

## **Bolan Bank Limited**

### **Annual Report 2000**

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Bolan Bank Limited as at 31 December 2000 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 except for the change referred to in note 3.6 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 transactions of the Bank which have come to our notice have been within the powers of the Bank;

(c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet and the profit and loss account and 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 2000 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.

(e) Without qualifying our opinion we draw attention to the following:

In accordance with BPRD circular number 09 dated 27 April 2000 we reviewed the classified advances stating the forced sale values of mortgaged/pledged assets held as security against classified portfolio of advances of Bolan Bank Limited as at 31 December 2000. The forced sale values amounting to Rs. 660.447 million were deducted from the principal outstanding and such forced sale values were determined by independent professional valuers. The above forced sale valuations were carried out between 1 January 1999 and 30 September 2000.

The BPRD circular number 09 as described above required that valuations shall be carried out by an independent professional valuer who should be listed on the panel of valuers maintained by Pakistan Banks Association (PBA) for this purpose. The PBA in accordance with the above requirement communicated the list of panel of valuers on 14 October 2000, which was subsequently amended on 30 November 2000 and 17 January 2001.

The forced sale valuations amounting to Rs. 523.88 million, and deducted from the outstanding classified principal amount for determination of provisioning requirements, were carried out by professional valuers who were not included in the panel of valuers maintained by PBA. The bank has written to State Bank of Pakistan seeking one time exemption from requirement to have valuations done by valuers on the panel of valuers maintained by PBA as all of the valuations were carried out before the communication by PBA of its panel of valuers on 14 October 2000.

**Taseer Hadi Khalid & Co.**  
**Chartered Accountants**

**Taher Moochhala & Co.**  
**Chartered Accountants**

Karachi: 08 March, 2001

#### **BALANCE SHEET AS AT 31 DECEMBER 2000**

<i>Note</i>	<i>2000</i>	<i>1999</i>
	<i>(Rs. in '000)</i>	<i>(Rs. in '000)</i>

**ASSETS**

Cash	4	646,554	788,742
Balances with other Banks	5	411,974	226,992
Money at call and short notice	6	759,653	1,250,000
Investments	7	1,037,526	613,097
Advances net of provision	8	2,813,386	1,863,239
Operating fixed assets	9	623,015	550,314
Capital work in progress	10	76,313	131,757
Other assets	11	326,416	472,743
		-----	-----
		6,694,837	5,896,884

**Liabilities**

Deposits and other accounts	12	5,243,174	4,853,103
Borrowings from other banks, agent etc.	13	554,469	187,453
Bills payable		186,533	175,955
Other liabilities	14	117,949	89,765
		-----	-----
		6,102,125	5,306,276
		-----	-----
Net assets		592,712	590,608
		=====	=====

**Represented by**

Share capital	15	507,938	507,938
Reserve funds and other reserves	16	82,019	81,705
Un-appropriated profit		2,223	965
		-----	-----
Shareholders equity		592,180	590,608
Surplus/(Deficit) on revaluation of securities		532	--
		-----	-----
		592,712	590,608
		=====	=====

**Memorandum Items**

Bills for collection	19	471,329	303,376
Acceptances, endorsement and others obligations		1,010,213	593,551
Contingent liabilities and commitments	20		

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

**Syed Ijaz Hussain Shah**  
President & Chief Executive

**Javed Yunus**  
Chairman

**Pervez Yunus**  
Director

**Mirza Ghulam Mujtaba**  
Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000**

	<i>Note</i>	<i>2000</i> <i>(Rs. in '000)</i>	<i>1999</i> <i>(Rs. in '000)</i>
Mark-up/interest and/or return earned		472,093	467,859
Cost/return on deposits, borrowings etc.		(293,401)	(254,965)
		-----	-----
		178,692	212,894
Fee, commissions and brokerage		34,704	31,497
Other operating income	21	43,929	17,614
		-----	-----
		78,633	49,111
		-----	-----
		257,325	262,005
<b>Operating expenses</b>			
Administrative expenses	22	322,086	288,776
Reversal of provisions against non-performing adva	8.2	(5,463)	(10,300)
		-----	-----
		316,623	278,476
		-----	-----

		(59,298)	(16,471)
Other income	23	72,077	23,489
		-----	-----
Profit before taxation		12,779	7,018
Taxation			
- current	24	(4,000)	(9,000)
- prior		(22,739)	--
- deferred		15,532	2,500
		-----	-----
		(11,207)	(6,500)
		-----	-----
Profit after taxation		1,572	518
Unappropriated profit brought forward		965	552
		-----	-----
Unappropriated profit		2,537	1,070
<b>Appropriations</b>			
- Revenue reserve		--	--
- Statutory reserve		(314)	(105)
		-----	-----
		(314)	(105)
		-----	-----
Unappropriated profit carried forward		2,223	965
		=====	=====
		(Rupees)	
Earnings per share	27	0.03	0.01
		=====	=====

