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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 Twelfth Annual Report together with the audited financial statements for the year ended December 31, 2002.

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

	<b>(Rupees in '000)</b>
Profit for the year before tax	<b>619,726</b>
Taxation	<b>(330,000)</b>
Profit for the year after tax	<b>289,726</b>
Unappropriated Profit brought forward	<b>1,010</b>
Profit available for Appropriations	<b>290,736</b>
Appropriations:	
Transfer to Statutory Reserve	<b>58,000</b>
Proposed - Fully paid Bonus Shares in the ratio of 25 Ordinary Shares for every 100 shares held	<b>216,406</b>
	<b>(274,406)</b>
Unappropriated Profit carried forward	<b>16,330</b>
Earnings per share	<b>Rs. 3.35</b>

### Performance Review

During the year under review, the economy of the country showed a very positive growth due to increase in industrial and agriculture production. Record increase in home remittances from overseas Pakistanis enabled the country to achieve a very healthy foreign exchange reserve. Due to the increase in money supply, the State Bank of Pakistan reduced its discount rate substantially resulting in lower yields on Government securities thereby affecting the interest margins in the financial sector. Despite the reduced yields, Al-Hamdolillah the Bank's performance was satisfactory in all spheres of its operation.

Deposits of the Bank were Rs. 34.2 billion as compared to Rs 24.7 billion last year. Advances were Rs. 23.8 billion as compared to Rs. 15.9 billion last year and the foreign trade business showed a substantial increase from Rs. 52.0 billion in the previous year to Rs. 73.0 billion.

Keeping in view the customer's needs, Bank launched a number of new products such as Online Banking, Personal and Shopkeepers' Loans and Automated Teller Machines (ATMs) in all major branches. The Bank has signed an agreement with AB Amro enabling our customers to have access to additional ATMs in over 100 locations across the country.

Pakistan Credit Rating Agency (Pvt) Limited (PACRA) has maintained the ratings which is A for long term and A1+ for short term, denoting a very high credit quality, low expectation of credit risk and obligations supported by the highest capacity for timely repayments.

### Future Outlook

Low interest rates are expected to continue during the current year with no immediate signs of turnaround. Furthermore, the current political situation in the Middle East may have an adverse effect on our economy.



However, the Bank will Insha-Allah continue its efforts in introducing new products and will be continuously working on various avenues to maintain a satisfactory growth.

### Branch Network

During the year the Bank opened 16 new branches all over the country, increasing its branch network to 57. Inshallah, the Bank will continue its plan to further extend the network of branches during the current year.

### Audit Committee

The Audit Committee of the Bank comprises of the following members:

Mr. Ali Raza D. Habib	Chairman
Mr. Faiz N. Abdulali	Member
Mr. Anwar Haji Karim	Member
Mr. Salman H. Habib	Member

### Auditors

The Audit Committee has recommended the re-appointment of Messrs Hyder Bhimji & Company, Chartered Accountants, as auditors of the Bank for the ensuing year.

The present Auditors Messrs. Hyder Bhimji & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment.

### Statement on Corporate and Financial Reporting Framework

1. The financial statements, prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Bank have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements, changes if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no doubts upon the company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.

Key operating and financial data for last six years is summarized below:

					(Rs in million)	
	2002	2001	2000	1999	1998	1997
Total customer deposits	34,240	24,697	17,822	14,113	13,226	13,445
Total advances	23,775	15,902	14,772	10,925	7,564	7,372
Foreign trade business	72,929	52,073	38,614	26,525	20,270	19,768
Profit before tax	619	551	403	373	445	443
Profit after tax	290	246	153	153	203	198
Shareholders' Equity	1,822	1,532	1,322	1,169	1,016	851
Earnings per share (Rs)	3.35	2.84	2.12	3.05	5.35	6.05
Cash Dividend (%)	-	5	-	-	10	20
Stock Dividend (%)	25	20	20	20	32	15



8. Value of investments of Provident Fund and Gratuity Fund Schemes for the financial year ended December 31, 2002 were as follows:

Rs. '000

Provident Fund	72,132
Gratuity Fund	19,452

9. During the year 4 board meetings were held and the attendance of the Directors during the year was as follows:

Name of Director	Total Number of Board Meetings	Number of meetings attended
Mr. Ali Raza D. Habib	4	3
Mr. Abbas D. Habib	4	4
Mr. Faiz N. Abdulali	4	3
Mr. Qumail R. Habib	4	4
Mr. Anwar Haji Karim	4	4
Mr. Tariq Iqbal Khan	4	2
Mr. Murtaza H. Habib	4	4
Mr. Syed Mazhar Abbas	4	3
Mr. Hasnain A. Habib	4	4
Mr. Salman H. Habib	4	3

10. The pattern of shareholding and additional information regarding pattern of shareholding is given on Pages 42 & 43.

11. Except as stated below, no trades in the shares of the Bank were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Mrs. Sakina Faiz Abdulali w/o Mr. Faiz N. Abulali (Director)	Sale of shares	2,500 Nos.
Mrs. Zeenat M. Allarakhia w/o Mr. Mahmood S. Allarakhia (CFO)	Sale of shares	13,331 Nos.

### 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.

On behalf of the Board of Directors

Karachi: March 3, 2003

Ali Raza D. HABIB  
**Chairman**



## **Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2002**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37, No. XIII and No. 36 of Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited, respectively, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes seven (7) independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Bank, except for the nominee director of National Investment Trust (NIT).
3. All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Bank has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and is in the process of being signed by the employees of the Bank.
6. The Bank has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Orientation courses for the directors shall be held during the current year to apprise them of their duties and responsibilities.
10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.



12. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
13. The Bank has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee comprising of four (4) non-executive directors as members including the Chairman of the Committee.
15. Audit Committee meetings were held once every quarter. With the implementation of the Code of Corporate Governance, prior to approval of the interim and final results of the Bank, Audit Committee meetings were held in August 2002, October 2002 and March 2003. The terms of reference of the committee have been revised in accordance with the requirement of the Code.
16. The Bank has an effective internal audit division that is manned by experienced and qualified personnel. The audit team is conversant with the policies and procedures of the Bank and is involved in the internal audit function on a full time basis.
17. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

Karachi: March 03, 2003.

ALI RAZA D. HABIB  
**Chairman**



## **Auditors' Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2002 prepared by the Board of Directors of Bank AL Habib Limited, to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, No. XIII of the Lahore Stock Exchange (Guarantee) Limited and No. 36 of Islamabad Stock Exchange (Guarantee) Limited, where the Bank is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2002.

Karachi: March 3, 2003.



## Auditors' Report to the Members

We have audited the annexed Balance Sheet of Bank AL Habib Limited as at December 31, 2002, 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 6 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.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than 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 except as stated in Note 5.7, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (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, 2002, and its true balance of profit, its cash flow 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: March 3, 2003.



