847	8,165 (989)	45,023	18,329	20
Vehicles	4,435	1,042 (1,108)	4,369	2,069	784 (734)	2,119	2,250	20
<b>2001</b>	<b>375,445</b>	<b>89,372 (2,253)</b>	<b>462,564</b>	<b>119,830</b>	<b>38,074 (1,847)</b>	<b>156,057</b>	<b>306,507</b>	
2000	329,573	46,391 (519)	375,445	87,732	32,513 (415)	119,830	255,615	

### 12.3 Intangible Assets

		(Rupees in '000)						
		Cost			Amortization			
	At Jan.1 2001	Add- itions/ (Dele- tions)	At Dec. 31 2001	At Jan.1 2001	Amorti- zation/ Impair- ment	At Dec. 31 2001	Book value at Dec. 31 2001	Rate of amorti- zation %
Computer Software								
<b>2001</b>	<b>20,639</b>	<b>3,438</b>	<b>24,077</b>	<b>17,941</b>	<b>4,417</b>	<b>22,358</b>	<b>1,719</b>	<b>50</b>
2000	15,243	5,396	20,639	13,600	4,341	17,941	2,698	50

Various computer softwares procured by the Bank have been fully amortized and continue to remain in Bank's use.



12.4 Details of Fixed Assets sold to a person during the year have not been shown as their cost/ book value are not over Rupees One million / Two hundred and fifty thousand.

12.5 No asset was sold to the Chief Executive, Director or any Executive during the year.

	2001	2000
	(Rupees in '000)	
<b>13. BILLS PAYABLE</b>		
In Pakistan	<u>224,935</u>	<u>121,078</u>
<b>14. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>		
In Pakistan	<u>1,825,309</u>	<u>4,427,974</u>
<b>14.1 Particulars of borrowings from financial institutions</b>		
In local currency	<u>1,825,309</u>	<u>4,427,974</u>
<b>14.2 Details of borrowings from financial Institutions</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
Under export refinance scheme	<u>796,314</u>	<u>4,127,974</u>
Repurchase agreement borrowings	<u>1,028,995</u>	<u>100,000</u>
	<u>1,825,309</u>	<u>4,227,974</u>
<b>Unsecured</b>		
Call borrowings	<u>-</u>	<u>200,000</u>
	<u>1,825,309</u>	<u>4,427,974</u>

Note: Loans from State Bank of Pakistan have been obtained under the Export Refinance Scheme at mark-up rates ranging between 7.00% and 11.50% p.a.

	2001	2000
	(Rupees in '000)	
<b>15. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	<u>2,832,700</u>	<u>2,186,126</u>
Savings deposits	<u>11,323,567</u>	<u>6,805,665</u>
Current accounts - Remunerative	<u>5,929,599</u>	<u>5,437,256</u>
Current accounts - Non-remunerative	<u>4,423,696</u>	<u>3,156,341</u>
	<u>24,509,562</u>	<u>17,585,388</u>
<b>Financial Institutions</b>		
Remunerative deposits	<u>184,798</u>	<u>236,050</u>
Non-remunerative deposits	<u>2,427</u>	<u>1,216</u>
	<u>24,696,787</u>	<u>17,822,654</u>



	2001	2000		
	(Rupees in '000)			
<b>15.1 Particulars of deposits</b>				
In local currency	20,541,228	14,136,897		
In foreign currencies	4,155,559	3,685,757		
	<u>24,696,787</u>	<u>17,822,654</u>		
<b>16. OTHER LIABILITIES</b>				
Mark-up /Return/Interest payable in local currency	314,752	248,669		
Mark-up/Return/Interest payable in foreign currency	7,679	9,665		
Accrued expenses	8,765	7,138		
Advance payments	2,460	2,082		
Current taxation (provision less payments)	20,941	83,116		
Unclaimed dividends	4,340	4,370		
Proposed cash dividend	36,068	-		
Branch adjustment account	-	4,379		
Payable to defined benefit plan-employees gratuity fund.	27,000	-		
Special exporters account	31,895	116,818		
Others	87,108	67,553		
	<u>541,008</u>	<u>543,790</u>		
<b>17. SHARE CAPITAL</b>				
<b>17.1 Authorised Capital:</b>				
	2001	2000		
	(Number)			
	<u>100,000,000</u>	<u>100,000,000</u>	ordinary shares of Rs. 10 each	<u>1,000,000</u> <u>1,000,000</u>
<b>17.2 Issued, subscribed and paid up</b>				
	2001	2000		
	(Number)			
			<b>Ordinary shares</b>	
	<u>30,000,000</u>	30,000,000	Fully paid in cash	<u>300,000</u> 300,000
	<u>42,135,360</u>	30,112,800	Issued as bonus shares	<u>421,354</u> 301,128
	<u>72,135,360</u>	<u>60,112,800</u>		<u>721,354</u> <u>601,128</u>
<b>18. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS</b>				
<b>18.1 Surplus/(Deficit) on revaluation of Securities</b>				
i) Federal Government securities			177,022	(1,586)
ii) Quoted shares			(20,361)	(10,297)
			<u>156,661</u>	<u>(11,883)</u>