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

**Syed Ijaz Hussain Shah**  
President & Chief Executive

**Javed Yunus**  
Chairman

**Pervez Yunus**  
Director

**Mirza Ghulam Mujtaba**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

	<i>2000</i>	<i>1999</i>
	<i>(Rs. in '000)</i>	<i>(Rs. in '000)</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	12,779	7,018
Add: Loss on sale of fixed assets	2,196	(20,169)
	-----	-----
	14,975	(13,151)
<b>Adjustment for non-cash charges</b>		
Depreciation	44,827	46,432
Provision for gratuity	3,430	5,335
Provision for lease encashment	2,545	--
Provision for non-performing advances-net	(5,463)	(10,300)
	-----	-----
	45,339	41,467
	-----	-----
	60,314	28,316
<b>(Increase)/Decrease in Operating Assets</b>		
Advances	(944,684)	180,565
Other assets (excluding advance tax)	121,229	(8,334)
	-----	-----
	(823,455)	172,231
<b>Increase/(Decrease) in Operating Liabilities</b>		
Deposits & other accounts	390,071	55,374
Bills payable	10,578	72,218
Other liabilities (excluding provision for taxation)	24,255	12,775

	424,904	140,367
Cash flow from operating activities before income tax and gratuity payment	(338,237)	340,914
Income tax received (net)	13,891	(54,422)
Gratuity paid	(2,044)	--
Net cash (used in)/flow from operating activities	(326,390)	286,492
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase/sale of investments (Net)	(423,897)	1,017,428
Capital expenditure incurred	(64,693)	(168,675)
Proceeds from sale of fixed assets	412	42,138
Net cash (used in)/inflow from investing activities	(488,178)	890,891
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Borrowings from other banking companies and agents etc	367,015	71,264
Net cash (used in)/flow from financing activities	367,015	71,264
Net cash (decreased)/increase in cash and equivalents	(447,553)	1,248,647
Cash and cash equivalents at the beginning of the year	2,265,734	1,017,087
Cash and cash equivalents at the end of the year	1,818,181	2,265,734

**Syed Ijaz Hussain Shah**  
President & Chief Executive

**Javed Yunus**  
Chairman

**Pervez Yunus**  
Director

**Mirza Ghulam Mujtaba**  
Director

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

### 1. STATUS AND NATURE OF BUSINESS

Bolan Bank Limited was incorporated in Pakistan on 07 October 1991 as a public limited company under the Companies Ordinance, 1984. its shares are quoted on Karachi and Lahore stock exchange of Pakistan. The bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and 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 include of purchase of goods by the banks from its customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements 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 Standard Committee ("IASC") and interpretations issued by Standing Interpretations Committee of the IASC, as applicable in Pakistan and the requirements of the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984.

#### 3.2 Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in market treasury bills and in conformity with the accepted accounting practices of banking institutions in Pakistan.

#### 3.3 Cash and cash equivalents

Cash and cash equivalents comprises cash, balances with other banks and money at call and short notice.

#### 3.4 Staff retirement benefits

##### Defined benefit plan

The bank has an approved funded gratuity scheme for all its permanent employees. The fund is approved by the Deputy Commissioner of Income Tax, however the fund is not operational yet.

**Defined contribution plan**

The bank operates an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the bank and its employees, to the fund at the rate of 10 percent of basic salaries of the employees. In addition to this the employees are given an option to contribute at 15 percent.

**Leave encashment**

The bank has a policy of encashment of leave irrespective of period of service in cases of retirement, death or disability during the service and resignation from service. The amount of leave encashment admissible is actual leave balance upto a maximum of 90 days. The benefit is based on basic salary, house rent, cost of living allowance and medical allowance.

**3.5 Taxation****Current**

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. The charge for taxation is based on taxable income at the current rate of taxation after taking into consideration available tax credits, rebates and tax losses, or 0.5 percent of turnover whichever is higher.

**Deferred**

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 realized.

**3.6 Investments**

All securities held by the Bank are classified as investment securities. Securities held with the intent and ability to hold are stated at amortised cost less provision for permanent diminution in value, if any, with the exception of securities where ready quotes are available on Reuters Page (PKRV) or Stock Exchanges.

The difference between face value and purchase price is amortized over the remaining life of security.

From this year, in accordance with requirements of BSD Circular No. 20 dated 04 August 2000, securities for which ready quotes are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value except for investments acquired under reverse repurchase transactions, Pakistan Investment Bonds and Other Investments and the resulting surplus/deficit is kept in a separate account and is shown below the share holders' equity in the balance sheet.

**3.7 Advances**

Advances are stated net of specific and general provisions. Specific provision is made for non-performing advances as considered necessary to comply with the Prudential Regulations issued by the State Bank of Pakistan. Advances are written-off when there is no realistic prospect of recovery.

**3.8 Capital work-in progress, operating fixed assets and depreciation**

Capital work in progress are stated at cost.

The cost of promises, 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.

A full years' depreciation is provided on assets acquired upto 30 September except for premises where depreciation is charged for the proportionate period in the year of acquisition/disposal, 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.

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.

**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 rupees 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 and foreign bills purchases 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 investments and advances, excluding bills purchased, is recognized on accrual basis except income which warrant carry forward in compliance with the Prudential Regulations issued by the State Bank of Pakistan.

### 3.11 Provision for contingencies

Provision for contingencies is recognized when the bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 3.12 Off-setting

Financial assets and financial liabilities are only off-set 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 to settle the liabilities simultaneously.