## Balance Sheet as at December 31, 2002

	Note	2002 (Rupees in '000)	2001
<b>ASSETS</b>			
Cash and Balances with Treasury Banks	6	3,915,988	3,381,743
Balances with Other Banks	7	409,970	1,445,033
Lendings to Financial Institutions	8	847,948	1,237,399
Investments	9	18,831,336	5,663,953
Advances	10	23,775,283	15,901,919
Other Assets	11	1,014,538	945,612
Operating Fixed Assets	12	642,066	449,572
Deferred Tax Assets		—	—
		<b>49,437,129</b>	<b>29,025,231</b>
<b>LIABILITIES</b>			
Bills Payable	13	979,776	224,935
Borrowings from Financial Institutions	14	10,410,362	1,873,705
Deposits and Other Accounts	15	34,240,158	24,696,787
Other Liabilities	16	557,939	541,008
Deferred Tax Liability	17	657,207	—
		<b>46,845,442</b>	<b>27,336,435</b>
Net Assets		<b>2,591,687</b>	<b>1,688,796</b>
<b>REPRESENTED BY :</b>			
Share Capital	18	865,625	721,354
Reserves		939,906	809,771
Unappropriated Profit		16,330	1,010
		<b>1,821,861</b>	<b>1,532,135</b>
Surplus/(Deficit) on Revaluation of Assets	19	769,826	156,661
		<b>2,591,687</b>	<b>1,688,796</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	20		

The annexed notes 1 to 41 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*



## Profit and Loss Account for the year ended December 31, 2002

	Note	2002 (Rupees in '000)	2001 (Rupees in '000)
Mark-up /Return/Interest Earned	21	2,916,128	2,590,957
Mark-up/Return/Interest Expensed	22	1,975,633	1,806,662
Net Mark-up/Interest Income		940,495	784,295
Provision against non-performing loans and advances	10.3	(118,632)	(52,144)
Provision for diminution in the value of investments		–	–
Bad Debts written off directly		–	–
		(118,632)	(52,144)
Net Mark-up/Interest Income after provisions		821,863	732,151
<b>NON-MARK-UP/INTEREST INCOME</b>			
Fees, Commission and Brokerage Income		248,743	133,183
Dividend Income		26,385	6,105
Income from dealing in foreign currencies		240,648	178,814
Other Income	23	45,808	39,710
Total non-markup/Interest Income		561,584	357,812
		1,383,447	1,089,963
<b>NON-MARK-UP/INTEREST EXPENSES</b>			
Administrative Expenses	24	759,777	538,779
Other provisions/write offs		–	–
Other Charges	25	3,944	178
Total non-markup/Interest expenses		(763,721)	(538,957)
		619,726	551,006
Extra ordinary/unusual items		–	–
<b>PROFIT BEFORE TAXATION</b>		619,726	551,006
Taxation – Current	26	330,000	305,000
– Prior years		–	–
– Deferred		–	–
		(330,000)	(305,000)
<b>PROFIT AFTER TAXATION</b>		289,726	246,006
Unappropriated Profit brought forward		1,010	4,843
Profit available for appropriation		290,736	250,849
<b>APPROPRIATIONS</b>			
Transfer to:			
Statutory Reserve		58,000	49,500
Reserve for Proposed issue of Bonus shares		216,406	144,271
General Reserve		–	20,000
Proposed Cash dividend Nil (2001: Re. 0.50) per share		–	36,068
Others		–	–
		(274,406)	(249,839)
Unappropriated Profit carried forward		16,330	1,010
<b>Net Earnings per share-Basic and Diluted</b>	27	Rs. 3.35	Rs. 2.84

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



## Statement of Changes in Equity for the year ended December 31, 2002

	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, 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)	-	-	-	-	-
Opening Balance as at Jan 1, 2002	721,354	144,271	399,000	126,500	140,000	1,010	1,532,135
Profit for the year 2002	-	-	-	-	-	289,726	289,726
Transfer to Statutory Reserve	-	-	58,000	-	-	(58,000)	-
Transfer to General Reserve	-	-	-	-	-	-	-
Transfer to Reserve for issue of Bonus Shares	-	216,406	-	-	-	(216,406)	-
Proposed Dividend	-	-	-	-	-	-	-
Issue of Bonus Shares	144,271	(144,271)	-	-	-	-	-
Closing Balance at Dec. 31, 2002	865,625	216,406	457,000	126,500	140,000	16,330	1,821,861

ALI RAZA D. HABIB  
*Chairman*

ABBAS D. HABIB  
*Chief Executive and  
Managing Director*

ANWAR HAJI KARIM  
*Director*

FAIZ N. ABDULALI  
*Director*



## Cash Flow Statement for the

	2002	2001
	(Rupees in '000)	
<b>Cash Flow From Operating Activities</b>		
Profit before Taxation	619,726	551,006
Less : Dividend Income	(26,385)	(6,105)
	<u>593,341</u>	<u>544,901</u>
Adjustments for Non-Cash Charges:		
Depreciation	50,357	38,074
Amortization	7,786	4,417
Provision Against non-performing advances (net)	116,773	52,144
(Gain) on sale of fixed assets	(1,026)	(6,832)
	<u>173,890</u>	<u>87,803</u>
	<u>767,231</u>	<u>632,704</u>
(Increase) / Decrease in Operating Assets:		
Lendings to financial institutions	389,451	2,846,017
Advances	(7,990,137)	(1,231,964)
Other Assets (Excluding Advance Taxation)	42,064	(330,184)
	<u>(7,558,622)</u>	<u>1,283,869</u>
Increase / (Decrease) in Operating Liabilities:		
Bills Payable	754,841	103,857
Borrowings from financial institutions	8,536,657	(2,554,269)
Deposits	9,543,370	6,874,133
Other Liabilities (excluding current taxation)	72,172	23,355
	<u>18,907,040</u>	<u>4,447,076</u>
	<u>12,115,649</u>	<u>6,363,649</u>
Income tax paid	(456,895)	(367,175)
Net cash flow from operating activities (Balance Carried Forward)	<u>11,658,754</u>	<u>5,996,474</u>

ALI RAZA D. HABIB  
*Chairman*

ABBAS D. HABIB  
*Chief Executive and  
Managing Director*



## year ended December 31, 2002

	Note	2002 (Rupees in '000)	2001
Net cash flow from operating activities (Balance Brought Forward)		11,658,754	5,996,474
<b>Cash Flow From Investing Activities</b>			
Net Investment in available-for-sale Securities		(11,897,010)	(4,205,986)
Dividend Income		21,349	4,755
Investments in operating fixed assets		(250,786)	(198,968)
Sale Proceeds of property and equipment disposed-off		1,176	7,238
Net cash flow from investing activities		(12,125,271)	(4,392,961)
<b>Cash Flow From Financing Activities</b>			
Dividend paid		(34,301)	(30)
Net cash flow from financing activities		(34,301)	(30)
(Decrease)/Increase in Cash and Cash Equivalents		(500,818)	1,603,483
Cash and Cash Equivalents at the Beginning of the Year	28	4,826,776	3,223,293
Cash and Cash Equivalents at the End of the Year	28	4,325,958	4,826,776

ANWAR HAJI KARIM  
Director

FAIZ N. ABDULALI  
Director



## Notes to the Accounts for the year ended December 31, 2002

### 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 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 57 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 of appropriate portion of mark-up thereon.

### 3. STATEMENT OF COMPLIANCE

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 MEASUREMENT

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 comprises 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. Dividend income is recognized when the right to receive the dividend is established.

#### 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 are 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 goodwill and computer software which are stated at cost less accumulated amortization. These are being amortized over a period of ten years and two years on straight line method respectively.

#### 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, 2001.

##### **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 in the foreseeable future.

##### **Changes in Accounting Policy**

Commencing from the current year, the revised International Accounting Standard (IAS) - 12 "Income Taxes" became applicable for periods beginning on or after January 01, 2002. Hence, the Bank now recognises deferred tax liability on surplus arising on revaluation of Federal Government and other securities, which is adjusted against the related surplus.

