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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 Thirteenth Annual Report together with the audited financial statements for the year ended December 31, 2003.

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

	(Rupees in '000)
Profit for the year before tax	1,512,992
Taxation	(500,683)
Profit for the year after tax	1,012,309
Unappropriated Profit brought forward	16,330
Profit available for Appropriations	1,028,639
Appropriations:	
Transfer to Statutory Reserve	205,000
Proposed - Cash Dividend @ 10% i.e Re. 1/- per ordinary share	108,203
Fully paid Bonus Shares in the ratio of 25 Ordinary Shares for every 100 shares held	270,508
Transfer to General Reserve	400,000
	(983,711)
Unappropriated Profit carried forward	44,928
Earnings per share (after tax)	Rs. 9.36

Performance Review

During the year under review, there was strong industrial growth accompanied by higher output in the agriculture and service sector. On account of higher foreign exchange reserves, the exchange rate remained stable during the year. Increased demand for private sector credit and nominal rise in the yields on Government securities resulted in marginal increase in the interest rates and the economy continued to remain flushed with excess liquidity.

Deposits of the Bank increased to Rs. 46.2 billion as compared to Rs. 34.2 billion of the previous year. Advances also increased to Rs. 35.2 billion as against Rs. 23.8 billion of the corresponding period of the last year. Foreign trade business considerably increased to Rs. 104.9 billion as compared to Rs. 73.0 billion, an increase of Rs. 31.9 billion. A sizeable portion of the Bank's investment portfolio comprised, of investment in Government securities which registered a healthy surplus. In the light of the surplus arising on revaluation, the management decided to sell a portion of its portfolio on which the Bank earned capital gains amounting to Rs. 701.3 million. In addition, the Bank also earned capital gains of Rs. 113.2 million on sale of shares and Rs. 25.5 million from dividend. Due to the foregoing reasons, the Bank, Al-Hamdolillah, earned profit before tax of Rs. 1.5 billion during the year.



The Bank, Al-Hamdolillah, launched 'AL Habib', its own inhouse developed banking software in its branches successfully catering to all its banking needs. It also effectively introduced Debit cards, TeleBanking and consumer lending products like house and car financing which were designed within framework of the Bank's overall lending policy.

Pakistan Credit Rating Agency (Pvt) Limited (PACRA) has maintained the ratings which is AA 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.

During the year the Bank opened 13 new branches all over the country, increasing its branch network to 70.

Future Outlook

In view of the positive developments in the region which are very encouraging, the Bank will Inshallah explore new and efficient avenues for growth and will focus on mobilizing the maximum potential of its existing branch network of 70 branches and further extend the network of branches during the current year.

Audit Committee

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

Mr. Faiz N. Abdulali
Mr. Ali Raza D. Habib
Mr. Anwar Haji Karim
Syed Mazhar Abbas

Auditors

The Code of Corporate Governance requires all listed companies to change their external auditors after every five years. In the light of the Code, the present auditors, Messrs Hyder Bhimji & Company, Chartered Accountants retire and having completed five years as external auditors are not eligible for reappointment.

The Audit Committee, thus has recommended the appointment of Messrs Taseer Hadi Khalid & Company, Chartered Accountants.

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 judgement.
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 has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
7. There are no doubts upon the Bank's ability to continue as a going concern.
8. Key operating and financial data for last six years is summarized below:

	2003	2002	2001	2000	1999	1998
Total customer deposits	46,178	34,240	24,697	17,822	14,113	13,226
Total advances	35,232	23,775	15,902	14,772	10,925	7,564
Foreign trade business	104,912	72,929	52,073	38,614	26,525	20,270
Profit before tax	1,513	619	551	403	373	445
Profit after tax	1,012	290	246	153	153	203
Shareholders' Equity	2,726	1,822	1,532	1,322	1,169	1,016
Earnings per share* (Rs.)	9.36	2.68	2.27	1.41	1.41	1.87
Cash Dividend (%)	10	-	5	-	-	10
Stock Dividend (%)	25	25	20	20	20	32

* Earnings per share from 1998 to 2002 have been recalculated based on the revised paid up capital.

9. Value of investments of Provident Fund and Gratuity Fund Schemes for the financial year ended December 31, 2003 were as follows:

	Rs. '000
Provident Fund	101,811
Gratuity Fund	29,747

10. 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	4
Mr. Anwar Haji Karim	4	4
Mr. Qumail R. Habib	4	3
Mr. Tariq Iqbal Khan	4	3
Mr. Murtaza H. Habib	4	4
Syed Mazhar Abbas	4	2
Mr. Hasnain A. Habib	4	4
Mr. Salman H. Habib	4	4



11. The pattern of shareholding and additional information regarding pattern of shareholding is given on Pages 46-47.
12. No trades in the shares of the Bank were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children. However, Mr. Faiz N. Abdulali, director of the Bank transferred 40,750 shares to his wife and 15,945 shares to his daughter by way of gift.

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: February 18, 2004

Ali Raza D. HABIB
Chairman



Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2003

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges 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 Company 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 eight (8) 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 NBFII 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's "Statement of Ethics and Business Practices", has been signed by all the directors and employees.
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. The directors of the Bank have attended the Orientation courses for appraisalment 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. Meetings of the Audit Committee were held once in every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the committee were revised in accordance with the requirement of the Code and advised to the committee for compliance.
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 the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. We confirm that all the other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

ALI RAZA D. HABIB
Chairman

Karachi: February 18, 2004.

Statement of Compliance with the Best Practices on Transfer Pricing

The Bank has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of the respective Stock Exchanges.

On behalf of the Board of Directors

ALI RAZA D. HABIB
Chairman

Karachi: February 18, 2004.



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, 2003 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, 2003.

Karachi: February 18, 2004.



Auditors' Report to the Members

We have audited the annexed Balance Sheet of Bank AL Habib Limited as at December 31, 2003, 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 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, 2003, 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 18, 2004.



Balance Sheet as at December 31, 2003

	Note	2003 (Rupees in '000)	2002
ASSETS			
Cash and Balances with Treasury Banks	6	6,110,710	3,915,988
Balances with Other Banks	7	544,554	409,970
Lendings to Financial Institutions	8	469,626	847,948
Investments	9	14,109,215	18,831,336
Advances	10	35,231,514	23,775,283
Other Assets	11	941,485	1,032,538
Operating Fixed Assets	12	741,107	624,066
Deferred Tax Assets		—	—
		58,148,211	49,437,129
LIABILITIES			
Bills Payable	13	1,224,757	979,776
Borrowings from Financial Institutions	14	6,790,674	10,410,362
Deposits and Other Accounts	15	46,178,048	34,240,158
Other Liabilities	16	447,441	557,939
Deferred Tax Liability	17	316,463	657,207
		54,957,383	46,845,442
Net Assets		3,190,828	2,591,687
REPRESENTED BY :			
Share Capital	18	1,082,031	865,625
Reserves		1,599,008	939,906
Unappropriated Profit		44,928	16,330
		2,725,967	1,821,861
Surplus/(Deficit) on Revaluation of Assets	19	464,861	769,826
		3,190,828	2,591,687
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 42 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, 2003

	Note	2003 (Rupees in '000)	2002
Mark-up /Return/Interest Earned	21	2,403,489	2,776,417
Mark-up/Return/Interest Expensed	22	1,145,421	1,975,633
Net Mark-up/Interest Income		1,258,068	800,784
Provision against non-performing loans and advances	10.3	(108,181)	(118,632)
Provision for diminution in the value of investments		—	—
Bad Debts written off directly		—	—
Net Mark-up/Interest Income after provisions		1,149,887	682,152
NON MARK-UP/INTEREST INCOME			
Fees, Commission and Brokerage Income		317,687	248,743
Dividend Income		25,516	26,385
Income from dealing in foreign currencies		187,008	240,648
Other Income	23	901,081	185,519
Total non-markup/Interest Income		1,431,292	701,295
		2,581,179	1,383,447
NON MARK-UP/INTEREST EXPENSES			
Administrative Expenses	24	1,061,945	759,777
Other Assets written off	25	5,455	—
Other Charges	26	787	3,944
Total non-markup/Interest expenses		(1,068,187)	(763,721)
		1,512,992	619,726
Extra ordinary/unusual items		—	—
PROFIT BEFORE TAXATION		1,512,992	619,726
Taxation – Current	27	589,932	330,000
– Prior years	27.2	(91,488)	—
– Deferred		2,239	—
PROFIT AFTER TAXATION		(500,683)	(330,000)
		1,012,309	289,726
Unappropriated Profit brought forward		16,330	1,010
Profit available for appropriation		1,028,639	290,736
APPROPRIATION			
Transfer to:			
Statutory Reserve		205,000	58,000
Reserve for Proposed issue of Bonus shares		270,508	216,406
General Reserve		400,000	—
Proposed Cash dividend Re. 1.00 per share (2002: Nil)		108,203	—
Others		—	—
		(983,711)	(274,406)
Unappropriated Profit carried forward		44,928	16,330
Earnings per share (after tax) -Basic and Diluted	28	Rs. 9.36	Rs. 2.68