		2000	1999
		<i>(Rupees in '000)</i>	
<b>4. CASH</b>			
In hand			
- Local currency	4.1	347,009	407,693
- Foreign currencies		67,034	16,193
With State Bank of Pakistan in:		72,159	248,989
- Local currency current account			
- Foreign currency deposit accounts	4.2	58,100	41,365
With National Bank of Pakistan in local currency current accounts		102,252	74,502
		-----	-----
		646,554	788,742
		=====	=====

4.1 This includes National Prize Bonds amounting to Rs. 4.993 million (1999: Rs. 47.598 million).

4.2 Represents placement of deposit held under Foreign Exchange Circular No. 13 with State Bank of Pakistan yielding markup at the rate of 4.25 percent per annum payable quarterly.

### 5. BALANCES WITH OTHER BANKS

- On current account		119,533	58,498
- On savings deposit account	5.1	26,305	--
		-----	-----
		145,838	58,498
Outside Pakistan			
- On current account	5.2	266,136	168,494
		-----	-----
		411,974	226,992
		=====	=====

5.1 Represents deposits held with industrial Development Bank of Pakistan (IDBP) yielding mark-up at the rate of 10 percent per annum payable quarterly.

5.2 Represents balances held outside Pakistan in foreign currency accounts.

### 6. MONEY AT CALL AND SHORT NOTICE

Represents term lending with various banks with a maturity ranging from three days to six months and carries mark-up ranging from 9.60% to 50% per annum.

### 7. INVESTMENTS

Investment Securities			
Federal Investment Bonds (FIB's)		705,949	526,688
Pakistan Investment Bonds		100,000	--
Market Treasury Bills		81,577	86,409
Term Finance Certificates		140,000	--
Contribution towards equity of Micro Finance Bank		10,000	--

	1,037,526	613,097
Market value of Treasury Bills	81,577	86,409
Book value of other securities	955,949	526,688

7.1 Investments include securities having book value of Rs. 25 million (1999: 25 million) and Rs. 15 million (1999: Rs. 15 million) pledged with State Bank of Pakistan and National Bank of Pakistan respectively as security to facilitate T.T. discounting facility to Pakistan branches of the bank.

7.2 Investments include securities having book value of Rs 15 million (1999: 15 million) pledged with State Bank of Pakistan for same day rupee credit facility against surrender of foreign currency deposits.

7.3 At 31 December 2000, securities held under resale commitments (reverse repo) with book value of Rs. 1,600 million (1999: Rs. 800 million) were included in investments, while securities sold under repurchase commitments (repo) with book value of Rs. 1,745 million (1999: 366 million) were excluded from investments.

#### 8. ADVANCES - net of provision

Loans, cash credits, overdrafts, etc		
- In Pakistan	2,743,966	1,822,956
Bills discounted and purchased (excluding Market Treasury Bills)		
- Payable in Pakistan	7,303	4,535
- Payable outside Pakistan	78,119	57,213
	85,422	61,748
	2,829,388	1,884,704
Provision for non-performing advances	8.2 (16,002)	(21,465)
	2,813,386	1,863,239

Advances include Rs. 926.715 million (1999: Rs. 432.913 million) which have been placed on non performing status.

#### 8.1 Particulars of advances

In local currency	2,735,267	1,806,026
In foreign currencies	78,119	57,213
	2,813,386	1,863,239

Debts considered good in respect of which bank is fully secured.	2,813,386	1,863,239
Debts considered good for which the bank hold 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.	--	--
Debts considered doubtful or had not provided for	--	--
	2,813,386	1,863,239

<b>Balance outstanding as at 31 December 2000</b>	<b>Maximum total amount of advances including temporary advances granted during the year</b>
---	--

(Rupees in '000)

Debts due by directors or executives of the bank or any of

them either severally or jointly with any other person.	7,375	48,890
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.	71,863	71,863
Debts due by subsidiary companies, controlled firms, managed modarbas and other associated undertakings.	--	--

**8.2 particulars of provision against non-performing advances**

	<i>Specific</i>	<i>General</i>	<i>2000</i>	<i>1999</i>
	<i>(Rupees in '000)</i>			
Opening balance	21,465	--	21,465	31,765
Charge for the year	--	--	--	--
Amount written off/reversal 8.3	(5,463)	--	(5,463)	(10,300)
	-----	-----	-----	-----
Closing balance	16,002	--	16,002	21,465
	=====	=====	=====	=====
Provision against:				
Advances to hanks	--	--	--	--
Advances to others	16,002	--	16,002	21,465
	-----	-----	-----	-----
	16,002	--	16,002	21,465
	=====	=====	=====	=====

8.3 In terms of Section 33-A(3) of the Banking Companies Ordinance, 1962, no write-off or other financial reliefs of five hundred thousand rupees or above has been allowed to a person(s) during the year ended 31 December, 2000.

