

## **Bolan Bank Limited**

### **Annual Report 2001**

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#### **CORPORATE INFORMATION**

##### **BOARD OF DIRECTORS**

Mr. Javed Yunus	Chairman
Mr. Mirza Ghulam Mustafa	Vice Chairman
Mr. Pervez Yunus	Director
Mr. Naved Yunus	Director
Mr. Maheen Yunus	Director
Mrs. R. J. Yunus	Director
Mrs. S. P. Yunus	Director
Mrs. Ambreen Naved Yunus	Director
Mrs. Najmus Sehar Mustafa	Director
Mr. Mirza Ghulam Mujtaba	Director
Mr. Syed Ijaz Hussain Shah	Director

##### **SECRETARY**

Mr. Shabbir Ali Kanchwala

##### **MANAGEMENT**

Mr. Syed Ijaz Hussain Shah	President & Chief Executive
Mr. M. Moazzam Khan	Senior Executive Vice President

##### **AUDITORS**

M/s. Taseer Hadi Khalid & Co. Chartered Accountants

##### **SHARE REGISTRARS**

M/s. Bema Associates (Pvt.) Limited  
515, Qamar House,  
M. A. Jinnah Road, Karachi.

#### **CHAIRMAN'S REVIEW**

I am pleased to present, on behalf of the Board of Directors, the 10th Annual Report of the Bolan Bank Limited, for the year ended December 31, 2001.

##### **ECONOMIC ENVIRONMENT:**

In the context of Economic and Political Scenario, 2001 was a difficult year for Pakistan, with particular reference to the event of September 11, 2001, which abruptly changed the whole complexion of Political and Economic environment of the world. Pakistan's economy, which was struggling to survive with continued international sanctions till September, 2001 was confronted with another turmoil being a front state, when the allied forces started its operation in Afghanistan against terrorism. Although, Pakistan was able to restore its lost image in the international community and the developed countries, appreciated the policies of the government of Pakistan, no immediate benefit could be derived to help on the economic front in the year 2001. Nevertheless, with the change of the government in Afghanistan and lifting of sanctions against Pakistan, the donor countries, World Bank and IMF have started coming forward to ease the burden on the economy of Pakistan, and it is hoped that the Pakistan's economy will come out of crises and investors' confidence will be restored. There are visible signs for up-turn in the economy

with the strengthening of foreign exchange reserves and restructuring/rescheduling of foreign debts, besides inflow of the aid coming from the donor countries and development agencies for improving basic infra-structure, health and education.

#### **BALANCE SHEET:**

Despite these depressed economic environments, which adversely affected the financial markets, the Bolan Bank Limited was able to maintain its continued growth in all fields of banking. The deposits of the bank grew to Rs. 6,684.700M versus Rs. 5,243.174M in 2001 showing an increase of 27.5%. During the year the advances of the bank increased to Rs. 3,001.893M as compared to Rs. 2,813.386M in the preceding year, showing an increase of 6.7%. The import/export business of the bank also registered a significant rise during the year and it increased to Rs. 6,457.403M versus Rs. 5,345.992M in 2000, an increase of 20.79%. The remittances business of the bank also registered an unprecedented rise of 51.77% during the year and it increased to Rs. 31,686.968M as compared to the figure of Rs. 20,877.570M in 2000.

The bank, as a matter of policy continued its emphasis on quality of assets, credit risk management and post sanction monitoring. The recovery of non-performing loans (NPL) also remained a top priority during the year. Consequently, the legal course initiated against the defaulters has started producing results through execution of decrees whereby properties/stock charged to the bank are being auctioned and proceeds utilised towards adjustments of outstanding liabilities.

Although, 90% of the stuck-up portfolio is covered by adequate collateral security, which has been verified by the professional valuers on Pakistan Banks Association (PBA) approved panel and also certified by the statutory auditors, the bank has taken a conservative view on its balance sheet by increasing its provisions against non-performing loans (NPL) from Rs. 16.00M to Rs. 50.00M which will continue to strengthen the balance sheet whereby surplus provisions would be available for appropriation as soon as the proceeds of collateral security, which are in the pipe-line, are realised. The bank has also booked to suspense account unrealised mark-up of Rs. 167.835M, which is being gradually recovered and will also be available for booking to income account during the year 2002. These strict policies have been adopted in order to meet the criteria under Prudential Regulations as well as International Accounting Standards.

#### **EQUITY:**

In order to further strengthen the capital base, the sponsors directors of the bank have injected Rs. 255.585M through subscription of Right Shares, which has increased the paid-up capital of the bank from Rs. 507.938M to Rs. 763.523M and total equity to 856.493M as of December 31, 2001. During the year 2002 the paid-up capital of the bank will be increased further to Rs. 1.00 billion for which Right Shares in the ratio of 1:1 have already been offered to the existing shareholders.

The value of existing fixed assets in the form of land and buildings has also increased from Rs. 520.643M to Rs. 964.870M on the basis of latest valuations carried out by the independent chartered surveyors but the same has not been capitalised during the year although providing indirect comfort and further strength to the balance sheet.

#### **CUSTOMER FOCUS:**

The bank is pursuing a policy of achieving a level of excellence to provide customers with the banking facilities of an international standard. During the year, the bank successfully launched on-line banking, whereby all the branches in the important cities have been interconnected for banking transactions. The bank also successfully implemented SWIFT, which is the fastest communication system available in the world for effecting international transactions. In order to facilitate our customers as well as general public, all 50 branches of Bolan Bank around the country are offering evening banking services upto 6.00 P.M. to its clients besides collection of all types of utility bills.

#### **BRANCH NETWORK:**

While the bank was already having the largest network of 50 branches among the newly established private banks in Pakistan, it was considered advisable to concentrate on its consolidation whereby the efficiency and productivity of the branches could be increased. Accordingly, two branches were relocated/opened at I.I. Chundrigar Road and Defence Housing Authority, Karachi. The performance of each branch in relation to its viability as an independent unit is being assessed regularly and wherever found necessary further relocation of the branches at a vintage points would be considered.

#### **HUMAN RESOURCE:**

Rationalisation of existing staff strength and induction of experienced personnel at the senior level was undertaken during the year to improve the quality of manpower. In order to improve customer service, staff is being trained and performance based incentives are being introduced to motivate the staff. The salary and emoluments of the staff have also been revised upward to make them more attractive and rewarding.

#### **FUTURE OUTLOOK:**

The performance of the bank during the year 2001 has strengthened the balance sheet with a sustainable

growth in all fields of banking. After successful launching of Consumer Banking during the year, which has received an over whelming response from general public, the bank is contemplating to launch shortly new products to facilitate small and medium enterprises. This will further diversify the investment portfolio besides reinforcing consumer/retail banking for deposit mobilisation as well as providing opportunities for acquiring higher margin consumer assets. In order to make Bolan Mahana Amadani Scheme more competitive the condition of minimum deposit has been reduced from Rs. 50,000/- to Rs. 25,000/-.

I would like to avail the opportunity to thank the State Bank of Pakistan and The Securities and Exchange Commission of Pakistan for their continued guidance and support extended to us in running the affairs of the bank in a prudent manner. It also remains for me to thank all the staff who have worked hard to achieve the desired objectives and, in particular, our customers whose business and support, we greatly value and to whom we strive to extend best of our cooperation and services all the times.  
On behalf of the Board of Directors

**JAVED YUNUS**  
**Chairman**

## **DIRECTORS' REPORT TO THE MEMBERS**

The Board of Directors is pleased to present the Annual Report of Bolan Bank Limited for the year ended 31st December, 2001 containing the Financial statements alongwith the Auditors' report thereon:

<b>RESULTS</b>	<b><i>Rupees ('000)</i></b>
Profit before provision against non-performing loans and advances	44,043
Less: Provision against non-performing loans & advances	(34,000)
	-----
Taxation:	10,043
- Current	(6,500)
- Prior	(4,000)
- Deferred	9,185
	-----
	(1,315)
	-----
Profit after taxation	8,728
Unappropriated profit brought forward	2,223
	-----
	10,951
Transfer to Statutory reserve	(1,746)
	-----
Unappropriated profit carried forward	9,205
	=====

## **PATTERN OF SHARE HOLDING**

The pattern of share holding as on 31st December, 2001 is annexed with the report.