The annexed notes 1 to 42 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, 2003

	Share Capital	Reserve for issue of Bonus Shares	Statutory Reserve	Special Reserve	General Reserve	Unappropriated Profit	Total
Opening Balance 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)	-	-	-	-	-
Opening Balance Jan 1, 2003	865,625	216,406	457,000	126,500	140,000	16,330	1,821,861
Profit for the year 2003	-	-	-	-	-	1,012,309	1,012,309
Transfer to Statutory Reserve	-	-	205,000	-	-	(205,000)	-
Transfer to General Reserve	-	-	-	-	400,000	(400,000)	-
Transfer to Reserve for issue of Bonus Shares	-	270,508	-	-	-	(270,508)	-
Proposed Dividend	-	-	-	-	-	(108,203)	(108,203)
Issue of Bonus Shares	216,406	(216,406)	-	-	-	-	-
Closing Balance at Dec. 31, 2003	1,082,031	270,508	662,000	126,500	540,000	44,928	2,725,967

The annexed notes 1 to 42 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



Cash Flow Statement for the

	2003 (Rupees in '000)	2002
Cash Flow From Operating Activities		
Profit before Taxation	1,512,992	619,726
Less : Dividend Income	(25,516)	(26,385)
	<u>1,487,476</u>	<u>593,341</u>
Adjustments for Non-Cash Charges:		
Depreciation	66,770	50,357
Amortization	5,716	5,786
Provision Against non-performing advances (net)	108,181	118,632
(Gain) on sale of fixed assets	(5,234)	(1,026)
	<u>175,433</u>	<u>173,749</u>
	1,662,909	767,090
(Increase) / Decrease in Operating Assets:		
Lendings to financial institutions	378,322	389,451
Advances	(11,564,412)	(7,991,996)
Other Assets (excluding advance taxation)	40,116	24,064
	<u>(11,145,974)</u>	<u>(7,578,481)</u>
Increase / (Decrease) in Operating Liabilities:		
Bills Payable	244,981	754,841
Borrowings from financial institutions	(3,619,689)	8,536,657
Deposits	11,937,890	9,543,370
Other Liabilities (excluding current taxation)	(217,397)	72,172
	<u>8,345,785</u>	<u>18,907,040</u>
	(1,137,280)	12,095,649
Income tax paid	(455,624)	(456,895)
Net cash flow from operating activities (Balance Carried Forward)	<u>(1,592,904)</u>	<u>11,638,754</u>

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*



year ended December 31, 2003

	Note	2003 (Rupees in '000)	2002
Net cash flow from operating activities (Balance Brought Forward)		(1,592,904)	11,638,754
Cash Flow From Investing Activities			
Net Investment available-for-sale Securities		4,074,177	(11,897,010)
Dividend Income		33,632	21,349
Investments in operating fixed assets		(189,832)	(230,786)
Sale Proceeds of property and equipment disposed-off		5,539	1,176
Net cash flow from investing activities		3,923,516	(12,105,271)
Cash Flow From Financing Activities			
Dividend paid		(1,306)	(34,301)
Net cash flow from financing activities		(1,306)	(34,301)
Increase/(Decrease) in Cash and Cash Equivalents		2,329,306	(500,818)
Cash and Cash Equivalents at the Beginning of the Year	29	4,325,958	4,826,776
Cash and Cash Equivalents at the End of the Year	29	6,655,264	4,325,958

The annexed notes 1 to 42 form an integral part of these accounts.

ANWAR HAJI KARIM
Director

FAIZ N. ABDULALI
Director



Notes to the Accounts for the year ended December 31, 2003

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 70 branches (2002 : 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. These financial statements have been prepared and are being presented to conform with BSD Circular No. 36 dated October 10, 2001.

3. STATEMENT OF COMPLIANCE

These accounts have been prepared in accordance with 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. In accordance with the SBP's BSD Circular Letter No. 10 dated August 26, 2002, the requirement of IAS 39 and 40 have not been considered.

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 income which is required to be carried forward in compliance with the Prudential Regulations issued by the State Bank of Pakistan. Commission on letters of credit and guarantees, 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, whereas general provisions are made on prudence, based on judgement. 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, except leasehold land which is stated at cost. 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. This is being 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, 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.

5.8 Staff retirement benefits

Defined Benefit Plan - Employee Gratuity Fund

The Bank has defined benefit plan i.e. approved 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. 31.

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 valued at the rates applicable to the respective maturities. 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 Impairment

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognized in the profit and loss account.

5.12 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.

		2003	2002
		(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		1,349,339	753,789
Foreign currency		216,686	98,973
		1,566,025	852,762
With State Bank of Pakistan in:			
Local currency current account	6.1	3,560,376	2,505,759
Foreign currency deposit account			
Cash reserve		199,703	131,285
Special Cash Reserve	6.2	599,109	393,854
		798,812	525,139
		4,359,188	3,030,898
With National Bank of Pakistan in:			
Local currency current account		185,497	32,328
		6,110,710	3,915,988

6.1 This represents statutory cash reserve maintained under Section 22 of the Banking Companies Ordinance, 1962.

6.2 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: LIBOR less 0.50%).



		2003 (Rupees in '000)	2002 (Rupees in '000)
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		76,344	101,488
In deposit accounts	7.1	2,500	2,500
		78,844	103,988
Outside Pakistan			
In current accounts		164,560	103,171
In deposit accounts	7.2	301,150	202,811
		465,710	305,982
		544,554	409,970

7.1 This carries mark-up at 2.30% (2002: 5.04%) maturing in October 2004.

7.2 This carries mark-up at LIBOR less 0.25% to 0.50% (2002: LIBOR less 0.25% to 0.50%).

		2003 (Rupees in '000)	2002 (Rupees in '000)
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	270,000	600,000
Repurchase agreement lendings (Reverse Repo)	8.2	199,626	247,948
		469,626	847,948

8.1 This represents placement carrying mark-up at 2.98% (2002: 9.00% to 11.00%)

8.2 This carries mark-up rate of 4.00% (2002: Between 4.00% and 6.50%) maturing in January 2004.



8.3 Securities held as collateral against lending to financial Institutions	2003			2002		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Treasury Bills	199,626	–	199,626	195,637	–	195,637
Term Finance Certificates (TFCs)	–	–	–	52,311	–	52,311
	199,626	–	199,626	247,948	–	247,948

9. INVESTMENTS

9.1 Investment by types	2003			2002		
	Held by	Given as Bank	Total collateral	Held by	Given as Bank	Total collateral
Available-for-sale securities						
Federal Investment Bonds	101,906	–	101,906	190,473	–	190,473
Pakistan Investment Bonds	4,815,407	917,140	5,732,547	3,466,698	2,811,749	6,278,447
Treasury Bills	5,467,486	996,211	6,463,697	4,541,580	7,108,560	11,650,140
TFCs, Bonds etc. – Listed Companies	300,628	–	300,628	283,543	–	283,543
TFCs, Bonds etc.–Unlisted Companies	828,765	–	828,765	–	–	–
Fully Paid Ordinary Shares – Listed Companies	340,571	–	340,571	250,238	–	250,238
Fully Paid Ordinary Shares – Unlisted Companies	35,700	–	35,700	35,700	–	35,700
Open Ended Mutual Funds	274,562	–	274,562	10,752	–	10,752
S.W.I.F.T - see note 9.12	1,681	–	1,681	–	–	–
Certificates of Investments	–	–	–	110,000	–	110,000
	12,166,706	1,913,351	14,080,057	8,888,984	9,920,309	18,809,293
Associates						
Fully Paid Ordinary Shares – Listed Company	29,158	–	29,158	22,043	–	22,043
	12,195,864	1,913,351	14,109,215	8,911,027	9,920,309	18,831,336



