

Bolan Bank Limited

Annual Report 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bolan Bank Limited as at 31 December 1999 and the related profit and loss account and cash flow statement together with the notes forming part thereof, for the year then ended, in which are incorporated the un-audited certified returns from the branches except for fourteen 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 and, after due verification thereof, found them satisfactory and, we report that:

(a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and 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 the balance sheet and the profit and loss account and cash flow statement together with the notes forming part thereof, give the information required by the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 1999 and its true balance of the profit and its cash flows for the year then ended; and

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

Sd/-
Taseer Hadi Khalid & Co.
Chartered Accountants

Sd/-
Taher Moochhala & Co.
Chartered Accountants

Karachi:

Date: Feb. 29, 2000

BALANCE SHEET AS AT 31 DECEMBER, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
Assets			
Cash	4	788,742	668,505
Balance with other banks	5	209,192	248,582
Money at call and short notice		1,250,000	100,000
Investments	6	613,097	1,630,525
Advances net of provision	7	1,863,239	2,033,504
Operating fixed assets	8	550,314	571,891
Capital work in progress	9	131,757	9,906
Other assets	10	472,743	416,487
		-----	-----

		5,879,084	5,679,400
Liabilities			
Deposits and other accounts	11	4,853,103	4,797,729
Borrowings from other banks, agents etc.	12	169,653	116,189
Bills payable		175,955	103,737
Other liabilities	13	89,765	71,655
		-----	-----
		5,288,476	5,089,310
		-----	-----
Net assets		590,608	590,090
		=====	=====
Represented by			
Share capital	14	507,938	507,938
Reserve fund and other reserves	15	81,705	81,600
Unappropriated Profit		965	552
		-----	-----
Shareholders equity		590,608	590,090
		=====	=====
Memorandum Items			
Bills for collection	17	303,376	275,409
Acceptances, endorsements and others obligations		593,551	575,850
Contingent liabilities and commitments	18		

These accounts should be read in conjunction with the attached notes.

Syed Ijaz Hussain Shah
President & Chief Executive

Javed Yunus
Chairman

Mirza Ghulam Mustafa
Vice Chairman

Pervez Yunus
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31, DECEMBER, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
Mark-up/Interest and/or return earned		467,859	623,403
Cost/Return on deposits, borrowings etc.		(254,965)	(406,737)
		-----	-----
		212,894	216,666
		-----	-----
Fee, commissions and brokerage		31,497	36,877
Other operating income	19	17,614	30,753
		-----	-----
		49,111	67,630
		-----	-----
		262,005	284,296
		-----	-----
Operating expenses			
Administrative expenses	20	288,776	279,043
(Reversal)/Provisions against non-performing advances-net	7.2	(10,300)	6,222
Bad debts written-off directly		--	1,397
		-----	-----
		278,476	286,662
		-----	-----
		(16,471)	(2,366)
Other income	21	23489	3,113
		-----	-----
Profit before taxation		7,018	747
		-----	-----
Taxation			
- current	22	(9,000)	(18,000)
- prior		--	(24,360)
- deferred		2,500	28,000
		-----	-----

		(6,500)	(14,360)
Profit/(loss) after taxation		518	(13,613)
Unappropriated profit brought forward		552	253
Profit available for appropriation/Accumulated (loss)		1,070	(13,360)
Appropriations			
Transfer (to)/from			
- Revenue reserve		--	13,912
- Statutory reserve		(105)	--
		(105)	13,912
Unappropriated profit carried forward		965	552
Earnings per share	31	Rupees 0.01	Rupees (0.39)

These accounts should be read in conjunction with the attached notes.

Syed Ijaz Hussain Shah
President & Chief Executive

Javed Yunus
Chairman

Mirza Ghulam Mustafa
Vice Chairman

Pervez Yunus
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		7,018	747
Less: Profit on sale of fixed assets		(20,169)	(411)
		(13,151)	336
Adjustments for non-cash charges			
Depreciation		46,432	50,795
Provision for Gratuity		5,335	8,014
Amortization of discount on Investments		(379)	(379)
Amortization of Premium on Investments		48	48
Provision for non-Performing advances-net		(10,300)	6,221
		41,136	64,699
		27,985	65,035
(Increase)/Decrease in Operating Assets			
Advances		180,565	1,099,530
Other assets (excluding advance tax)		(8,334)	58,129
		172,231	1,157,659
(Increase)/Decrease in Operating Liabilities			
Deposits & Other Accounts		55,374	(963,441)
Bills Payable		72,218	(31,368)
Other Liabilities (excluding provision for taxation)		12,775	10,993
		140,367	(983,816)
Cash flow from operating activities before income tax and gratuity payment		340,583	238,878
Income tax paid		(54,422)	(112,100)