## **AUDITORS**

The retiring auditors Messrs Taseer Hadi Khalid & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

## **ACKNOWLEDGMENTS**

The board of Directors takes the opportunity to place on record their gratitude to the State Bank of Pakistan and The Securities and Exchange Commission of Pakistan for their continued guidance and support extended to us in running the affairs of the bank in a prudent manner. The Board also appreciates the efforts and dedication of the management and staff in attainment of desired objectives.

**JAVED YUNUS**  
**Chairman**

7th March, 2002

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Tenth Annual General Meeting of Bolan Bank Limited will be held on Saturday, 30th March 2002 at 11:00 a.m. at Registered Office, Bolan Bank Building, Regal Chowk, Jinnah Road, Quetta to transact the following business:-

**ORDINARY BUSINESS:**

1. To confirm the minutes of the Extra Ordinary General Meeting of the Bank held on 20th December 2001.
2. To receive, consider and adopt the Audited Accounts for the year ended 31st December 2001 alongwith Chairman's review and Auditors' Report.
3. To appoint Auditors for the year 2002 and to fix their remuneration. Messrs Taseer Hadi Khalid & Co. Chartered Accountants, being eligible offer themselves for reappointment.
4. In accordance with section 178 (i) of the Companies Ordinance, 1984, to elect eleven Directors in place of the existing Directors who retire and being eligible, offer themselves for re-election. The retiring Directors are as follows:-
  - 1) Mr. Javed Yunus
  - 2) Mr. Mirza Ghulam Mustafa
  - 3) Mr. Pervez Yunus
  - 4) Mr. Naved Yunus
  - 5) Mr. Maheen Yunus
  - 6) Mr. Mirza Ghulam Mujtaba
  - 7) Mrs. Najmus Sehar Mustafa
  - 8) Mrs. R. J. Yunus
  - 9) Mrs. S. P. Yunus
  - 10) Mrs. Ambreen Naved Yunus
  - 11) Mr. Syed Ijaz Hussain Shah
5. To transact any other business with the permission of the Chair.

**By Order of the Board**

**Shabbir Ali Kanchwala  
Company Secretary**

**NOTES:**

1. The share transfer books of the Bank will remain closed from 30th March, 2002 to 5th April, 2002 (both days inclusive)
2. A member entitled to attend and vote at this meeting shall be entitled to appoint another person as Proxy. Proxies in order to be effective must be received at the Registered Office of the Bank not later than 48 hours before the meeting and must be duly stamped, signed and witnessed by two persons whose names, address and NIC numbers shall be mentioned on the form.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting must bring his/her attested copy of NIC or the Passport to prove his/her identity, and in case of proxy must enclose an attested copy of his/her NIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose and the proxy shall produce his original NIC or original Passport at the time of the meeting.
4. Shareholders are requested to promptly notify the Bank, any change in their addresses.

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Bolan Bank Limited as at 31 December 2001 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the 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.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the 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 60 percent of the total loans and advances of the bank, we report that:

(a) in our opinion, proper books of account have been kept by the Bolan Bank Limited as required by the Companies Ordinance, 1984 (XLVII of 1984), find 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;

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, 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 given 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 31 December 2001, and its true balance of the 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:  
7th March, 2002

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

## BALANCE SHEET AS AT 31 DECEMBER 2001

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in '000)</i>	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	1,435,609	646,554
Balances with other Banks	7	548,829	411,974
Lendings to financial institutions	8	1,595,000	2,505,369
Investments	9	630,086	891,876
Advances	10	3,001,893	2,813,386
Other assets	11	511,433	284,719
Operating fixed assets	12	668,467	699,328
Deferred tax assets	13	52,217	43,032
		-----	-----
		8,443,534	8,296,238
<b>LIABILITIES</b>			
Bills payable	14	196,131	186,533
Borrowings from financial institutions	15	616,699	2,154,535
Deposits and other accounts	16	6,684,700	5,243,174
Other liabilities	17	89,511	119,284
		-----	-----
		7,587,041	7,703,526
		-----	-----
<b>NET ASSETS</b>		856,493	592,712
		=====	=====

**REPRESENTED BY**

Share capital	18	507,938	507,938
Reserves		83,765	82,019
Unappropriated profit		9,205	2,223
		-----	-----
		600,908	592,180
Share application money	19	255,585	--
		-----	-----
		856,493	592,180
Surplus on revaluation of assets	20	--	532
		-----	-----
		856,493	592,712
		=====	=====
<b>CONTINGECIES AND COMMITMENTS</b>	21		

The annexed notes 1 to 41 form an integral part of these accounts.

**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 2001**

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>(Rupees in '000)</i>	
Mark-up / Return / Interest earned	22	697,878	472,093
Mark-up / Return / Interest expensed	23	(409,447)	(293,401)
		-----	-----
Net Mark-up / Interest income		288,431	178,692
Provision against non-performing loans and advanc	10.3	(34,000)	5,463
		-----	-----
Net Mark-up / Interest income after provisions		254,431	184,155
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, Commission and Brokerage Income		44,328	34,704
Income from dealing in foreign currencies		10,905	43,929
Other Income		10,680	72,077
		-----	-----
Total non-markup / interest income		65,913	150,710
		-----	-----
		320,344	334,865
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	25	(308,890)	(321,963)
Other charges	26	(1,411)	(123)
		-----	-----
Total non-markup / interest expenses		(310,301)	(322,086)
		-----	-----
		10,043	12,779
<b>PROFIT BEFORE TAXATION</b>			
Taxation - Current	27	(6,500)	(4,000)
- Prior years		(4,000)	(22,739)
- Deferred		9,185	15,532
		-----	-----
		(1,315)	(11,207)
		-----	-----
<b>PROFIT AFTER TAXATION</b>		8,728	1572
Unappropriated profit/(loss) brought forward		2,223	965
		-----	-----
Profit available for appropriation		10,951	2,537

**APPROPRIATIONS:**



**Increase/(Decrease) in Operating Liabilities**

Bills payable	9,598	10,578
Borrowings from financial institutions	(337,770)	367,015
Deposits	1,441,526	390,071
Other liabilities (excluding current taxation)	(29,773)	28,186
	-----	-----
	1,083,581	795,850
	-----	-----
	1,143,238	517,697
Income tax p. aid	(2,477)	13,891
	-----	-----
Net cash flow from operating activities	1,140,761	531,588

**CASH FLOW FROM INVESTING ACTIVITIES**

Net investments in available-for-sale securities	(448,088)	(424,513)
Investments in operating fixed assets	(28,686)	(64,693)
Sale proceeds of property and equipment disposed-off	6,338	412
	-----	-----
Net cash flow from investing activities	(470,436)	(488,794)

**CASH FLOW FROM FINANCING ACTIVITIES**

Share application money	255,585	--
	-----	-----
Net cash flow from financing activities	255,585	--
	-----	-----

**Increase in cash and cash equivalents**

		925,910	42,794
Cash and cash equivalents at the beginning of the y	30	1,058,528	1,015,734
		-----	-----
Cash and cash equivalents at the end of the year	30	1,984,438	1,058,528
		=====	=====

**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 2001

**1. STATUS AND NATURE OF BUSINESS**

Bolan Bank Limited was incorporated in Pakistan on 7 October 1991 as a public limited company under the Companies Ordinance, 1984. Its shares are quoted on Karachi and Lahore Stock Exchanges 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 includes 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. STATEMENT OF COMPLIANCE**

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

The Securities and Exchange Commission of Pakistan (SECP) has approved the adoption of International Accounting Standard - 39, Financial Instruments; Recognition and Measurement (IAS 39). As per SECP Circular 01 of 2002 dated 10 January 2002, this IAS is applicable for financial periods beginning on or after 1 July 2001. Accordingly, the accounting requirements of this IAS



have not been taken into account for the purposes of these financial statements. However, investments have been classified in accordance with the requirements of the format prescribed by BSD circular No. 36 dated 10 October 2001.