		2001	2000
		(Rupees in '000)	
<b>19.</b>	<b>CONTINGENCIES AND</b>		
19.1	<b>Transaction-related Contingent Liabilities</b>		
	Government	541,368	428,515
	Financial Institutions	12,802	22,124
	Others	145,013	128,987
		<b>699,183</b>	579,626
19.2	<b>Trade-related Contingent Liabilities</b>	<b>3,822,330</b>	3,503,999
19.3	<b>Commitments in respect of forward lending</b>		
	Commitments to extend credit	<b>50,000</b>	–
19.4	<b>Commitments in respect of forward exchange contracts</b>		
	Purchase	<b>1,638,369</b>	2,272,080
	Sale	<b>1,179,802</b>	1,543,199
19.5	<b>Commitments in respect of operating leases</b>		
	Not later than one year	<b>60,637</b>	33,028
	Later than one year and not later than five years	<b>73,992</b>	30,891
		<b>134,629</b>	63,919
<p>The Bank has entered into operating lease arrangements whereby equipment and vehicles are acquired on lease. The lease rentals are payable over a period of 36 months.</p>			
		2001	2000
		(Rupees in '000)	
19.6	<b>Commitments for the acquisition of operating fixed assets.</b>	<b>117,056</b>	22,918
<b>20.</b>	<b>MARK-UP/RETURN/INTEREST</b>		
a)	On Loans and Advances to:		
	Customers	<b>1,795,840</b>	1,157,959
	Financial Institutions	<b>52,095</b>	79,763
b)	On Investments in:		
	i) Held for trading securities	–	14,185
	ii) Available-for-sale	<b>420,251</b>	368,595
c)	On Deposits with financial Institutions	<b>123,719</b>	139,476
d)	On Securities purchased under resale agreements	<b>86,838</b>	50,475
e)	On Call money lendings	<b>112,214</b>	155,937
		<b>2,590,957</b>	1,966,390



	2001	2000
	(Rupees in '000)	
<b>21. MARK-UP/RETURN/INTEREST</b>		
Deposits	1,538,106	1,216,757
Securities sold under repurchase agreements	46,566	34,093
Other short term borrowings	14,249	5,807
Borrowing from SBP under export refinance scheme	207,741	228,125
	<b>1,806,662</b>	<b>1,484,782</b>
<b>22. OTHER</b>		
Net profit on sale of vehicles and equipment	6,832	954
Miscellaneous income (rent of lockers, recovery of fax, telephone, telex, courier charges etc.)	32,878	24,364
	<b>39,710</b>	<b>25,318</b>
<b>23. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	183,591	145,407
Charge for defined benefit plan-employees gratuity fund	27,000	—
Contribution to defined contribution plan-employees provident fund	7,516	5,941
Non-executive directors' fees, allowances and other expenses	5	13
Rent, taxes, insurance, electricity etc.	86,558	68,235
Legal and professional charges	3,427	3,678
Communications	28,263	23,114
Repairs and maintenance	31,618	23,780
Rentals of operating leases	43,748	34,006
Security charges	12,037	9,909
Stationery and printing	15,545	12,276
Advertisement and publicity	6,810	5,237
Donations	23.1 4,790	3,800
Auditors' remuneration	23.2 200	175
Depreciation	12.2 38,074	32,513
Amortization	12.3 4,417	4,341
Vehicle running expenses	15,232	10,927
Commission and brokerage	3,937	1,964
Others	26,011	17,175
	<b>538,779</b>	<b>402,491</b>