		2003	2002
		(Rupees in '000)	
9.2 Investment by segments			
Federal Government Securities			
– Treasury Bills	9.3	6,463,697	11,650,140
– Pakistan Investment Bonds	9.4	5,732,547	6,278,447
– Federal Investment Bonds	9.5	101,906	190,473
		12,298,150	18,119,060
Fully paid-up Ordinary Shares			
– Listed Companies	9.6	369,729	272,281
– Unlisted Companies	9.7	35,700	35,700
		405,429	307,981
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates			
– Listed TFC's, Bonds etc.	9.8	300,628	283,543
– Unlisted TFC's, Bonds etc.	9.9	828,765	–
		1,129,393	283,543
Others			
– Open Ended Mutual Funds	9.10	274,562	10,752
– Certificates of Investments	9.11	–	110,000
– S.W.I.F.T	9.12	1,681	–
		276,243	120,752
		14,109,215	18,831,336

- 9.3 – Treasury Bills are for a period of six months and one year with yields ranging from 1.17% to 3.67% per annum (2002: 4.43% to 7.00%)
- 9.4 – Pakistan Investment Bonds are for a period of three, five and ten years with yields ranging between 6.00% and 14.00% per annum (2002 : 4.47% to 14.00%)
- 9.5 – Federal Investment Bonds are for a period of ten years with yield of 15.00% per annum (2002 : 15.00%)



9.6 Investment in shares-Listed Companies

Associated Undertaking				2003	2002
<u>No. of ordinary shares</u>		<u>Paid up value/share</u>	<u>Name of Companies</u>	<u>(Rupees in '000)</u>	
<u>2003</u>	<u>2002</u>	<u>Rs.</u>			
2,003,999	2,003,999	5	Habib Sugar Mills Ltd.	29,158	22,043
Others					
<u>No. of ordinary shares</u>					
<u>2003</u>	<u>2002</u>				
49,000	20,000	10	3rd ICP Mutual Fund	808	300
23,987	9,500	10	8th ICP Mutual Fund	450	200
196,762	79,500	10	11th ICP Mutual Fund	3,542	1,359
61,250	25,000	10	19th ICP Mutual Fund	1,041	425
93,750	93,750	10	Orix Leasing Pakistan Ltd.	3,178	2,625
650,000	850,000	10	First Grindlays Modaraba	25,350	25,500
-	757,500	5	First Habib Modaraba	-	5,681
176,000	176,000	10	Gadoon Textile Mills Ltd.	6,424	6,433
-	250,500	10	Nishat (Chunian) Ltd.	-	8,467
-	150,000	10	Umer Fabrics Ltd.	-	2,175
1,597,500	1,500,000	10	The Hub Power Company Ltd.	61,424	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	250,000	10	Fauji Fertilizer Co. Ltd.	23,875	18,275
-	60,500	10	Sitara Chemicals Industries Ltd.	-	3,298
446,000	25,000	10	Engro Chemical Pakistan Ltd.	41,389	2,302
500,000	2,750,000	10	Pakistan Telecommunications Co. Ltd.	18,325	71,500
-	13,600	10	Glaxo Wellcome Pakistan Ltd.	-	1,151
115,000	100,000	10	International Industries Ltd.	11,500	6,300
562,500	-	10	Pakistan Premier Fund	8,662	-
200,000	-	10	Nishat Mills Ltd.	6,450	-
90,000	-	10	National Refinery Ltd.	13,365	-
940,718	-	10	Oil and Gas Development Co. Ltd.	48,823	-
7,000	-	10	Shell Pakistan Ltd.	2,885	-
27,100	-	10	Attock Refinery Ltd.	1,805	-
175,000	-	10	Lucky Cement Ltd.	4,314	-
100,000	-	10	Pak Suzuki Motor Co. Ltd.	14,505	-
171,500	-	10	Pak Reinsurance	9,604	-
18,960	-	50	Unilever Pakistan Ltd.	27,454	-
63,500	-	10	Tri-Pack Films Ltd.	5,398	-
				369,729	272,281

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. 1,027,408 (2002: 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. 9.14 (2002: Rs. 9.42) per share. CEO : Mr. S.M. Zaeem.

9.8 Investment in Term Finance Certificates, Bonds etc-Listed

<u>No. of Certificates</u>		<u>Redeemed / Nominal Value per certificate</u>	<u>Maturity Date</u>	<u>Name of Companies</u>	<u>2003</u>	<u>2002</u>
			<u>Rs.</u>		<u>(Rupees in '000)</u>	
<u>2003</u>	<u>2002</u>					
4,600	9,000	3,744	June-2005	Dewan Salman Fibre Ltd.	18,858	49,665
2,000	2,000	5,000	Sept-2006	Dawood Leasing Co. Ltd.	11,100	11,300
5,000	5,000	5,000	Jan - 2005	Packages Ltd.	28,125	27,375
7,928	7,928	4,997	June-2007	Sui Southern Gas Co. Ltd.	42,785	43,992
10,000	10,000	5,000	June-2006	Orix Leasing Pakistan Ltd.	56,000	55,125
17,200	17,200	4,997	June-2007	Engro Chemical Pakistan Ltd.	92,395	96,086
5,000	–	4,999	April-2008	Jahangir Siddiqui & Co. Ltd.	26,370	–
5,000	–	4,999	Jan - 2007	D.G. Khan Cement Co. Ltd.	24,995	–
					300,628	283,543

– The above Term Finance Certificates are redeemable in quarterly / half-yearly instalments and carry rate of return ranging from 7.50% to 16.00% per annum (2002: 11.00% to 16.00%)

9.8 Investment in Term Finance Certificates, Bonds etc-Unlisted

<u>No. of Certificates</u>		<u>Redeemed / Nominal Value per certificate</u>	<u>Maturity Date</u>	<u>Name of Companies</u>	<u>2003</u>	<u>2002</u>
			<u>Rs.</u>		<u>(Rupees in '000)</u>	
<u>2003</u>	<u>2002</u>					
9.9.1 35,000	–	5,000	Feb-2011	PIA	183,311	–
9.9.2 120,000	–	5,000	Mar-2008	WAPDA	645,454	–
					828,765	–

9.9.1 The Term Finance Certificates are redeemable in half-yearly instalments and carry rate of return ranging between 8.00% to 12.50% per annum (2002: Nil).

9.9.2 The Bond is redeemable at the end of the tenor and carries rate of return based on SBP's discount rate less 0.25% per annum (2002: Nil).



9.10 Investment in open ended mutual funds

No. of Units		Nominal Value per Unit	Name of Companies	2003	2002
2003	2002	Rs.			
231,483	200,000	10	Pakistan Income Fund	12,269	10,752
2,527,500	-	100	Dawood Money Market Fund	262,293	-
				274,562	10,752

9.11 – These are Certificates of Investments of financial institutions carrying Nil profit (2002: Between 6.00% and 9.25%)

9.12 – Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T) allocates shares based on the financial contribution from network based services by a bank. Based on the Bank's financial contribution in the year 2002, 12 shares were allocated to the Bank at the rate of EUR 1,950 per share.

10. ADVANCES

Loans, cash credits, running finance, etc.