The above change in accounting policy has resulted in deferred tax liability of Rs. 657.207 million with a corresponding decrease in surplus on revaluation of assets. In accordance with the allowed alternative treatment prescribed in IAS - 8 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies", the effect of this change in accounting policy has been recognised in the current year.

#### 5.8 Staff retirement benefits

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

The Bank has defined benefit plan i.e. staff gratuity fund 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. 30.



### **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.

#### **5.11 Off-Setting**

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

	<b>2002</b>	<b>2001</b>
	(Rupees in '000)	
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>		
In hand		
Local currency	<b>753,789</b>	461,575
Foreign currency	<b>98,973</b>	129,635
	<b>852,762</b>	591,210
With State Bank of Pakistan in:		
Local currency current account	<b>2,505,759</b>	1,660,153
Local currency deposit account		
Special Deposit-Institutional Deposits	-	176,278
Special Deposit-Commodity Operations	-	105,000
	-	281,278
Cash reserve foreign currency deposits	<b>525,139</b>	788,550
	<b>3,030,898</b>	2,729,981
With National Bank of Pakistan in:		
Local currency current account	<b>32,328</b>	60,552
	<b>3,915,988</b>	3,381,743



- 6.1 This represents statutory cash reserve maintained under Section 22 of the Banking Companies Ordinance, 1962.
- 6.2 This represents special deposit under FE 45 yielding Nil % (2001: 14.65%)
- 6.3 This represents deposit with SBP under commodity operation financing which carried mark-up at the rate of Nil % (2001: 11.00%)
- 6.4 This represents statutory cash reserve maintained against foreign currency deposit mobilised under FE 25 circular issued by the State Bank of Pakistan and is remunerated at the rate of LIBOR less 0.50%.

		2002	2001
		(Rupees in '000)	
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
In current accounts		<b>101,488</b>	60,489
In deposit accounts	7.1	<b>2,500</b>	2,500
		<b>103,988</b>	62,989
Outside Pakistan			
In current accounts		<b>103,171</b>	151,965
In deposit accounts	7.2	<b>202,811</b>	1,230,079
		<b>305,982</b>	1,382,044
		<b>409,970</b>	1,445,033

- 7.1 This carries mark-up at 5.04% (2001: 7.56%) maturing in October 2003.
- 7.2 This carries mark-up at LIBOR less 0.25% to 0.50%

		2002	2001
		(Rupees in '000)	
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.1	<b>600,000</b>	918,000
Repurchase agreement lendings (Reverse Repo)	8.2	<b>247,948</b>	319,399
		<b>847,948</b>	1,237,399

- 8.1 These are placements carrying mark-up ranging between 9.00% and 11.00% (2001: 11.75%).
- 8.2 These carry mark-up rates ranging between 4.00% and 6.50% per annum with maturities upto 3 months (2001: 12.94%)



8.3 Securities held as collateral against lending to financial Institutions	2002			2001		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Treasury Bills	195,637	-	195,637	319,399	-	319,399
Term Finance Certificates	52,311	-	52,311	-	-	-
	<b>247,948</b>	<b>-</b>	<b>247,948</b>	<b>319,399</b>	<b>-</b>	<b>319,399</b>

## 9. INVESTMENTS

9.1 Investment by types	2002			2001		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	(Rupees in '000)					
Available-for-sale securities						
Federal Investment Bonds	190,473	-	190,473	531,648	150,000	681,648
Pakistan Investment Bonds	3,466,698	2,811,749	6,278,447	2,488,529	100,000	2,588,529
Treasury Bills	4,541,580	7,108,560	11,650,140	1,456,655	778,995	2,235,650
Term Finance Certificates						
– Listed Companies	283,543	-	283,543	79,982	-	79,982
Fully Paid Ordinary Shares						
– Listed Companies	260,990	-	260,990	20,401	-	20,401
Fully Paid Ordinary Shares						
– Unlisted Companies	35,700	-	35,700	35,700	-	35,700
Certificates of Investments	110,000	-	110,000	-	-	-
	<b>8,888,984</b>	<b>9,920,309</b>	<b>18,809,293</b>	<b>4,612,915</b>	<b>1,028,995</b>	<b>5,641,910</b>
Associates						
Shares in Listed Company	22,043	-	22,043	22,043	-	22,043
	<b>8,911,027</b>	<b>9,920,309</b>	<b>18,831,336</b>	<b>4,634,958</b>	<b>1,028,995</b>	<b>5,663,953</b>



**2002**                      **2001**  
(Rupees in '000)

**9.2 Investment by segments**

Federal Government Securities			
– Treasury Bills	9.3	<b>11,650,140</b>	2,235,650
– Pakistan Investment Bonds	9.4	<b>6,278,447</b>	2,588,529
– Federal Investment Bonds	9.5	<b>190,473</b>	681,648
		<b>18,119,060</b>	5,505,827
Fully paid-up Ordinary Shares			
– Listed Companies	9.6	<b>283,033</b>	42,444
– Unlisted Companies	9.7	<b>35,700</b>	35,700
		<b>318,733</b>	78,144
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates			
– Listed TFCs	9.8	<b>283,543</b>	79,982
Others			
– Certificates of Investments	9.9	<b>110,000</b>	–
		<b>18,831,336</b>	5,663,953

- 9.3 – Treasury Bills are for a period of six months and one year with yields ranging from 4.43% to 7.00% per annum (2001: 8.79% to 12.46%)
- 9.4 – Pakistan Investment Bonds are for a period of three, five and ten years with yields ranging between 4.47% and 14.00% per annum (2001 : 12.00% to 14.00%)
- 9.5 – Federal Investment Bonds are for a period of ten years with yield of 15.00% per annum (2001 : 15.00%)



## 9.6 Investment in shares-Quoted

Associated Undertaking		Paid up value/share	Name of Companies	2002	2001
No. of ordinary shares				(Rupees in '000)	
2002	2001				
2,003,999	2,003,999	5	Habib Sugar Mills Ltd.	22,043	22,043
<b>Others</b>					
No. of ordinary shares					
2002	2001				
20,000	—	10	3rd ICP Mutual Fund	300	—
9,500	—	10	8th ICP Mutual Fund	200	—
79,500	—	10	11th ICP Mutual Fund	1,359	—
25,000	—	10	19th ICP Mutual Fund	425	—
200,000	—	10	Pakistan Income Fund	10,752	—
93,750	—	10	Orix Leasing Pakistan Ltd.	2,625	—
850,000	—	10	First Grindlays Modaraba	25,500	—
757,500	—	5	First Habib Modaraba	5,681	—
176,000	—	10	Gadoon Textile Mills Ltd.	6,433	—
250,500	—	10	Nishat (Chunian) Ltd.	8,467	—
150,000	—	10	Umer Fabrics Ltd.	2,175	—
1,500,000	—	10	The Hub Power Company Ltd.	60,150	—
207,500	—	10	Sitara Energy Ltd.	5,105	—
108,500	—	10	Pakistan Oilfields Ltd.	17,707	—
623,500	—	10	Sui Southern Gas Co. Ltd.	11,285	—
250,000	—	10	Fauji Fertilizer Co. Ltd.	18,275	—
60,500	—	10	Sitara Chemicals Industries Ltd.	3,298	—
25,000	—	10	Engro Chemical Pakistan Ltd.	2,302	—
2,750,000	1,500,000	10	Pakistan Telecommunications Co. Ltd.	71,500	20,401
13,600	—	10	Glaxo Wellcome Pakistan Ltd.	1,151	—
100,000	—	10	International Industries Ltd.	6,300	—
				<b>283,033</b>	<b>42,444</b>

9.7 The Bank subscribed towards purchase of 30 shares of Rs. 1,000,000 each amounting to Rs. 30 million being its proportionate share towards the equity of Khushhali-Bank formed as per the directive of Government of Pakistan to provide micro finance in rural communities with the objectives of alleviating poverty. Breakup Value Rs. 1,030,000 per share. CEO : Mr. Ghalib Nishter.

