



Metropolitan Bank Limited

ANNUAL REPORT 2004



“Based on a foundation of trust,
to be the most respected
financial institution delighting
customers with Excellence,
enjoying the loyalty of a
dedicated team, meeting the
expectations of regulators and
participating in social causes
while providing superior
returns to shareholders.”



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HEAD OFFICE

Ground Floor, Spencer's Building, G.P.O. Box No. 1289,
I. I. Chundrigar Road, Karachi - 74200, Pakistan

Telephones : (92-21) 263 6740 (20 Lines)
UAN : (92-21) 111-18-18-18
Fax : (92-21) 263 0404 - 05
Telex : 20246 BNKMN PK
20281 BNKMN PK
Cable : METROBANK
SWIFT : MPBLPKKA
URL : www.metrobank.com.pk
E-mail : info@metrobank.com.pk

BRANCHES

Karachi:

Main Branch:

Ground Floor,
Spencer's Building, I.I. Chundrigar Road,
G.P.O. Box 1289, Karachi.
Phones : (021) 263 6740 (20 Lines)
UAN : (021) 111-18-18-18
Fax : (021) 263 0404 - 5
Telex : 20246 BNKMN PK
20281 BNKMN PK
SWIFT : MPBLPKKA

Cloth Market:

BR 1/43, Metro Centre,
Bombay Bazar, Kharadar,
P.O. Box 6453, Karachi.
Phones : (021) 231 3712 (3 Lines)
(021) 231 3763, 231 3927
Fax : (021) 231 3715
Telex : 27402 BNKMN PK
SWIFT : MPBLPKKA011

Paper Market:

Plot No. 7,8 R-6, Altaf Hussain Road,
New Challi, Karachi.
Phones : (021) 221 0562 (6 Lines)
Fax : (021) 221 0568
Telex : 27399 MBP PM PK
SWIFT : MPBLPKKA013

Gulshan-e-Iqbal:

Plot No. 118/B/A-XV, Block 10-A, Main Rashid
Minhas Road, Near Drive-In Cinema,
Gulshan-e-Iqbal, Karachi.
Phones : (021) 402 1651 (3 Lines)
(021) 402 1654
Fax : (021) 402 1655

Shahrah-e-Faisal:

Siddique Sons Tower 3, Jinnah Society,
Near Shaheed-e-Millat Flyover,
Shahrah-e-Faisal, Karachi.
Phones : (021) 452 8395 (3 Lines)
(021) 452 2920
Fax : (021) 438 3498
Telex : 27424 BNKMN PK
SWIFT : MPBLPKKA012

Jodia Bazar:

Madarassah Islamia School Building,
Adamjee Haji Dawood Road,
Jodia Bazar, Karachi.
Phones : (021) 243 7187, 241 1925,
(021) 243 7909, 243 8157
Fax : (021) 243 0056
Telex : 27723 MBP JB PK
SWIFT : MPBLPKKA015

Karachi Stock Exchange:

Old Stock Exchange Building,
Stock Exchange Road,
Karachi.
Phones : (021) 240 1921 (3 Lines)
Fax : (021) 240 1925

M. A. Jinnah Road:

Corner Abdullah Haroon Road,
Karachi.
Phones : (021) 273 7617 (4 Lines)
Fax : (021) 273 7621
SWIFT : MPBLPKKA020

North Napier Road:

Plot W.O.I/33, North Napier Road,
Near Dandia Bazar, Karachi
Phones : (021) 273 7603 (4 Lines)
Fax : (021) 273 7607
SWIFT : MPBLPKKA021

Karimabad:

Sohni Bridal Shopping Centre,
BS-6, Block-4, F.B. Area,
Karachi.
Phones : (021) 634 5236 (2 Lines)
(021) 634 9446, 680 2262
Fax : (021) 634 9447

SITE:

3/9-B-2, Metro Chowrangi,
S.I.T.E., Karachi.
Phones : (021) 256 4101 (3 Lines)
(021) 256 4104, 256 4793-95
Fax : (021) 256 4100
SWIFT : MPBLPKKA023

DHA:

1-C, Khayaban-e-Shamsheer,
Phase V, Karachi.
Phones : (021) 585 7404 (3 Lines)
(021) 585 7407
Fax : (021) 585 7403

Timber Market:

5, Siddiq Wahab Road, Timber Market,
Karachi.
Phones : (021) 276 8411 (3 Lines)
(021) 276 8415
Fax : (021) 276 8414

Korangi:

Aiwan-e-Sanat Building, Sector 23,
Korangi Industrial Area, Karachi.
Phones : (021) 506 9162 (3 Lines)
(021) 506 9130
Fax : (021) 506 9171

Saddar:

SB-4/4, Zaibunissa Street, Saddar,
Karachi.
Phones : (021) 521 6308 (2 Lines)
(021) 521 6433
Fax : (021) 521 6434

Bahadurabad:

25, Central Commercial Area,
Main Alamgir Road, Bahadurabad,
Karachi.
Phones : (021) 494 8805 (3 Lines)
(021) 494 8810
Fax : (021) 494 8803

Ittehad:

86-C, 11th Commercial Street,
D.H.A. Phase II Ext., Karachi.
Phones : (021) 589 7623 (2 Lines)
(021) 538 2108 (2 Lines)
(021) 538 2110
Fax : (021) 588 6872

Hyderi:

7-A, Mustafa Market,
Block G, Barkat-e-Hyderi, Karachi.
Phones : (021) 664 0774 (3 Lines)
Fax : (021) 664 0777

Dhoraji Colony:

Madni Pride, Block 7 & 8,
C.P. Berar, C.H.S.,
Dhoraji Colony, Karachi.
Phones : (021) 494 9535 - 44 - 64
Fax : (021) 494 9592

North Karachi Industrial Area:

ST-5, Gabol Town,
Federal 'B' Area, Karachi.
Phones : (021) 695 7569
(021) 693 3461 (3 Lines)
Fax : (021) 695 7570

Gulshan Chowrangi:

FL 4/S, Hamid Square,
Block 3, Gulshan-e-Iqbal, Karachi.
Phones : (021) 480 0790 (3 Lines)
Fax : (021) 480 0789

Khalid Bin Walid:

Khalid Bin Walid Road,
F/168/A, Madina Mall, Block-3,
PECHS, Karachi.
Phones : (021) 439 0191 (3 Lines)
Fax : (021) 439 0190



BRANCHES

Karachi:

Ceramic Market:

485/486, Rizvia Society,
Nazimabad, Karachi.
Phones : (021) 660 0546 (3 Lines)
: (021) 670 1001
Fax : (021) 660 7462

Landhi:

15 Milestone, National Highway,
Landhi, Karachi.
Phones : (021) 502 4901 (4 Lines)
Fax : (021) 502 5200

Paposh Nagar:

6-A, Block V-A,
Nazimabad No. 5, Karachi.
Phones : (021) 670 0001 (4 Lines)
Fax : (021) 670 0005

Textile Plaza:

Nadeem Cloth Market,
M.A. Jinnah Road, Karachi.
Phones : (021) 242 2476 (2 Lines)
: (021) 242 2415 (2 Lines)
: (021) 241 3964
Fax : (021) 241 6148

Islamic Banking:

SB-4/4, 2nd Floor, Zaibunnisa Street,
Saddar, Karachi
Phones : (021) 565 0711 (4 Lines)
Fax : (021) 565 0650