**9. OPERATING FIXED ASSETS**

	<i>COST</i>			<i>DEPRECIATION</i>			<i>Book Value</i>	<i>Rate of</i>
	<i>As at 01</i>	<i>Additions/</i>	<i>As at 31</i>	<i>As at 01</i>	<i>Additions/</i>	<i>As at 31</i>	<i>as at 31</i>	<i>Depreciation</i>
	<i>January</i>	<i>transfer/</i>	<i>December</i>	<i>January</i>	<i>transfer/</i>	<i>December</i>	<i>December</i>	<i>percentage</i>
	<i>2000</i>	<i>(disposal)</i>	<i>2000</i>	<i>2000</i>	<i>(disposal)</i>	<i>2000</i>	<i>2000</i>	
	<i>(Rupees in '000)</i>							
Building on leasehold land	461,791	108,915	570,706	52,618	21,138	73,756	496,950	5
Furniture, fixtures and office equipments	220,476	9,818 (207)	230,087	103,672	16,916 (127)	120,461	109,626	10 to 33.33
Vehicles	62,616	918 (1,916)	61,618	38,279	8,548 (1,648)	45,179	16,439	20
	-----	-----	-----	-----	-----	-----	-----	-----
2000	744,883	119,651 (2,123)	862,411	194,569	46,602 (1,775)	239,396	623,015	
	=====	=====	=====	=====	=====	=====	=====	=====
1999	730,121	46,824 (32,062)	744,883	158,230	46,432 (10,093)	194,569	550,314	
	=====	=====	=====	=====	=====	=====	=====	=====

9.1 No assets were disposed off during the year with original cost or book value in excess of Rupees one million or Rupees one hundred thousand whichever is lower.

**10. CAPITAL WORK IN PROGRESS**

Premises	10.1	73,672	128,254
Furniture and Fixture		2,641	3,503
		-----	-----
		76,313	131,757
		=====	=====

10.1 This represents two new branch premises which although acquired had not become operational as branch licences have not been obtained.



**11. OTHER ASSETS**

Stationery and stamps on hand		11,282	12,936
Income/mark-up accrued on advances and investme	11.1	113,572	121,747
Prepared exchange risk fee		2,550	2,981
Advances, deposits, advance rent & other prepayments		39,356	85,260
Deferred Taxation	11.2	43,032	27,500
Taxation (payments less provisions)		94,206	134,836
Branch adjustment account		--	82,001
Others		22,418	5,482
		-----	-----
		326,416	472,743
		=====	=====

11.1 Mark-up in suspense on advances amounting to Rs. 123.984 million (1999: Rs. 67.217 million) is netted off from the accrued interest.

**11.2 Deferred Taxation**

Deferred debits arising in respect of:

Provision against non-performing advances		9,281	12,450
Mark-up in suspense		51,437	38,613
Provision for leave encashment		1,476	--
Provision for gratuity payable		8,699	--
		-----	-----
		70,893	51,063
Deferred credit arising due to:			
Accelerated tax depreciation		(27,861)	(23,563)
		-----	-----
		43,032	27,500
		=====	=====

**12. DEPOSITS AND OTHER ACCOUNTS**

Fixed deposits		827,267	1,009,096
Saving deposits		2,042,327	1,370,400
Current deposits		2,224,075	2,266,571
Margin, key and call deposits		146,794	178,433
Sundry deposits		2,711	28,603
		-----	-----
		5,243,174	4,853,103
		=====	=====

**12.1 Particulars of deposits and other accounts**

In Local currency		4,769,715	4,468,541
In Foreign currencies		473,459	384,562
		-----	-----
		5,243,174	4,853,103
		=====	=====

**13. BORROWINGS FROM OTHER BANKS, AGENTS ETC.**

In Pakistan		508,473	169,653
Outside Pakistan	13.1	45,996	17,800
		-----	-----
		554,469	187,453
		=====	=====

13.1 Represents book overdrawn balances in foreign currency accounts outside Pakistan.

13.2 Particulars of borrowings from other banks, agents etc.

In local currency		508,473	169,653
In foreign currencies		45,996	17,800
		-----	-----
		554,469	187,453
		=====	=====

**13.3 Secured**

From State Bank of Pakistan under export refinance scheme	13.4	268,473	169,653
---	------	---------	---------

**Unsecured**

Balance with Banks		45,996	17,800
--------------------	--	--------	--------

Term borrowings	13.5	240,000	--
		-----	-----
		554,469	187,453
		=====	=====

13.4 Mark-up on export refinance from State Bank of Pakistan is charged at the rates of 6 and 8 percent per annum (1999: 6 percent per annum) payable quarterly.

13.5 Represents term borrowings from various banks with a maturity ranging from 3 days to 6 months and carries mark-up ranging from 10 percent to 15 percent per annum.

#### 14. OTHER LIABILITIES

Mark-up/interest payable on borrowings		17,324	2,964
Profit payable on PLS deposits and other accounts		45,437	47,989
Interest payable on foreign currency deposits		8,006	3,491
Accrued expenses	14.1	3,556	2,429
Share application money		131	131
Payable to staff gratuity fund		14,998	13,613
Branch adjustment account		21,935	--
Others		6,562	19,148
		-----	-----
		117,949	89,765
		=====	=====

14.1 Includes accrual for leave encashment amounting to Rs. 2.545 million (1999: nil) in accordance with actuarial valuation carded out as at 31 December 2000 using the 'Projected Unit Credit Actuarial Cost Method'.