	2001	2000
	(Rupees in '000)	
23.1	The detail of donations in excess of Rupees One hundred thousand is given below:	
	1,400	900
Al-Sayyeda Benevolent Trust		
Habib Medical Trust	1,050	900
Habib Education Trust	900	600
Rahmatbai Habib Widows & Orphans Trust	400	400
Habib Poor Fund	400	400
Rahmatbai Habib Food & Clothing Trust	300	300
None of the directors or their spouse had any interest in the above donees.		
	2001	2000
	(Rupees in '000)	
23.2	<b>Auditors' remuneration</b>	
	175	150
Audit fee		
Fee for audit of provident, pension, gratuity and other funds	15	15
Special certifications and sundry advisory services	10	10
	200	175
<b>24. OTHER</b>		
Penalties imposed by State Bank of Pakistan (Maintenance of liquid assets, weekly statement, misc.)	178	7
<b>25. TAXATION</b>		
<b>For the year</b>		
Current	305,000	250,000
25.1	<b>Relationship between tax expense and accounting profit</b>	
	551,006	403,178
Profit before taxation		
Tax at the applicable tax rate of 50% (2000: 58%)	275,503	233,843
Tax effect of expenses that are not deductible in determining taxable Income	2,500	1,200
Tax effect of Dividend income at reduced rate	(2,747)	(4,122)
Tax effect of Provision against advances	26,172	17,250
Others	3,572	1,829
	305,000	250,000



	2001	2000
	(Rupees in '000)	
<b>26. NET EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit for the year	<b>246,006</b>	153,178
Weighted average number of ordinary shares	<b>72,135,360</b>	72,135,360
Basic and diluted net earnings per share	<b>Rs. 3.41</b>	Rs. 2.12
<b>27. CASH AND CASH EQUIVALENTS</b>		
Cash and Balance with Treasury Banks	<b>3,381,743</b>	1,437,760
Balance with other banks	<b>1,396,637</b>	1,785,533
	<b>4,778,380</b>	3,223,293
<b>28. STAFF STRENGTH</b>	<b>2001</b>	2000
		(Number)
Total number of employees at the end of the year	<b>742</b>	584
<b>29. DEFINED BENEFIT PLAN - EMPLOYEE GRATUITY FUND</b>		

### 29.1 General description

The benefits under the gratuity scheme are payable on retirement at the age of 60 or on earlier cessation of service as under:

Number of years of eligible service completed	Amount of gratuity payable
1. Less than 5	Nil
2. 5 or more but less than 10	1/3rd of basic salary for each year served.
3. 10 or more but less than 15	2/3rd of basic salary for each year served.
4. 15 or more	One month last drawn basic salary for each year served.

The actuarial valuation is carried out using 'Projected Unit Credit Method'.

### 29.2 Principal actuarial assumptions

The significant actuarial assumptions used for the valuation of this scheme are :

- Discount rate is 12% per annum.
- Expected rate of increase in salary level at 10% per annum.
- Expected rate of return on investments at 12% per annum.





	2001	2000
	(Rupees in '000)	
<b>29.3 Reconciliation of payable to defined benefit plan</b>		
Present value of defined benefit obligations	26,500	–
Net actuarial gains or losses not recognized	500	–
	<u>27,000</u>	<u>–</u>
<b>29.4 Movement in payable to defined benefit plan</b>		
Charge for the year	27,000	–
	<u>27,000</u>	<u>–</u>
<b>29.5 Charge for defined benefit plan</b>		
Current service cost	3,500	–
Interest cost	2,500	–
Past services cost	21,000	–
	<u>27,000</u>	<u>–</u>

### 30. DEFINED CONTRIBUTION PLAN - EMPLOYEE PROVIDENT FUND

The contribution to the Bank's recognized provident fund scheme is made @ 10% of the basic salary by permanent employees who have completed the minimum qualifying period and an equal contribution is made by the Bank to the fund.

### 31. REMUNERATION OF DIRECTORS AND EXECUTIVES

(Rupees in '000)

	Chief Executive		Directors*		Executives	
	2001	2000	2001	2000	2001	2000
Fees	–	–	–	–	–	–
Managerial remuneration	3,037	2,062	3,008	1,336	17,895	11,333
Contribution to defined contribution plan	227	206	128	102	908	515
Utilities	382	542	249	134	1,415	1,133
Bonus	384	344	444	225	2,401	1,761
Medical	27	2	56	49	361	294
Others	458	379	399	236	1,665	1,928
	<u>4,515</u>	<u>3,535</u>	<u>4,284</u>	<u>2,082</u>	<u>24,645</u>	<u>16,964</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>16</u>	<u>10</u>

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

\* Denotes full time working Directors.