#### **4. BASIS OF MEASUREMENT**

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.

#### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **5.1 Cash and cash equivalents**

Cash and cash equivalents comprise cash and balance with treasury bank and balances with other banks.

##### **5.2 Staff retirement benefits**

###### **Defined benefit plan**

The bank has an approved funded gratuity scheme for all its permanent employees and is approved by the Deputy Commissioner of Income Tax. The bank accounts for gratuity scheme and makes contribution based on actuarial valuation carried out using the Projected Unit Credit (PUC) method. Any actuarial gain/loss in actuarial valuation of these scheme is recognised in the year in which it arises.

###### **Defined contribution plan**

The bank also 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.

###### **Short term compensated absences and leave encashment**

The bank has a policy of encashment of leave, irrespective of the period of service in cases of retirement, death, 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.

##### **5.3 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 liability method on all major temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

Deferred tax asset is recognized 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.

##### **5.4 Investments**

All securities held by the bank are classified as available for sale and securities 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 securities.

In accordance with the requirements of BSD circular No. 20 dated 4 August 2000, only those securities for which ready quotes are available on Reuters Page (PKRV) or Stock Exchanges are valued at market rate and the resulting surplus/deficit is kept in a separate account and is shown below the shareholders' equity in the balance sheet.

##### **5.5 Repurchase agreements**

The bank enters into purchases (sales) of investments under agreements to resell (repurchase) investment at a certain date in the future at a fixed price. Investment purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in lendings to/placements with financial institutions. The receivables are shown as collateralised by the underlying security. Investment sold under repurchase agreements

continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds from the sale of the investments are reported as borrowings from financial institutions.

The difference between the purchase (sale) and resale (repurchase) consideration is recognised on an accrual basis over the period of the transaction and is included in markup/return/interest earned.

#### 5.6 Advances

Advances are stated net of specific 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.

#### 5.7 Operating fixed assets

Capital work in progress are stated at cost.

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.

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. Minor repairs & maintenance are charged to income on and when incurred.

#### 5.8 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 purchased are valued at the rates applicable to their respective maturities. Exchange gains and losses are included in income currently.

#### 5.9 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. Commission on letters of credit and guarantee is recognised on receipt basis.

#### 5.10 Acceptances

Acceptances comprise undertakings by the bank to pay bills of exchange drawn on customers. The bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

#### 5.11 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.

2001                      2000  
(Rupees in '000)

### 6. CASH AND BALANCES WITH TREASURY BANKS

In hand			
Local currency	6.1	597,734	347,009
Foreign currencies		261,135	67,034
		-----	-----
		858,869	414,043
With State Bank of Pakistan in Local currency current account		467,978	72,159
With State Bank of Pakistan in Foreign currency current account		--	58,100
With National Bank of Pakistan in local currency			

current accounts	108,762	102,252
	-----	-----
	1,435,609	646,554
	=====	=====

6.1 This includes National Prize Bonds amounting to Rs.6.199 million (2000: Rs. 4.993 million).

## 7. BALANCES WITH OTHER BANKS

In Pakistan			
On current account		151,683	119,533
On savings deposit account	7.1	55,193	26,305
		-----	-----
		206,876	145,838
Outside Pakistan			
On current account		341,953	266,136
		-----	-----
		548,829	411,974
		=====	=====

7.1 This represents deposits with Industrial Development Bank of Pakistan yielding mark-up at 10 % per annum (2000: 10% per annum) payable quarterly.

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings		350,000	759,653
Repurchase agreement lendings (reverse repo)	8.1 & 8.3	1,095,000	1,745,716
Other clean placements	8.2	150,000	--
		-----	-----
		1,595,000	2,505,369
		=====	=====

8.1 These represents term lending to various banks with a maturity period ranging from 2 days to 1 year and carries mark-up ranging from 7.75% to 14.5% per annum 2000: 9.6% to 50% per annum).

8.2 These represent clean placements to various financial institutions with maturity period ranging from 7 days to one month and carry mark-up ranging from 10% to 11.5% per annum.

## 8. SECURITIES HELD AS COLLATERAL AGAINST LENDING TO FINANCIAL INSTITUTIONS

	<i>Held by Bank</i>	<i>2001 Further given as collateral</i>	<i>Total</i>	<i>Held by Bank</i>	<i>2000 Further given as collateral</i>	<i>Total</i>
	<i>(Rupees in '000)</i>					
Pakistan Investment Bonds	225,000	--	225,000	--	--	--
Federal Investment Bonds	600,000	250,000	850,000	424,148	860,000	1,284,148
Term finance certificates	20,000	--	20,000	140,000	--	140,000
Market treasury bills	--	--	--	82,645	238,923	321,568
	-----	-----	-----	-----	-----	-----
	845,000	250,000	1,095,000	646,793	1,098,923	1,745,716
	=====	=====	=====	=====	=====	=====

## 9. INVESTMENTS

	<i>Held by Bank</i>	<i>2001 Given as collateral</i>	<i>Total</i>	<i>Held by Bank</i>	<i>2000 Further collateral</i>	<i>Total</i>
	<i>(Rupees in '000)</i>					
<b>9.1 INVESTMENTS BY TYPES</b>						
Available-for-sale securities						
Federal investment bonds	450,757	169,329	620,086	231,382	450,418	681,801
Shares of Khushali Bank Ltd.	10,000	--	10,000	10,000	--	10,000
Market Treasury Bills	--	--	--	100,075	--	100,075
Pakistan Investment Bonds	--	--	--	100,000	--	100,000
	-----	-----	-----	-----	-----	-----
	460,757	169,329	630,086	441,457	450,418	891,876

=====

		2001	2000
		<i>(Rupees in '000)</i>	
<b>9.2 INVESTMENTS BY SEGMENTS</b>			
<b>Federal Government Securities</b>			
- Federal Investment Bonds	9.4	620,086	681,801
- Market Treasury Bills		--	100,075
- Pakistan Investment Bonds		--	100,000
<b>Investments in ordinary shares</b>			
- Khushhali Bank Limited - unquoted company (10 shares of Rs. 1 million each; President Mr. M. Ghalib Nishtar)		10,000	10,000
		-----	-----
		630,086	891,876
		=====	=====

9.3 Investments include securities of Rs. NIL (2000: Rs. 25.55 million) pledged with State Bank of Pakistan and Rs.15.55 million (2000: Rs.15.84 million) pledged with National Bank of Pakistan as security to facilitate T.T. discounting of the branches of the bank.