#### 15. SHARE CAPITAL

	2000	1999
	(Rupees in '000)	
<b>Authorised:</b>		
60,000 Ordinary shares of Rs. 10/- each	600,000	600,000
=====	=====	=====
Issued, subscribed and paid up Ordinary		
30,000 shares of Rs. 10/- each fully paid for cash	300,000	300,000
Ordinary shares of Rs. 10/- fully paid issued		
4,669 as bonus shares	46,688	46,688
Ordinary shares of Rs. 10/- each		
16,125 issued as Right shares	161,250	161,250
-----	-----	-----
50,794	507,938	507,938
=====	=====	=====

#### 16. RESERVE FUND AND OTHER RESERVES

Statutory reserve	16.1	82,019	81,705	=
Revenue reserve		--	--	
		-----	-----	
		82,019	81,705	
		=====	=====	

16.1 This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

#### 17. SURPLUS/(DEFICIT) ON REVALUATION OF SECURITIES

Market Treasury Bills		532	--
		=====	=====

17.1 Following the directives issued by the State Bank of Pakistan vide BSD Circular No. 20 dated 4 August 2000, market treasury bills are revalued and the resultant surplus/(deficit) is taken directly to "Surplus/(Deficit) on Revaluation of Securities".

#### 18. STATEMENT OF CHANGES IN EQUITY

	Share	Statutory	Revenue	Unappropriated	Shareholders	Surplus/(deficit)	Total
	Capital	Reserve	Reserve	Profit	Equity	on revaluation	
						of securities	
							(Rupees in '000)

Balance at 01 Jan. 1999	507,938	81,600	--	552	590,090	--	590,090
Profit for the year	--	--	--	518	518	--	518
Transfer	--	105	--	(105)	--	--	--
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 Dec. 1999	507,938	81,705	--	965	590,608	--	590,608
Profit for the year	--	--	--	1,572	1,572	--	1,572
Transfer	--	314	--	(314)	--	--	--
Surplus on revaluation of Securities	--	--	--	--	--	532	532
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 Dec. 2000	507,938	82,019	--	2,223	592,180	532	592,712
	=====	=====	=====	=====	=====	=====	=====

**2000**      **1999**  
**(Rupees in '000)**

**19. BILLS FOR COLLECTION**

Payable in Pakistan	20,240	19,495
Payable outside Pakistan	451,089	283,881
	-----	-----
	471,329	303,376
	=====	=====

Bills for collection represents bills 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.

**20. CONTINGENT LIABILITIES AND COMMITMENTS****Contingencies**

Money for which the bank is contingently liable:

a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	2,057	--
b) Contingent liability in respect of guarantees given favouring:	319,298	265,438
- Government		
- Banking companies and other financial institutions	--	--
- Others	11,683	10,538
	-----	-----
	330,981	275,976
c) Liability on bills of exchange rediscounted	--	--
Claims against the bank not acknowledged as debts.	16,600	16,600

**Commitments**

Commitments in respect of forward exchange contracts:

Sale	116,332	46,747
- To Other Banks	74,692	6,105
- To Customers		
Purchase		
- From State Bank of Pakistan for foreign currency deposits.	165,672	175,130
- From other banks	130,806	37,369
Commitments in respect of:		
- Sale and repurchase agreements (repo)	1,688,649	832,565
- Purchase and resale agreements (reverse rage)	1,855,755	401,740

**21. OTHER OPERATING INCOME**

Income from dealing in foreign currencies	38,808	12,805
Miscellaneous income	5,121	4,809
	-----	-----
	43,929	17,614

<i>Note</i>	<b>2000</b>	<b>1999</b>
	<b>(Rupees in '000)</b>	
<b>22. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	111,080	98,282
Short term compensated absences	2,545	--
Contribution for defined contribution plan	4,559	3,801
Charge for defined benefit plan	3,430	3,986
Non-executive directors' fees and allowances	12	15
Rent, taxes insurance, electricity etc.	62,497	53,272
Legal and professional charges	2,480	1,943
Communications	6,952	9,501
Repair and maintenance	21,694	14,972
Stationery and printing	11,885	10,799
Advertisement and publicity	1,799	1,566
Auditors' remuneration	22.1 735	597
Depreciation	9 46,602	46,432
Others	45,816	43,610
	-----	-----
	322,086	288,776
	=====	=====

**27.1 Auditors' remuneration**

	<b>2000</b>			<b>1999</b>		
	<i>Taseer Hadi Khalid &amp; Co.</i>	<i>Taher Moochhala &amp; Co.</i>	<i>Total</i>	<i>Taseer Hadi Khalid &amp; Co.</i>	<i>Taher Moochhala &amp; Co.</i>	<i>Total</i>
Audit fee	145	145	290	145	145	290
Special certifications/Examinations and sundry Advisory services	270	50	320	120	75	195
Tax services	--	58	58	--	50	50
Out of pocket expenses	61	6	67	36	26	62
	-----	-----	-----	-----	-----	-----
	476	259	735	301	296	597
	=====	=====	=====	=====	=====	=====

	<b>2000</b>	<b>1999</b>
	<b>(Rupees in '000)</b>	
<b>23. OTHER INCOME</b>		
Rent	1,866	1,552
Profit/(loss) on sale of fixed assets	(2,196)	20,169
Profit on sale of Federal Investment Bonds (FIB's)	68,219	--
Other Receipts	4,188	1,768
	-----	-----
	72,077	23,489
	=====	=====

**24. TAXATION****24.1 Relationship between tax expense and accounting profit**

Profit before taxation	12,779	7,018
	=====	=====
Tax at the applicable tax rate of 58 percent (1999: 58 percent)	7,412	4,070
Tax effect of expenses that are not deductible in determining taxable income	4,333	--
Tax effect of expenses that are deductible temporary differences not previously recognized in calculation of deferred tax	(162)	(8,277)
Others	(51)	(2,293)
	-----	-----
	11,532	(6,500)