## 32. MATURITIES OF ASSETS AND LIABILITIES

(Rupees in'000)

	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five years
<b>Assets</b>					
Cash and balances with treasury banks	3,381,743	3,276,743	105,000	–	–
Balances with other banks	1,396,637	1,396,637	–	–	–
Lending to financial institutions	1,237,399	918,000	319,399	–	–
Investments	5,663,953	994,675	1,776,743	557,165	2,335,370
Advances	15,901,919	3,710,998	9,899,548	1,728,898	562,475
Other assets	945,612	726,203	143,272	61,808	14,329
Operating fixed assets	449,572	13,036	40,425	189,946	206,165
	28,976,835	11,036,292	12,284,387	2,537,817	3,118,339
<b>Liabilities</b>					
Bills payable	224,935	224,935	–	–	–
Borrowings from financial institutions	1,825,309	1,825,309	–	–	–
Deposits and other accounts	24,696,787	23,265,385*	979,202	452,200	–
Other liabilities	541,008	265,574	236,540	21,344	17,550
	27,288,039	25,581,203	1,215,742	473,544	17,550
<b>Net Assets</b>	1,688,796	(14,544,911)	11,068,645	2,064,273	3,100,789
Share capital	721,354				
Reserves	809,771				
Unappropriated Profit	1,010				
Surplus on revaluation of assets	156,661				
	1,688,796				

\* Savings deposits have been reported under three months maturity. However, they are not expected to be payable within three months period.

### Liquidity Risk

Liquidity risk reflects a bank's inability in raising funds to meet its commitments. The Bank's liquidity position is managed by the Assets Liability Management Committee (ALCO) which monitors liquidity ratios, depositors concentration, fund management and liquidity contingency plan.



### 33. YIELD/INTEREST RATE RISK

(Rupees in '000)

	Exposed to Yield/Interest Risk						Not exposed to Yield/Interest Risk
	Effective Yield/Interest Rate	Total	Upto 3 months	Over 3 months to one year	Over 1 year to 5 years	Over 5 years	
<b>On-balance sheet financial Instruments</b>							
<b>Assets</b>							
Cash and balances with treasury banks	5.04%	3,381,743	807,118	105,000	-	-	2,469,625
Balances with other banks	1.65%	1,396,637	1,336,148	-	-	-	60,489
Lendings to financial institutions	11.52%	1,237,399	918,000	319,399	-	-	-
Investments	11.91%	5,663,953	994,675	1,776,743	557,165	2,236,865	98,505
Advances	12.00%-13.00%	15,901,919	3,710,998	9,899,548	1,728,898	562,475	-
Other assets	-	798,813	-	-	-	-	798,813
		28,380,464	7,766,939	12,100,690	2,286,063	2,799,340	3,427,432
<b>Liabilities</b>							
Bills payable	-	224,935	-	-	-	-	224,935
Borrowings from financial institutions	8.00%-9.00%	1,825,309	1,825,309	-	-	-	-
Deposits and other accounts	9.00%-10.00%	24,696,787	18,841,689*	979,202	452,200	-	4,423,696
Other Liabilities	-	322,431	-	-	-	-	322,431
		27,069,462	20,666,998	979,202	452,200	-	4,971,062
<b>On-balance sheet gap</b>		1,311,002	(12,900,059)	11,121,488	1,833,863	2,799,340	(1,543,630)
<b>Off-balance sheet financial Instruments</b>							
Forward Lendings (including call lending, repurchase agreement lending, commitments to extend credit, etc).	13.00%-15.00%	50,000	-	-	50,000	-	-
<b>Off-balance sheet gap</b>		50,000	-	-	50,000	-	-
Total Yield/Interest Risk Sensitivity Gap			(12,900,059)	11,121,488	1,883,863	2,799,340	
Cumulative Yield/Interest Risk Sensitivity Gap			(12,900,059)	(1,778,571)	105,292	2,904,632	

\* Savings deposits have been reported under three months maturity. However, they are not expected to be payable within three months period.