Water Pump:

57, Nawaz Court, Block-16,
Federal "B" Area, Karachi
Phones : (021) 681 2577 (2 Lines)
: (021) 632 3028
Fax : (021) 633 4557

Shershah:

D-283/1, S.I.T.E. Area,
Trans Lyari Quarter, Karachi.
Phones : (021) 258 6301 (3 Lines)

Lahore:

Lahore:

Associated House,
7-Egerton Road, Lahore.
Phones : (042) 627 9062 (4 Lines)
: (042) 627 8812, 630 6902
UAN : (042) 111-18-18-18
Fax : (042) 627 9061
Telex : 47764 BNKMN PK
SWIFT : MPBLPKKA002

Gulberg:

85, D-1, Main Boulevard, Gulberg-III,
G.P.O Box No. 54660, Lahore.
Phones : (042) 587 2091 (4 Lines)
: (042) 575 5151, 575 5252
Fax : (042) 575 4480

Circular Road:

83-Circular Road, Lahore.
Phones : (042) 767 2634 (5 Lines)
Fax : (042) 767 2631

Defence:

9-Z, Defence Housing Authority, Lahore.
Phones : (042) 589 4162 (3 Lines)
Fax : (042) 589 3878

Badami Bagh:

38-R-359, Circular Road, Lahore.
Phones : (042) 772 3471

Peshawar:

95-A, Saddar Road, Peshawar.
Phones : (091) 270904 (3 Lines)
: (091) 275784, 275709
UAN : (091) 111-18-18-18
Fax : (091) 275624
Telex : 52324 BNKMN PK

Quetta:

Shahrah-e-Iqbal,
G.P.O. Box 185, Quetta.
Phones : (081) 835302, 835308
UAN : (081) 111-18-18-18
Fax : (081) 824209
Cable : BANKMETRO

Mirpur A.K.:

Ejaz Plaza, Allama Iqbal Road,
Mirpur, Azad Kashmir.
Phone : (058610) 43435, 48039-40
: (058610) 45719
Fax : (058610) 43677

Sialkot:

Allama Iqbal Chowk, Railway Road,
G.P.O. Box 2626, Sialkot.
Phones : (0432) 593571 (3 Lines)
: (0432) 588002, 588037
UAN : (0432) 111-18-18-18
Fax : (0432) 588024
Telex : 46209 BNKMN PK
SWIFT : MPBLPKKA006

Hyderabad:

F-66, Risala Road,
P.O. Box No. 182, Hyderabad.
Phones : (0221) 783893, 784087
UAN : (0221) 111-18-18-18
Fax : (0221) 783894
Telex : 22093 BNKMN PK

Multan:

85-A, Qasim Road,
P.O. Box No. 108, Multan Cantt.
Phones : (061) 583515 (3 Lines)
: (061) 785719 - 20
UAN : (061) 111-18-18-18
Fax : (061) 583518
Telex : 42353 BNKMN PK

Faisalabad:

P/64, Taj Plaza, Kotwali Road, Faisalabad.
Phones : (041) 649902 (5 Lines)
UAN : (041) 111-18-18-18
Fax : (041) 649901
Telex : 43555 BNKMN PK
SWIFT : MPBLPKKA009

Islamabad:

Islamabad:

24-D, Rashid Plaza,
Jinnah Avenue, Islamabad.
Phones : (051) 227 4088 (3 Lines)
UAN : (051) 111-18-18-18
Fax : (051) 227 4082
Telex : 54732 BNKMN PK
SWIFT : MPBLPK010

F-10 Markaz:

F-10, Markaz Branch,
1-D, 10th Avenue, F-10, Islamabad.
Phones : (051) 229 9822

Rahim Yar Khan:

24, Shahi Road, Rahim Yar Khan.
Phone : (0731) 83493, 79522
Fax : (0731) 74193

Kasur:

Railway Road, Kasur.
Phones : (0492) 925 0053, 764606
: (0492) 765331
Fax : (0492) 925 0090

Gujranwala:

G.T. Road, Near Din Plaza, Gujranwala.
Phones : (0431) 845467 (3 Lines)
Fax : (0431) 845466
Telex : 53352 BNKMN PK

Rawalpindi:

186/2, Bank Road, Rawalpindi Cantt.
Phones : (051) 511 0178 - 81 - 82
: (051) 551 7013, 511 0177
Fax : (051) 579 4376



BOARD OF DIRECTORS

Chairman

Anwar H. Japanwala

President & Chief Executive

Kassim Parekh

Directors

Bashir Ali Mohammad

Mohamedali R. Habib

Firasat Ali

A. R. Wadiwala

Salim A. Zubairi

R. B. Limbuvalla

Audit Committee

Anwar H. Japanwala Chairman

A. R. Wadiwala

R. B. Limbuvalla

Company Secretary

Fuzail Abbas

Share Registrar

Noble Computer Services (Private) Limited

2nd Floor, Sohni Centre, BS 5 & 6,

Main Karimabad, Block-4, Federal B Area,

Karachi-75950.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirteenth Annual General Meeting of the shareholders of Metropolitan Bank Limited will be held at the Moosa D. Dessai ICAP Auditorium, Institute of Chartered Accountants of Pakistan, G-31/8, Chartered Accountants Avenue, Clifton, Karachi on Saturday March 26, 2005 at 9.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2004 together with the Directors' and Auditors' Reports thereon.
2. To approve the issue of bonus shares as recommended by the Board of Directors and in this regard to pass the following ordinary resolution;

“Resolved that a sum of Rs. 360,000,000 (Rupees three hundred sixty million only) out of current year's profit be capitalized and distributed by issuing 36,000,000 fully paid ordinary shares of Rs. 10 each as bonus shares in the proportion of 3 (three) shares for every 10 (ten) shares held, to those members whose names appear in the register of members as at the close of business on March 19, 2005 and that the shares so distributed shall be treated for all purposes as an increase in the paid-up capital of the Bank.

Further resolved that the bonus shares so distributed shall rank pari passu in all respects with the existing shares of the Bank.

Further resolved that in the event of any member holding fraction of shares, the Directors be and are hereby authorised to consolidate such fractional entitlement and sell in the stock market and to pay the proceeds of sale when realised to a charitable trust.

Further resolved that the Directors be and are hereby authorised and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of 36,000,000 bonus shares.”

3. To elect 7 (seven) Directors as fixed by the Board.
4. To appoint Auditors for the financial year ending December 31, 2005 and fix their remuneration. The present Auditors, Messrs. Hyder Bhimji & Co., Chartered Accountants, being eligible, offer themselves for reappointment.
5. To consider any other business with the permission of the Chair.

SPECIAL BUSINESS

1. To approve the remuneration payable to the Chief Executive of the Bank.
2. To enhance the remuneration payable to Directors for attending Board/Sub-committee Meetings.
3. To seek the consent of the shareholders for transmission of quarterly accounts through website in compliance with Section 245 of the Companies Ordinance 1984 and Securities & Exchange Commission of Pakistan's Circular No. 19 of 2004.