Gratuity paid	--	(5,055)
Net cash flow from operating activities	286,161	121,723
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase/sale of investments (Net)	1,017,759	(189,352)
Capital expenditure incurred	(168,675)	(115,955)
Proceeds from sale of fixed assets	42,138	1,573
Net cash flow from investing activities	891,222	(303,734)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Right Shares	--	161,250
Borrowing from other banking companies, agents etc.	53,464	22,055
Net cash flow from financing activities	53,464	183,305
Net cash increase in cash and equivalents	1,230,847	1,294
Cash and cash equivalents at the beginning of the year	1,017,087	1,015,793
Cash and cash equivalents at the end of the year	2,247,934	1,017,087
Cash and cash equivalents		
Cash	788,742	668,505
Balance with other Banks	209,192	248,582
Money at call and short notice	1,250,000	100,000
	2,247,934	1,017,087

Syed Ijaz Hussain Shah
President & Chief Executive

Javed Yunus
Chairman

Mirza Ghulam Mustafa
Vice Chairman

Pervez Yunus
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1999

1. STATUS AND NATURE OF BUSINESS

Bolan Bank Limited is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. The Bank is listed on Karachi and Lahore Stock Exchanges. It operates fifty branches in Pakistan.

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. One permissible form of trade related mode of financing comprises of purchase of goods by the banks from their customers and resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these accounts as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of Compliance

These accounts have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee ("IASC") and interpretation issued by Standing Interpretation Committee of the IASC, as applicable in Pakistan and the requirement of the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984.

3.2 Accounting convention

These accounts have been prepared using the historical cost convention and are in conformity with the accounting policies of banking institutions in Pakistan.

3.3 Staff Retirement Benefits

3.3.1 Gratuity

The bank operates funded gratuity scheme and contributions are made annually to cover obligations under the scheme.

3.3.2 Provident Fund

The Bank also operates an approved provident fund scheme for all its employees and appropriate contributions are made by the employers and employees.

3.4 Taxation

The charge for taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits, rebates and tax losses etc.

Deferred tax 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 amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available and the credits can be utilised.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.5 Investments

Securities held with the intent and ability to hold them to maturity (investment securities) are stated at amortized cost less provision for any permanent diminution in value. The difference between the face value and purchase-price is amortized over the remaining life of security. Securities held for trading purpose (dealing securities) if any, are stated at market value with resultant gain or loss being recognised in the profit and loss account.

Where the bank enters into transactions of repurchase (Repo) and resale (Reverse Repo) of government securities, these are recorded/deleted at contracted rates for specified period of time.

3.6 Advances

Advances are stated net-off provisions for bad and doubtful debts. Specific and general provisions for bad and doubtful debts are determined by the management keeping in view the requirements the Prudential Regulations issued by the State Bank of Pakistan. Advances are written off when there is no realistic prospect of recovery.

3.7 Premises, furniture & fixtures, vehicles and other fixed assets

i) The cost of premises, furniture, fixtures and other fixed assets are depreciated over its estimated useful life on reducing balance method. Further, the cost of vehicles is depreciated over its useful life on straight line basis.

ii) A full year's depreciation is provided on assets acquired upto 30 September, whereas, no depreciation is provided on assets disposed off before 30 September. Gains or losses on disposal of fixed assets are included in income currently.

iii) The rates of depreciation are as follows:

Premises	5% per annum
Furniture and fixtures and other fixed assets	10% to 33.33% per annum
Motor vehicles	20% per annum

iv) Upto last year depreciation on certain fixed assets including furniture, fixture and other office equipments were being charged at 15%, however from current year the management has revised the estimated useful life of such items of fixed assets and depreciation from current year is being provided at the rate of 10% on such items of fixed assets. As a result of this change in estimate the depreciation charge for the year has been reduced by Rs 10.301 million with consequent effect on the results for the year.

3.8 Capital work-in-progress

This is stated at cost.

3.9 Foreign currencies

Foreign currency transactions are translated into rupee at exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated into rupee at the exchange rates prevailing at the balance sheet date, except foreign currency deposits for which forward cover is taken from State Bank of Pakistan. Foreign currency deposits for which forward cover is taken from State Bank of Pakistan are translated at their respective cover rates. Outstanding forward foreign exchange contracts are valued at the rates applicable to their respective maturities. Exchange gains and losses are included in income currently.