	2003 (Rupees in '000)	2002
In Pakistan	32,155,928	21,724,500
Bills discounted and purchased (excluding Treasury Bills)		
Payable in Pakistan	695,207	148,536
Payable outside Pakistan	2,692,849	2,121,067
	3,388,056	2,269,603
	35,543,984	23,994,103
Provision for non-performing advances - Note 10.3	(312,470)	(218,820)
	35,231,514	23,775,283

10.1 Particulars of advances:

10.1.1 In local currency	35,231,514	23,775,283
10.1.2 Short Term (for upto one year)	30,263,734	21,167,968
Long Term (for over one year)	4,967,780	2,607,315
	35,231,514	23,775,283



10.2 **Advances include Rs. 645.982 million (2002: Rs. 481.688 million) which have been placed under non-performing status as detailed below:**

Category of Classification	Amount	Provision Required	Provision Held
(Rupees in '000)			
Other Assets Especially Mentioned	156,173	–	–
Substandard	1,807	367	367
Doubtful	75,874	22,230	22,230
Loss	412,128	189,873	189,873
	645,982	212,470	212,470

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

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

	2003			2002		
	Specific	General	Total	Specific	General	Total
Opening balance	218,820	–	218,820	82,047	20,000	102,047
Charge for the year	33,519	100,000	133,519	148,168	–	148,168
Reversals	(25,338)	–	(25,338)	(9,536)	(20,000)	(29,536)
	8,181	100,000	108,181	138,632	(20,000)	118,632
Amount Written Off	(14,531)	–	(14,531)	(1,859)	–	(1,859)
Closing balance	212,470	100,000	312,470	218,820	–	218,820

2003 **2002**
(Rupees in '000)

10.4 **Particulars of write offs:**

Against provisions	14,531	1,859
Directly charged to profit and loss account	–	–
	14,531	1,859
Write-offs of Rs. 500,000 and above	14,518	1,859
Write-offs of below Rs. 500,000	13	–
	14,531	1,859

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, 2003, is appearing in Annexure 1.



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

Balance as at Dec. 31, 2003 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.	6,731	7,798
(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.	271,531	342,639
	<u>278,262</u>	<u>350,437</u>

2003 2002
(Rupees in '000)

11. **OTHER ASSETS**

Income/Mark-up accrued in local currency	501,230	591,202
Income/Mark-up accrued in foreign currency	418	391
Advances, deposits, advance rent and other prepayments	81,815	102,321
Advance taxation (payments less provisions)	63,134	105,954
Deferred costs*	193,244	110,728
Unrealized gain on forward foreign exchange contracts	6,307	—
Stationery and stamps on hand	18,759	21,289
Receivable from SBP/Government of Pakistan	59,197	33,166
Dividend receivable	520	8,636
Others**	16,861	58,851
	<u>941,485</u>	<u>1,032,538</u>

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

** Includes non refundable deposit of Rs. 16.00 million (2002: Rs. 18.00 million) paid in relation to building which is being written off over a period of ten years.

2003 2002
(Rupees in '000)

12. **OPERATING FIXED ASSETS**

Capital work-in-progress	12.1	190,396	183,542
Property and equipment	12.2	549,062	436,458
Intangible assets	12.3	1,649	4,066
		<u>741,107</u>	<u>624,066</u>



	2003	2002
	(Rupees in '000)	
12.1 Capital work-in-progress		
Civil works	43,107	50,939
Advance payment towards property and equipments	145,219	131,841
Consultants fee and other charges	2,070	762
	190,396	183,542

12.2 Property and equipment

	Cost			Depreciation				
	At Jan.1 2003	Add- itions/ (Dele- tions)	At Dec. 31 2003	At Jan.1 2003	Charge/ Impair- ment	At Dec. 31 2003	Book value at Dec. 31 2003	Rate of Depr- eciation %
Lease hold land	60,407	-	60,407	-	-	-	60,407	-
Building on Lease hold land	453,566	157,272	610,838	127,178	53,220	180,398	430,440	10
Furniture and Fixtures	57,021 (1,403)	20,619	76,237	23,368 (1,308)	6,431	28,491	47,746	10
Electrical, Office and Computer Equipments	63,626 (1,552)	1,615	63,689	49,733 (1,550)	6,352	54,535	9,154	20
Vehicles	5,037 (1,168)	173	4,042	2,920 (960)	767	2,727	1,315	20
2003	639,657 (4,123)	179,679	815,213	203,199	66,770 (3,818)	266,151	549,062	
2002	462,564	180,458 (3,365)	639,657	156,057	50,357 (3,215)	203,199	436,458	

12.3 Intangible Assets

	Cost			Depreciation				
	At Jan.1 2003	Add- itions/ (Dele- tions)	At Dec. 31 2003	At Jan.1 2003	Charge/ Impair- ment	At Dec. 31 2003	Book value at Dec. 31 2003	Rate of Depr- eciation %
Computer Software	32,210	3,299	35,509	28,144	5,716	33,860	1,649	50
2003	32,210	3,299	35,509	28,144	5,716	33,860	1,649	
2002	24,077	8,133	32,210	22,358	5,786	28,144	4,066	

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.

		2003	2002
		(Rupees in '000)	
13. BILLS PAYABLE			
In Pakistan		<u>1,224,757</u>	<u>979,776</u>
14. BORROWINGS FROM FINANCIAL INSTITUTIONS			
In Pakistan		<u>6,790,674</u>	<u>10,410,362</u>
14.1 Particulars of borrowings from financial institutions			
In local currency		<u>6,790,674</u>	<u>10,410,362</u>
14.2 Details of borrowings from financial Institutions			
Secured			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	14.3	4,978,990	699,192
Repurchase agreement borrowings	14.4	1,696,211	9,205,966
		6,675,201	9,905,158
Unsecured			
Call borrowings	14.5	-	500,000
Overdrawn Nostro Accounts		115,473	5,204
		<u>6,790,674</u>	<u>10,410,362</u>
14.3	This carries mark-up rates ranging between 1.50% and 4.50% (2002: 5.50% to 8.00%). 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, whichever is earlier.		
14.4	These carry mark-up rates ranging between 1.50% and 5.50% (2002: 3.20% to 7.50%) having a maturity of upto three months.		
14.5	Mark-up charged is Nil (2002: 3.50% and 7.45%) having maturity of upto three months.		



2003 2002
(Rupees in '000)

15. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	4,599,719	3,262,155
Savings deposits	14,593,956	13,187,191
Current accounts - Remunerative	11,039,586	9,068,688
Current accounts - Non-remunerative	14,802,311	7,729,443
	45,035,572	33,247,477

Financial Institutions

Remunerative deposits	1,062,900	874,295
Non-remunerative deposits	79,576	118,386
	46,178,048	34,240,158

15.1 Particulars of deposits

In local currency	42,226,590	31,388,862
In foreign currencies	3,951,458	2,851,296
	46,178,048	34,240,158

16. OTHER LIABILITIES

Mark-up /Return/Interest payable in local currency	244,621	379,374
Mark-up/Return/Interest payable in foreign currency	822	1,812
Accrued expenses	21,594	13,844
Advance payments	5,449	5,429
Unclaimed dividends	4,801	6,107
Proposed cash dividend	108,203	-
Branch adjustment account	8,657	55,034
Special exporters account	11,537	22,391
Others	41,757	73,948
	447,441	557,939



2003 2002
(Rupees in '000)

17. DEFERRED TAX LIABILITY

Deferred tax credit arising due to

Surplus on revaluation of Federal Govt. Securities
and Other securities

314,224 657,207
37,239 –

Deferred tax debit arising due to

Provision for general loan loss

(35,000) –
316,463 657,207

18. SHARE CAPITAL

18.1 Authorised Capital:

2003	2002		2003	2002
(Number)				
<u>150,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs.10 each	<u>1,500,000</u>	<u>1,500,000</u>

18.2 Issued, subscribed and paid up

2003	2002		2003	2002
(Number)		Ordinary shares		
<u>30,000,000</u>	<u>30,000,000</u>	Fully paid in cash	<u>300,000</u>	<u>300,000</u>
<u>78,203,140</u>	<u>56,562,432</u>	Issued as bonus shares	<u>782,031</u>	<u>565,625</u>
<u>108,203,140</u>	<u>86,562,432</u>		<u>1,082,031</u>	<u>865,625</u>

19. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS

19.1 Surplus/(Deficit) on revaluation of Securities

i) Federal Government securities	652,482	1,370,331
ii) Quoted shares	35,877	28,720
iii) Other Securities	90,726	27,982
	779,085	1,427,033
Less: Deferred tax liability arising on Federal Govt. Securities and Other Securities	(314,224)	(657,207)
	<u>464,861</u>	<u>769,826</u>