By Order of the Board

FUZAIL ABBAS
Company Secretary

Karachi : February 26, 2005



NOTES:

1. The number of Directors to be elected pursuant to Section 178(1) of the Companies Ordinance, 1984, has been fixed at 7 (seven). The following being eligible have offered themselves for re-election:

Mr. Anwar H. Japanwala, Mr. Kassim Parekh, Mr. Bashir Ali Mohammad, Mr. Mohamedali R. Habib, Mr. A. R. Wadiwala, Mr. Salim A. Zubairi.
2. Any member desirous to contest the election of Directors shall file the following with the Company Secretary of the Bank at its Registered Office, Spencer's Building, I.I. Chundrigar Road, Karachi, not later than fourteen days before the day of the above said meeting:
 - a) his/her intention to offer himself/herself for the election in terms of Section 178(3) of the Companies Ordinance, 1984 together with a consent in form 28;
 - b) declarations under clauses (ii), (iii), (iv) and (v) of the Code of Corporate Governance;
 - c) an affidavit in terms of BPRD Circular No. 12 dated June 2, 2000; and
 - d) a duly completed questionnaire along with a declaration that he/she is not ineligible to become director of the Bank in terms of BPD Circular No. 13 of 2004 dated May 17, 2004.

A copy of the relevant documents may be obtained from the office of the Company Secretary of the Bank or may be downloaded from the websites of the SECP and SBP.
3. In terms of the criteria prescribed by SBP, association of the following persons as director is undesirable and against public interest:
 - a) a persons who is/has been associated with any illegal activity, especially related to banking business;
 - b) a person who in his/her individual capacity or a proprietary concern or any partnership firm or any private limited company or any unlisted public company or any listed public company (of which he/she has been a proprietor, partner, director or shareholder), has been in default of payment of dues owned to any financial institution and/or in default of payment of any taxes. It should also be noted that under the SBP regulations a person is not permitted to be a director of more than one financial institution.
4. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Form of the Proxy is enclosed with the Annual report. A proxy must be a member of the Bank. Proxies, in order to be effective, must be received at the Registered Office of the Bank, duly stamped, signed and witnessed, not less than 48 (forty eight) hours before the meeting.
5. CDC account holders and sub-account holders are required to bring with them their National Identity Card along with the participants ID numbers and their account numbers in order to facilitate identification.
6. Members are requested to notify the change of addresses, if any.
7. The share transfer book of the Bank will remain closed from March 21, 2005 to April 4, 2005 (both days inclusive).
8. A statement under section 160 of the Companies Ordinance, 1984 pertaining to Special Business is annexed.



STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the special businesses, given in agenda item, to be transacted at the annual general meeting of the Bank to be held on March 26, 2005.

Approvals of the shareholders will be sought and resolutions to be passed for the following:

- a) Remuneration payable to the Chief Executive in accordance with the terms and conditions of his service. For this purpose, it is intended to propose the following resolution to be passed:

“Resolved that the remuneration of the Chief Executive, Mr. Kassim Parekh, consisting of salary shall not exceed Rs. 200,000 per month and allowances, perquisites and benefits shall not exceed Rs. 250,000 per month, subject to an increment not exceeding 15% per annum. Bonus, retirement benefits, medical and leave facilities will be paid in accordance with his terms of employment.”

- b) To enhance the remuneration payable to Directors for attending Board of Directors/Sub-committee meetings from Rs. 500 to Rs. 10,000 and pass the following resolution:

“Resolved that the remuneration payable to Directors for attending Board/Sub-committee meetings be and is hereby increased from Rs. 500 (Rupees five hundred only) to Rs. 10,000 (Rupees ten thousand only).

Further resolved that the figure Rs. 500 (Rupees five hundred only) appearing in Article 106 of Article of Association be and is hereby substituted by the figure Rs. 10,000 (Rupees ten thousand only).”

- c) The Securities & Exchange Commission of Pakistan wide Circular No. 19 of 2004 has allowed the listed companies to place the quarterly accounts on their website instead of sending the same to each shareholder by post.

The Bank is maintaining its website <http://www.metrobank.com.pk>. Prior permission of the Securities & Exchange Commission of Pakistan would be sought for transmitting the quarterly accounts through Bank’s website after the approval of the shareholders. The Bank, however, will supply the copies of accounts to the shareholders on demand at their registered address, free of cost, within one week after receiving their request. For this purpose, it is intended to propose the following resolution to be passed:

“Resolved that consent of the shareholders of the Bank be and is hereby granted to place the quarterly accounts of the Bank on the website of the Bank, i.e., <http://www.metrobank.com.pk>, pursuant to the Securities & Exchange Commission of Pakistan’s Circular No. 19 of 2004 dated 14th April 2004.

Further resolved that the Company Secretary be and is hereby authorized to apply to the Securities & Exchange Commission of Pakistan for its consent and to consult stock exchanges to place the quarterly accounts on the website of the Bank and to do all necessary acts, deeds and things in connection therewith and ancillary thereto.”



DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders:

I extend to you a warm welcome to the Thirteenth Annual General Meeting of the Bank and am pleased to present to you the Bank's Annual Report for the financial year ended December 31, 2004.

The operating financial results and appropriations, as recommended by the Board of Directors, are summarised below:

	Rupees in '000
Profit for the year	1,377,921
Provision for taxation - current	478,000
- deferred	84,382
	(562,382)
Profit after taxation	815,539
Unappropriated profit brought forward	53,722
Profit available for appropriation	869,261
Transfer to	
- Statutory reserve	163,000
- Revenue reserve	300,000
- Reserve for issue of bonus shares in the ratio of 3 shares for every 10 shares held	360,000
	(823,000)
Unappropriated profit carried forward	46,261

Earnings per share after tax is Rs. 6.80

During the year under review, the economic activities gathered momentum with the result that Pakistan was able to achieve GDP growth rate of 6.4 percent. Industrial sector witnessed robust growth of 13.1 percent and this year too, the major impetus was provided by the large scale manufacturing sector. Construction sector also recorded the highest growth rate since 1987.

The low interest rate environment resulted in increased demand for credit from the corporate and SME sectors. Consumer financing especially for auto and consumer durables remained in high demand. The extraordinary boom in the consumer financing sector aided the large scale manufacturing sector. It is expected that during the current year, Pakistan will be able to achieve above 6 percent growth rate. However, at the same time, the rising international oil prices may result in slowdown in the global economy which can have some negative effects. The rising oil prices will also put some pressure on foreign exchange reserves of Pakistan and at the same time economy may also witness inflationary pressure.

Alhamdulillah, your Bank is consistently making progress in all the areas of its operations and the year-end results are encouraging.

Realizing the need for growing demand of Islamic banking facilities, your Bank opened its first Islamic Banking Branch in Karachi during the year. The branch network was further enlarged by opening of seven new branches, five in Karachi (including Islamic Banking Branch) and one each in Lahore and Islamabad thus bringing the total number of branches to 47 in 14 cities. The Bank plans to open more branches in 2005 and will continue with its program of upgrading existing ones. All branches provide a full range of banking



services including on-line instant fund transfer facilities, SWIFT, tele-info and web-info services to our customers.

Our training academy is also providing professional training to junior and middle management staff on a variety of banking subjects.

By the grace of Allah, the credit rating of the Bank has been maintained at AA+ (double AA plus) for long term and A1+ (A one plus) for short term by The Pakistan Credit Rating Agency Limited. These ratings denote a very high credit quality, a very low expectation of credit risk and a very strong capacity for timely payment of financial commitments.