3.10 Revenue recognition

Mark-up/return on advances and investments is recognised on accrual basis, except income which warrant carry, forward in compliance with the Prudential Regulations of the State Bank of Pakistan. Commissions on letters of credit and guarantees are recognised on receipt basis.

		<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
4. CASH			
In hand			
- local currency	4.1	407,693	285,484
- foreign currencies		16,193	9,718
With State Bank of Pakistan:			
- Local currency current account		248,989	297,957
- Foreign currency deposit accounts		41,365	--
With National Bank of Pakistan			
- Current accounts		74,502	75,346
		-----	-----
		788,742	668,505
		=====	=====

This includes National Prize Bonds amounting to Rs 47.598 million (1998 Rs 1.021 million).

5. BALANCES WITH OTHER BANKS

On Current Account			
- In Pakistan		58,498	58,910
- Outside Pakistan		150,694	189,664
		-----	-----
		209,192	248,574
On Deposit Account			
- In Pakistan		--	8
		-----	-----
		209,192	248,582
		=====	=====

6. INVESTMENTS

Investment Securities			
Federal and Provincial Government Securities:			
- Federal Investment Bonds		526,688	910,688
- Government Market Treasury Bills		86,409	719,837
		-----	-----
		613,097	1,630,525
		=====	=====

6.1 Investments securities include securities deposited as security with State Bank of Pakistan and National Bank of Pakistan as follows:

With State Bank of Pakistan			
For discounting facilities		25,000	25,000
For surrender of foreign currency deposits		15,000	15,000
		-----	-----
		40,000	40,000
		=====	=====
With National Bank of Pakistan			
For discounting facilities		15,000	15,000
		=====	=====

7. ADVANCES -- NET OF PROVISION

Loans, cash credits, overdrafts etc.		
- In Pakistan	1,822,956	2,053,335
	-----	-----
	1,822,956	2,053,335
Bills discounted and purchased (excluding Government Treasury Bills)		
- Payable in Pakistan	4,535	7,713
- Payable outside Pakistan	57,213	4,221
	-----	-----
	61,748	11,934
	-----	-----
	1,884,704	2,065,269
Provision for non-performing advances 7.2	(21,465)	(31,765)
	-----	-----
	1,863,239	2,033,504
	=====	=====

Advances include Rs 432.913 million (1998: Rs 203.462 million) which have been placed on non performing status.

7.1 Particulars of advances

In local currency	1,806,026	2,029,283
In foreign currency	57,213	4,221
	-----	-----
	1,863,239	2,033,504
	=====	=====

Debts considered good in respect of which the bank is fully secured	1,863,239	2,033,504
---	-----------	-----------

Debts considered good for which the bank holds no other security than the debtors personal security.

Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors.

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Debts considered doubtful or bad not provided for

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	-----	-----
	1,863,239	2,033,504
	=====	=====

Balance outstanding at 31 December 1999	Maximum total amount of advances including advances temporary advances granted during the year.
(Rupees in '000)	

Debts due by directors or executives of the bank or any of them either severally or jointly with any other person	48,890	51,752
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	47,745	50,022
Debts due by subsidiary companies, controlled firms, managed modarabas and other associated undertaking.	--	--

7.2 Particulars of Provision against non-performing advances

	<i>Specific</i>	<i>General</i>	<i>1999</i>	<i>1998</i>
			<i>(Rupees in '000)</i>	
Opening balance	31,765	--	31,765	25,543

Charge for the year	--	--	--	12,864
Reversals/(recoveries)	(10,300)	--	(10,300)	(6,642)
Closing balance	21,465	--	21,465	31,765
Provision against:				
Advances to banks	--	--	--	--
Advances to others	21,465	--	21,465	31,765
	21,465	--	21,465	31,765

7.3 In terms of Section 33-A(3) of the Banking Companies Ordinance, 1962, the Statement in respect of written off loans or any other financial reliefs of five hundred thousand rupees or above is not required as no amount has been directly written off or no financial relief has been allowed during the year.