		2003	2002
		(Rupees in '000)	
20.	CONTINGENCIES AND COMMITMENTS		
20.1	Direct Credit Substitutes		
	Acceptances	1,793,988	1,372,920
20.2	Transaction-related Contingent Liabilities		
	Government	1,687,164	1,279,346
	Financial Institutions	44,929	36,420
	Others	460,465	528,572
		2,192,558	1,844,338
20.3	Trade-related Contingent Liabilities	7,958,205	5,060,178
20.4	Commitments in respect of forward lending		
	Commitments to extend credit	20,000	–
20.5	Commitments in respect of forward exchange contracts		
	Purchase	4,389,335	3,571,896
	Sale	5,512,238	6,298,645
20.6	Commitments for the acquisition of operating fixed assets	30,752	67,894
20.7	Commitments in respect of operating leases		
	Not later than one year	131,965	103,569
	Later than one year and not later than five years	205,370	174,392
		337,335	277,961
<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>			
		2003	2002
		(Rupees in '000)	
21.	MARK-UP/RETURN/INTEREST EARNED		
a)	On Loans and Advances to:		
	Customers	1,418,096	1,597,208
	Financial Institutions	22,635	18,827
b)	On Investments in:		
	Available-for-sale	916,268	1,009,353
c)	On Deposits with financial Institutions	10,954	29,075
d)	On Securities purchased under resale agreements	7,982	28,189
e)	On Call money lendings	27,554	93,765
		<u>2,403,489</u>	<u>2,776,417</u>



	2003	2002
	(Rupees in '000)	
22. MARK-UP/RETURN/INTEREST EXPENSED		
Deposits	945,189	1,754,629
Securities sold under repurchase agreements	138,048	111,535
Other short term borrowings	20,794	10,026
Borrowing from SBP under export refinance scheme	41,390	99,443
	1,145,421	1,975,633
23. OTHER INCOME		
Capital Gain on sale of Govt. Securities	701,373	104,671
Capital Gain on sale of Quoted shares	113,168	35,040
Capital Gain on sale of Listed TFCs	1,882	-
Net profit on sale of vehicles and equipment	5,234	1,026
Miscellaneous income (rent of lockers, recovery of fax, telephone, telex, courier charges etc.)	79,424	44,782
	901,081	185,519
24. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	345,634	262,816
Charge for defined benefit plan-employees gratuity fund	6,722	6,367
Contribution to defined contribution plan-employees provident fund	14,312	10,120
Non-executive directors' fees, allowances and other expenses	13	12
Rent, taxes, insurance, electricity etc.	152,755	120,235
Legal and professional charges	20,036	5,775
Communications	52,166	33,814
Repairs and maintenance	91,270	54,002
Rentals of operating leases	119,334	77,188
Security charges	25,193	17,380
Stationery and printing	38,735	25,295
Advertisement and publicity	19,877	10,483
Donations	24.1 6,125	5,735
Auditors' remuneration	24.2 300	300
Depreciation	12.2 66,770	50,357
Amortization	12.3 5,716	5,786
Vehicle running expenses	25,883	19,619
Commission and brokerage	21,938	11,820
Subscriptions and publications	7,075	5,743
Clearing charges (NIFT)	7,641	5,236
Others	34,450	31,694
	1,061,945	759,777



	2003	2002
	(Rupees in '000)	
24.1 The detail of donations in excess of Rupees One hundred thousand is given below:		
Shaukat Khanum Memorial Hospital and Research Centre	100	700
Habib Medical Trust	1,050	1,050
Institute of Behavioral Sciences	—	200
Jinnah Foundation (Memorial) Trust	200	100
Rahmatbai Habib Widows & Orphans Trust	400	400
Habib Poor Fund	400	400
The Kidney Centre	100	—
Rahmatbai Habib Food & Clothing Trust	300	300
Aga Khan University Hospital Oncology Department	500	—
Layton Rehmatullah Benevolent Trust	100	—
Bait-ul-Sukoon Trust	100	—
Hussaini Blood Bank	100	—
Habib Education Trust	900	900
Idia Rieu Poor Welfare Association	100	—
The Society for the Prevention and Cure of Blindness	100	—
Al-Sayyeda Benevolent Trust	1,400	1,400

None of the directors or their spouse had any interest in the above donees.

	2003	2002
	(Rupees in '000)	
24.2 Auditors' remuneration		
Audit fee	275	275
Fee for audit of provident, pension, gratuity and other funds	15	15
Special certifications and sundry advisory services	10	10
	300	300

25. OTHER ASSETS WRITTEN OFF

This pertains to Excise Duty on security stationery written off, since it is not recoverable as per notification of Central Board of Revenue.

	2003	2002
	(Rupees in '000)	
26. OTHER CHARGES		
Penalties imposed by State Bank of Pakistan (Schedule of charges and inspection report of 2002. (2002 : Maintenance of liquid assets, weekly statement, misc.)	787	3,944



		2003	2002
		(Rupees in '000)	
27. TAXATION			
For the year			
Current	27.1	589,932	330,000
Deferred		(17,834)	-
		572,098	330,000
For the prior years			
Current	27.2	(91,488)	-
Deferred		20,073	-
		(71,415)	-
		500,683	330,000
27.1 Relationship between tax expense and accounting profit			
Profit before taxation		1,512,992	619,726
Tax at the applicable tax rate of 44% (2002: 47%)		665,716	291,271
Tax effect of expenses that are not deductible in determining taxable Income		8,800	5,640
Tax effect of Dividend income at reduced rate		(9,951)	(11,082)
Tax effect of Capital gains on sale of shares being exempted income		(49,794)	(16,503)
Tax effect of Capital gains on sale of Govt. Securities held beyond twelve months		(47,259)	-
Tax effect of Provision against advances		44,000	55,757
Others		(21,580)	4,917
		589,932	330,000
27.2	The tax provided against specific provisions in prior years is being written back in the light of CIT (A) and ITAT judgement.		
		2003	2002
		(Rupees in '000)	
28. EARNINGS PER SHARE (AFTER TAX) - BASIC AND DILUTED			
Profit after taxation		1,012,309	289,726
Weighted average number of ordinary shares		108,203,140	108,203,140
Basic and diluted net earnings per share (after tax)		Rs. 9.36	Rs. 2.68



	2003	2002
	(Rupees in '000)	
27. TAXATION		
29. CASH AND CASH EQUIVALENTS		
Cash and Balance with Treasury Banks	6,110,710	3,915,988
Balance with other banks	544,554	409,970
	6,655,264	4,325,958
30. STAFF STRENGTH	2003	2002
Total number of employees at the end of the year	1,253	1,007
31. DEFINED BENEFIT PLAN - EMPLOYEE GRATUITY FUND		
31.1 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'.		
31.2 Principal actuarial assumptions		
The significant actuarial assumptions used for the valuation of this scheme are :		
Discount rate is 6% per annum.		
Expected rate of increase in salary level at 5% per annum.		
Expected rate of return on investments at 6% per annum.		
	2003	2002
	(Rupees in '000)	
31.3 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligations	(54,7499)	(36,016)
Fair value of plan assets	43,616	34,614
Net actuarial gains or losses not recognized	11,133	1,402
	-	-
	-	-



	2003	2002
	(Rupees in '000)	
31.4 Movement in payable to defined benefit plan		
Opening Balance	-	-
Charge for the year	6,722	6,367
Contribution to the fund during the year	(6,722)	(6,367)
	<u>-</u>	<u>-</u>
31.5 Charge for defined benefit plan		
Current service cost	6,122	4,075
Interest cost	3,893	2,535
Expected return on plan assets	(3,293)	(243)
	<u>6,722</u>	<u>6,367</u>
31.6 Actual return on plan assets	<u>3,017</u>	<u>1,693</u>

32. 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.

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors*		Executives	
	2003	2002	2003	2002	2003	2002
Fees	-	-	-	-	-	-
Managerial remuneration	3,600	3,600	3,000	3,900	49,891	29,159
Contribution to defined contribution plan	240	240	140	140	2,558	1,346
Utilities	459	463	-	-	-	-
Bonus	400	410	333	453	5,546	3,450
Medical	69	61	40	67	980	519
Others	-	-	-	-	684	170
	<u>4,768</u>	<u>4,774</u>	<u>3,513</u>	<u>4,560</u>	<u>59,659</u>	<u>34,644</u>
Number of persons	<u>1</u>	<u>1</u>	<u>**1</u>	<u>2</u>	<u>40</u>	<u>21</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.