During the year five Board meetings were held and the attendance of each Director is as follows:

Date of Meeting	Attended by
February 19, 2004	Mr. Anwar H. Japanwala Mr. Kassim Parekh Mr. Bashir Ali Mohammad Dewan Asim Mushfiq Farooqui Mr. Firasat Ali Mr. A. R. Wadiwala Mr. R. B. Limbuvalla
April 26, 2004	Mr. Anwar H. Japanwala Mr. Kassim Parekh Mr. Firasat Ali Dewan Asim Mushfiq Farooqui Mr. A. R. Wadiwala Mr. Salim A. Zubairi Mr. R. B. Limbuvalla
August 19, 2004	Mr. Bashir Ali Mohammad Mr. Kassim Parekh Mr. A. R. Wadiwala Mr. Salim A. Zubairi Mr. R. B. Limbuvalla
September 9, 2004	Mr. Kassim Parekh Mr. Bashir Ali Mohammad Mr. Firasat Ali Mr. R. B. Limbuvalla
October 23, 2004	Mr. Anwar H. Japanwala Mr. Kassim Parekh Mr. Bashir Ali Mohammad Mr. Mohamedali R. Habib Mr. Firasat Ali Mr. A. R. Wadiwala Mr. Salim A. Zubairi Mr. R. B. Limbuvalla

During the year, Dewan Asim Mushfiq Farooqui resigned from the Board and in his place Mr. Mohamedali R. Habib was co-opted as director to fill the casual vacancy. The Board wishes to place on record its profound appreciation for valuable contribution made by Dewan Asim Mushfiq Farooqui during his association as a director of the Bank.



The pattern of holding of shares as on December 31, 2004 is annexed to the report.

No material changes and commitments affecting the financial position of the Bank have occurred between the end of financial year of the Bank and the date of the report.

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

Statement on Risk Management Framework

Metropolitan Bank follows a cautious business strategy. The Bank duly considers market, liquidity, credit and operations risks in all business initiatives. The business model embeds risk management aspects in all processes/systems. Standard Banking techniques are used in managing risks and the Internal Audit Division conducts independent reviews and verifications throughout the year. Internal reports/MIS are additional tools for management in controlling risks.

The rapid development of the financial sector in Pakistan has changed the risk profile of banks. Consumer and investment banking products have shown tremendous growth and customers are becoming more sophisticated. There is increased reliance on technology in all aspects of banking including customer delivery channels & payment systems mechanisms. Given the new realities of the market place and SBP guidelines on Risk Management, the Board has approved a strategy of evolving a coherent and a more effective Risk Management Framework. A Risk Management Committee at the Board level has been formed to ensure that this strategic initiative continues to receive focus and benefits from ongoing monitoring and assessment at the highest level.

The revised Risk Management Framework envisages some additional building blocks to strengthen the Risk Architecture and we are further streamlining all risk management aspects. The objective is to have the revised Risk Architecture substantially implemented by the end of 2005.

Allhamdulillah, Metrobank is blessed with a seasoned management team and diligent staff that operates in a team oriented structure. It has a strong liquidity base, and a state of the art on-line processing system. Given the existing sound business base, an inherent risk focused business strategy and a cohesive risk management focus, we are confident that the Bank will continue to be financially sound with effective risk management systems that delivers excellent "value" to all our stakeholders.

Statement on Corporate and Financial Reporting Framework

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



8. The key operating and financial data of last six years of the Bank is placed below:

	Rs. in million					
	2004	2003	2002	2001	2000	1999
Shareholders Equity	3,568	2,753	2,074	1,845	1,453	1,227
Paid-up Capital	1,200	1,000	1,000	800	625	500
Total Assets	67,891	58,982	41,381	27,118	20,770	17,909
Deposits	48,596	39,338	28,515	17,902	13,136	12,096
Advances	40,122	32,230	19,444	12,988	11,367	8,866
Investments	15,560	17,959	15,014	8,265	2,614	5,005
Pre-tax Profit	1,378	1,224	876	743	568	521
After-tax Profit	816	678	430	335	226	197
Earnings Per Share (Rupees)	6.80	6.78	4.30	4.18	3.61	3.94
Dividends (%)	30 (B)	20 (B)	20 (C)	25 (B)	28 (B)	25 (B)
No. of Staff	1,045	901	763	561	494	450
No. of Branches	47	40	35	25	21	19

Value of investments of Provident Fund and Funded Gratuity Scheme are as under:

- Provident Fund Rs. 96,533 thousand as at June 30, 2004
- Gratuity Fund Rs. 45,181 thousand as at December 31, 2004

In the end, I would like to take this opportunity to place on record our sincere gratitude to Ministry of Finance, State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their support and continued guidance and also to our valued customers for their trust and support. I also wish to thank the staff members for their devotion, diligence and commendable performance.

On behalf of the Board

Kassim Parekh
President & Chief Executive

Karachi: February 26, 2005



STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE YEAR ENDED DECEMBER 31, 2004

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes six independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Bank.
3. All the resident directors of the Bank are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI / NBFIs.
4. Casual vacancy occurring in the Board on October 23, 2004 was filled up by the Directors within 14 days thereof.
5. The Bank has prepared a 'Statement of Ethics and Business Practices', which has been signed by the directors and is in the process of being signed by the employees of the Bank.
6. The Board has developed a vision/mission statement and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence by a non-executive director elected by the Board for this purpose. During the year five Board meetings were held and written notices along with the working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Directors had attended a course to apprise them of their duties and responsibilities.
10. There was no new appointment of CFO, Company Secretary or Head of Internal Audit after the implementation of Corporate Governance.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of three members all of whom are non-executive directors.



16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. An effective internal audit function, is already in place.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and the firm and all its partner are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the code have been complied.

On behalf of the Board

Kassim Parekh
President & Chief Executive

Karachi : February 26, 2005



AUDITORS' REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2004 prepared by the Board of Directors of Metropolitan Bank Limited, to comply with the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2004.

HYDER BHIMJI & CO.
Chartered Accountants

Karachi : February 26, 2005



STATEMENT ON INTERNAL CONTROLS

This statement is being issued in compliance with the Guidelines on Internal Controls, issued by the State Bank of Pakistan vide BSD Circular No.7 dated May 27, 2004.

Management Evaluation of Internal Control System

The management of Metropolitan Bank Limited remains responsible for implementing strategies and policies approved by the Board of Directors; maintaining an effective organization structure; instituting appropriate control procedures and monitoring the adequacy/effectiveness of internal control systems. The Board of Directors is ultimately responsible for ensuring that an adequate and effective System of Internal Controls is established and maintained.

The Bank's fundamental policy is to embed control in each of our processes and make controls an important part of all our business activities. Each member of the staff is also responsible for ensuring that bank always operates in a controlled manner and inordinate 'risks' are not taken in any activity.

The Bank's organization structure and lines of authority are well-defined and processes throughout the Bank are largely governed by policies and procedures approved by the Board. However, their review and updating to meet regulatory requirements and changing practices remains a continued activity to achieve effective control objectives.

Effectiveness of Internal Controls is reviewed on a regular basis by Internal Audit submitting reports to Audit Committee. Views expressed by External Auditors are also provided utmost importance and corrective actions on all audit observations are followed-up rigorously.