8. OPERATING FIXED ASSETS

	<i>COST</i>			<i>Rate</i>	<i>DEPRECIATION</i>			<i>Book of value</i>
	<i>As at 01 January 1999</i>	<i>Additions/ (deletions)</i>	<i>As at 31 December 1999</i>		<i>%</i>	<i>As at 01 January 1999</i>	<i>Additions/ (deletions)</i>	
	<i>(Rupees in '000)</i>				<i>(Rupees in '000)</i>			
Buildings on Lease-hold land	479,456	2,101 (19,766)	461,791	5%	32,300	21,825 (1,507)	52,618	409,173
Furniture, fixtures and office equipments	192,700	28,218 (442)	220,476	10 % to 33.33%	87,833	15,984 (145)	103,672	116,804
Vehicles	57,965	16,505 (11,854)	62,616	20%	38,097	8,623 (8,441)	38,279	24,337
1999	730,121	46,824 (32,062)	744,883		158,230	46,432 10,093)	194,569	550,314
1998	478,750	255,710 (4,339)	730,121		110,612	50,795 (3,177)	158,230	571,891

8.1 Particulars of assets disposed off during the year (only for assets with original cost or book value in excess of Rupees one million or Rupees one hundred thousand whichever is lower).

<i>Description</i>	<i>Cost Value</i>	<i>Book Proceeds</i>	<i>Sale Disposal</i>	<i>Mode of</i>	<i>Purchaser</i>
	<i>(Rupees in '000)</i>				
Motor vehicle	682	273	68	Negotiation	Mr. Zia-ul-Hasan Laj Ex- Employee
Motor vehicle	2,783	2,227	2,227	Negotiation	Mr. Zia-ul-Hasan Laj Ex. Employee
Motor vehicle	1,133	1	113	Negotiation	Mr. Zia-ul-Hasan Laj Ex. Employee
Motor vehicle	296	222	222	Negotiation	Miss. Samina Ashraf Employee
Motor vehicle	1,191	238	250	Negotiation	M/s Idress Enterprises 32, Noorani Building Karachi
Motor vehicle	557	111	165	Negotiation	Mr. Amir Hussain Khan 314, Sector 33 Korangi Karachi
Motor vehicle	607	121	540	Insurance claim	M/s East West Insurance Company Limited.
Premises	7,006	5,500	12,500	Negotiation	M/s Bank Al-Habib

Premises	12,759	12,759	24,787	Negotiation	Karachi M/s Kursheed Builders 20 Qadri Plaza Lahore
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1999 **1998**
(Rupees in '000)

9. CAPITAL WORK IN PROGRESS

Premises (under renovation and modification)	128,254	--
Equipment and Electrical Fittings (under installation)	--	1,333
Furniture & fixtures (under installation)	3,503	8,573
	-----	-----
	131,757	9,906
	=====	=====

10. OTHER ASSETS

Stationery and stamps in hand	12,936	11,117
Income/mark-up accrued on advances and Investments -- net	121,747	173,647
Prepaid exchange risk fee	2,981	5,004
Other advances, deposits, advance rent & prepayments	85,260	63,513
Deferred Taxation	27,500	25,000
Taxation (payment less provision)	134,836	89,414
Branch adjustment account	82,001	33,138
Others	5,482	15,654
	-----	-----
	472,743	416,487
	=====	=====

10.1 This includes an amount of Rs 7.3 million due from the Ex Managing Director of the bank.

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

10.2 Deferred Taxation

Deferred debits arising in respect of:		
Provision against non-performing advances	12,450	18,424
Mark-up in suspense	38,613	22,272
Provision for Gratuity	--	4,553
	-----	-----
	51,063	45,249
Deferred credit arising due to:		
Accelerated tax depreciation	(23,563)	(20,249)
	-----	-----
	27,500	25,000
	=====	=====

11. DEPOSITS AND OTHER ACCOUNTS

Fixed deposits	1,009,096	1,381,717
Savings deposits	1,370,400	1,080,204
Current accounts	2,266,571	1,972,605
Margin, key and call deposits	178,433	279,049
Deposits and other accounts of banks	28,603	84,154
	-----	-----
	4,853,103	4,797,729
	=====	=====

11.1 Particulars of deposits and other accounts

In local currency	4,468,541	3,870,118
In foreign currencies	384,562	927,611
	-----	-----
	4,853,103	4,797,729
	=====	=====

Issue of Right shares	161,250	--	--	--	--	161,250
Issue of bonus shares	24,188	24,188	--	(24,188)	--	24,188
	-----	-----	-----	-----	-----	-----
Balance at 31 Dec 1998	507,938	--	81,600	--	552	590,090
Profit for the year	--	--	--	--	518	518
Transfer	--	--	105	--	(105)	--
	-----	-----	-----	-----	-----	-----
Balance at 31 Dec 1999	507,938	--	81,705	--	965	590,608
	=====	=====	=====	=====	=====	=====

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

17. BILLS FOR COLLECTION

Payable in Pakistan	19,495	20,233
Payable outside Pakistan	283,881	255,176
	-----	-----
	303,376	275,409
	=====	=====

Bills for collection drawn on various financial institution in Pakistan or abroad on behalf of bank's customers. These are accepted by the bank as an agent and the bank does not carry any credit risk in respect of these bills.