The Bank's interest rates exposure comprises those originating from investing and lending activities. The Asset and Liability Management Committee (ALCO) monitors and manages the interest rates risk with the objective of limiting the potential adverse effects on the profitability of the Bank arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.



### 34. CURRENCY RISK

(Rupees in '000)

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupee	24,835,555	24,552,942	(458,567)	(175,954)
United States Dollars	3,874,894	4,131,049	432,506	176,351
Great Britain Pound	25,593	93,465	67,713	(159)
Deutsche Mark	21,016	31,430	10,446	32
Japanese Yen	5,218	575	(4,643)	-
Euro	25,694	1,040	(24,758)	(104)
Other Currencies	32,204	9,673	(22,697)	(166)
	<u>28,820,174</u>	<u>28,820,174</u>	<u>-</u>	<u>-</u>

The Bank's foreign exchange exposure comprises of forward contracts, purchase of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency deposits and foreign currency placements with State Bank of Pakistan and other banks. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position is managed within the statutory limits as fixed by the State Bank of Pakistan. Counter party limits are also fixed to limit risk concentration.

### 35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction. As of 31st December, 2001, the estimated fair value of all on and off balance sheet items are not significantly different from their book value, except certain investments which are being stated at fair value as stated in Note No. 9.

### 36. CONCENTRATION OF CREDIT AND DEPOSITS

#### Credit Risk

Credit Risk is defined as the risk that parties with whom the Bank has entered into agreements do not fulfill their obligations to the Bank and that any collateral deposited does not cover the Bank's receivable claims. The Bank mitigates credit risk by monitoring credit exposures by continuously assessing the credit worthiness of counter-parties.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities or in the same geographical region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. The Bank's major credit is concentrated in the textile sector, which includes export of raw-cotton, ginning, spinning, textile made ups etc which is adequately collateralized.



### 36.1. Segment by class of business

	Advances		Deposits		Contingencies and Commitments *	
	Rupees in'000	%	Rupees in '000	%	Rupees in '000	%
Chemical and Pharmaceuticals	177,466	1.12	667,528	2.70	182,133	3.65
Agribusiness	494,176	3.11	301,303	1.22	4,263	0.09
Textile	9,138,160	57.46	266,840	1.08	1,717,914	34.39
Cement	54,350	0.34	66,257	0.27	14,546	0.29
Sugar	330,830	2.08	174,684	0.71	101,579	2.03
Shoes and leather garments	197,054	1.24	66,477	0.27	26,354	0.53
Automobile and transportation equipment	82,300	0.52	3,531	0.01	11,957	0.24
Financial	308,757	1.94	480,312	1.95	135,868	2.72
Insurance	–	–	225,973	0.92	4,299	0.09
Transportation	876	0.01	172,152	0.70	1,033	0.02
Electronics and electrical appliances	38,886	0.24	1,212	0.00	136,218	2.73
Production and transmission of energy	–	–	51,661	0.21	277,706	5.56
Individuals	419,074	2.64	10,600,961	42.92	15,734	0.31
Others	4,659,990	29.30	11,617,896	47.04	2,365,445	47.35
	<u>15,901,919</u>	<u>100.00</u>	<u>24,696,787</u>	<u>100.00</u>	<u>4,995,049</u>	<u>100.00</u>

\* Excludes Forward exchange contracts

### 36.2. Segment by sector

	Advances		Deposits		Contingencies and Commitments**	
	Rupees in'000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	913,664	5.75	1,120,370	4.54	32,326	0.65
Private	14,988,255	94.25	23,576,417	95.46	4,962,723	99.35
	<u>15,901,919</u>	<u>100.00</u>	<u>24,696,787</u>	<u>100.00</u>	<u>4,995,049</u>	<u>100.00</u>

\*\* Includes guarantees of indebtedness, acceptances and contingent liability in case of documentary credit



### 37. GEOGRAPHICAL SEGMENT ANALYSIS

(Rupees in '000)

	Profit before taxation	Total assets employed	Net assets employed	Conting- encies & commit- ments
Pakistan	551,006	28,976,835	1,688,796	4,995,049

2001                      2000  
(Rupees in '000)