9.4 Federal Investment Bonds are due for repayment on February 2002 to May 2005 and carry markup at 15%.

### 10. ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan		2,929,650	2,743,966
Outside Pakistan		--	--
		-----	-----
		2,929,650	2,743,966
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		22,431	7,303
Payable outside Pakistan		99,814	78,119
		-----	-----
		122,245	85,422
		-----	-----
		3,051,895	2,829,388
Provision against non-performing advances	10.3	(50,002)	(16,002)
		-----	-----
		3,001,893	2,813,386
		=====	=====

#### 10.1 Particulars of advances

10.1.1 In local currency		2,902,079	2,735,267
In foreign currencies		99,814	78,119
		-----	-----
		3,001,893	2,813,386
		=====	=====
10.1.2 Short Term (upto one year)		2,981,179	2,813,386
Long Term (over one year)		20,714	--
		-----	-----
		3,001,893	2,813,386
		=====	=====

10.2 Advances include Rs. 895.395 million which have been placed under non-performing status as follows:

<i>Category of classification</i>	<i>Domestic Total</i>	<i>Provision required</i>	<i>Provision held</i>
		<i>(Rupees in '000)</i>	
Other assets especially mentioned	45,672	--	--
Substandard	85,594	--	--
Doubtful	56,663	--	--

Loss	707,466	50,002	50,002
	-----	-----	-----
	895,395	50,002	50,002
	=====	=====	=====

### 10.3 Particulars of provision against non-performing advances - specific

	<i>2001</i>	<i>2000</i>
	<i>(Rupees in '000)</i>	
Opening balance	16,002	21,465
Charge for the year	34,000	--
Reversals	--	(5,463)
	-----	-----
Closing balance	50,002	16,002
	=====	=====

### 10.4 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, no write-off or other financial relief of five hundred rupees or above has been allowed to a person(s) during the year ended 31 December 2001.

<i>Balance as at 31 December 2001</i>	<i>*Maximum total amount of advances including temporary advances granted during the year</i>
<i>(Rupees in '000)</i>	

### 10.5 PARTICULARS OF LOANS AND ADVANCES TO DIRECTORS, ASSOCIATED COMPANIES, ETC.

Debts due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons.	4,713	7,375
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.	97,700	294,989
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties.	--	--
	-----	-----
	102,413	302,364
	=====	=====

\* The maximum amount has been calculated by reference to month end balances.

<i>2000</i>	<i>1999</i>
<i>(Rupees in '000)</i>	

### 11. OTHER ASSETS

Income/Mark-up accrued in local currency	11.1	162,387	113,572
Advances, deposits, advance rent and other prepayments		42,103	39,356
Advance taxation (payments less provisions)		86,183	94,206
Branch adjustment account		168,667	--
Unrealized gain on forward foreign exchange contracts		3,856	1,335
Prepaid exchange risk fee		2,036	2,550
Others		46,201	33,700
		-----	-----
		511,433	284,719
		=====	=====

11.1 Mark-up in suspense on advances amounting to Rs. 167.835 million (2000: Rs. 123.984 million) has been adjusted (netted off) from income/markup due in local currency.

### 12. OPERATING FIXED ASSETS

Capital work-in-progress	12.1	6,839	76,313
Property and equipment	12.2	661,628	623,015
		-----	-----
		668,467	699,328

**12.1 Capital work-in-progress**

Advances to suppliers and contractors

	6,839	76,313
--	-------	--------

**12.2 Property and Equipment**

	<i>COST</i>		<i>DEPRECIATION</i>					<i>Rate of Depreciation %</i>
	<i>Balance as at 01 January 2001</i>	<i>Additions/ (Deletions)</i>	<i>Balance as at 31 December 2001</i>	<i>Balance as at 01 January 2001</i>	<i>Charge for the year</i>	<i>Balance as at 31 December 2001</i>	<i>Book value as at 31 December 2001</i>	
<i>(Rupees in '000)</i>								
Building on lease-hold land	570,706	76,463 (6,572)	640,597	73,756	24,763 (2,842)	95,677	544,920	5
Furniture and fixtures	185,417	4,659 (409)	189,667	97,709	12,385 (256)	109,838	79,829	10 to 33.33
Electrical, office and computer equipments	44,670	12,935 (122)	57,483	22,752	12,147 (84)	34,815	22,668	20
Vehicles	61,618	4,101 (1,965)	63,754	45,179	5,650 (1,286)	49,543	14,211	20
2001	862,411	98,158 (9,068)	951,501	239,396	54,945 (4,468)	289,873	661,628	
2000	744,883	119,651 (2,123)	862,411	194,569	46,602 (1,775)	239,396	623,015	

**12.3 Details of disposal of fixed assets**

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book value</i>	<i>Sale proceeds</i>	<i>Mode of disposal</i>	<i>Particulars of Buyer</i>
Land and building						
Boarding house	4,007	2,162	1,845	2,000	Negotiation	S.E. Hussain, D-I, Iqbal Centre, M.A. Jinnah Road, Karachi.
Glamour Tower,	2,565	680	1,885	3,325	Negotiation	Mr. Abdul Ghaffar, Sindh Autos Ltd., Sukkur.
Vehicles						
Honda Civic	629	126	503	503	Negotiation	Azizuddin Khan (ex-employee)
<b>Others</b>						
Other items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000 whichever is lower	1,867	1,500	367	510		
	9,068	4,468	4,600	6,338		
				<b>2001</b>	<b>2000</b>	
				<i>(Rupees in '000)</i>		

**13. DEFERRED TAX ASSETS****Deferred debits arising in respect of:**

- Provision against non-performing advances	25,001	9,281
- Mark-up in suspense	44,343	51,437
- Provision for leave encashment	1,804	1,476

- Provision for gratuity payable	39	8,699
	-----	-----
	71,187	70,893
<b>Deferred credits arising due to:</b>		
- Accelerated tax depreciation	(18,970)	(27,861)
	-----	-----
	52,217	43,032
	=====	=====

The deferred tax asset is expected to be realised in term of reduced tax payments when the debts are written off on completion of legal formalities.

#### 14. BILLS PAYABLE

In Pakistan	196,131	186,533
Outside Pakistan	--	--
	-----	-----
	196,131	186,533
	=====	=====

#### 15. BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan	616,699	21,085.39
Outside Pakistan	--	45,996
	-----	-----
	616,699	2,154,535
	=====	=====

#### 15.1 Particulars of borrowings from financial institutions

In local currency	15.2	616,699	2,108,539
In foreign currencies		--	45,996
		-----	-----
		616,699	2,154,535
		=====	=====

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

#### 15.2 Details of borrowings from financial institutions

##### Secured

Borrowings from State Bank of Pakistan			
under export refinance scheme	15.3	216,699	268,473
Repurchase agreement borrowings	15.4	400,000	1,600,066
		-----	-----
		616,699	1,868,539

##### Unsecured

Term borrowings		--	240,000
Overdrawn nostro accounts		--	45,996
		-----	-----
		--	285,996
		-----	-----
		616,699	2,154,535
		=====	=====

15.3 Markup on export refinance from State Bank of Pakistan is charged at the rates of 8% and 10% per annum (2000: 6% and 8% per annum) payable quarterly.

15.4 This represents term borrowings from various banks with maturity period ranging from 7 days to 6 months and carries markup ranging from 8% to 12.5% per annum (2000: 6.1% to 15% per annum). These are secured against Federal Investments Bonds of Rs.303.778 million (2000: Rs. 1,254.793 million).

#### 16. DEPOSITS AND OTHER ACCOUNTS

##### Customers

Remunerative			
Fixed deposits		541,879	827,267
Savings deposits		3,027,045	2,042,327
Non-Remunerative			
Current accounts		2,985,935	2,224,075
Call deposits		62,666	36,108
Margin deposits		64,315	110,686

Others	2,860	2,711
	-----	-----
	6,684,700	5,243,174
	=====	=====

**16.1 Particulars of deposits**

In local currency	5,851,283	4,769,715
In foreign currencies	833,417	473,459
	-----	-----
	6,684,700	5,243,174
	=====	=====

**17. OTHER LIABILITIES**

Mark-up/return/interest payable in local currency		64,304	62,761
Mark-up/return/interest payable in foreign currency		12,979	8,006
Accrued expenses	17.1	5,003	3,556
Unrealized loss on forward foreign exchange contracts		2,363	1,676
Branch adjustment account		--	21,935
Payable to defined benefit plan	32.4	78	14,998
Payable to defined contribution plan		486	1,269
Others		4,298	5,083
		-----	-----
		89,511	119,284
		=====	=====

17.1 This includes accrual for short term compensated absences amounting to Rs.3.61 million (2000: Rs.2.545 million) in accordance with actuarial valuation carried out as at 31 December 2000 using the Projected Unit Credit Actuarial Cost Method.