18. CONTINGENT LIABILITIES AND COMMITMENTS

18.1 Contingencies

Money for which the bank is contingently liable:

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

-- --

b) Contingent liability in respect of guarantees given favouring:

i) Government	265,438	204,919
ii) Banking companies and other financial institutions	--	--
iii) Others	10,538	19,122
c) Liability on bills of exchange rediscounted	--	--
	-----	-----
	275,976	224,041

Claims against the bank not acknowledged as debts

-- --

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

18.2 Commitments

Commitments in respect of forward exchange

Contracts:

Sale

To State Bank of Pakistan	--	29,603
To other Banks	46,747	25,042
To customers	6,105	--

Purchase

From State Bank of Pakistan against foreign currency deposits	175,130	755,330
From other Banks	37,369	54,055

Commitments in respect of:

- Sale and repurchase agreements (Repo)	800,000	200,000
- Purchase and resale agreements (Reverse Repo)	366,000	221,954

19. OTHER OPERATING INCOME

Income from dealing in foreign currencies	12,805	28,138
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Miscellaneous income	4,809	2,615
	-----	-----
	17,614	30,753
	=====	=====

20. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.		98,282	87,918
Staff Retirement benefits		7,787	10,907
Non executive directors' fees and allowances		15	22
Rent, taxes, insurance, electricity etc.		53,272	50,118
Legal and professional charges		1,943	2,203
Communications		9,501	9,554
Repairs and maintenance		14,972	15,537
Stationery and printing		10,799	9,805
Advertisement and publicity		1,566	648
Auditors' remuneration	20.1	597	568
Depreciation	8	46,432	50,795
Other expenditure		43,610	40,968
		-----	-----
		288,776	279,043
		=====	=====

20.1 Auditors' remuneration

	<i>1999</i>			<i>1998</i>		
	<i>Taseer Hadi Khalid & Co.</i>	<i>Taher Moochhala & Co.</i>	<i>Total</i>	<i>Taseer Hadi Khalid & Co.</i>	<i>Taher Moochhala & Co.</i>	<i>Total</i>
Audit fee	145	145	290	145	145	290
Special certifications/ Examinations and sundry						
Advisory services	120	75	195	85	45	130
Tax services	--	50	50	--	74	74
Out of pocket expenses	36	26	62	34	40	74
	-----	-----	-----	-----	-----	-----
	301	296	597	264	304	568
	=====	=====	=====	=====	=====	=====

1999 *1998*
(Rupees in '000)

21. OTHER INCOME

Rent	1,552	1,319
Net profit on sale of fixed assets	20,169	411
Other receipts	1,768	1,383
	-----	-----
	23,489	3,113
	=====	=====

22. TAXATION

The income tax assessments of the bank have been completed upto and including assessment year 1998-99.

23. REMUNERATION OF DIRECTORS AND EXECUTIVES

	<i>Chief Executive</i>		<i>Managing Director</i>		<i>Other Directors and Executives</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
			<i>(Rupees in '000)</i>			
Managerial remuneration	1,494	1,254	--	1,194	1,664	
House rent & maintenance	1,221	1,026	--	978	1,204	--

Utilities	166	182	--	457	206	--
Medical	36	1,672	--	12	30	--
Conveyance	218	124	--	236	225	--
Others	1,390	2,136	--	1,949	1,046	--
	-----	-----	-----	-----	-----	-----
	4,525	6,394	--	4,826	4,375	--
	=====	=====	=====	=====	=====	=====
Number of Persons	1	1	--	1	2	--
	=====	=====	=====	=====	=====	=====

The bank also provides free use of Bank maintained vehicles to Chief Executive and Other Executives.