While concerted efforts were made to follow SBP Guidelines on Internal Controls, the identification, evaluation and management of risks within each of the bank's activities; and evaluation and change of procedures remains an ongoing process. On an overall basis, Internal Controls at Metropolitan Bank Limited were operating with reasonable adequacy throughout the year ended December 31, 2004 and reflect improvement from last year in organization structure; effective adherence with lines of authority; automation, effectiveness of processes and regulatory compliance. Further, the Bank did not incur any material losses arising from operational risk exposures. The Bank's accounting policies, practices and methodologies for various estimates have been reviewed by external auditors and there have been no material disputes thereon.

Internal Controls always manage rather than eliminate possibility of process failures to achieve their objectives and hence, can only provide reasonable assurance against material misstatements or loss.

Board of Directors' Remarks on the Management's evaluation of Internal Controls

Keeping in view the feedback received by Board of Directors from the Audit Committee; reports submitted as to the business policies and major risks related decision taken by the management, the Board of Directors endorse Management's evaluation of Internal Controls.

On behalf of the Board

KASSIM PAREKH
President & Chief Executive

Karachi: February 26, 2005



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Metropolitan Bank Limited as at December 31, 2004, and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof (hereinafter referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 7 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors/Management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- a) In our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984, (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) In our opinion:
 - i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the charges as stated in note 5.4 and note 5.10 to the financial statements, 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 expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) In our opinion and to the best of our information and according to the explanations given to us the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standard as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962, (LVII of 1962), and the Companies Ordinance, 1984, (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2004, and its true balance of profit, its cash flows and changes in equity for the year then ended; and
- d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

HYDER BHIMJI & CO.
Chartered Accountants

Karachi : February 26, 2005



BALANCE SHEET

AS AT DECEMBER 31, 2004

	Note	2004	2003
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	4,648,318	3,294,581
Balances with other banks	7	2,359,259	607,302
Lendings to financial institutions	8	4,132,234	3,896,284
Investments	9	15,559,826	17,958,901
Advances	10	40,121,548	32,229,583
Other assets	11	699,665	652,327
Operating fixed assets	12	369,675	342,898
Deferred tax assets		—	—
		67,890,525	58,981,876
LIABILITIES			
Bills payable	13	1,203,214	939,780
Borrowings from financial institutions	14	12,327,265	13,155,136
Deposits and other accounts	15	48,595,565	39,338,050
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Other liabilities	16	965,049	983,666
Deferred tax liabilities	17	535,636	757,883
		63,626,729	55,174,515
NET ASSETS		4,263,796	3,807,361
REPRESENTED BY			
Share capital	18	1,200,000	1,000,000
Reserves		2,321,951	1,698,951
Unappropriated profit		46,261	53,722
		3,568,212	2,752,673
Surplus on revaluation of assets	19	695,584	1,054,688
		4,263,796	3,807,361
CONTINGENCIES AND COMMITMENTS	20		

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

ANWAR H. JAPANWALA
Chairman

KASSIM PAREKH
President and Chief Executive

MOHAMEDALI R. HABIB
Director

R. B. LIMBUVALLA
Director



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	2004 Rupees in '000	2003
Mark-up/Return/Interest Earned	21	2,783,812	2,684,887
Mark-up/Return/Interest Expensed	22	(1,260,702)	(1,312,054)
Net Mark-up/ Interest Income		1,523,110	1,372,833
Provision against non-performing loans and advances	10.4	84,192	134,687
Provision for diminution in the value of investments		-	-
Bad debts written off directly		432	71
		(84,624)	(134,758)
Net Mark-up/ Interest Income after provisions		1,438,486	1,238,075
Non Mark-up/Interest Income			
Fee, Commission and Brokerage Income		372,048	323,335
Dividend Income		5,490	29,003
Income from dealing in foreign currencies		279,363	144,723
Other Income	23	97,765	153,811
Total non-markup/interest Income		754,666	650,872
		2,193,152	1,888,947
Non Mark-up/Interest Expenses			
Administrative expenses	24	814,337	661,960
Other provisions/write off		-	-
Other charges	25	894	3,068
Total non-markup/interest expenses		(815,231)	(665,028)
		1,377,921	1,223,919
Extra ordinary/unusual items		-	-
Profit before taxation		1,377,921	1,223,919
Taxation - Current	26	478,000	548,000
- Prior years		-	1,552
- Deferred		84,382	(4,112)
		(562,382)	(545,440)
Profit after taxation		815,539	678,479
Unappropriated profit brought forward		53,722	11,243
Profit available for appropriation		869,261	689,722
Appropriations:			
Transfer To:			
Statutory reserve		163,000	136,000
Capital reserve		-	-
Revenue reserve		300,000	300,000
Proposed cash dividend Rs. Nil (2003: Nil) per share		-	-
Reserve for issue of bonus shares in the ratio of 3 (2003: 2) shares for every 10 shares held (30%) (2003: 20%)		360,000	200,000
		823,000	(636,000)
Unappropriated profit carried forward		46,261	53,722
Basic/Diluted Earnings per share - Rupees	27	6.80	5.65

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

ANWAR H. JAPANWALA
Chairman

KASSIM PAREKH
President and Chief Executive

MOHAMEDALI R. HABIB
Director

R. B. LIMBUVALLA
Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2004

	Share capital	Statutory reserve	Special reserve	Revenue reserve	Reserve for issue of bonus shares	Unappropriated profit	Total
	-----Rupees in '000-----						
Opening Balance January 1, 2003	1,000,000	522,590	240,361	300,000	–	11,243	2,074,194
Profit after tax	–	–	–	–	–	678,479	678,479
Transfer from profit and loss account	–	136,000	–	300,000	200,000	(636,000)	–
Balance as on December 31, 2003	1,000,000	658,590	240,361	600,000	200,000	53,722	2,752,673
Balance as on January 1, 2004	1,000,000	658,590	240,361	600,000	200,000	53,722	2,752,673
Issue of bonus shares	200,000	–	–	–	(200,000)	–	–
Profit after tax	–	–	–	–	–	815,539	815,539
Transfer from profit and loss account	–	163,000	–	300,000	360,000	(823,000)	–
Balance as on December 31, 2004	1,200,000	821,590	240,361	900,000	360,000	46,261	3,568,212

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

ANWAR H. JAPANWALA
Chairman

KASSIM PAREKH
President and Chief Executive

MOHAMEDALI R. HABIB
Director

R. B. LIMBUVALLA
Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	2004	2003
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,377,921	1,223,919
Less : Dividend income		<u>(5,490)</u>	<u>(29,003)</u>
		1,372,431	1,194,916
Adjustment for non-cash charges:			
Depreciation		39,421	35,287
Provision against non-performing advances		84,192	128,493
Provision for diminution in the value of investments		-	-
Gain on sale of fixed assets		(14,422)	(3,177)
Fixed assets written off		183	492
		<u>109,374</u>	<u>161,095</u>
		1,481,805	1,356,011
(Increase)/Decrease in operating assets			
Lendings to financial institutions		(235,950)	(1,339,084)
Advances - net		(7,976,157)	(12,914,123)
Other assets (excluding advance taxation)		(47,338)	219,351
		<u>(8,259,445)</u>	<u>(14,033,856)</u>
Increase/(Decrease) in operating liabilities			
Bills Payable		263,434	495,582
Borrowings from financial institutions		(827,871)	5,969,719
Deposits		9,257,515	10,823,054
Other liabilities (excluding taxation and dividend)		78,059	(113,616)
		<u>8,771,137</u>	<u>17,174,739</u>
		1,993,497	4,496,894
Income tax paid		(574,125)	(525,737)
Net cash flow from operating activities		<u>1,419,372</u>	<u>3,971,157</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		5,881,679	(3,018,452)
Net investments in held-to-maturity securities		(4,148,337)	-
Dividend income		5,490	29,003
Investments in operating fixed assets		(79,765)	(62,741)
Sale proceeds of property and equipment disposed-off		27,806	3,913
Net cash flow from investing activities		<u>1,686,873</u>	<u>(3,048,277)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(551)	(199,129)
Increase in cash and cash equivalents		<u>3,105,694</u>	<u>723,751</u>
Cash and cash equivalents at beginning of the year	28	<u>3,901,883</u>	<u>3,178,132</u>
Cash and cash equivalents at end of the year	28	<u>7,007,577</u>	<u>3,901,883</u>