Current taxation	(4,000)	(9,000)
Deferred taxation	15,532	2,500
	11,532	(6,500)

24.2 The income tax assessment of the bank have been completed upto and including assessment year 1999-2000.

## 25. REMUNERATION OF DIRECTORS AND EXECUTIVES

	<i>Chief Executive</i>		<i>Other Executive</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>(Rs. in '000)</i>		<i>(Rs. in '000)</i>	
Managerial remuneration	1,494	1,494	2,400	1,664
Rent & house maintenance	1,245	1,221	1,459	1,204
Utilities	222	166	336	206
Medical	32	36	50	30
Conveyance	185	218	488	225
Others	1,567	1,390	2,132	1,046
	4,745	4,525	6,865	4,375
Number of persons	1	1	2	2

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

## 26. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

Advance given during the year	71,863	47,745
Insurance premium paid	25,869	21,479
Deposits (at year end)	58,582	53,000
Mark-up / Interest paid	4,393	976
Mark-up / Interest earned	3,569	6,484

## 27. EARNINGS PER SHARE

Profit for the year	1,572	518
---------------------	-------	-----

*(Number in '000)*

Weighted average number of ordinary shares	50,794	50,794	3
--	--------	--------	---

*(Rupees)*

Earnings per share	0.03	0.01
--------------------	------	------

*(Number)*

## 28. STAFF STRENGTH

Number of employees at end of the year	1,156	1,202
--	-------	-------

## 29. DEFINED BENEFIT PLAN

The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lumpsum. In case of President, the retirement age is 65 years. The benefit is equal to one month's last drawn salary for each year of eligible service or part thereof, subject to a minimum of five years service.

The actuarial valuation is carried out using "Projected Unit Credit Actuarial Cost Method", as at 31 December 2000.

The main assumptions used for actuarial valuation were as follows:

- Discount rate is 12 percent per annum
- Expected rate of increase in salaries is 11 per cent per annum
- Expected rate of return on investments is 12 percent per annum

The amounts recognised in the balance sheet are as follows:

	<b>2000</b> <i>(Rupees in '000)</i>
Present value of defined benefit obligations	14,998
Fair value of plan assets	--
Net actuarial gains or losses not recognized	--
	-----
Net asset in the balance sheet	14,998
	=====

The amounts recognised in the profit and loss account are as follows:

Current service cost	2,023
Interest cost	1,407
Expected return on plan assets	--
Amortization of transitional obligations	--
	3,430

Actual return on plan assets is nil as at present no assets are available.

### 30. MATURITIES OF ASSETS AND LIABILITIES AND LIQUIDITY RISK

	<i>Total</i>	<i>Upto one month</i>	<i>2000 Over one month to one year</i>	<i>Over one year to five years</i>	<i>(Rs. in '000) Over five years</i>
<b>Assets</b>					
Cash	646,554	646,554	--	--	--
Balances with other banks	411,974	411,974	--	--	--
Money at call & short notice	759,653	559,653	200,000	--	--
Investments	1,037,526	540,577	105,000	391,949	--
Advances - net of provision	2,813,386	749,063	1,749,407	260,018	54,898
Operating fixed assets	623,015	--	--	126,065	496,950
Capital work-in-progress	76,313	--	76,313	--	--
Other assets	326,416	71,689	152,153	97,433	5,141
	-----	-----	-----	-----	-----
	6,694,837	2,979,510	2,282,873	875,465	556,989
	-----	-----	-----	-----	-----
<b>Liabilities</b>					
Deposits and other accounts	5,243,174	2,383,355	2,320,290	348,007	191,522
Borrowings from other banks, agents etc.	554,469	190,000	364,469	--	--
Bills payable	186,533	186,533	--	--	--
Other liabilities	117,949	6,592	95,295	933	15,129
	-----	-----	-----	-----	-----
	6,102,125	2,766,480	2,780,054	348,940	206,651
	-----	-----	-----	-----	-----
	592,712	213,030	(497,181)	526,525	350,338
	=====	=====	=====	=====	=====
Equity	592,712				
	=====				

	<i>Total</i>	<i>Upto one month</i>	<i>1999 Over one month to one year</i>	<i>Over one year to five years</i>	<i>Over five years</i>
			<i>(Rs. in '000)</i>		
<b>Assets</b>					
Cash	788,742	788,742	--	--	--
Balances with other banks	226,992	226,992	--	--	--
Money at call & short notice	1,250,000	1,250,000	--	--	--
Investments	613,097	526,688	86,409	--	--

Advances - net of provision	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	--
	-----	-----	-----	-----	-----
	5,896,884	3,233,578	1,779,835	443,360	440,111
<b>Liabilities</b>					
Deposits and other accounts	4,853,103	3,119,478	1,230,095	419,384	84,146
Borrowings from other banks, agents etc.	187,453	--	187,453	--	--
Bills payable	175,955	175,955	--	--	--
Other liabilities	89,765	75,255	13,756	754	--
	-----	-----	-----	-----	-----
	5,306,276	3,370,688	1,431,304	420,138	84,146
	=====	=====	=====	=====	=====
	590,608	(137,110)	348,531	23,222	355,965
	=====	=====	=====	=====	=====
Equity	590,608				
	=====				

The savings deposits have been classified as maturing upto one month as they do not have any contractual maturity. However, they are not expected to fall materially below their current level.