The Bank subscribed towards purchase of 570,000 ordinary shares of Rs. 10 each amounting to 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. Breakup Value Rs. 9.42 per share. CEO : Mr. S.M. Zaeem.



### 9.8 Investment in Term Finance Certificates - Quoted

No. of Certificates		Nominal Value per certificate	Maturity Date	Name of Companies	2002	2001
2002	2001				(Rupees in '000)	(Rupees in '000)
9,000	9,000	4,994	June-2005	Dewan Salman Fibre Ltd.	49,665	44,982
2,000	2,000	5,000	Sept-2006	Dawood Leasing Co. Ltd.	11,300	10,000
5,000	5,000	5,000	Jan - 2005	Packages Ltd.	27,375	25,000
7,928	-	4,999	June-2007	Sui Southern Gas Co. Ltd.	43,992	-
10,000	-	5,000	June-2006	Orix Leasing Pakistan Ltd.	55,125	-
17,200	-	4,999	June-2007	Engro Chemical Pakistan Ltd.	96,086	-
					<b>283,543</b>	<b>79,982</b>

- The above Term Finance Certificates are redeemable in quarterly / half-yearly instalments and carry rate of return ranging from 11.00% to 16.00% per annum (2001: 13.50% to 16.00%)
- 9.9 - These are Certificates of Investments of financial institutions carrying profit rates ranging between 6.00% and 9.25%, maturing in January 2003 (2001: Nil)

### 10. ADVANCES

Loans, cash credits, running finance, etc.

	2002	2001
	(Rupees in '000)	
In Pakistan	21,724,500	13,809,210
Bills discounted and purchased (excluding Treasury Bills)		
Payable in Pakistan	148,536	87,001
Payable outside Pakistan	2,121,067	2,107,755
	2,269,603	2,194,756
	23,994,103	16,003,966
Provision for non-performing advances	(218,820)	(102,047)
	<b>23,775,283</b>	<b>15,901,919</b>

#### 10.1 Particulars of advances:

10.1.1	In local currency	23,775,283	15,901,919
10.1.2	Short Term (for upto one year)	21,167,968	13,610,546
	Long Term (for over one year)	2,607,315	2,291,373
		<b>23,775,283</b>	<b>15,901,919</b>



10.2 **Advances include Rs. 481.688 million (2001: Rs. 185.260 million) which have been placed under non-performing status as detailed below:**

Category of Classification	Amount	Provision Required (Rupees in '000)	Provision Held
Substandard	38,197	7,639	7,639
Doubtful	334,660	144,322	144,322
Loss	108,831	66,859	66,859
	<u>481,688</u>	<u>218,820</u>	<u>218,820</u>

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

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

	2002			2001		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	82,047	20,000	102,047	49,903	-	49,903
Charge for the year	148,168	-	148,168	35,438	20,000	55,438
Reversals	(9,536)	(20,000)	(29,536)	(3,294)	-	(3,294)
Amount Written Off	(1,859)	-	(1,859)	-	-	-
Closing balance	<u>218,820</u>	<u>-</u>	<u>218,820</u>	<u>82,047</u>	<u>20,000</u>	<u>102,047</u>

**2002**                      **2001**  
(Rupees in '000)

10.4 **Particulars of write offs:**

Against provisions	<b>1,859</b>	-
Directly charged to profit and loss account	-	-
	<u><b>1,859</b></u>	<u>-</u>
Write-offs of Rs. 500,000 and above	<b>1,859</b>	-
Write-offs of below Rs. 500,000	-	-
	<u><b>1,859</b></u>	<u>-</u>

10.5 **Details of Loan write off of Rs. 500,000/- and above**

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person (s) during the year ended December 31, 2002, is appearing in the attached Annexure 1.



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

Balance as at Dec. 31, 2002      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.	3,722	4,086
(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.	321,347	409,128
	<u>325,069</u>	<u>413,214</u>

2002      2001  
(Rupees in '000)

11. OTHER ASSETS

Income/Mark-up accrued in local currency	591,202	621,044
Income/Mark-up accrued in foreign currency	391	7,556
Advances, deposits, advance rent and other prepayments	102,321	82,089
Advance taxation (payments less provisions)	105,954	—
Branch adjustment account	—	327
Suspense account	—	32,448
Deferred costs*	110,728	57,239
Stationery and stamps on hand	21,289	15,012
Receivable from SBP/Government of Pakistan	33,166	114,175
Dividend receivable	8,636	3,600
Others	40,851	12,122
	<u>1,014,538</u>	<u>945,612</u>

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

2002      2001  
(Rupees in '000)

12. OPERATING FIXED ASSETS

Capital work-in-progress	12.1	183,542	141,346
Property and equipment	12.2	436,458	306,507
Intangible assets	12.3	22,066	1,719
		<u>642,066</u>	<u>449,572</u>



	2002	2001
	(Rupees in '000)	
<b>12.1 Capital work-in-progress</b>		
Civil works	<b>50,939</b>	24,770
Advance payment towards property and equipments	<b>131,841</b>	115,956
Consultants fee and other charges	<b>762</b>	620
	<b>183,542</b>	141,346

**12.2 Property and equipment** (Rupees in '000)

	Cost		Depreciation				Book value at Dec. 31 2002	Rate of Depreciation %
	At Jan. 1 2002	Add-itions/ (Dele-tions)	At Dec. 31 2002	At Jan. 1 2002	Charge/ Impair-ment	At Dec. 31 2002		
Lease hold land	60,407	-	60,407	-	-	-	60,407	-
Building on Lease hold Land	293,751	159,815	453,566	89,812	37,366	127,178	326,388	10
Furniture and Fixtures	40,685	16,832 (496)	57,021	19,103	4,710 (445)	23,368	33,653	10
Electrical Office and Computer Equipments	63,352	3,002 (2,728)	63,626	45,023	7,409 (2,699)	49,733	13,893	20
Vehicles	4,369	809 (141)	5,037	2,119	872 (71)	2,920	2,117	20
<b>2002</b>	<b>462,564</b>	<b>180,458 (3,365)</b>	<b>639,657</b>	<b>156,057</b>	<b>50,357 (3,215)</b>	<b>203,199</b>	<b>436,458</b>	
2001	375,445	89,372 (2,253)	462,564	119,830	38,074 (1,847)	156,057	306,507	

**12.3 Intangible Assets** (Rupees in '000)

	Cost		Amortization			Book value at Dec. 31 2002	Rate of Amorti-zation %	
	At Jan. 1 2002	Add-itions/ (Dele-tions)	At Dec. 31 2002	At Jan. 1 2002	Amorti-zation/ Impair-ment			At Dec. 31 2002
Goodwill	-	20,000	20,000	-	2,000	2,000	18,000	10
Computer Software	24,077	8,133	32,210	22,358	5,786	28,144	4,066	50
<b>2002</b>	<b>24,077</b>	<b>28,133</b>	<b>52,210</b>	<b>22,358</b>	<b>7,786</b>	<b>30,144</b>	<b>22,066</b>	
2001	20,639	3,438	24,077	17,941	4,417	22,358	1,719	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.