** Syed Mazhar Abbas resigned from the employment of the Bank in June 2003 but has continued as a director on the Board of the Bank.



34. MATURITIES OF ASSETS AND LIABILITIES

	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five years
Assets					
Cash and balances with treasury banks	6,110,710	6,110,710	–	–	–
Balances with other banks	544,554	542,054	2,500	–	–
Lending to financial institutions	469,626	469,626	–	–	–
Investments	14,109,215	4,994,002	1,820,201	4,253,020	3,041,992
Advances	35,231,514	12,379,840	17,883,894	4,418,200	549,580
Other assets	941,485	422,601	275,053	229,792	14,039
Operating fixed assets	741,107	21,132	64,588	303,462	351,925
	58,148,211	24,939,965	20,046,236	9,204,474	3,957,536
Liabilities					
Bills payable	1,224,757	1,224,757	–	–	–
Borrowings from financial institutions	6,790,674	4,731,526	2,059,148	–	–
Deposits and other accounts	46,178,048	43,896,876*	1,595,644	680,881	4,647
Other liabilities	447,441	244,550	197,442	–	5,449
Deferred tax liability	316,463	754	15,078	192,125	108,506
	54,957,383	50,098,463	3,867,312	873,006	118,602
Net Assets	3,190,828	(25,158,498)	16,178,924	8,331,468	3,838,934
Share capital	1,082,031				
Reserves	1,599,008				
Unappropriated profit	44,928				
Surplus / (Deficit) on revaluation of assets	464,861				
	3,190,828				

* 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.



35. YIELD/INTEREST RATE RISK

	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	
On-balance sheet financial Instruments							
Assets							
Cash and balances with treasury banks	0.50%-1.00%	6,110,710	798,812	–	–	–	5,311,898
Balances with other banks	1.00%-2.00%	544,554	303,650	2,500	–	–	238,404
Lendings to financial institutions	2.98%-4.00%	469,626	469,626	–	–	–	–
Investments	1.20%-15.00%	14,109,215	4,994,002	1,820,201	4,253,020	2,634,880	407,112
Advances 2.50%-12.00%	35,231,514	12,379,840	17,883,894	4,418,200	549,580	–	941,485
Other assets	–	941,485	–	–	–	–	941,485
		57,407,104	18,945,930	19,706,595	8,671,220	3,184,460	6,898,899
Liabilities							
Bills payable	–	1,224,757	–	–	–	–	1,224,757
Borrowings from financial institutions	1.50%-5.50%	6,790,674	4,731,526	2,059,148	–	–	–
Deposits and other accounts	0.01%-12.00%	46,178,048	28,975,837 *	1,595,644	680,881	4,647	14,921,039
Other Liabilities	–	447,441	–	–	–	–	447,441
		54,640,920	33,707,363	3,654,792	680,881	4,647	16,593,237
On-balance sheet gap		<u>2,766,184</u>	<u>(14,761,433)</u>	<u>16,051,803</u>	<u>7,990,339</u>	<u>3,179,813</u>	<u>(9,694,338)</u>
Off-balance sheet financial Instruments							
Forward Lendings (Commitment to extend credit)	7.00%	20,000	–	–	–	20,000	–
Off-balance sheet gap		<u>20,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>20,000</u>	<u>–</u>
Total Yield/Interest Risk Sensitivity Gap			<u>(14,761,433)</u>	<u>16,051,803</u>	<u>7,990,339</u>	<u>3,199,813</u>	
Cumulative Yield/Interest Risk Sensitivity Gap			<u>(14,761,433)</u>	<u>1,290,370</u>	<u>9,280,709</u>	<u>12,480,522</u>	

* 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 Assets 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.



36. CURRENCY RISK

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupee	52,719,125	54,000,005	1,122,903	(157,977)
United States Dollar	4,901,371	3,755,592	(992,954)	152,825
Great Britain Pound	68,656	121,759	52,267	(836)
Japanese Yen	21	88,278	88,626	369
Euro	394,600	175,780	(214,266)	4,554
Other Currencies	64,438	6,797	(56,576)	1,065
	<u>58,148,211</u>	<u>58,148,211</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.

37. 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, 2003, 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.

38. 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.



38.1. Segment by class of business

	Advances		Deposits		Contingencies and Commitments*	
	Rupees in'000	%	Rupees in '000	%	Rupees in '000	%
Chemical and Pharmaceuticals	239,889	0.68	396,073	0.86	261,678	2.12
Agribusiness	21,885	0.06	236,615	0.51	200,839	1.63
Textile	18,403,005	52.09	1,150,582	2.49	4,342,614	35.21
Cement	44,391	0.12	12,852	0.03	11,594	0.10
Sugar	445,814	1.26	241,890	0.52	30,525	0.25
Shoes and leather garments	593,632	1.68	19,172	0.04	56,957	0.46
Automobile and transportation equipment	235,411	0.67	318,436	0.69	301,812	2.45
Financial	240,785	0.68	743,320	1.61	339,632	2.75
Insurance	–	–	252,617	0.55	–	–
Electronics and electrical appliances	159,835	0.45	51,775	0.11	279,336	2.26
Production and transmission of energy	184,634	0.52	45,912	0.10	822,536	6.67
Individuals	4,920,539	13.93	24,424,020	52.89	36,746	0.30
Others	** 9,841,694	27.86	18,284,784	39.60	5,648,569	45.80
	<u>35,331,514</u>	<u>100.00</u>	<u>46,178,048</u>	<u>100.00</u>	<u>12,332,838</u>	<u>100.00</u>
Less : General provision against doubtful debts	(100,000)					
	<u>35,231,514</u>					

* Excludes Forward exchange contracts.

** All other business classes are less than 10% of the total exposure.

38.2. Segment by sector

	Advances		Deposits		Contingencies and Commitments**	
	Rupees in'000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	1,742,023	4.93	6,158,700	13.34	2,596,379	21.05
Private	33,589,491	95.07	40,019,348	86.66	9,736,459	78.95
	<u>35,331,514</u>	<u>100.00</u>	<u>46,178,048</u>	<u>100.00</u>	<u>12,332,838</u>	<u>100.00</u>
Less : General provision against doubtful debts	(100,000)					
	<u>35,231,514</u>					

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



39. GEOGRAPHICAL SEGMENT ANALYSIS

	(Rupees in '000)			
	Profit before taxation	Total assets employed	Net assets employed	Conting- encies & commit- ments
Pakistan	1,512,992	58,148,211	3,190,828	12,332,838

2003 **2002**
(Rupees in '000)

40. RELATED PARTY TRANSACTIONS

Advances given during the year	276,273	491,390
Advances repaid during the year	296,089	372,672
Advances (at year end)	271,531	321,347
Deposits (at year end)	331,460	401,700
Mark-up/Interest expensed	11,827	17,799
Mark-up/Interest earned/bank charges recovered	17,809	27,735
Commitments and contingent liabilities for irrevocable commitments and contingencies	11,689	29,233
Insurance premium paid	35,482	21,491
Insurance claims received	7,779	2,463
Dividend on investment	-	2,505
Dividend paid	-	600

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Significant influence arises on account of representation of directors on the board and their ability to participate in policy making process. The nature of related parties of the above transactions was on account of significant influence.

The lending policy in case of related parties has been consistent with that of the Bank's overall credit policy and in line with SBP's Prudential Regulations.

The pricing policy in respect of the above transactions is based on an arm's length price except dividends which have been approved in the Annual General Meetings.



41. GENERAL

- 41.1 – Previous year's figures have been rearranged, wherever necessary, to facilitate comparison as given below:
- Capital gains on sale of Govt. securities amounting to Rs. 701.373 million (2002: Rs. 104.671 million) and Ordinary shares amounting to Rs. 113.168 million (2002: Rs. 35.040 million) have been reclassified as 'other income' in the current year instead of classifying under 'interest/mark-up/return earned' last year.
 - Investment in Pakistan income fund amounting to Rs. 12.269 million (2002: Rs. 10.752 million) has been reclassified as 'investment in open ended mutual funds' in the current year instead of classifying under 'investments in quoted shares' last year.