### 30.1 Liquidity risk

Liquidity risk is the risk that bank will not be able to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit down grades which may cause certain sources of funding to dry up immediately. To guard against the risk, the management have diversified funding sources and assets are managed with liquidity risk in mind.

## 31. SEGMENT ANALYSIS AND CREDIT RISK

### 31.1 Geographic segment

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

### 31.2 Segment by class of business

	2000			
	Deposits		Advances	
	(Rs. in '000)	%	(Rs. in '000)	%
Chemical and Pharmaceuticals	145,194	2.77	149,445	5.31
Agriculture and agribusiness	68,928	1.31	48,146	1.71
Textile and synthetic	188,426	3.59	304,138	10.81
Cement	23,677	0.45	51,558	1.83
Sugar	302	0.01	18,700	0.66
Shoes and leather product	62,536	1.19	27,661	0.98
Automobile and transportation eq	99,077	1.89	42,510	1.51
Financial services	84,493	1.61	2,186	0.08
Insurance	36,352	0.69	26,294	0.93
Transportation and communication	23,143	0.44	1,616	0.06
Electronics and electrical appliance	90,626	1.73	48,179	1.71
Production and transmission of en	3,520	0.07	6,852	0.24
Others (including individuals)	4,416,900	84.26	2,086,101	74.15
	-----	-----	-----	-----
	5,243,174	100.00	2,813,386	100.00
	=====	=====	=====	=====

	1999			
	Deposits		Advances	
	(Rs. in '000)	%	(Rs. in '000)	%
Chemical and Pharmaceuticals	191,221	3.94	119,031	6.39
Agriculture and agribusiness	16,820	0.35	6,987	0.37
Textile and synthetic	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 product	62,735	1.29	40,756	2.19
Automobile and transportation eq	78,613	1.62	21,472	1.15
Financial services	26,290	0.54	2,318	0.12

Insurance	6,183	0.13	72,754	3.90
Transportation and communication	30,913	0.64	525	0.03
Electronics and electrical appliance	26,907	0.55	33,662	1.81
Production and transmission of en	1,508	0.03	11,808	0.63
Other (including individuals)	4,233,560	87.23	1,329,433	71.35
	-----	-----	-----	-----
	4,853,103	100.00	1,883,239	100.00
	=====	=====	=====	=====

### 31.3 Segment by sector

	2000			
	Deposits		Advances	
	(Rs. in '000)	Percent	(Rs. in '000)	Percent
Public/Government	42,737	0.82	154,480	5.49
Private	5,200,437	99.18	2,658,906	94.51
	-----	-----	-----	-----
	5,243,174	100.00	2,813,386	100.00
	=====	=====	=====	=====

	1999			
	Deposits		Advances	
	(Rs. in '000)	Percent	(Rs. in '000)	Percent
Public/Government	4,260	0.09	--	--
Private	4,848,843	99.91	1,863,239	100.00
	-----	-----	-----	-----
	4,853,103	100.00	1,863,239	100.00
	=====	=====	=====	=====

### 31.4 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 counterparties.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities 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. Concentration of credit risk indicates the relative sensitivity of the Bank's performance to developments affecting a particular industry or 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 where appropriate.

### 32. CURRENCY BREAKDOWN OF ASSETS AND LIABILITIES & CURRENCY RISK

	2000			
	Assets		Liabilities	
	(Rs. in '000)	Percent	(Rs. in '000)	Percent
Pak rupees	6,225,448	92.99	5,582,670	91.49
U.S. dollars	440,749	6.58	505,440	8.28
Pound sterling	13,097	0.20	13,080	0.21
Deutsche mark	9,308	0.14	362	0.01
Other currencies	6,235	0.09	573	0.01
	-----	-----	-----	-----
	6,694,837	100.00	6,102,125	100.00
	=====	=====	=====	=====

	1999			
	Assets		Liabilities	
	(Rs. in '000)	Percent	(Rs. in '000)	Percent
Pak rupees	5,876,133	99.83	4,903,919	92.73
U.S. dollars	20,722	0.07	389,596	7.03
Pound sterling	29	0.10	11,744	0.22
Deutsche mark	--	--	1,017	0.02



5,896,884	100.00	5,306,276	100.00
-----------	--------	-----------	--------

### 32.1 Currency risk

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates. Hedging transactions are used by the bank to manage risk on other currencies.

### 33. INTEREST RATE RISK MANAGEMENT

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments.