		<b>2002</b>	2001
		(Rupees in '000)	
<b>13. BILLS PAYABLE</b>			
In Pakistan		<u>979,776</u>	<u>224,935</u>
<b>14. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>			
In Pakistan		<u>10,410,362</u>	<u>1,873,705</u>
<b>14.1 Particulars of borrowings from financial institutions</b>			
In local currency		<u>10,410,362</u>	<u>1,873,705</u>
<b>14.2 Details of borrowings from financial Institutions</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	14.3	699,192	796,314
Repurchase agreement borrowings	14.4	9,205,966	1,028,995
		<b>9,905,158</b>	1,825,309
<b>Unsecured</b>			
Call borrowings	14.5	500,000	–
Overdrawn Nostro Accounts		5,204	48,396
		<u>10,410,362</u>	<u>1,873,705</u>
<b>14.3</b>	This carries mark-up rates ranging between 5.50% and 8.00% (2001: 7.00% to 11.50%). These are secured against promissory notes, undertaking in favour of the bank and export documents payable quarterly at the time of partial payment or upon maturity of loans, which ever is earlier.		
<b>14.4</b>	These carry mark-up rates ranging between 3.20% and 7.50% (2001: 7.50% to 9.00%) having a maturity of upto three months.		
<b>14.5</b>	Mark-up charged is at 3.50% and 7.45% (2001: Nil) having maturity of upto three months.		



2002                      2001  
(Rupees in '000)

## 15. DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	3,262,155	2,832,700
Savings deposits	13,187,191	11,323,567
Current accounts - Remunerative	9,068,688	5,929,599
Current accounts - Non-remunerative	7,729,443	4,423,696
	<b>33,247,477</b>	24,509,562

### Financial Institutions

Remunerative deposits	874,295	184,798
Non-remunerative deposits	118,386	2,427
	<b>34,240,158</b>	24,696,787

### 15.1 Particulars of deposits

In local currency	31,388,862	20,541,228
In foreign currencies	2,851,296	4,155,559
	<b>34,240,158</b>	24,696,787

## 16. OTHER LIABILITIES

Mark-up /Return/Interest payable in local currency	379,374	314,752
Mark-up/Return/Interest payable in foreign currency	1,812	7,679
Accrued expenses	13,844	8,765
Advance payments	5,429	2,460
Current taxation (provision less payments)	-	20,941
Unclaimed dividends	6,107	4,340
Proposed cash dividend	-	36,068
Branch adjustment account	55,034	-
Payable to defined benefit plan-employees gratuity fund	-	27,000
Special exporters account	22,391	31,895
Others	73,948	87,108
	<b>557,939</b>	541,008



		2002	2001
		(Rupees in '000)	
<b>17. DEFERRED TAX LIABILITY</b>			
	<b>Deferred credit arising due to</b>		
	Surplus on revaluation of Federal Govt. Securities and Other securities	657,207	–
		<u>657,207</u>	<u>–</u>
<b>18. SHARE CAPITAL</b>			
18.1	<b>Authorised Capital:</b>		
	2002                  2001		
	(Number)		
	150,000,000      100,000,000      Ordinary shares of Rs. 10 each	1,500,000	1,000,000
		<u>1,500,000</u>	<u>1,000,000</u>
18.2	<b>Issued, subscribed and paid up</b>		
	2002                  2001		
	(Number)		
		<b>Ordinary shares</b>	
	30,000,000      30,000,000      Fully paid in cash	300,000	300,000
	56,562,432      42,135,360      Issued as bonus shares	565,625	421,354
		<u>865,625</u>	<u>721,354</u>
	<u>86,562,432</u> <u>72,135,360</u>		
<b>19. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS</b>			
19.1	<b>Surplus/(Deficit) on revaluation of Securities</b>		
	i) Federal Government securities	1,370,331	177,022
	ii) Quoted shares	28,720	(20,361)
	iii) Other Securities	27,982	–
		<u>1,427,033</u>	<u>156,661</u>
	Less: Deferred tax liability arising on Federal Govt. Securities and Other Securities	(657,207)	–
		<u>769,826</u>	<u>156,661</u>



		2002	2001
		(Rupees in '000)	
<b>20.</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
20.1	<b>Direct Credit Substitutes</b>		
	Acceptances	1,372,920	288,907
20.2	<b>Transaction-related Contingent Liabilities</b>		
	Government	1,279,346	541,368
	Financial Institutions	36,420	12,802
	Others	528,572	145,013
		1,844,338	699,183
20.3	<b>Trade-related Contingent Liabilities</b>	5,060,178	3,822,330
20.4	<b>Commitments in respect of forward lending</b>		
	Commitments to extend credit	–	50,000
20.5	<b>Commitments in respect of forward exchange contracts</b>		
	Purchase	3,571,896	1,638,369
	Sale	6,298,645	1,179,802
20.6	<b>Commitments in respect of operating leases</b>		
	Not later than one year	103,569	60,637
	Later than one year and not later than five years	174,392	73,992
		277,961	134,629
<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>			
		2002	2001
		(Rupees in '000)	
20.7	<b>Commitments for the acquisition of operating fixed assets.</b>	67,894	117,056
<b>21.</b>	<b>MARK-UP/RETURN/INTEREST EARNED</b>		
a)	On Loans and Advances to:		
	Customers	1,597,208	1,795,840
	Financial Institutions	18,827	52,095
b)	On Investments in:		
	Available-for-sale	1,149,063	420,251
c)	On Deposits with financial Institutions	29,075	123,719
d)	On Securities purchased under resale agreements	28,189	86,838
e)	On Call money lendings	93,766	112,214
		<u>2,916,128</u>	<u>2,590,957</u>



	<b>2002</b>	2001
	(Rupees in '000)	
<b>22. MARK-UP/RETURN/INTEREST EXPENSED</b>		
Deposits	<b>1,754,629</b>	1,538,106
Securities sold under repurchase agreements	<b>111,535</b>	46,566
Other short term borrowings	<b>10,026</b>	14,249
Borrowing from SBP under export refinance scheme	<b>99,443</b>	207,741
	<b>1,975,633</b>	1,806,662
<b>23. OTHER INCOME</b>		
Net profit on sale of vehicles and equipment	<b>1,026</b>	6,832
Miscellaneous income (rent of lockers, recovery of fax, telephone, telex, courier charges etc.)	<b>44,782</b>	32,878
	<b>45,808</b>	39,710
<b>24. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	<b>262,816</b>	183,591
Charge for defined benefit plan-employees gratuity fund	<b>6,367</b>	27,000
Contribution to defined contribution plan-employees provident fund	<b>10,120</b>	7,516
Non-executive directors' fees, allowances and other expenses	<b>12</b>	5
Rent, taxes, insurance, electricity etc.	<b>120,235</b>	86,558
Legal and professional charges	<b>5,775</b>	3,427
Communications	<b>33,814</b>	28,263
Repairs and maintenance	<b>54,002</b>	31,618
Rentals of operating leases	<b>77,188</b>	43,748
Security charges	<b>17,380</b>	12,037
Stationery and printing	<b>25,295</b>	15,545
Advertisement and publicity	<b>10,483</b>	6,810
Donations	24.1 <b>5,735</b>	4,790
Auditors' remuneration	24.2 <b>300</b>	200
Depreciation	12.2 <b>50,357</b>	38,074
Amortization	12.3 <b>7,786</b>	4,417
Vehicle running expenses	<b>19,619</b>	15,232
Commission and brokerage	<b>11,820</b>	3,937
Others	<b>40,673</b>	26,011
	<b>759,777</b>	538,779