### 38. RELATED PARTY

Advances given during the year	<b>154,077</b>	24,781
Advances repaid during the year	<b>179,890</b>	99,280
Advances (at year end)	<b>202,629</b>	228,442
Deposits (at year end)	<b>223,770</b>	293,056
Mark-up/Interest expensed	<b>20,498</b>	15,359
Mark-up/Interest earned	<b>30,250</b>	28,126
Commitments and contingent liabilities for irrevocable commitments and contingencies	<b>81,876</b>	59,842
Insurance premium	<b>10,171</b>	9,923
Insurance claims	<b>1,490</b>	5,668
Dividend on investment	<b>2,505</b>	2,000

### 39. GENER

- 39.1 Previous year's figures have been rearranged, wherever necessary, to facilitate comparison. Repos and Reverse Repos have been reclassified under borrowings from financial institutions and lending from financial Institutions amounting to Rs. 1.028 Billion (2000: Rs. 0.100 Billion) and Rs. 0.319 Billion (2000: Rs. 2.593 Billion) instead of classifying under investments.
- 39.2 Figures have been rounded off to the nearest thousand rupees in the financial statements.

ALI RAZA D. HABIB  
*Chairman*

ABBAS D. HABIB  
*Chief Executive and  
Managing Director*

ANWAR HAJI KARIM  
*Director*

FAIZ N. ABDULALI  
*Director*

Karachi: February 14, 2002.



## Notice of Annual General Meeting

Notice is hereby given that the Eleventh 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 13, 2002 at 12:30 p.m. to transact the following business:

1. To confirm the minutes of the Tenth Annual General Meeting of the Bank held on March 22, 2001.
2. To receive and adopt the audited accounts of the Bank for the year ended December 31, 2001 together with the Directors' and Auditors' Report thereon.
3. To approve the issue of bonus shares as recommended by the Board of Directors and in this regard to pass the following Ordinary Resolutions:

"RESOLVED that a sum of Rs. 144,270,720 (Rupees One hundred forty four million two hundred seventy thousand seven hundred twenty only) out of the un-appropriated profit be capitalized and distributed by issuing 14,427,072 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 7, 2002 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 in the event of any member holding shares which are not an exact multiple of five, the Directors be and are hereby authorised to consolidate all such fractions of bonus shares and sell in the Stock Market and pay the proceeds of sale when realized to a charitable trust.

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 14,427,072 shares."

4. To approve payment of Cash Dividend @ 5% i.e. Re 0.50 per share of Rs. 10/- each for the year ended December 31, 2001 as recommended by the Board of Directors.
5. To appoint Auditors for the year 2002 and to fix their remuneration. Messrs Hyder Bhimji & Company, Chartered Accountants, being eligible offer themselves for reappointment.
6. To consider any other business of the Bank with the permission of the Chair.

### SPECIAL BUSINESS

7. To increase the Authorised Capital of the Bank from Rupees One Billion to Rupees One Billion Five Hundred Million and pass the following resolutions:

"RESOLVED that the Authorised Capital of the Bank be and is hereby increased from Rs. 1,000,000,000/- (Rupees One Billion) to Rs. 1,500,000,000/- (Rupees One Billion Five Hundred Million) by the creation of 50,000,000 ordinary shares of Rs. 10/- each.



FURTHER RESOLVED that the figures and words "Rs. 1,000,000,000 (Rupees One Billion) divided into 100,000,000 (One Hundred Million) ordinary shares of Rs. 10 each" appearing in Clause V of the Memorandum of Association and in Article 4 of the Articles of Association of the Bank be and are hereby substituted by the figures and words " Rs. 1,500,000,000 (Rupees One Billion and Five Hundred Million) divided into 150,000,000 (One Hundred Fifty Million) ordinary shares of Rs. 10 each."

By order of the Board

MAHMOOD S. ALLARAKHIA  
*Company Secretary*

Karachi: February 14, 2002.

**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. CDC shareholders desiring to attend the meeting are requested to bring their original National Identity Card, Account and Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.
3. The share transfer books of the Bank will remain closed from Friday, March 8, 2002 to Friday, March 15, 2002 both days inclusive. The Shares Department of the Bank is located at 217, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.
4. Members are requested to promptly communicate to the Bank any change in their address.
5. For item No. 7 a statement under section 160 of the Companies Ordinance, 1984 is being sent to all members. Annexed on page 32.