The bank is exposed to 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 interest rate sensitivity position, based on the earlier of contractual re-pricing or maturity date, is as follows:

	2000					Total
	Effective Interest Rate (a)	Exposed to interest rate risk Less than one month	One month to one year	Over one year	Not exposed to interest rate risk	
(Rupees in '000)						
<b>Assets</b>						
Cash	04.25%	58,100	--	--	588,454	646,554
Balances with other banks	10.00%	--	26,305	--	385,669	411,974
Money at call and short notice	05.63%	559,653	200,000	--	--	759,653
Investments	23.44%	540,577	105,000	391,949	--	1,037,526
Advances	11.02%	749,063	1,749,407	314,916	--	2,813,386
Other assets	--	--	--	--	107,536	107,536
	--	1,907,393	2,080,712	706,865	1,081,659	5,776,629
<b>Liabilities</b>						
Deposits and other accounts	6.84%	1,002,842	1,087,225	539,527	2,613,580	5,243,174
Borrowings from other banks, agents etc.	8.00%	240,000	268,473	--	45,996	554,469
Bills payable	--	--	--	--	186,533	186,533
Other liabilities	--	--	--	--	117,949	117,949
	--	1,242,842	1,355,698	539,527	2,964,058	6,102,125
<b>On-balance sheet gap</b>	--	664,551	725,014	167,338	(1,882,399)	(325,496)
<b>Total Interest rate sensitivity gap</b>	--	664,551	725,014	167,338	--	1,556,903

	1999					Total
	Effective Interest Rate (a)	Exposed to interest rate risk Less than one month	One month to one year	Over one year	Not exposed to interest rate risk	
(Rupees in '000)						
<b>Assets</b>						
Cash	04.60%	747,377	--	--	41,365	788,742
Balances with other banks	--	--	--	--	226,992	226,992
Money at call and short notice	6.04%	1,250,000	--	--	--	1,250,000
Investments	11.74%	--	86,409	526,688	--	613,097
Advances	14.76%	357,877	1,190,168	315,204	--	1,863,239
Other assets	--	--	--	--	149,971	149,971
	--	2,355,254	1,276,567	841,892	418,328	4,892,041
<b>Liabilities</b>						
Deposits and other accounts	07.28%	645,871	1,230,095	503,530	2,473,607	4,853,103
Borrowings from other banks, agents etc.	06.00%	--	187,453	--	--	187,453
Bills payable	--	--	--	--	175,955	175,955
Other liabilities	--	--	--	--	89,520	89,520

	--	645,871	1,417,548	503,530	2,739,082	5,368,031
On-balance sheet gap	--	1,709,383	(140,981)	338,362	(2,320,754)	(413,990)
Total interest rate sensitivity gap	--	1,709,383	(140,981)	338,362	--	1,906,764

### 34. INFORMATION OF OFF BALANCE SHEET ITEMS

	2000			
	<i>Contingent liability respect of guarantees given</i>		<i>Acceptance, endorsement and other obligations</i>	
	<i>(Rupees in '000)</i>	<i>Percent</i>	<i>(Rupees in '000)</i>	<i>Percent</i>
Chemical and Pharmaceuticals	17,347	5.24	67,234	6.66
Agriculture and agribusiness	20,801	6.28	22,378	2.22
Textile and synthetic	19,970	6.03	20,404	2.02
Cement	--	--	--	--
Sugar	--	--	--	--
Insurance	56,619	17.11	56,619	5.60
Shoes and leather product	120	0.04	2,235	0.22
Automobile and transportation eq	2,747	0.83	5,034	0.50
Financial services	--	--	23,666	2.34
Transportation and communication	5,011	1.51	41,520	0.45
Electronics and electrical appliance	16,846	5.09	21,829	2.16
Production and transmission of en	3,145	0.95	131,967	13.06
Trade and business not specified a	55,305	16.71	97,700	9.67
Others	133,070	40.21	556,627	55.10
	330,981	100.00	1,010,213	100.00

	1999			
	<i>Contingent liability respect of guarantees given</i>		<i>Acceptance, endorsement and other obligations</i>	
	<i>(Rupees in '000)</i>	<i>Percent</i>	<i>(Rupees in '000)</i>	<i>Percent</i>
Chemical and Pharmaceuticals	13,606	4.93	114,733	19.33
Agriculture and agribusiness	855	0.31	--	--
Textile and synthetic	20,975	7.60	37,453	6.31
Cement	--	--	--	--
Sugar	6,596	2.39	--	--
Insurance	331	0.12	--	--
Shoes and leather product	12,391	4.49	43,507	7.33
Automobile and transportation eq	1,407	0.51	26,057	4.39
Financial services	580	0.21	2,077	0.35
Transportation and communication	3,394	1.23	1,959	0.33
Electronics and electric appliances	800	0.29	31,992	5.39
Production and transmission of en	911	0.33	772	0.13
Trade and business not specified a	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

### 35. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value is the amount for which an assets could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction. As of 31 December 2000, the estimated fair values of all on balance sheet financial instruments are not significantly different from their book values.

As of 31 December 2000, the estimated fair value of forward foreign exchange contracts is as follows:

	<i>(Rupees in '000)</i>
<b>Sale</b>	
To other banks	116,332

To customers	74,692
<b>Purchase</b>	
From other banks	130,806
From State Bank of Pakistan	165,672
	-----
	487,502
	=====

### 36. GENERAL

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

36.2 Figures have been rounded off to the nearest Rupees.

36.3 Captions, as prescribed by BPRD Circular No. 31 dated 13 August, 1997 issued by the State Bank of Pakistan, in respect of which there are no amounts have not been reproduced in this financial statements.

**Syed Ijaz Hussain Shah**  
**President & Chief Executive**

**Javed Yunus**  
**Chairman**

*Perves Yunus*  
*Director*

*Mirza Ghulam Mujtaba*  
*Director*