	2002	2001
	(Rupees in '000)	
24.1	The detail of donations in excess of Rupees One hundred thousand is given below:	
Shaukat Khanum Memorial Cancer Hospital and Research Centre	700	–
Habib Medical Trust	1,050	1,050
Institute of Behavioral Sciences	200	–
The Jinnah Foundation (Memorial) Trust	100	–
Rahmatbai Habib Widows & Orphans Trust	400	400
Habib Poor Fund	400	400
Rahmatbai Habib Food & Clothing Trust	300	300
Habib Education Trust	900	900
Al-Sayyeda Benevolent Trust	1,400	1,400
None of the directors or their spouse had any interest in the above donees.		
	2002	2001
	(Rupees in '000)	
24.2	<b>Auditors' remuneration</b>	
Audit fee	275	175
Fee for audit of provident, pension, gratuity and other funds	15	15
Special certifications and sundry advisory services	10	10
	<u>300</u>	<u>200</u>
<b>25. OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan (Maintenance of liquid assets, weekly statement, misc.)	<u>3,944</u>	<u>178</u>
<b>26. TAXATION</b>		
<b>For the year</b>		
Current	<u>330,000</u>	<u>305,000</u>
26.1	<b>Relationship between tax expense and accounting profit</b>	
Profit before taxation	<u>619,726</u>	<u>551,006</u>
Tax at the applicable tax rate of 47% (2001: 50%)	291,271	275,503
Tax effect of expenses that are not deductible in determining taxable Income	5,640	2,500
Tax effect of Dividend income at reduced rate	(11,082)	(2,747)
Tax effect of exempted income	(16,503)	–
Tax effect of Provision against advances	55,757	26,172
Others	4,917	3,572
	<u>330,000</u>	<u>305,000</u>



	2002	2001
	(Rupees in '000)	
<b>27. NET EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit for the year	<b>289,726</b>	246,006
Weighted average number of ordinary shares	<b>86,562,432</b>	86,562,432
Basic and diluted net earnings per share	<b>Rs. 3.35</b>	Rs. 2.84
<b>28. CASH AND CASH EQUIVALENTS</b>		
Cash and Balance with Treasury Banks	<b>3,915,988</b>	3,381,743
Balance with other banks	<b>409,970</b>	1,445,033
	<b>4,325,958</b>	4,826,776
<b>29. STAFF STRENGTH</b>	<b>2002</b>	2001
	(Number)	
Total number of employees at the end of the year	<b>1,007</b>	742

### 30. DEFINED BENEFIT PLAN - EMPLOYEE GRATUITY FUND

#### 30.1 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	Full basic salary for each year served.

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

#### 30.2 Principal actuarial assumptions

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

- Discount rate is 9.00% per annum.
- Expected rate of increase in salary level at 7.00% per annum.
- Expected rate of return on investments at 9.00% per annum.



	2002	2001
	(Rupees in '000)	
<b>30.3 Reconciliation of payable to defined benefit plan</b>		
Present value of defined benefit obligations	<b>36,016</b>	26,500
Net actuarial gains or losses not recognized	<b>(1,402)</b>	500
	<b>34,614</b>	27,000
<b>30.4 Movement in payable to defined benefit plan</b>		
Charge for the year	<b>6,367</b>	27,000
	<b>6,367</b>	27,000
<b>30.5 Charge for defined benefit plan</b>		
Current service cost	<b>4,075</b>	3,500
Interest cost	<b>2,535</b>	2,500
Past services cost	–	21,000
Expected return on plan assets	<b>(243)</b>	–
	<b>6,367</b>	27,000

### 31. 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.

### 32. REMUNERATION OF DIRECTORS AND EXECUTIVES

(Rupees in '000)

	Chief Executive		Directors*		Executives	
	2002	2001	2002	2001	2002	2001
Fees	–	–	–	–	–	–
Managerial remuneration	<b>3,360</b>	3,037	<b>3,640</b>	3,008	<b>27,215</b>	17,895
Contribution to defined contribution plan	<b>240</b>	227	<b>140</b>	128	<b>1,346</b>	908
Utilities	<b>463</b>	382	<b>260</b>	249	<b>1,944</b>	1,415
Bonus	<b>410</b>	384	<b>453</b>	444	<b>3,450</b>	2,401
Medical	<b>61</b>	27	<b>67</b>	56	<b>519</b>	361
Others	<b>240</b>	458	–	399	<b>170</b>	1,665
	<b>4,774</b>	4,515	<b>4,560</b>	4,284	<b>34,644</b>	24,645
Number of persons	<b>1</b>	1	<b>2</b>	2	<b>21</b>	16

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

\* Denotes full time working Directors.



### 33. 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	3,915,988	3,915,988	–	–	–
Balances with other banks	409,970	409,970	–	–	–
Lending to financial institutions	847,948	847,948	–	–	–
Investments	18,831,336	7,044,093	5,137,356	2,686,575	3,963,312
Advances	23,775,283	4,966,108	16,420,681	2,319,812	68,682
Other assets	1,014,538	512,270	273,020	215,722	13,526
Operating fixed assets	642,066	18,865	58,180	271,182	293,839
	49,437,129	17,715,242	21,889,237	5,493,291	4,339,359
<b>Liabilities</b>					
Bills payable	979,776	979,776	–	–	–
Borrowings from financial institutions	10,410,362	9,813,832	596,530	–	–
Deposits and other accounts	34,240,158	32,538,322*	862,874	821,122	17,840
Other liabilities	557,939	387,413	170,526	–	–
Deferred tax liability	657,207	–	–	657,207	–
	46,845,442	43,719,343	1,629,930	1,478,329	17,840
<b>Net Assets</b>	<b>2,591,687</b>	<b>(26,004,101)</b>	<b>20,259,307</b>	<b>4,014,962</b>	<b>4,321,519</b>
Share capital	865,625				
Reserves	939,906				
Unappropriated profit	16,330				
Surplus on revaluation of assets	769,826				
	2,591,687				

\* Savings deposits, Treasurers' Call and Current 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 Asset Liability Management Committee (ALCO) which monitors liquidity ratios, depositors concentration, fund management and liquidity contingency plan.



### 34. 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	1.00%-2.00%	3,915,988	525,139	-	-	-	3,390,849
Balances with other banks	1.00%-3.00%	409,970	205,311	-	-	-	204,659
Lendings to financial institutions	4.00%-11.00%	847,948	847,948	-	-	-	-
Investments	4.00%-15.00%	18,831,336	7,044,093	5,137,356	2,686,575	3,927,614	35,698
Advances	3.50%-13.00%	23,775,283	4,966,108	16,201,861	2,319,812	287,502	-
Other assets	-	1,014,538	-	-	-	-	1,014,538
		48,795,063	13,588,599	21,339,217	5,006,387	4,215,116	4,645,744
<b>Liabilities</b>							
Bills payable	-	979,776	-	-	-	-	979,776
Borrowings from financial institutions	3.00%-7.50%	10,410,362	9,813,832	596,530	-	-	-
Deposits and other accounts	0.02%-12.00%	34,240,158	24,690,493*	862,874	821,122	17,840	7,847,829
Other Liabilities	-	557,939	-	-	-	-	557,939
		46,188,235	34,504,325	1,459,404	821,122	17,840	9,385,544
<b>On-balance sheet gap</b>		2,606,828	(20,915,726)	19,879,813	4,185,265	4,197,276	(4,739,800)
<b>Off-balance sheet financial Instruments</b>							
<b>Off-balance sheet gap</b>		-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(20,915,726)	19,879,813	4,185,265	4,197,276	
Cumulative Yield/Interest Risk Sensitivity Gap			(20,915,726)	(1,035,913)	3,149,352	7,346,628	

\* Savings deposits, Treasurers' Call and Current 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 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.