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

42. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 18, 2004 by the Board of Directors of the Bank.

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, 2003**

(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.	Revoni & Co. (Pvt) Ltd. Plot No. 555-557 Sector 7/A, Korangi Industrial Area, Khi.	Mr. Muhammad Naeem Durrani NIC 515-44-130531 Mr. Fazlur Rahman	Haji Muhammad Yaqoob Durrani Mr. Lewasgeen Khan	9,191	2,968	-	12,159	3,310	3,203	-	6,513
2.	Sohail Corporation Office No. 1 & 2 Industrial & Trading Centre, Islamabad.	Mr. Muhammad Sohail Rabbani NIC 211-59-198495	Sheikh Ghulam Rasool	1,899	2,115	-	4,014	759	2,115	-	2,874
3.	ANSW Enterprises Plot 42, 3rd Floor, Sadiq Plaza, The Mall, Lahore	Sheikh Amjad Iqbal NIC 300-52-024220 Mrs. Shaheen Kausar NIC 324-54-402904	Sheikh Muhammad Nazar w/o Sheikh Amjad Iqbal	12,186	2,472	-	14,658	4,187	2,472	-	6,659
4.	Modern Textile Industries, 24-1-A, Industrial Estate, Multan.	Mr. Zia Mohy-ud-Din NIC 322-58-176542	Mr. Ghulam Mohi-ud Din	12,445	3,058	-	15,503	6,262	3,058	-	9,320
5.	Muhammad Umar Baloch 20-G, Block 6, P.E.C.H.S., Karachi.	Mr. Muhammad Umar Baloch NIC 632-34-040924	Mir Faqeer Baloch	697	818	-	1,515	-	615	-	615
Total				36,418	11,431	-	47,849	14,518	11,463	-	25,981



Notice of Annual General Meeting

Notice is hereby given that the Thirteenth Annual General meeting of Bank AL Habib Limited will be held at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, on Tuesday, March 30, 2004 at 12:30 p.m to transact the following Business:

1. To confirm the minutes of the Twelfth Annual General Meeting of the Bank held on March 27, 2003.
2. To receive and adopt the audited accounts of the Bank for the year ended December 31, 2003 together with the Directors' and Auditors' Report thereon.
3. To approve payment of cash dividend @ 10% i.e. Rs. 1.00 per share of Rs. 10 each for the year ended December 31, 2003 as recommended by the Directors.
4. 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. 270,507,600/- (Rupees two hundred seventy million five hundred seven thousand six hundred only) out of the un-appropriated profit be capitalized and distributed by issuing 27,050,760 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 16, 2004 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 27,050,760 shares."

5. To appoint Auditors for the year ending December 31, 2004 and to fix their remuneration. Existing auditors Messrs. Hyder Bhimji & Company, Chartered Accountants have retired. In compliance with the Code of Corporate Governance and based on the recommendation of the Audit Committee, the Board recommends the appointment of Messrs. Taseer Hadi Khalid & Company, Chartered Accountants, as auditors in place of the retiring auditors.
6. To elect Directors of the Bank in accordance with Section 178(1) of the Companies Ordinance, 1984. The number of Directors to be elected has been fixed at nine by the Board of Directors in addition to one Director nominated by NIT.

The following, being eligible, have offered themselves for re-election:

Mr. Ali Raza D. Habib, Mr. Abbas D. Habib, Mr. Faiz N. Abdulali, Mr. Qumail R. Habib, Mr. Anwar Haji Karim, Mr. Murtaza H. Habib, Mr. Imtiaz Alam Hanfi, Syed Mazhar Abbas and Mr. Hasnain A. Habib.

7. To consider any other business of the Bank with the permission of the Chair.

Special Business

8. To approve the remuneration payable to the Chief Executive and Executive Director of the Bank.



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

"RESOLVED that the Authorized Capital of the Bank be and is hereby increased from Rs. 1,500,000,000/- (Rupees one billion five hundred million) to Rs. 3,000,000,000/- (Rupees three billion) by the creation of 150,000,000 ordinary shares of Rs. 10/- each.

FURTHER RESOLVED that the figures and words "Rs. 1,500,000,000/- (Rupees one billion five hundred million) divided into 150,000,000 (One hundred fifty 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. 3,000,000,000/- (Rupees three billion) divided into 300,000,000 (three hundred million) ordinary shares of Rs. 10 each".

10. To enhance the remuneration payable to Directors for attending Board of Directors meeting from Rs. 500 to Rs. 2,500 and pass the following resolution:

"RESOLVED that the remuneration payable to Directors for attending Board Meeting be and is hereby increased from Rs. 500 (Rupees Five Hundred) to Rs. 2,500 (Rupees two thousand five hundred)".

"FURTHER RESOLVED that the figure Rs. 500 (Rupees Five Hundred) appearing in Article 106 of Article of Association be and is hereby substituted by the figure Rs. 2,500 (Rupees two thousand five hundred)."

By order of the Board

Mahmood S. Allarakhia
Company Secretary

Karachi: February 18, 2004

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy must be a member of the Bank. Proxy forms in order to be effective, must be received at the Registered Office of the bank located at 126-C, Old Bahawalpur Road, Multan, duly stamped and signed not less than 48 hours before the meeting.
2. The CDC accounts/sub account holders are requested to bring with them their National ID Cards along with Participant(s) ID Number and their account numbers at the time of attending the AGM in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.
3. The share transfer books of the Bank will remain closed from Wednesday, March 17, 2004 to Wednesday, March 31, 2004, 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. 8,9 and 10 a statement under section 160 of the Companies Ordinance, 1984 is annexed on page 45.



Statement Under Section 160 of the Companies Ordinance, 1984

February 18, 2004

To all Members of the Bank

1. As recommended by the Board of Directors in their meeting held on February 18, 2004 to increase the Authorized Capital of the Bank, it is proposed to pass the following Special Resolution:

"RESOLVED that the Authorized Capital of the Bank be and is hereby increased from Rs. 1,500,000,000/- (Rupees one billion five hundred million) to Rs. 3,000,000,000/- (Rupees three billion) by the creation of 150,000,000 ordinary shares of Rs. 10/- each.

FURTHER RESOLVED that the figures and words "Rs. 1,500,000,000/- (Rupees one billion five hundred million) divided into 150,000,000 (One hundred fifty 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. 3,000,000,000/- (Rupees three billion) divided into 300,000,000 (three hundred million) ordinary shares of Rs. 10 each".

2. Subsequent to the re-appointment of the Chief Executive by the Board of Directors in their meeting held on February 18, 2004, it is intended to propose the following resolution to be passed as an Ordinary Resolution:

"RESOLVED that the remuneration of the Chief Executive shall not exceed Rs. 500,000 per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his employment, subject to an increment not exceeding 15% per annum".

It is further intended to propose the following resolution to be passed as Ordinary Resolution:

"RESOLVED that the remuneration of Mr. Qumail R. Habib Executive Director shall not exceed Rs. 300,000 per month exclusive of perquisites, benefits and other allowances to which he is entitled under the terms of his employment, subject to an increment not exceeding 15% per annum."

3. To enhance the remuneration payable to Directors for attending Board of Directors meeting from Rs. 500 to Rs. 2,500 and pass the following resolution:

"RESOLVED that the remuneration payable to Directors for attending Board Meeting be and is hereby increased from Rs. 500 (Rupees Five Hundred) to Rs. 2,500 (Rupees two thousand five hundred)".

"FURTHER RESOLVED that the figure Rs. 500 (Rupees Five Hundred) appearing in Article 106 of Article of Association be and is hereby substituted by the figure Rs. 2,500 (Rupees two thousand five hundred)."