**18. SHARE CAPITAL****18.1 Authorized Capital**

2001	2000		2001	2000
(Numbers in '000)			(Rupees in '000)	
100,000	60,000	Ordinary shares Rs. 10 each	1,000,000	600,000
=====	=====		=====	=====

**18.2 Issue & subscribed and paid-up**

Ordinary shares				
30,000	30,000	Fully paid in cash	300,000	300,000
4,669	4,669	Issued as bonus shares	46,688	46,688
16,125	16,125	Issued for consideration other than cash	161,250	161,250
-----	-----		-----	-----
50,794	50,794		507,938	507,938
=====	=====		=====	=====

**19. SHARE APPLICATION MONEY**

This represents advance received from the directors of the banks against the issue of right shares. The Board of Directors of the bank in their meeting held on 29th November, 2001 recommended further issue of share capital of Rs.507,937,500 representing 50,793,750 ordinary shares of Rs. 10/- each to be offered to members of the bank as right shares at par in the ratio of 1:1 that is one right share to one share held as at 25 December 2001. Such issue was approved by the members of the bank in an Extra Ordinary General Meeting held on 20th December 2001. The last date for renunciation and payment against letters of right is 3 April, 2002.

**20. SURPLUS ON REVALUATION OF ASSETS**

Surplus on revaluation of securities - market treasury bills	--	532
	=====	=====

**21. CONTINGENCIES AND COMMITMENTS****21.1 Direct credit substitutes**

Acceptances	53,804	69,109
Financial guarantees issued favouring;		
- Government	--	--
- Financial institutions	--	--



- Others -- --

## 21.2 Transaction-related contingent liabilities

Guarantees issued favouring;

- Government	--	--
- Financial institutions	322,162	319,298
- Others	72,151	13,740

## 21.3 Trade related contingent liabilities

Letters of credit	493,424	608,155
-------------------	---------	---------

## 21.4 Commitments in respect of forward foreign exchange contracts

Sale

To other banks	315,716	116,332
To customers	--	74,692

## Purchase

- From State Bank of Pakistan for foreign currency deposits	285,504	165,672
- From other banks	44,930	130,806

The maturities of above contracts are spread over a period of one year.

<b>21.5 Claims against the bank not acknowledged as debts</b>	16,600	16,600
---	--------	--------

## 22. MARK-UP/RETURN/INTEREST EARNED

On loans and advances to customers	330,039	193,624
On lendings to financial institutions	37,779	16,330
On investments in available for sale securities	175,636	187,193
On securities purchased under resale agreements	149,835	71,510
Others	4,589	3,436
	-----	-----
	697,878	472,093
	=====	=====

## 25. MARK-UP/RETURN/INTEREST EXPENSED

Deposits	253,160	192,161
Securities sold under repurchase agreements	126,268	--
Borrowing from State Bank of Pakistan under export refinance scheme	18,687	13,188
Borrowing from financial institutions	11,332	88,052
	-----	-----
	409,447	293,401
	=====	=====

## 24. OTHER INCOME

Rent on property	1,909	1,866
Gain on sale of investment	4,182	68,219
Net profit/(loss) on sale of property and equipment	298	(1,954)
Incidental charges	4,291	4,158
	-----	-----
	10,680	72,289
	=====	=====

## 25. ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.		103,041	111,080
Short term compensated absences		1,200	2,545
Charge for defined benefit plan	32.6	4,800	3,430
Contribution to defined contribution plan		4,744	4,559
Non-executive directors' fee, allowances and other expenses		14	12
Rent, taxes, insurance, electricity, etc.		38,947	62,497
Legal and professional charges		2,201	2,480
Communications		7,345	6,952
Repairs and maintenance		14,271	21,694
Stationery and printing		8,769	11,885
Advertisement and publicity		5,225	1,799
Auditors' remuneration	25.1	679	735
Depreciation	12.2	54,945	46,602
Others		62,709	45,693

308,890	321,963
---------	---------

**25.1 Auditors' remuneration**

	<i>2001</i>		<i>2000</i>	
	<i>Taseer Hadi</i>	<i>Taseer Hadi</i>	<i>Taher</i>	<i>Total</i>
	<i>Khalid</i>	<i>Khalid</i>	<i>Moochhala</i>	
	<i>&amp; Co.</i>	<i>&amp; Co.</i>	<i>&amp; Co.</i>	
	<i>(Rupees in '000)</i>			
Audit fee	250	145	145	290
Audit fee for the audit of branches	350	--	--	--
Special certifications/examinations and sundry advisory services	--	270	50	320
Tax services	--	--	58	58
Out of pocket expenses	79	61	6	67
	-----	-----	-----	-----
	679	476	259	735
	=====	=====	=====	=====

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

**26. OTHER CHARGES**

Penalties imposed by State Bank of Pakistan	1,030	123
Others	381	212
	-----	-----
	1,411	335
	=====	=====

**27. TAXATION****For the year**

Current	(6,500)	(4,000)
Deferred	9,185	15,532
	-----	-----
	2,685	11,532

**For the prior year(s)**

Current	4,000	(22,739)
	-----	-----
	(1,315)	(11,207)
	=====	=====

**27.1 Relationship between tax expense and accounting profit**

Profit as per the profit and loss account	10,043	12,779
	=====	=====
Tax at the applicable tax rate of 50% (2000: 58%)	(5,022)	(7,412)
Reversal of temporary differences (available for deduction in determining taxable income)	12,509	23,064
Tax effect of change in tax rate	(5,935)	--
Tax effect of expenses that are deductible determining the taxable income	--	(4,333)
Others	1,133	213
	-----	-----
	2,685	11,532
	=====	=====
Current taxation	(6,500)	(4,000)
Deferred taxation	9,185	15,532
	-----	-----
	2,685	11,532
	=====	=====

27.2 The income tax assessments of the bank have been completed upto and including assessment year 2000-2001.

## 28. BASIC EARNINGS PER SHARE

Profit for the year	8,728	1,572
	=====	=====

(Numbers in '000)

Weighted average number of ordinary shares	50,794	50,794
	=====	=====

(Rupees)

Basic earnings per share	0.17	0.03
	=====	=====

## 29. DILUTED EARNINGS PER SHARE

Profit for the year	8,728	1,572
	=====	=====

(Numbers in '000)

Weighted average number of ordinary shares (adjusted for the effect of share application money)	50,934	50,794
--	--------	--------

(Rupees)

Diluted earnings per share	0.17	0.03
	=====	=====

## 30. CASH AND CASH EQUIVALENTS

Cash and Balance with treasury banks	1,435,609	646,554
--------------------------------------	-----------	---------

Balances with other banks	548,829	411,974
---------------------------	---------	---------

	1,984,438	1,058,528
	=====	=====

## 31. STAFF STRENGTH

(Number)

Total number of employees at the end of the year	1,054	1,156
	=====	=====

## 32. DEFINED BENEFIT PLAN

### 32.1 General description

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 benefits 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. Funds to the gratuity fund were transferred in the current year.