### 35. CURRENCY RISK

(Rupees in '000)

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupee	37,675,029	40,531,022	2,726,749	(129,244)
United States Dollar	11,370,244	8,605,229	(2,638,436)	126,579
Great Britain Pound	143,009	192,065	49,506	450
Japanese Yen	9,257	4,341	(4,865)	51
Euro	232,556	97,570	(132,831)	2,155
Other Currencies	7,034	6,902	(123)	9
	<u>49,437,129</u>	<u>49,437,129</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.

### 36. 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, 2002, 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 values as stated in Note No. 9.

### 37. 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.



### 37.1. Segment by class of business

	Advances		Deposits		Contingencies and Commitments *	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Chemical and Pharmaceuticals	262,686	1.10	1,030,617	3.00	453,976	5.27
Agribusiness	7,676	0.03	58,480	0.17	39,864	0.46
Textile	13,701,314	57.63	1,015,314	2.97	2,319,860	26.90
Cement	42,901	0.18	29,731	0.09	65,303	0.76
Sugar	755,234	3.18	451,534	1.32	55,590	0.64
Shoes and leather garments	405,004	1.70	20,563	0.06	14,631	0.17
Automobile and transportation equipment	80,405	0.34	387,722	1.13	394,354	4.57
Financial	131,889	0.55	917,609	2.68	282,996	3.28
Insurance	–	–	226,426	0.66	–	–
Electronics and electrical appliances	39,570	0.17	70,285	0.21	75,546	0.88
Production and transmission of energy	–	–	126,668	0.37	311,902	3.62
Individuals	1,018,958	4.29	17,065,091	49.84	24,184	0.28
Others	7,329,646	30.83	12,840,118	37.50	4,585,085	53.17
	<u>23,775,283</u>	<u>100.00</u>	<u>34,240,158</u>	<u>100.00</u>	<u>8,623,291</u>	<u>100.00</u>

\* Excludes Forward exchange contracts.

### 37.2. Segment by sector

	Advances		Deposits		Contingencies and Commitments**	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	2,311,497	9.72	1,532,764	4.48	271,116	3.14
Private	21,463,786	90.28	32,707,394	95.52	8,352,175	96.86
	<u>23,775,283</u>	<u>100.00</u>	<u>34,240,158</u>	<u>100.00</u>	<u>8,623,291</u>	<u>100.00</u>

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



### 38. GEOGRAPHICAL SEGMENT ANALYSIS

(Rupees in '000)

	Profit before taxation	Total assets employed	Net assets employed	Conting- encies & commit- ments
Pakistan	619,726	49,437,129	2,591,687	8,623,291

2002  
(Rupees in '000)

### 39. RELATED PARTY TRANSACTIONS

Advances given during the year	491,390	154,077
Advances repaid during the year	372,672	179,890
Advances (at year end)	321,347	202,629
Deposits (at year end)	401,700	223,770
Mark-up/Interest expensed	17,799	20,498
Mark-up/Interest earned	27,735	30,250
Commitments and contingent liabilities for irrevocable commitments and contingencies	29,233	81,876
Insurance premium paid	21,491	10,171
Insurance claims received	2,463	1,490
Dividend on investment	2,505	2,505
Dividend paid	600	—

### 40. GENERAL

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

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

### 41. DATE OF AUTHORIZATION

These financial statements were authorized for issue on March 03, 2003 by the Board of Directors of the Company.

ALI RAZA D. HABIB  
*Chairman*

ABBAS D. HABIB  
*Chief Executive and  
Managing Director*

ANWAR HAJI KARIM  
*Director*

FAIZ N. ABDULALI  
*Director*



Annexure-1

**Statement showing written-off loans or any other financial relief  
of five hundred thousand rupees or above provided  
during the year ended December 31, 2002**

(Rupees in '000)

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	Father's/ Husband's Name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	Kamran Enterprises H/No. 149 National Town Sandrah Road Lahore	Mr. Muhammad Afzal 7-E First Floor Main Market Gulberg II, Lahore NIC No. 272-42-390076	S/o. Mr. Muhammad Abdul Sattar	2,858	479	-	3,337	1,859	479	-	2,338
<b>Total</b>				2,858	479	-	3,337	1,859	479	-	2,338



## Notice of Annual General Meeting

Notice is hereby given that the Twelfth 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 Thursday, March 27, 2003 at 12:30 p.m to transact the following Business:

1. To confirm the minutes of the Eleventh Annual General Meeting of the Bank held on March 13, 2002.
2. To receive and adopt the audited accounts of the Bank for the year ended December 31, 2002 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 Resolution:

"RESOLVED that a sum of Rs. 216,406,080 (Rupees two hundred sixteen million four hundred six thousand and eighty only) out of the un-appropriated profit be capitalized and distributed by issuing 21,640,608 fully paid ordinary shares of Rs. 10 each as bonus shares in the proportion of twenty five shares for every hundred shares held, to those members whose names appear in the register of member as at the close of business on March 24, 2003 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 the Directors be and are hereby authorized to consolidate all 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 authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of 21,640,608 shares."

4. To appoint Auditors for the year 2003 and to fix their remuneration. Messrs Hyder Bhimji & Company, Chartered Accountants, being eligible offer themselves for reappointment.
5. To consider any other business of the Bank with the permission of the Chair.

### Special Business

6. To consider and pass the following resolution as a Special Resolution for amending the Articles of Association of the Bank:

"Resolved that in Article 71 of the Articles of Association of the Bank the word "ten" shall be substituted for the word "three".

By order of the Board

Mahmood S. Allarakhia  
**Company Secretary**

Karachi: March 03, 2003



**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 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 Tuesday, March 25, 2003 to Tuesday, April 01, 2003, 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. 6 a statement under section 160 of the Companies Ordinance, 1984 is being sent to all members. Annexed on page 41.



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

March 3, 2003

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

Section 160 (2) (a) of the Companies Ordinance, 1984 has been amended by the Companies (Amendment) Ordinance, 2002, by changes made through Section 13 of the Amendment Ordinance, whereby the number of members required to form a quorum at a general meeting of a listed company cannot be less than ten persons representing not less than twenty five percent of the total voting power. Therefore, the existing Article 71 of the Articles of Association of the Bank required amendment accordingly and a special resolution is proposed to amend Article 71 of the Articles of Association of the Bank:

"Resolved that in Article 71 of the Articles of Association of the bank the word "ten" shall be substituted for the word "three"."