24. MATURITIES OF ASSETS AND LIABILITIES

<i>Assets</i>	<i>Total</i>	<i>Upto One Month</i>	<i>1999</i>		
			<i>Over one month to one year</i>	<i>Over one year to five years</i>	<i>Over five years</i>
			<i>(Rupees in '000)</i>		
Cash	788,742	788,742	--	--	--
Balances with other banks	209,192	209,192	--	--	--
Money at call & short notice	1,250,000	1,250,000	--	--	--
Investments	613,097	--	86,409	--	526,688
Advances	1,863,239	357,877	1,190,158	284,266	30,938
Operating fixed assets	550,314	--	--	141,141	409,173
Capital work in progress	131,757	--	131,757	--	--
Other assets	472,743	83,279	371,511	17,953	--
	-----	-----	-----	-----	-----
	5,879,084	2,689,090	1,779,835	443,360	966,799
	=====	=====	=====	=====	=====
Liabilities					
Deposits and other accounts	4,853,103	3,119,478	1,230,095	419,364	84,166
Borrowings from other Banks, Agents etc.	169,653	--	169,653	--	--
Bills payable	175,955	175,955	--	--	--
Other liabilities	89,765	75,255	13,756	754	--
	-----	-----	-----	-----	-----
	5,288,476	3,370,688	1,413,504	420,118	84,166
	=====	=====	=====	=====	=====
Net Balance	590,608	(681,598)	366,331	23,242	882,633
	=====	=====	=====	=====	=====
Shareholders' Equity	590,608				
	=====				

<i>Assets</i>	<i>Total</i>	<i>Upto One Month</i>	<i>1998</i>		
			<i>Over one month to one year</i>	<i>Over one year to five years</i>	<i>Over five years</i>
			<i>(Rupees in '000)</i>		
Cash	668,505	668,505	--	--	--
Balances with other banks	248,582	248,582	--	--	--
Money at call & short notice	100,000	100,000	--	--	--
Investments	1,630,525	--	719,837	581,335	329,353
Advances	2,033,504	342,919	1,657,670	32,915	--
Operating fixed assets	571,891	--	--	124,735	447,156
Capital work in progress	9,906	--	9,906	--	--
Other assets	416,487	34,999	226,004	155,484	--
	-----	-----	-----	-----	-----
	5,679,400	1,395,005	2,613,417	894,469	776,509
	=====	=====	=====	=====	=====

Liabilities

Deposits and other accounts	4,797,729	3,660,479	855,659	277,446	4,145
Borrowings from other					
Banks, Agents etc.	116,189	--	116,189	--	--
Bills payable	103,737	103,737	--	--	--
Other liabilities	71,655	62,836	8,819	--	--
	-----	-----	-----	-----	-----
	5,089,310	3,827,052	980,667	277,446	4,145
	=====	=====	=====	=====	=====
Net Balance	590,090	(2,432,047)	1,632,750	617,023	772,364
	=====	=====	=====	=====	=====
Shareholders' Equity	590,090				
	=====				

25. SEGMENT ANALYSIS**25.1 Geographic segment**

These financial statements represent operations of the bank in Pakistan only.

Segment by class of business

	<i>1999</i>			
	<i>DEPOSITS</i>		<i>ADVANCES</i>	
	<i>(Rs. in '000)</i>	<i>%</i>	<i>(Rs. in '000)</i>	<i>%</i>
Chemical and Pharmaceuticals	191,221	3.94	119,031	6.39
Agribusiness	16,820	0.35	6,987	0.37
Textile	132,755	2.74	202,046	10.84
Cement	29,779	0.61	1,831	0.10
Sugar	15,819	0.33	20,616	1.11
Shoes and leather garments	62,755	1.29	40,756	2.19
Automobile and transportation equipment	78,613	1.62	21,472	1.15
Financial	26,290	0.54	2,318	0.13
Insurance	6,183	0.13	72,754	3.90
Transportation	30,913	0.64	525	0.03
Electronics and electric appliances	26,907	0.55	33,662	1.81
Production and transmission of energy	1,508	0.03	11,808	0.63
Others (including individuals)	4,233,540	87.23	1,329,433	71.35
	-----	-----	-----	-----
	4,853,103	103.00	1,863,239	100.00
	=====	=====	=====	=====

	<i>1998</i>			
	<i>DEPOSITS</i>		<i>ADVANCES</i>	
	<i>(Rs. in '000)</i>	<i>%</i>	<i>(Rs. in '000)</i>	<i>%</i>
Chemical and Pharmaceuticals	82,554	1.72	138,067	6.79
Agribusiness	22,141	0.46	3,285	0.16
Textile	250,659	5.22	306,903	15.09
Cement	6,769	0.14	4,700	0.23
Sugar	8,360	0.17	72,390	3.56
Shoes and leather garments	97,335	2.03	61,674	3.03
Automobile and transportation equipment	67,177	1.40	26,343	1.30
Financial	44,468	0.93	4,388	0.22
Insurance	41,359	0.86	17,794	0.88
Transportation	10,797	0.23	--	--
Electronics and electric appliances	43,107	0.90	4,301	0.21
Production and transmission of energy	--	--	10,019	0.49
Others (including individuals)	4,123,003	85.94	1,383,640	68.04
	-----	-----	-----	-----
	4,797,729	103.00	2,033,504	100.00
	=====	=====	=====	=====