### 32.2 Principal actuarial assumptions

The actuarial valuation was last carried out on 31 December 2000 under the Projected Unit Credit Actuarial Cost Method. Significant assumptions used for actuarial valuation were as follows:

	%
	(per annum)
- Discount rate.	12
- Expected rate of increase in salaries	11
- Expected rate of return on investments	12

2001

(Rupees in '000)

### 32.3 Reconciliation of amount payable to defined benefit plan

Present value of defined benefit obligations	14,998
	=====

### 32.4 Movement in payable to defined benefit plan

Opening balance	14,998
-----------------	--------

Charge for the year	4,800
---------------------	-------

Contribution to fund made during the year	(19,720)
	-----

Closing balance 78

**32.5 Charge for defined benefit plan**

Current service cost 2,588  
Interest cost 1,800  
Additional contribution 412

4,800

**32.6 Actual return on plan assets**

11%

32.7 In the previous years, since the fund had no assets, no return was earned on the plan assets.

**33. REMUNERATION OF DIRECTORS AND EXECUTIVES**

	<i>President &amp; Chief Executive</i>		<i>Directors</i>		<i>Other Executives</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
			<i>(Rupees in '000)</i>			
Fees	--	--	14	12	--	--
Managerial remuneration	1,494	1,494	--	--	1,260	2,400
Charge for defined benefit plan	539	539	--	--	--	--
Contribution to defined contributio	149	149	--	--	126	120
Rent and house maintenance	1,195	1,245	--	--	982	1,459
Utilities	211	222	--	--	180	336
Medical	38	32	--	--	34	50
Conveyance	177	185	--	--	337	488
Others	1,120	1,567	--	--	697	2,132
	4,923	5,433	14	12	3,616	6,985
Number of persons	1	1	11	11	1	2

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

**34. MATURITIES OF ASSETS AND LIABILITIES**

	<i>2001</i>				
	<i>Total</i>	<i>Upto One Month</i>	<i>Over one year month to one year</i>	<i>Over five to five years</i>	<i>Over one years</i>
			<i>(Rupees in '000)</i>		
<b>Assets</b>					
Cash and balances with treasury banks	1,435,609	1,435,609	--	--	--
Balances with other banks	548,829	417,082	131,747	--	--
Lending to financial institutions	1,595,000	1,595,000	--	--	--
Investments	630,086	100,412	102,218	417,456	10,000
Advances	3,001,893	562,460	2,418,719	20,714	--
Other assets	511,433	374,596	43,401	93,436	--
Operating fixed assets	668,467	--	6,839	116,708	544,920
Deferred tax assets	52,217	--	--	52,217	--
	8,443,534	4,485,159	2,702,924	700,531	554,920
<b>Liabilities</b>					
Bills payable	196,131	196,131	--	--	--
Borrowings from financial instituti	616,699	400,000	216,699	--	--
Deposits and other accounts	6,684,700	3,230,217	1,369,118	2,085,365	--
Other liabilities	89,511	28,831	60,680	--	--
	7,587,041	3,855,179	1,646,497	2,085,365	--
<b>Net assets</b>	856,493	629,980	1,056,427	(1,384,835)	554,920
Share capital	507,938				

Reserves	83,765
Unappropriated profit	9,205
	-----
	600,908
Share application money	255,585
	-----
	856,493
	=====

**35. YIELD / INTEREST RATE RISK**

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The bank is exposed to yield/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 and off-balance sheet instruments. The bank's yield/interest rate sensitivity position, based on the earlier of contractual re-pricing or maturity date is as follows:

	<i>Effective Yield/ Interest rate (a)</i>	<i>Total</i>	<i>2001</i>			<i>Not exposed to yield Interest Risk</i>
			<i>Exposed to yield/interest risk</i>	<i>Upto three months</i>	<i>Over 3 months to one year</i>	
<b>Assets</b>						
Cash and balances with treasury b	--	1,435,609	--	--	--	1,435,609
Balance with other banks	10.00	548,829	--	131,747	--	417,082
Lendings to financial institutions	10.36	1,595,000	1,595,000	--	--	--
Investments	15.00	630,086	100,412	102,218	417,456	10,000
Advances (b)	13.40	3,001,893	562,460	2,418,719	20,714	--
Other assets	--	501,411	--	--	--	501,411
		-----	-----	-----	-----	-----
		7,712,828	2,257,872	2,652,684	438,170	2,364,102
<b>Liabilities</b>						
Bills payable		196,131	--	--	--	196,131
Borrowings from financial instituti	10.86	616,699	400,000	216,699	--	--
Deposits and other accounts (c)	7.50	6,684,700	181,616	1,369,118	2,018,190	3,115,776
Other liabilities	--	89,511	--	--	--	89,511
		-----	-----	-----	-----	-----
		7,587,041	581,616	1,585,817	2,018,190	3,401,418
<b>On balance sheet gap</b>		-----	-----	-----	-----	-----
		125,787	1,676,256	1,066,867	(1,580,020)	(1,037,316)
		=====	=====	=====	=====	=====
<b>Total Yield / Interest risk sensitivity gap</b>			1,676,256	1,066,867	(1,580,020)	
			=====	=====	=====	
<b>Cumulative Yield / Interest risk sensitivity gap</b>			1,676,256	2,743,123	1,163,103	
			=====	=====	=====	

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

a) The effective interest is a historical rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument.

b) The effective interest rate for advances has been computed by excluding non-performing advances.

c) The effective interest rates have been computed by excluding non-remunerative deposits.

**36. CURRENCY RISK**

The Bank undertakes currency risk mostly to support its trade services and maintains foreign exchange risk position within ten percent of its capital as advised by the State Bank of Pakistan

**2001**

<i>Assets</i>	<i>Liabilities</i>	<i>Off-balance sheet items</i>	<i>Net foreigns currency exposure</i>

*(Rupees in '000)*

Pakistan rupee	7,057,043	6,753,624	272,279	575.70
United States dollar	641,601	820,251	(272,279)	(450,929)
Great Britain pound	3,802	12,729	--	(8,927)
Japanese yen	202	--	--	202
Euro	8,154	437	--	7,717
Other currencies	2,026	--	--	2,026
	-----	-----	-----	-----
	7,712,828	7,587,041	--	125,787
	=====	=====	=====	=====

### 37. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2001		2000	
	Book value	Fair value	Book value	Fair value
<i>(Rupees in '000)</i>				
<b>37.1 On-balance sheet financial instruments</b>				
<b>Assets</b>				
Cash balances with treasury banks	1,435,609	1,435,609	646,554	646,554
Balances with other banks	548,829	548,829	411,974	411,974
Lendings to financial institutions	1,595,000	1,595,000	2,505,369	2,505,369
Investments	630,086	653,750	891,876	894,009
Advances	3,001,893	3,001,893	2,813,386	2,813,386
Other assets	501,411	501,411	195,699	195,699
	-----	-----	-----	-----
	7,712,828	7,736,492	7,464,858	7,466,991
	=====	=====	=====	=====
<b>Liabilities</b>				
Bills payable	196,131	196,131	186,533	186,533
Borrowings from financial instituti	616,699	616,699	2,154,535	2,154,535
Deposits and other accounts	6,684,700	6,684,700	5,243,174	5,243,174
Other liabilities	89,511	89,511	117,949	117,949
	-----	-----	-----	-----
	7,587,041	7,587,041	7,702,191	7,702,191
	=====	=====	=====	=====
<b>37.2 Off-balance sheet financial instruments</b>				
Forward purchase of foreign excha	332,797	330,434	298,154	296,478
	=====	=====	=====	=====
Forward sale of foreign exchange	319,572	315,716	192,359	191,024
	=====	=====	=====	=====

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.

The fair value of Federal Investment Bonds is based on quoted price. In the opinion of management, fair value of fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such instruments and reliable data regarding market rates for similar instruments. The provision for loans and advances has been calculated in accordance with Bank's accounting policy as stated in Note 5.6. In the opinion of the management, the fair value of remaining financial assets and liabilities are not significantly different from their carrying values, since such assets and liabilities are either short term in nature or they are frequently re-priced in case of customer deposits.

### 38. CONCENTRATION OF CREDIT AND DEPOSITS

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 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 adequate collateral.

**39. GEOGRAPHICAL SEGMENT ANALYSIS**

The bank does not have operations outside Pakistan, therefore, there financial statements represent operations of the bank in Pakistan.