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

ANWAR H. JAPANWALA
Chairman

KASSIM PAREKH
President and Chief Executive

MOHAMEDALI R. HABIB
Director

R. B. LIMBUVALLA
Director



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2004

1. STATUS AND NATURE OF BUSINESS

Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on August 3, 1992 as a public limited company, under the Companies Ordinance, 1984 and commenced its banking operations from October 21, 1992. Its shares are quoted on all the stock exchanges in Pakistan.

Metropolitan Bank Limited is a fully accredited scheduled commercial bank, operating under supervision of the State Bank of Pakistan.

The objects for which the bank is established are to carry on the business of "Banking Companies" as defined by the Banking Companies Ordinance, 1962. It operates 47 branches (2003: 40 branches) including an Islamic Banking Branch in Pakistan.

2. BASIS OF PRESENTATION

2.1 These financial statements have been prepared in accordance with the requirements of the State Bank of Pakistan under powers conferred upon it under the Banking Companies Ordinance, 1962 to conform with BSD Circular No. 36 dated October 10, 2001.

2.2 The financial results of the Islamic Banking have been consolidated in these financial statements for reporting purpose, after eliminating material intra bank transactions / balances. Key financial figures of the Islamic Banking Branch are disclosed in note 29.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in compliance 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 and applicable in Pakistan.

3.2 The application of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property have been deferred by the State Bank of Pakistan vide BSD Circular Letter No. 10 dated August 26, 2002, and accordingly the requirement of these standards have not been considered in the preparation of these financial statements.

4. BASIS OF MEASUREMENT

These accounts have been prepared under the historical cost convention except for certain investments which are stated on mark to market basis.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalent comprises cash and balances with treasury banks and balances with other banks.

5.2 Revenue recognition

Mark-up/return on advances and investments is recognized on an accrual basis, except for income which is required to be carried forward in compliance with the Prudential Regulations issued by the State Bank of Pakistan. Income from dealing in foreign currencies, fee, commission and brokerage except income from letters of guarantee are accounted for on receipt basis.



Dividend income is recognized when the bank's right to receive the dividend is established.

5.3 Advances including net investment in finance lease

Advances and net investment in finance lease are stated net of provisions for bad and doubtful debts and are based on the appraisal carried out, taking into consideration the Prudential Regulations issued by the State Bank of Pakistan and where such provision is considered necessary, it is charged to profit and loss account.

When assets are held subject to finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

5.4 Investment

Investments are classified on the basis of the intended purpose of holding such investments.

Held-for-trading - These are securities, which are acquired with the intention to trade by taking advantage of short term market / interest rate movements.

Held-to-maturity - These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity.

Available-for-sale - These are investments that do not fall under the held-for-trading or held-to-maturity categories.

Investments in government and quoted securities other than those classified under held-to-maturity are marked to market and the difference between the carrying value, (representing cost adjusted for amortisation of premium or accretion of discount), and the revalued amount is recognized in the surplus / deficit on revaluation account.

Investments in unquoted securities and associated companies are accounted for at cost.

Gain or loss arising on disposal during the year is taken to profit and loss account.

During the year, the Bank has changed its accounting policy in respect of valuation of investments classified as held-to-maturity. According to the new policy, these investments are carried at amortized cost. Previously, these investments were marked-to-market as per the requirements of SBP's BSD Circular No. 10 dated August 4, 2000 and the related surplus / deficit was shown in the balance sheet below equity. This change has been made to comply with requirements laid down in BSD Circular No. 14 dated September 24, 2004, issued by the State Bank of Pakistan. The change in accounting policy did not have any impact on the profit and loss account for the current and prior period. Had the accounting policy not been changed, the surplus on revaluation of assets as at December 31, 2004 would have been higher by Rs. 31,974 thousand.

Repurchase and resale agreements

Investment securities sold subject to linked repurchase agreements (repos) are retained in the financial statements and shown as borrowings from financial institutions.

Investment securities purchased subject to linked resale agreements (reverse repos) are deleted from the financial statements and shown as lendings to financial institutions.

5.5 Operating fixed assets

These are stated at cost less accumulated depreciation except leasehold land and capital work-in-progress which are stated at cost.

Depreciation is charged, on a systematic basis over the estimated useful life of the fixed assets, on straight line method except office premises which is being depreciated on diminishing balance method, at the rates specified in note 12.2.

Depreciation is charged from the date of acquisition till date of disposal. Maintenance and normal repairs are charged to income as and when incurred. Gains or losses on disposal of assets are charged to income currently.

5.6 Taxation

5.6.1 Current

Current tax is the expected tax payable on the taxable income for the year using tax rates applicable at the balance sheet date and any adjustment to tax payable in respect of previous years.

5.6.2 Deferred

Deferred tax is provided using the balance sheet liability method providing for all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates applicable at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related benefits will be realized.

The Bank also recognizes deferred tax asset/liability on deficit/surplus on revaluation of fixed asset and securities which is adjusted against the related deficit/surplus in accordance with the requirements of the revised International Accounting Standard (IAS) 12 dealing with Income Taxes.

5.7 Staff retirement benefits

5.7.1 Defined benefit plan

The Bank operates a funded gratuity scheme for all its permanent employees. Retirement benefits are payable to the members of the scheme on completion of prescribed qualifying period of service under the gratuity scheme. The actuarial valuation is carried out annually using "Projected Unit Credit Actuarial Cost Method".

5.7.2 Defined contribution plan

The bank also operates a recognized provident fund scheme for all its regular employees, which is administered by the board of trustees. Contribution is made in accordance with the terms of the scheme.

5.8 Foreign currencies

Foreign currency balances are translated into Pakistani rupees at the rates of exchange prevailing at the balance sheet date or where appropriate, at the contractual rate. Forward exchange fees are charged in the year in which the contracts are entered into by the bank.

Gains or losses on translation are accounted for through profit and loss account.

Commitments for outstanding forward exchange contracts disclosed in these financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities/commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the balance sheet date.

5.9 Employees' compensated absences

Employees' entitlement to annual leave is recognized when they accrue to employees. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against unavailed leaves, as per terms of service contract, up to balance sheet date.