25.2 Segment by sector*1999*

	DEPOSITS		ADVANCES	
	<i>(Rs. in '000)</i>	%	<i>(Rs. in '000)</i>	%
Public/Government	4,260	--	--	
Private	4,848,843	99.91	1,863,239	100.00
	-----	-----	-----	-----
	4,853,103	108.00	1,863,239	100.00
	=====	=====	=====	=====

1999

	DEPOSITS		ADVANCES	
	<i>(Rs. in '000)</i>	%	<i>(Rs. in '000)</i>	%
Public/Government	361,229	7.53	93,200	4.58
Private	4,436,500	92.47	1,940,304	95.42
	-----	-----	-----	-----
	4,797,729	100.00	2,033,504	100.03
	=====	=====	=====	=====

25.3 Segment by class of business**1999**

	<i>Contingents liability in respect of guarantees given</i>		<i>Acceptance endorsement and other obligations</i>	
	<i>(Rs. in '000)</i>	%	<i>(Rs. in '000)</i>	%
Chemical and Pharmaceuticals	13,606	4.93	114,733	19.33
Agribusiness	855	0.31	--	--
Textile	20,975	7.60	37,453	6.31
Cement	--	--	--	--
Sugar	6,596	2.39	--	--
Insurance	331	0.12	--	--
Shoes and leather garments	12,391	4.49	43,507	7.33
Automobile and transportation e	1,407	51	26,057	4.39
Financial	580	0.21	2,077	0.35
Transportation	3,394	1.23	1,959	0.33
Electronics and electric appliance	800	0.29	31,992	5.39
Production and transmission of e	911	0.33	772	0.13
Trade and Business not specific	39,851	14.44	118,710	20.00
Others	174,279	63.15	216,291	36.44
	-----	-----	-----	-----
	275,976	100.00	593,551	100.00
	=====	=====	=====	=====

1998

	<i>Contingents liability in respect of guarantees given</i>		<i>Acceptance endorsement and other obligations</i>	
	<i>(Rs. in '000)</i>	%	<i>(Rs. in '000)</i>	%
Chemical and Pharmaceuticals	7,236	3.23	97,895	17.00
Agribusiness	448	0.20	--	--
Textile	20,858	9.31	32,823	5.70
Cement	--	--	--	--
Sugar	7,169	3.20	12,093	2.10
Insurance	515	0.23	--	--
Shoes and leather garments	8,805	3.93	28,332	4.92
Automobile and transportation e	784	0.35	21,306	3.70
Financial	651	0.29	633	0.11
Transportation	5,175	2.31	2,879	0.50
Electronics and electric appliance	739	0.33	35,300	6.13
Production and transmission of e	1,255	0.56	10,999	1.91
Trade and Business not specific	34,256	15.29	126,687	22.00
Others (including individuals)	136,150	60.77	206,903	35.93
	-----	-----	-----	-----

224,041	100.00	575,850	100.00
=====	=====	=====	=====

26. CURRENCY BREAKDOWN OF ASSETS AND LIABILITIES

	1999			
	<i>Assets</i>		<i>Liabilities</i>	
	<i>(Rs. in '000)</i>	<i>%</i>	<i>(Rs. in '000)</i>	<i>%</i>
Pak rupees	5,876,133	99.95	4,903,919	92.73
US Dollars	2,922	0.05	371,796	7.03
Pound sterling	29	--	11,744	0.22
Deutsche mark	--	--	1,017	0.02
	-----	-----	-----	-----
	5,879,084	100.00	5,288,476	100.00
	=====	=====	=====	=====

	1998			
	<i>Assets</i>		<i>Liabilities</i>	
	<i>(Rs. in '000)</i>	<i>%</i>	<i>(Rs. in '000)</i>	<i>%</i>
Pak rupees	5,669,682	99.83	4,091,700	80.40
US Dollars	3,577	0.07	962,527	18.91
Pound sterling	6,017	0.10	34,227	0.67
Deutsche mark	124	--	855	0.02
Japanese Yen	--	--	1	--
	-----	-----	-----	-----
	5,679,400	100.00	5,089,310	100.00
	=====	=====	=====	=====

27. Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually 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 activities in the same geographical location.