MAHMOOD S. ALLARAKHIA
Company Secretary



Pattern of Shareholding as at December 31, 2003

Number of Shareholders	Size of Shareholding				Total Shares held
333	From	1	To	100	15,500
1,322	From	101	To	500	377,844
364	From	501	To	1,000	277,431
2,691	From	1,001	To	5,000	5,185,987
178	From	5,001	To	10,000	1,270,632
55	From	10,001	To	15,000	671,755
61	From	15,001	To	20,000	1,081,084
19	From	20,001	To	25,000	436,194
14	From	25,001	To	30,000	380,779
19	From	30,001	To	35,000	629,254
51	From	35,001	To	40,000	1,852,514
28	From	40,001	To	50,000	1,258,206
14	From	50,001	To	60,000	760,743
21	From	60,001	To	80,000	1,477,523
19	From	80,001	To	100,000	1,728,147
35	From	100,001	To	150,000	4,157,105
9	From	150,001	To	200,000	1,539,162
8	From	200,001	To	250,000	1,811,497
6	From	250,001	To	300,000	1,624,158
4	From	300,001	To	350,000	1,350,951
19	From	350,001	To	600,000	8,273,796
5	From	600,001	To	1,000,000	3,739,987
28	From	1,000,001	To	18,985,000	68,302,791
5,303					108,203,040

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Individuals	5,195	66,746,822	61.69
Investment Companies	4	1,386	0.00
Insurance Companies	5	8,539,486	7.89
Joint Stock Companies	68	8,889,996	8.22
Financial Institutions	11	19,303,740	17.84
Modaraba Companies	4	1,724,479	1.59
Mutual Funds	2	30,981	0.03
Foreign Companies	5	2,268,928	2.10
Others	9	697,222	0.64
Total	5,303	108,203,040	100.00



Pattern of Shareholding as at December 31, 2003

Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Company		
Habib Sugar Mills Ltd.	1	1,799,776
NIT and ICP		
National Investment Trust	1	18,983,085
National Bank of Pakistan Trustee Department	1	207
Investment Corporation of Pakistan	1	
Directors		
Ali Raza D. Habib	1	1,013,138
Faiz N. Abdulali	1	1,203,665
Qumail R. Habib	1	1,420,235
Anwar Haji Karim	1	1,803,383
Tariq Iqbal Khan (NIT Nominee)	—	—
Murtaza H. Habib	1	1,045,961
Syed Mazhar Abbas	1	1,800
Hasnain A. Habib	1	1,714,126
Salman H. Habib	1	973,826
Chief Executive Officer		
Abbas D. Habib	1	3,640,728
Directors' Spouses and Minor Children		
Mrs. Razia A. Raza Habib W/o. Mr. Ali Raza D. Habib	1	450,845
Mrs. Niamet Fatima W/o. Mr. Abbas D. Habib	1	450,845
Mrs. Sakina Faiz Abdulali W/o. Mr. Faiz N. Abdulali	1	150,000
Master Qasim Abbas Habib S/o. Mr. Abbas D. Habib (Joint A/c)	1	90,167
Executives	7	31,389
Banks, Development Financial Institutions, Insurance Companies, Investment Companies, Non-Banking Financial Institutions, Modarabas and Mutual Funds	29	12,885,708
Joint Stock Companies and Corporations	67	7,090,220
Individuals	5,175	52,756,714
Others	9	697,222
	<u>5,303</u>	<u>108,203,040</u>



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) 4544383-87
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, D.H.A.
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.
Phones : (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

MR-1/16, Ram Bharti Street,
Market Quarter, Jodia Bazar.
Phones : (92-21) 2446451-5
Fax : (92-21) 2473390

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.
Phones : (92-21) 8010921-22
Fax : (92-21) 8010911

KORANGI ROAD BRANCH

Speedy Towers Plot No. 131/1
Phase-I, Defence Housing Authority.
Phones : (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,
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.
Phones : (92-21) 4811971-3
Fax : (92-21) 4985045

KHYABAN-E-SHAMSHER BRANCH

Plot No. 2-C, Stadium Lane No. 4,
Phase V, Defence Housing Authority.
Phones : (92-21) 5846277-79
Fax : (92-21) 5846179

ALLAMA IQBAL ROAD BRANCH

86-S, Block-2, Raja Terrace,
P.E.C.H.S.
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.
Phones : (92-21) 2212352-54
Fax : (92-21) 2212350

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

LEA MARKET BRANCH

Shop No. 1, Plot No. N.P 6/30-31,
Zulikha Mansion, Napier Town Quarters.
Phones : (92-21) 7540846-47, 7520684
Fax : (92-21) 7540848

NEW SABZI MANDI BRANCH

Administration Block, New Sabzi Mandi
Super Highway.
Phones : (92-21) 6380840-43
Fax : (92-21) 6380844

WATER PUMP BRANCH

C-21, Block-13, Federal "B" Area,
Shahrah-e-Pakistan.
Phones : (92-21) 6369125, 6369114-15
Fax : (92-21) 6369216

FATIMA JINNAH COLONY BRANCH

6, Ruby Appartments, Jamshed Quarters,
Phones : (92-21) 4854529, 4854548 & 4854560
Fax : (92-21) 4854542

MALIR HALT BRANCH

Plot No. 157, Malir Halt, Opp. Malir Halt
Railway Station, Shahrah-e-Faisal, Karachi.
Phones : (92-21) 4599591-3 & 4599611-2
Fax : (92-21) 4599613

PAKISTAN STEEL MILLS BRANCH

Pipri Bin Qasim, Karachi.
Phones : (92-21) 4750617, 4750271
Fax : (92-21) 4750618

RIZVIA SOCIETY BRANCH

D-9, Ishrat Arcade, Rizvia Co-operative
Housing Society, Nazimabad, Karachi.
Phones : (92-21) 6607992-95
Fax : (92-21) 6607996

KORANGI INDUSTRIAL AREA BRANCH

Plot No. ST 2/2, Sector-23,
Korangi Town Ship, Karachi.
Phones : (92-21) 5074492-95
Fax : (92-21) 5074496

SADDAR BRANCH

Saddar Bazar Shop No. 4-6, Bukhara Centre,
Raja Ghazanfar Ali Khan Road, Saddar,
Phones : (92-21) 5658032-35
Fax : (92-21) 5658030

SHERSHAH BRANCH

Shop No. 27-30, Plot No. D-283,
Shershah, S.I.T.E., Area,
Phones : (92-21) 2586241-44
Fax : (92-21) 2586246

LAHORE

MAIN BRANCH

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

NEW 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, Icchra.
Phones : (92-42) 7569982-3, 7569923
Fax : (92-42) 7569924

DEFENCE BRANCH

82-Y Commercial, Phase III, D.H.A.
Phones : (92-42) 5894113-5894116
Fax : (92-42) 5893303

AZAM CLOTH MARKET BRANCH

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

NEW ANARKALI BRANCH

1-A, New Anarkali, First Floor,
Tariq Trade Centre, Chowk Lohari Gate.
Phones : (92-42) 7674248-50
Fax : (92-42) 7674252

ALLAMA IQBAL TOWN BRANCH

7-Chenab Block, Main Boulevard,
Allama Iqbal Town.
Phones : (92-42) 5430918-20
Fax : (92-42) 5430921

BADAMI BAGH BRANCH

92-Grain Market, Badami Bagh.
Phones : (92-42) 7708002-4
Fax : (92-42) 7708005

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



Branch Network

FAISALABAD

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

BUREWALA

67/F Vehari Road, Burewala
Phones : (92-447) 772531-33
Fax : (92-447) 772534

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.
Phones : (92-702) 81101, 81102 & 81103
Fax : (92-702) 81104

RAHIM YAR KHAN

Shahi Road.
Phones : (92-731) 84557 & 84508-9
Fax : (92-731) 84503

KHANPUR

Plot No. 8/9, Model Town Road, Khanpur,
Distt Rahim Yar Khan.
Phones : (92-707) 76702-3
Fax : (92-707) 76704

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.
Phones : (92-51) 2297758-2213482
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.
Phones : (92-51) 5553462, 5553664
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 : (92-641) 468471-73
Fax : (92-641) 468474

DINGA (DISTT. GUJRAT)

Opp. Civil Hospital.
Phone : (92-4337) 401737
Fax : (92-4337) 402785

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



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./CDC Account and Participant's I.D. No. _____

hereby appoint

of _____

or failing him/her

of _____

another member of the Bank to vote for me/us and on my/our behalf at the Thirteenth Annual General Meeting of the Bank to be held on Tuesday, March 30, 2004 and at any adjournment thereof. _____

As witness my/our hand this _____ day of _____ 2004.

REVENUE
STAMP
RS. 5

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.