5.10 Proposed dividend

During the current year, the Bank has changed its accounting policy pertaining to recognition of dividends declared subsequent to the year end. The change has been made by the Securities and Exchange Commission of Pakistan in the Companies Ordinance, 1984 and the new policy is in accordance with the requirements of International Accounting Standard (IAS) 10 (Events after the Balance Sheet Date). As per the new policy, dividends declared subsequent to the balance sheet date are considered as a non-adjusting event and are not recognized in the financial statements as liability. This change in accounting policy has no impact on current and prior periods retained earnings.

5.11 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when carrying value is negative. Any change in the fair value of derivative financial instruments is taken to profit and loss account.

5.12 Provision

A provision is recognized in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle that obligation and a reliable estimate of the amount can be made.

5.13 Impairment of assets

The carrying amount of Bank's assets except deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

5.14 Provision for contingencies

Provision for guarantee claims and other off balance sheet obligations are recognized when intimated and reasonable certainty exists for the Bank to settle the obligations. Expected recoveries are recognized by debiting the customers' account. Charge to profit and loss account is stated net off expected recoveries.

5.15 Transactions with related parties

The transactions with related parties are entered into at arm's length prices using the comparable uncontrolled price method.

5.16 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is legally enforceable right to set off the recognized amounts and the Bank intends to either settle on net basis or to realize the assets and settle the liability simultaneously.

6. CASH AND BALANCES WITH TREASURY BANKS

	Note	2004	2003
		Rupees in '000	
In hand :			
Local currency		770,897	501,397
Foreign currencies		73,492	110,532
With State Bank of Pakistan :			
Local currency current accounts		3,143,977	2,181,436
Foreign currency - current account		19,658	–
- cash reserve account		154,072	122,830
- special cash reserve account	6.1	462,918	368,490
With National Bank of Pakistan in local currency current account		<u>23,304</u>	<u>9,896</u>
		<u>4,648,318</u>	<u>3,294,581</u>

6.1 This represents funds placed with State Bank of Pakistan pursuant to the requirements of BSD Circular No. 18 dated March 31, 2001 and carry mark-up rate of 1.29% (2003: 0.67%) p.a.

7. BALANCES WITH OTHER BANKS

In Pakistan :			
Local currency current accounts		391,205	127,193
Local currency deposit accounts	7.1	3,016	420
Outside Pakistan :			
Foreign currencies current accounts		272,561	285,022
Foreign currencies deposit accounts	7.1	<u>1,692,477</u>	<u>194,667</u>
		<u>2,359,259</u>	<u>607,302</u>

7.1 These deposits have been placed at interest rates ranging between 2.22% p.a. to 4.70% (2003: 0.95% to 3.70%) p.a.

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.1	1,085,000	235,000
Repurchase agreement lendings (Reverse Repo)	8.2	3,047,234	3,661,284
		<u>4,132,234</u>	<u>3,896,284</u>

8.1 These are unsecured placements with banks and carry mark-up rates ranging between 2.00% to 12.25% (2003: 1.85% to 12.25%) p.a., with maturities upto March 2005.



8.2 Securities held as collateral against lendings to financial institutions:

	2004			2003		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	-----Rupees in '000-----					
Market Treasury Bills	1,722,947	–	1,722,947	891,234	–	891,234
Pakistan Investment Bonds	447,500	–	447,500	1,740,000	–	1,740,000
Federal Investment Bonds	–	–	–	100,000	–	100,000
Term Finance Certificates	406,787	–	406,787	793,110	–	793,110
Quoted Shares	470,000	–	470,000	100,000	–	100,000
Mutual Funds	–	–	–	36,940	–	36,940
	3,047,234	–	3,047,234	3,661,284	–	3,661,284

9. INVESTMENTS

	2004			2003		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	-----Rupees in '000-----					
9.1 Investments by types						
Available-for-sale securities						
- Pakistan Investment Bonds	5,280,715	3,250,000	8,530,715	4,530,740	4,087,000	8,617,740
- Federal Investment Bonds	–	–	–	2,558,690	–	2,558,690
- Treasury Bills	–	–	–	3,403,873	624,944	4,028,817
- Term Finance Certificates	1,357,380	–	1,357,380	1,254,975	–	1,254,975
- WAPDA Bonds	200,000	–	200,000	200,000	–	200,000
- Quoted Shares	176,498	–	176,498	83,730	–	83,730
- Un-quoted Shares	30,680	–	30,680	30,680	–	30,680
- Preference Shares	65,000	–	65,000	–	–	–
- Mutual Funds	1,045,245	–	1,045,245	806,993	–	806,993
- National Prize Bonds	4,231	–	4,231	536	–	536
- Certificates of Investment	–	–	–	375,000	–	375,000
- Society for Worldwide Interbank Financial Telecommunication (SWIFT)	1,740	–	1,740	1,740	–	1,740
Held-to-maturity securities						
- Federal Investment Bonds	1,311,700	–	1,311,700	–	–	–
- Treasury Bills	2,506,637	–	2,506,637	–	–	–
- Certificates of Investment	330,000	–	330,000	–	–	–
	12,309,826	3,250,000	15,559,826	13,246,957	4,711,944	17,958,901

9.2 Investments by segments

Federal Government Securities:

		2004	2003
		Rupees in '000	
- Market Treasury Bills	9.2.1	2,506,637	4,028,817
- Pakistan Investment Bonds	9.2.2	8,530,715	8,617,740
- Federal Investment Bonds	9.2.3	1,311,700	2,558,690
- National Prize Bonds		4,231	536
		12,353,283	15,205,783

Fully Paid up Ordinary Shares:

- Listed companies	9.2.4	176,498	83,730
- Unlisted companies	9.2.5	30,680	30,680

Fully Paid up preference Shares:

- Listed companies	9.2.6	40,000	–
- Unlisted companies	9.2.7	25,000	–

Term finance certificates, debentures, bonds and participation term certificates:

- Listed term finance certificates	9.2.8	714,630	844,975
- Unlisted term finance certificate	9.2.9	642,750	410,000
- WAPDA Bonds		200,000	200,000

Other Investments

- Certificates of Investments	9.2.8	330,000	375,000
- Mutual Funds		1,045,245	806,993
- National Investment Unit Trust - quoted		–	–
- Society for Worldwide Interbank Financial Telecommunication (SWIFT)	9.2.9	1,740	1,740
		15,559,826	17,958,901

- 9.2.1** These securities have maturity periods of 3, 6 and 12 months, with yield ranging between 2.06% to 4.49% (2003: 0.92% to 3.15%) p.a.
- 9.2.2** These securities have maturity period of 3 to 10 years with interest rates ranging between 8.00% to 14.00% (2003: 8.00% to 14.00%) p.a. Also included herein securities having a book value of Rs. 158,500 thousand (2003: Rs. 158,500) pledged with State Bank of Pakistan and National Bank of Pakistan as security to facilitate TT discounting facility.
- 9.2.3** These securities have a maturity period of 10 years and carry interest rate of 15% (2003: 15%) p.a.