## **Statement Under Section 160 of the Companies Ordinance, 1984**

February 14, 2002

### **To all Members of the Bank**

As recommended by the Board of Directors in their meeting held on February 14, 2002, to increase the Authorised Capital of the Bank, it is proposed to pass the following Special Resolution:

"RESOLVE that the Authorised Capital of the Bank be and is hereby increased from Rs. 1,000,000,000/- (Rupees One Billion) to Rs. 1,500,000,000/- (Rupees One Billion Five Hundred Million) by the creation of 50,000,000 ordinary shares of Rs. 10/- each.

FURTHER RESOLVE that the figures and words "Rs. 1,000,000,000 (Rupees One Billion) divided into 100,000,000 (One Hundred Million) ordinary shares of Rs. 10 each" appearing in Clause V of the Memorandum of Association and in Article 4 of the Articles of Association of the Bank be and are hereby substituted by the figures and words " Rs. 1,500,000,000 (Rupees One Billion and Five Hundred Million) divided into 150,000,000 (One Hundred Fifty Million) ordinary shares of Rs. 10 each."

**MAHMOOD S. ALLARAKHIA**  
*Company Secretary*



## Pattern of Shareholding as at December 31, 2001

Number of Shareholders	Size of Shareholding				Total Shares held
331	From	1	To	100	16,513
1,226	From	101	To	500	297,622
285	From	501	To	1,000	213,888
3,003	From	1,001	To	5,000	4,373,942
120	From	5,001	To	10,000	850,032
73	From	10,001	To	15,000	883,780
34	From	15,001	To	20,000	594,727
70	From	20,001	To	25,000	1,626,331
9	From	25,001	To	30,000	246,791
28	From	30,001	To	35,000	879,821
7	From	35,001	To	40,000	260,501
24	From	40,001	To	50,000	1,112,346
6	From	50,001	To	60,000	333,774
43	From	60,001	To	80,000	2,956,559
9	From	80,001	To	100,000	833,203
15	From	100,001	To	150,000	1,797,127
8	From	150,001	To	200,000	1,439,624
6	From	200,001	To	250,000	1,399,499
5	From	250,001	To	300,000	1,365,547
9	From	300,001	To	350,000	2,777,537
6	From	350,001	To	600,000	2,885,313
16	From	600,001	To	1,000,000	12,079,235
12	From	1,000,001	To	12,585,000	32,911,648
5,345					72,135,360

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Individuals	5,210	44,128,032	61.17
Investment Companies	6	95,072	0.13
Insurance Companies	8	5,699,494	7.90
Joint Stock Companies	75	6,875,346	9.53
Financial Institutions	33	13,944,366	19.33
Modaraba Companies	8	46,373	0.07
Foreign Companies	3	945,370	1.31
Others	2	401,307	0.56
<b>TOTAL</b>	<b>5,345</b>	<b>72,135,360</b>	<b>100.00</b>



## Branch Network

### Karachi

#### MAIN BRANCH

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

#### SHAHRAH-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

#### M.A. JINNAH ROAD BRANCH

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

#### CLOTH MARKET BRANCH

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

#### KARACHI STOCK EXCHANGE BRANCH

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

#### JODIA BAZAR BRANCH

Rambharti Street, Jodia Bazar.  
Phones : (92-21) 2446451-53  
Fax : (92-21) 2446454

#### NAPIER ROAD BRANCH

2-A, Ground Floor, Yousufi Manzil,  
North Napier Road.  
Phones : (92-21) 7731496, 7771321 & 7771218  
Fax : (92-21) 7771187

#### CLIFTON BRANCH

Shaheen Centre, Block-7,  
K.D.A. Scheme No. 5, Clifton.  
Phones: (92-21) 5821882-4  
Fax : (92-21) 5821885

#### FEDERAL 'B' AREA BRANCH

ST. 4/A-2, Block-20,  
Al-Noor Society, F.B. Area.  
Phones : (92-21) 6345611, 6345651 & 6345663  
Fax : (92-21) 6349879

#### NEW CHALLI BRANCH

Haji Adam Chambers,  
Altaf Hussain Road.  
Phones : (92-21) 2410526, 2410876 & 2410917  
Fax : 2411048

#### GULISTAN-E-JAUHAR BRANCH

Shahlimar Shopping Centre,  
Block-17, Gulistan-e-Jauhar.  
Phone : (92-21) 8010921-22  
Fax: (92-21) 8010911

#### BARKAT-E-HYDARI BRANCH

Al-Burhan Arcade, Block-E,  
North Nazimabad.  
Phones : (92-21) 6670115, 6631793-94  
Fax : (92-21) 6670116