The Bank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentration of risks with individuals or groups of customers in specific locations or business. It also obtains security when appropriate.

28. INTEREST/MARK UP RATE RISK MANAGEMENT

Mark-up/interest rate arises from the possibility that changes in mark-up/interest rates will affect the value of financial instruments. The bank is exposed to mark-up/interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The bank manages this risk by matching the re-pricing of assets and liabilities. The bank's mark-up/interest rate sensitivity position, based on the earlier of contractual re-pricing or maturity date, is as follows:

	<i>Effective Interest Rate</i>	<i>Less than one month</i>	<i>One month to one year</i>	<i>Over one year</i>	<i>Not exposed to mark-up/interest Rate risk</i>	<i>Total</i>
	<i>(Rupees in '000)</i>					
Assets						
Cash	4.60%	747,377	--	--	41,365	788,742
Balances with other banks	--	--	--	--	209,192	209,192
Money at call and short notices	6.04%	1,250,000	--	--	--	1,250,000
Investments	11.74%	--	86,409	526,688	--	613,097
Advance	14.76%	357,877	1,190,158	315,204	--	1,863,239
Other assets	--	--	--	--	149,971	149,971
	-----	-----	-----	-----	-----	-----

	--	2,355,254	1,276,567	841,892	400,528	4,874,241
Liabilities						
Deposits and other accounts(b)	7.28%	645,871	1,230,095	503,530	2,473,607	4,853,103
Borrowings from other						
Banks, agents etc.	6%	--	169,653	--	--	169,653
Bills payable	--	--	--	--	175,955	175,955
Other liabilities	--	--	--	--	89,520	89,520
		-----	-----	-----	-----	-----
	--	645,871	1,399,748	503,530	2,739,082	5,288,231
		-----	-----	-----	-----	-----
On-balance sheet gap	--	1,709,383	(123,181)	338,362	(2,338,554)	(413,990)
		=====	=====	=====	=====	=====
Total interest rate sensitivity ga	--	1,709,383	1,586,202	1,924,564	(413,990)	--
		=====	=====	=====	=====	=====

The on-balance sheet gap represents the net amounts of on-balance sheet items..

(a) The effective mark up/interest rate is a historical rate for a fixed rate instrument carded at amortized cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

The effective mark up/interest rates have been computed by excluding non-interest bearing accounts, which form a small proportion of such deposits.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

As set out in note 3 to the financial statements, the Bank's financial are accounted for under the historical cost convention, whereas the fair value is the amount for which an assets could be exchanged, or a liability settled, between knowledgeable willing parties in arm's length transaction. Consequently, differences can arise between book value and fair value estimates.

As of 31 December 1999, the estimated fair values of all on balance sheet financial instruments are not significantly different from their book value, except for investment, which are as follows:

(Rupees in '000)

Book value	613,097
Fair value	647,408

Excess of fair value over book value	34,311
	=====

As of 31 December 1999, the estimated fair value of forward foreign exchange contracts is as follow:-

(Rupees in '000)

Sale	
To other banks	46,709
To customers	6,103
Purchase	
From other banks	37,368
From customers	--

30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1999	1998
	<i>(Rupees in '000)</i>	
Advances given during the year	47,745	104,887
Mark-up/interest earned	6,484	807
Deposits (at year end)	53,000	102,400
Mark-up paid	976	--
Insurance premium paid	21,479	20,048

31. EARNINGS PER SHARE

(Rupees in '000)

Profit after taxation (numerator)	518	(13,613)
	=====	=====
	Number of Shares	
	(in '000)	
Average ordinary shares/ordinary shares adjusted to account for right issue (denominator)	50,794	34,669
	=====	=====
Earnings per share	Rupees	
	0.01	(0.39)
	=====	=====

32. STAFF STRENGTH

Number of employees at the end of the year	1,202	1,136
	=====	=====

33. GENERAL

33.1 Previous year's figures have been rearranged, wherever necessary for the purpose of comparison.

33.2 Figures have been rounded off to the nearest Rupee.

33.3 The format as prescribed in BPRD Circular No. 31 dated 13 August 1997 has been modified suitably wherever there were no figures to report.

Syed Ijaz Hussain Shah
President & Chief Executive

Javed Yunus
Chairman

Mirza Ghulam Mustafa
Vice Chairman

Pervez Yunus
Director