39.1 Segment by class of business	2001					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	71,822	2.39	286,608	4.29	26,269	2.79
Agriculture and agribusiness	97,336	3.24	156,607	2.34	35,590	3.78
Textile and synthetic	393,539	13.11	178,348	2.67	144,056	15.30
Cement	497	0.02	58,042	0.87	--	--
Sugar	21,186	0.71	1,501	0.02	--	--
Shoes and leather garments	236,761	7.89	133,402	2.00	67,885	7.21
Automobiles and transportation equipment	90,777	3.02	401,690	6.01	28,246	3.00
Financial Services	--	--	38,478	0.58	--	--
Insurance	39,895	1.33	17,524	0.26	--	--
Electronics and electrical appliance	28,087	0.94	51,741	0.77	--	--
Production and transmission of en	4,343	0.14	849	0.01	--	--
Individuals	5,807	0.19	19,845	0.30	--	--
Others	2,011,843	67.02	5,340,065	79.88	639,495	67.92
	3,001,893	100.00	6,684,700	100.00	941,541	100.00

39.2 Segment by sector	2001					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	232,952	7.76	494,862	7.40	--	--
Private	2,768,941	92.24	6,189,838	92.60	941,541	100.00
	3,001,893	100.00	6,684,700	100.00	941,541	100.00

	2001	2000
	(Rupees in '000)	
40. RELATED PARTY TRANSACTIONS		
Advances given during the year	511,678	71,863
Insurance premium paid	3,339	25,869
Deposits (at year end)	--	58,582
Mark-up / Interest paid	--	4,393
Mark-up / Interest earned	34,649	3,569

The above transactions were entered into with associated companies under normal course of banking at arm's length.

**41. GENERAL**

Captions, as prescribed by BSD Circular No. 36 dated 10 October 2001 issued by the State Bank of Pakistan, in respect of which there are no amounts have not been reproduced in this financial statements except in case of balance sheet and profit and loss account.

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

**Javed Yunus**  
Chairman

**Mirza Ghulam Mustafa**

**Pervez Yunus**

Vice Chairman

Director

## PATTERN OF SHAREHOLDINGS AS OF 31 DECEMBER 2001

	Number of Shareholders	Having Shares		Shares held	Percentage
		From	To		
	3526	1	100	152370	.2999
	1732	101	500	424699	.8361
	3614	501	1000	2105399	4.1449
	351	1001	5000	647025	1.2738
	32	5001	10000	201012	.3957
	15	10001	15000	184393	.3630
	4	15001	20000	68516	0.1348
	2	20001	25000	48289	0.0950
	1	40001	45000	43172	0.0894
	1	45001	50000	46250	0.0910
I		85001	90000	89542	0.1762
	1	90001	95000	91294	0.1797
	1	160001	165000	161590	0.3181
	3	195001	200000	600000	1.1812
	1	200001	205000	203386	0.4004
	1	360001	365000	360501	0.7097
	1	375001	380000	379863	0.7478
	2	395001	400000	800000	1.5749
	1	565001	570000	566095	1.1144
	1	760001	765000	760042	1.4963
	1	1625001	1630000	1626980	3.2031
	11	2535001	2540000	27936557	54.9999
	1	2580001	2585000	2581562	5.0824
	1	2625001	2630000	2627764	5.1734
	1	2845001	2850000	2848853	5.6086
	1	5235001	5240000	5238596	10.3134
	-----			-----	-----
	9307			50793750	100.0000
	=====			=====	=====

### Categories of Share Holders

	Shareholders	Shareholding	Percentage
Individual	9278	39926018	78.6041
Investment Companies	2	1915	0.0037
Insurance Companies	3	8176991	16.0984
Joint Stock Companies	9	2678572	5.2734
Financial Institutions	1	15	--
Non-resident (US \$)	3	5776	0.0113
Non-resident (Pak Rs.)	11	4463	0.0087
	-----	-----	-----
	9307	50793750	100.0000
	=====	=====	=====

## OFFICES / BRANCH NETWORK

### Head office (Registered office)

Regal Chowk, Jinnah Road, Quetta.  
Tel: (081) 837028-824966 Fax: (92-81) 825065  
Tlx: 78310 BOLAN PK.

### Central Office

10th Floor, Business & Finance Centre,  
Opp. State Bank of Pakistan,  
I.I. Chundrigar Road, Karachi, (Pakistan)  
Tel: (021) 2410675-6, 2416253-4  
Fax: (92-21) 2433623, 2444197  
Tlx: 20475 BBL COK

### 7. Timber Market Branch

Harchand Rai Road, Siddique Wahab Road, Karachi  
Tel: (021) 7732729, 7766995 Fax: (92-21) 7733214

### 8. Gulshan-e-Iqbal Branch

B-44, Block 13/A, Main University Road, Gulshan-e-Iqbal,  
Karachi. Tel: (021) 4987688, 4987740, 4987739  
Fax: (92-21) 4987689

### 9. Paper Market Branch

Al-Abbas Centre, Paper Market, Shahrah-e-Liaquat, Karachi.  
Tel: (021) 2639671-2 Fax: (92-21) 2639670



### **G.M. Office, Karachi**

Zia Plaza, Altaf Hussain Road, New Challi,  
Karachi. Tel: (021) 2620231-33, 2621369  
Fax: (92-21) 2621202 Tlx: 29782 BBL NC PK.

### **G.M. Office Lahore:**

Liberty Market, 26/C, Commercial Zone,  
Gulberg, Lahore. Tel: (042) 5763910  
Fax: (92-42) 5763310

### **G.M. Office Islamabad:**

20 Basement, A1-Asghar Plaza, Blue Area,  
Islamabad.  
Tel: (92-51) 2871011, 2875066 Fax: (92-51) 2871012

### **G.M. Office Quetta:**

Regal Chowk, Jinnah Road, Quetta.  
Tel: (081) 8371028-824966 Fax: (92-81) 825065  
Tlx: 78310 BOLAN PK.

## **KARACHI**

### **1. New Challi Branch**

Zia Plaza, Altaf Hussain Road, New Challi,  
Karachi. Tel: (021) 2620231-33, 2621369  
Fax: (92-21) 2621202 Tlx: 29782 BBL NC PK.

### **2. Plaza Quarters Branch**

A1-Shafi Building Noman Street;  
Off: M.A. Jinnah Road, Karachi.  
Tel: (021) 7771515-16-18 Fax: (92-21) 7771517  
Tlx: 29816 BBL PQ PK.

### **3. Jodia Bazar Branch**

Mezzanine Floor, Ram Bharti Street, Ismail Trade Centre,  
Karachi. Tel: (021) 2437991-2-3  
Fax: (92-21) 2437994 Tlx: 29860 BBL JB PK.

### **4. Cloth Market Branch**

222-Alam Market, Saleh Muhammad Street,  
Karachi. Tel: (021) 2424177 (On-line) 2424178, 24007  
Fax: (92-21) 2424175

### **5. North Napier Road Branch**

Plot # 18 & 19, Junction of N. Napier Road,  
and Muhammad Shah Street, North Napier Road,  
Karachi. Tel: (021) 7766755, 7766477  
Fax: (92-21) 7766487 Tlx: 27788 BBL NR PK

### **6. Clifton Branch**

Near Clifton Centre, Pearl Heaven,  
Khayaban-e-Roomi Clifton, Karachi 20.  
Tel: (021) 5867651 - 573230-1  
Fax: (92-21) 5867647 Tlx: 20869 BBL CL PK

## **LAHORE**

### **21. Shahrah-e-Quaid-e-Azam Branch**

8-Shahrah-e-Quaid-e-Azam, Lahore.  
Tel: (042) 7354821, 7350942, 7239076, 7354821, 7350942  
Fax: (92-42) 7238308 Tlx: 47731 BOLAN SQ PK.