### Lahore

#### MAIN BRANCH

87, Shahrah-e-Quaid-e-Azam.  
Phones: (92-42) 6305042-45 & 111-786-110  
Fax: (92-42) 6368864 & 6305046  
Telex: 44610 BAHLR PK

#### GARDEN TOWN BRANCH

Awami Complex, 1-4 Usman Block,  
Front Block V, New Garden Town.  
Phones: (92-42) 5869366-69  
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

#### SHAHALAM MARKET BRANCH

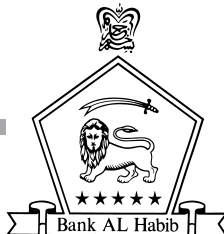
Hilal-e-Ahmar Health Complex  
2, Queens Road, Shahalam Gate.  
Phones : (92-42) 7670496 & 7670498  
Fax : (92-42) 7670510

#### PECO ROAD BRANCH

897-898, Block-D,  
Maulana Shaukat Ali Road,  
Faisal Town.  
Phones : (92-42) 5175169 & 5175430-31  
Fax : (92-42) 5175427

### Registered Office and Head Office

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



## Branch Network

### 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 & 513577  
Fax: (92-61) 513793

#### GHALLA MANDI BRANCH

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

### 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) 597064 & 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

### Sahiwal

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

### Rahim Yar Khan

Shahi Road.  
Phones: (92-0731) 84556 & 84508-9  
Fax: (92-0731) 84503

### Islamabad

#### MAIN BRANCH

90-91, Razia Sharif Plaza,  
Jinnah Avenue, Blue Area.  
Phones: (92-51) 2270883-4 & 111-786-110  
Fax: (92-51) 2270885  
Telex: 54726 BAHID PK

#### F-10 MARKAZ BRANCH

F-10 Markaz, Islamabad.  
Phone: (92-51) 2297758  
Fax : ( 92-51) 2296895

### Rawalpindi

40/3, Jhanzeb Centre, Bank Road,  
Rawalpindi Cantt.  
Phones: (92-51) 5519936-38  
Fax: (92-51) 5519939

#### CITY BRANCH

C/30, C/35, Iqbal Road,  
Trunk Bazar, Rawalpindi City.  
Phone : 5553462  
Fax : 5554493

### 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: (92-433) 525623 & 111-786-110  
Fax : (92-433) 525628

### Dinga (Distt. Gujrat)

Opp. Civil Hospital.  
Phone: (92-4337) 401737  
Fax: (92-4337) 401737

### Quetta

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

### Nawabshah

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

### Hyderabad

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

### Sukkur

B-2555, Shaheed Gunj.  
Phones : (92-71) 22287 & 23713  
Fax : (92-71) 25749

### Principal Office

Mackinnons Building, I. I. Chundrigar Road, Karachi. Phones: (92-21) 2412421, 2412986 & 111-786-110 Fax: (92-21) 2419752 Telex: 21285 ALHAB PK

SWIFT CODE : BAHLPKKA

website : [www.bankalhabib.com](http://www.bankalhabib.com)



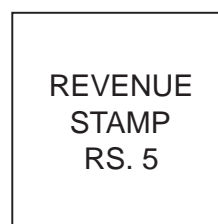
## Form of Proxy

The Company Secretary  
Bank AL Habib Limited  
126-C, Old Bahawalpur Road,  
MULTAN.

I/We \_\_\_\_\_  
of \_\_\_\_\_  
a member(s) of Bank AL Habib Limited and holding \_\_\_\_\_  
ordinary shares, as per Register Folio No. \_\_\_\_\_  
hereby appoint \_\_\_\_\_ Folio No. \_\_\_\_\_  
of \_\_\_\_\_  
or failing him/her \_\_\_\_\_ Folio No. \_\_\_\_\_  
of \_\_\_\_\_

another member of the Bank to vote for me/us and on my/our behalf at the Eleventh Annual General Meeting of the Bank to be held on March 13, 2002 and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2002.



SIGNATURE OF MEMBER (S)

A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as proxy (except for a corporation) unless he/she is entitled to be present and vote in his/her own right.

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's NIC / Passport with the proxy form. The proxy shall also produce his / her original NIC or passport at the time of the meeting. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted alongwith proxy form.

The instrument appointing a proxy should be signed by the member or by his/her attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxy forms shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.