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



## Pattern of Shareholding as at December 31, 2002

Number of Shareholders	Size of Shareholding				Total Shares held
336	From	1	To	100	15,855
1,277	From	101	To	500	318,661
355	From	501	To	1,000	261,565
2,849	From	1,001	To	5,000	4,646,633
145	From	5,001	To	10,000	980,167
92	From	10,001	To	15,000	1,209,809
23	From	15,001	To	20,000	402,911
22	From	20,001	To	25,000	484,785
54	From	25,001	To	30,000	1,540,204
11	From	30,001	To	35,000	367,011
18	From	35,001	To	40,000	656,013
17	From	40,001	To	50,000	779,655
17	From	50,001	To	60,000	973,164
24	From	60,001	To	80,000	1,699,447
24	From	80,001	To	100,000	2,075,461
23	From	100,001	To	150,000	2,766,509
6	From	150,001	To	200,000	1,007,496
6	From	200,001	To	250,000	1,314,201
8	From	250,001	To	300,000	2,235,597
5	From	300,001	To	350,000	1,638,655
14	From	350,001	To	600,000	5,847,691
11	From	600,001	To	1,000,000	8,036,246
19	From	1,000,001	To	15,190,000	47,304,696
5,356					86,562,432

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Individuals	5,250	54,139,654	62.54
Investment Companies	5	23,095	0.03
Insurance Companies	5	6,831,590	7.89
Joint Stock Companies	64	7,185,876	8.30
Financial Institutions	11	15,346,582	17.73
Modaraba Companies	5	448,990	0.52
Mutual Funds	7	959,247	1.11
Foreign Companies	4	1,154,743	1.33
Others	5	472,655	0.55
<b>TOTAL</b>	<b>5,356</b>	<b>86,562,432</b>	<b>100.00</b>



## Pattern of Shareholding as at December 31, 2002

### Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
<b>Associated Company</b>		
Habib Sugar Mills Ltd.	1	1,439,621
<b>NIT and ICP</b>		
National Investment Trust		
National Bank of Pakistan Trustee Department	1	15,186,468
Investment Corporation of Pakistan	1	11,929
<b>Directors</b>		
Ali Raza D. Habib	1	810,511
Faiz N. Abdulali	1	1,008,288
Qumail R. Habib	1	1,136,188
Anwar Haji Karim	1	1,442,707
Tariq Iqbal Khan (NIT Nominee)	—	—
Murtaza H. Habib	1	836,769
Syed Mazhar Abbas	1	1,440
Hasnain A. Habib	1	1,371,301
Salman H. Habib	1	779,061
<b>Chief Executive Officer</b>		
Abbas D. Habib	1	2,912,583
<b>Directors' Spouses and Minor Children</b>		
Mrs. Razia A. Raza Habib W/o. Mr. Ali Raza D. Habib	1	360,676
Mrs. Niamet Fatima W/o. Mr. Abbas D. Habib	1	360,676
Mrs. Sakina Faiz Abdulali W/o. Mr. Faiz N. Abdulali	1	87,400
Master Qasim Abbas Habib S/o. Mr. Abbas D. Habib (Joint A/c)	1	72,134
<b>Executives</b>	5	15,856
<b>Banks, Development Financial Institutions, Insurance Companies, Investment Companies, Non-Banking Financial Institutions, Modarabas and Mutual Funds</b>	31	8,411,107
<b>Joint Stock Companies and Corporations</b>	67	6,900,998
<b>Individuals</b>	5,232	42,944,064
<b>Others</b>	5	472,655
	5,356	86,562,432



## 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

19-1-A, 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 : (92-21) 2411048

#### GULISTAN-E-JAUHAR BRANCH

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

#### KORANGI ROAD BRANCH

Speedy Towers Plot No. 131/1 Phase-I  
Defence Housing Authority Karachi.  
Phone : (92-21) 5386797-99  
Fax : (92-21) 5386796

#### NORTH KARACHI INDUSTRIAL AREA BRANCH

Nimra Corner, ST-3, Sector 12-A,  
North Karachi.  
Phones : (92-21) 6954196-98  
Fax : (92-21) 6954187

#### TIMBER MARKET BRANCH

Plot No. E-III-2, S-34,  
Siddiq Wahab Road, Karachi.  
Phones : (92-21) 7762776, 7762778 & 7762784  
Fax : (92-21) 7762730

#### MUHAMMAD ALI HOUSING SOCIETY BRANCH

Block No. 7 & 8, Plot No. Z-130-131,  
Kathiawar Co-Operative  
Housing Society,  
Adamjee Nagar, Karachi.  
Phones : (92-21) 4533620-22  
Fax : (92-21) 4533618

#### GULSHAN CHOWRANGI BRANCH

Plot No. FL-3, Block No. 3,  
KDA Scheme No. 24,  
Gulshan-e-Iqbal, Karachi.  
Phones : (92-21) 4811971-3  
Fax : (92-21) 4985045

#### KHYABAN-E-SHAMSHER BRANCH

Plot No. 2-C, Stadium Lane No. 4,  
Phase V, D.H.A., Karachi.  
Phones : (92-21) 5846277-79  
Fax : (92-21) 5846179

#### ALLAMA IQBAL ROAD BRANCH

86-S, Block-2, Raja Terrace,  
P.E.C.H.S., Karachi.  
Phones : (92-21) 4384661-4  
Fax : (92-21) 4384665

#### BARKAT-E-HYDARI BRANCH

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

#### PAKISTAN CHOWK BRANCH

Shop No. 1, Chandna Manzil,  
Kutchery Road, Karachi.  
Phones : (92-21) 2212352-54  
Fax : (92-21) 2212350

#### LEA MARKET BRANCH

Shop No. 1, Plot No. N.P 6/30-31,  
Zulikha Mansion,  
Napier Town Quarters, Karachi.  
Phones : (92-21) 7540846-48  
Fax: (92-21) 7542111

### 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

### 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

### 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

#### CIRCULAR ROAD BRANCH

51, S.E. Vohra Building,  
Outside Akbari Gate,  
Circular Road, Lahore.  
Phones : (92-42) 7670671-73  
Fax : (92-42) 7670674

#### ICCHRA BRANCH

144, Main Ferozepur Road,  
Ichhra, Lahore.  
Phones : (92-42) 7569982-4  
Fax : (92-42) 7569924

#### DEFENCE BRANCH

82-Y Commercial, Phase III  
Defence Housing Society, Lahore.  
Phone : (92-42) 5894113-5894116  
Fax : (92-42) 5893303

#### AZAM CLOTH MARKET BRANCH

1-Kamla Centre, Ittehad Bazar,  
Punjab Block, Azam Cloth Market, Lahore.  
Phones : (92-42) 7672913-15  
Fax : (92-42) 7672916

### 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

### Sadiqabad

Plot No. 24, Allama Iqbal Road,  
Sadiqabad.  
Phones : (0702) 81101, 81102 & 81103  
Fax : (0702) 81104

### Rahim Yar Khan

Shahi Road.  
Phones: (92-0731) 84557 & 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/32, Iqbal Road,  
Trunk Bazar, Rawalpindi City.  
Phone : (92-51) 5553462  
Fax : (92-51) 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

### D.G. Khan

83-Block-10, New College Road,  
Dera Ghazi Khan.  
Phones : (0641) 468471-73  
Fax : (0641) 468474

### 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

#### QASIMABAD BRANCH

Suhrio House, Ground Floor,  
Main Shahrah-e-Qasimabad  
Hyderabad, Sindh.  
Phones : (92-221) 655551-4  
Fax : (92-221) 655557

### 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)

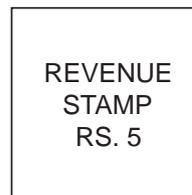


## Form of Proxy

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 Twelfth Annual General Meeting  
of the Bank to be held on March 27, 2003 and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2003.



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.