### **22. Badami Bagh Branch**

203, Grain Market, Badami Bagh, Lahore,  
Tel: (042) 7721333, 7724583 Fax: (92-42) 209921  
Tlx: 44169 BBL BB PK.

### **23. Shah Alam Gate Branch**

12-A, Shah Alam Gate, Lahore, Tel: (042) 7663090, 7630616  
Fax: (92-42) 7663488

### **10. Tariq Road Branch**

C-51, Central Commercial Area, Near Care Liberty,  
Tariq Road, P.E.C.H.S., Karachi.  
Tel: (021) 4556682, 4556486 Fax: (92-21) 4555478

### **11. Abdullah Haroon Road Branch**

Building No. 282/3, Abdullah Haroon Road,  
Saddar, Karachi.  
Tel: (021) 5685393, 5685269 Fax: (92-21) 5683991  
Tlx: 29867 BBL AH PK

### **12. Barkat-e-Hydri Branch**

Almas Square, Block-G, North Nazimabad, Karachi.  
Tel: (021) 6628931, 6629145 Fax: (92-21) 6629144

### **13. Water Pump Branch**

Lateef Square, Block-6, Federal 'B' Area, Karachi.  
Tel: (021) 6314817, 6321387 Fax: (92-21) 6314848

### **14. Shahrah-e-Faisal Branch**

Business Avenue, Block-6, P.E.C.H.S.,  
Shahrah-e-Faisal, Karachi.  
Tel: (021) 4386417-18 Fax (92-21) 4531819

### **15. Bahadur Shah Centre Branch**

Bahadur Shah Centre, Urdu Bazar,  
Off M. A. Jinnah Road, Karachi.  
Tel: (021) 7768559, 7768547 Fax: (92-21) 7765083

### **16. Defence Branch**

Show Room #55-C, Phase II, D.H.A.,  
Opp. Toyota Motors Showroom, Main Korangi Road,  
Karachi. Tel: (021) 5387809 Fax: (021) 5387810

### **17. I.I. Chundrigar Road Branch**

Showroom # 5, Business & Finance Centre,  
Opp. State Bank of Pakistan, Karachi.  
Tel: (021) 2438212 Fax: (021) 2438218

## **HYDERABAD**

### **18. Latifabad Branch**

Latifabad No. 7, 5/D, Unit # 7, Hyderabad.  
Tel: (0221) 868297 Fax: (92-221) 868298

## **SUKKUR**

### **19. Marich Bazar Branch**

Marich Bazar, Sukkur  
Tel: (071) 24316 Fax: (92-71) 24317

## **MIRPUR KHAS-**

### **20. Shaheed-e-Millat Road Branch**

Shaheed-e-Millat Road, Mirpur Khas,  
Tel: (0231) 4618 Fax: 62018

## **RAWALPINDI**

### **36. Bank Road Branch**

Sadar Bazar Rawalpindi Cantt.  
Tel: (051) 5523840-41 Fax: (92-51) 5523837

### **37. Kallar Syeedan Branch**

Choa Road, Kallar Syeedan, Distt. Rawalpindi.  
Tel: (0571) 571170 Fax: (92-571) 571170

### **38. Raja Bazar Branch**

Raja Bazar Rawalpindi.  
Tel: (051) 5557244, 5553504 Fax: (92-51) 5559544

## **RAHIMYAR KHAN**

**24. Liberty Market Branch**

26/C, Commercial Zone, Liberty Market, Gulberg,  
Lahore, Tel: (042) 5763910, 5763308-09  
Fax: (92-42) 5763310 Tlx: 44396 BBL LM PK.

**25. Azam Cloth Market Branch**

F-1208, Azam Cloth Market, Lahore.  
Tel: (042) 7651374, Fax: (92-42) 7662026

**26. Montgomery Road Branch**

Abdul Karim Road, Lahore,  
Tel: (042) 6364522, 6364532 Fax: (92-42) 6364542

**SAHIWAL**

**27. Saddar Bazar Branch**

Saddar Bazar, Sahiwal.  
Tel: (0441) 76000 Fax: (92-441) 60960

**SARGODHA**

**28. Sargodha Branch**

36, Block-5, Kutchery Bazar Road, Sargodha.  
Tel: (0451) 722913 Fax: (92-451) 722914

**OKARA**

**29. Okara Branch**

23/A, Ravi Road, Okara.  
Tel: (0442) 525355 Fax: (92-442) 525356

**FAISALABAD**

**30. Aminpur Bazar Branch**

Aminpur Bazar, Faisalabad. Tel: 04 45.  
Fax: (92-041) 611363 Tlx: 43359 BBL AB PK.

**GUJRANWALA**

**31. Bank Square Bazar Branch**

Bank Square, Gujranwala Tel: 041-214778, 238431  
Fax: (92-431) 223978 Tlx: 46224 BBL RR PK.

**SIALKOT**

**32. Railway Road Branch**

Railway Road, Sialkot  
Tel: (0432) 582231 - 586507 Fax: (92-0432) 582232  
Tlx: 46224 BBL RR PK.

**DINGA**

**33. Village Dinga Branch**

Ravi Road, Tehsil Kharian, Village Dinga,  
Distt. Gujrat. Tel: (043317) 401037

**GUJRAT**

**34. Circular Road Branch**

East Circular Road, Opp. Zahoor Palace, Gujrat.  
Tel: (0433) 524640  
Fax: (92-433) 525108

**MULTAN**

**35. Hussain Agahi Road Branch**

2576, Hussain Agahi Road, Multan. Tlx: 42428  
Tel: (061) 583268, 583168 Fax: (9261) 543794

**39. Rahim Yar Khan Branch**

Shahi Road, Rahim Yar Khan.  
Tel: (0731) 83876 Fax: (92-731) 76776

**ISLAMABAD**

**40. Blue Area Branch**

20-A1-Asghar Plaza, Blue Area, Islamabad.  
Tel: (051) 2274001, 2823204 Fax: (92-51) 2274276  
Tlx: 54720 BOLAN PK.

**41. Bharah Koh Branch**

Muree Road, Bhara Koh, Tehsil Distt., Islamabad.  
Tel: (051) 2231344 Fax: (92-51) 2230889

**PESHAWAR**

**42. Arbab Road. Branch**

3-A, Arab Road, Peshawar Cantt. Peshawar.  
Tel: (091) 275915, 270463 Fax: (92-91) 274251  
Tlx: 52503 BBL PK.

**43. Chowk Yadgar Branch**

Near Clock Tower, Chowk Yadgar,  
Peshawar City, Peshawar. Tel: (091) 250466, 250477  
Fax: (92-091) 250488 Tlx: 52518 BBL CY PK

**44. Mardan Branch**

Bank Road, Mardan  
Tel: (0931) 65341 Fax: (92-0931) 65342

**MINGORA**

**45. Bank Square Branch**

Bank Square, Main Bazar, Mingora (Swat)  
Tel: (0936) 712326 Fax: (92-936) 712326

**QUETTA**

**46. Jinnah Road Branch**

Main Branch, Regal Chowk, Jinnah Road, Quetta.  
Tel: (081) 837029-824966 Fax: (92-81) 825065  
Tlx: 78310 BOLAN PK.

**47. Liaquat Bazar Branch**

Ainuddin Street, Liaquat Bazar, Quetta.  
Tel: (081) 837301 Fax: (92-81) 837302

**TURBAT**

**48. Main Bazar Branch**

Main Bazar Turbat, Tel: (0861) 413874  
Fax: (92-861) 413874

**MIRPUR (A.K)**

**49. Nangi Chowk Branch**

Nangi Chowk, Mirpur, Azad J. Kashmir  
Tel: (92-58610) 44550 Fax: (92-58610) 44522

**DADYAL (A.K)**

**50. Dadyal Branch**

Maqbool Butt Shaheed Chowk, Dadyal,  
Azad Kashmir. Tel: (058630) 42475  
AJK Fax: (92-58630) 42475