9.2.4 Fully paid-up ordinary shares - listed

	Number of shares*		2004	2003
	2004	2003		
			2004	2003
			Rupees in '000	
Pakistan Telecommunication Company Limited	220,500	1,178,000	9,746	43,586
Nishat Mills Limited	–	17,500	–	562
Pakistan Oil Field Limited	248,500	6,400	61,280	1,522
Oil & Gas Development Company Limited	–	706,127	–	38,060
Pakistan Petroleum Limited	325,000	–	46,849	–
Pakistan Capital Market Fund	7,000	–	72	–
First National Equities Limited	1,247,500	–	13,972	–
Guardian Modaraba	227,250	–	2,079	–
ABAMCO Composite Fund	5,000,000	–	42,500	–
			176,498	83,730

*Ordinary shares/units of Rs. 10 each

9.2.5 Fully paid-up ordinary shares - unlisted

Kushhali Bank Limited Ordinary shares of Rs. 1,000,000 each Chief Executive - Mr. Ghalib Nishtar Break-up value per share Rs. 1,037,890 based on audited accounts for the year ended December 31, 2003	25	25	25,000	25,000
Pakistan Export Finance Guarantee Agency Limited Ordinary shares of Rs. 10 each Chief Executive - Mr. S. M. Zaeem Break-up value per share Rs. 8.43 based on audited accounts for the year ended December 31, 2003	568,000	568,000	5,680	5,680
			30,680	30,680

9.2.6 Fully paid-up preference shares - listed

Chenab Limited Preference shares of Rs.10 each	4,000,000	–	40,000	–
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These are non-voting, cumulative preference shares redeemable after the end of four years from the date of issuance and carry preferred dividend of 9.25% p.a.

9.2.7 Fully paid-up preference shares - unlisted

Jamshoro Joint Venture Limited Ordinary shares of Rs. 100 each Chief Executive - Mr. Iqbal Z. Ahmed	2,500,000	–	25,000	–
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These are non-voting, cumulative preference shares redeemable after five years from the date of issuance and carry preferred dividend of 15% p.a.



	No. of certificates		Face Value	Maturity Date	Rupees in '000	
	2004	2003			2004	2003
9.2.8 Term Finance Certificates - listed						
Associated companies						
Dewan Salman Fibre Limited	-	150	100,000	Apr-04	-	9,863
Others						
Askari Commercial Bank Limited	5,000	-	5,000	Jun-09	25,000	-
Atlas Investment Bank Limited	2,506	-	5,000	Aug-05	12,530	-
Atlas Lease Limited	-	131	5,000 & 100,000	Aug-05	-	12,530
Bank Alfalah Limited	12,700	-	5,000	Jun-08	74,613	-
Bank Al-Habib Limited	10,000	-	5,000	Jun-12	50,000	-
Engro Asahi Polymer & Chemicals Limited	-	9,000	5,000	Jun-06	-	45,455
Engro Chemical Pakistan Limited	15,540	18,967	5,000	Jul-07	78,011	97,202
First International Investment Bank Limited	-	5,050	5,000 & 100,000	Dec-03 & Sep-04	-	23,750
Gulshan Spinning Mills Limited	2,868	2,868	5,000	Jan-08	15,487	15,057
Ittehad Chemicals Limited	1,714	1,714	5,000	Jun-08	8,913	8,913
Jehangir Siddiqui & Company Limited	5,182	5,182	5,000	Apr-08	25,910	25,910
Muslim Commercial Bank Limited	8,544	-	5,000	Oct-07	43,575	-
National Development Leasing Corporation Limited	-	200	100,000	Dec-04	-	20,000
Nishat Mills Limited	6,465	6,465	5,000	Sep-05	32,325	32,325
Orix Leasing Pakistan Limited	15,000	15,000	5,000	Jun-07	75,150	78,464
Packages Limited	5,000	5,000	5,000	Jan-05	25,000	25,966
Pak Arab Refinery Limited	-	40,000	5,000	Dec-04	-	200,000
Pakistan Services Limited	2,987	2,987	5,000	Nov-08	15,532	15,682
Paramount Leasing Limited	-	6,367	5,000	Jun-04	-	23,223
Saudi Pak Leasing Company Limited	8,342	8,342	5,000	Jun-07	41,710	43,066
Securetel (SPV) Limited	9,600	9,600	5,000	Mar-06	49,440	48,000
Sitara Chemical Industries Limited	3,150	3,150	5,000	Jun-07	17,955	16,081
Sui Southern Gas Company Limited	6,600	4,130	5,000 & 100,000	Jun-06 & Jun-07	33,673	35,442
Trust Leasing Company Limited	9,857	5,857	5,000	Jun-08	51,481	30,456
WorldCall Communication Limited	7,000	7,000	5,000	Oct-07	38,325	37,590
					714,630	835,112
					714,630	844,975

9.2.9 Term Finance Certificates - unlisted

Associated companies						
Dewan Mushtaq Textile Mills Limited	-	10,000	5,000	Jun-07	-	50,000
Dewan Sugar Mills Limited	-	20	500,000	Jan-05	-	6,500
					-	56,500
Others						
D.G. Khan Cement Company Limited	-	4,000	5,000	Jan-07	-	20,000
Dewan Mushtaq Textile Mills Limited	10,000	10,000	5,000	Jun-07	31,250	-
Dewan Sugar Mills Limited	20	-	500,000	Jan-05	3,000	-
Fidelity Investment Bank Limited	8,000	8,000	5,000	Oct-06	40,000	40,000
Jamshoro Joint Venture Limited	15,000	-	5,000	Dec-09	75,000	-
Pakistan International Airlines Corp. Limited	38,700	38,700	5,000	Feb-11	193,500	193,500
Pakistan Mobile Communication Limited	50,000	20,000	5,000	Sep-08	250,000	100,000
United Bank Limited	10,000	-	5,000	Jun-12	50,000	-
					642,750	353,500
					1,357,380	1,254,975

The term finance certificates are redeemable in quarterly / half-yearly installments and carry mark-up rates ranging between 3.50% to 15% (2003: 6.00% to 19.00%) p.a.

9.2.10 This represents investment in Certificates of Investment of various financial institutions carrying profit rate ranging between 3.75% to 9.10% (2003: 2.35% to 5.35%) p.a. maturing on various dates in year 2004.

9.2.11 Society for Worldwide Interbank Financial Telecommunication (SWIFT) allocates shares based on the financial contribution from network-based services as on December 31, 2004, 14 shares were held by the bank (2003: 14 shares).



		2004	2003
		Rupees in '000	
10. ADVANCES			
Loans, cash credits, running finances, etc.,			
In Pakistan		33,856,122	27,058,265
Net investment in finance lease			
In Pakistan	10.2	327,224	60,076
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,545,216	1,295,486
Payable outside Pakistan		4,870,726	4,223,264
		6,415,942	5,518,750
		40,599,288	32,637,091
Provision for non-performing advances	10.4	(477,740)	(407,508)
		40,121,548	32,229,583
10.1 Particulars of advances			
10.1.1 In local currency		37,184,133	29,078,975
In foreign currencies		2,937,415	3,150,608
		40,121,548	32,229,583
10.1.2 Short Term (for up to one year)		39,341,136	31,642,064
Long Term (for over one year)		780,412	587,519
		40,121,548	32,229,583

10.2 Net Investment in Finance Lease:

	2004				2003			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rental receivable	85,544	240,971	-	326,515	18,687	47,191	-	65,878
Residual value	-	36,877	-	36,877	-	1,276	-	1,276
Minimum lease payments	85,544	277,848	-	363,392	18,687	48,467	-	67,154
Financial charges for future periods	(8,139)	(28,029)	-	(36,168)	(3,942)	(3,136)	-	(7,078)
Present value of minimum lease payments	<u>77,405</u>	<u>249,819</u>	<u>-</u>	<u>327,224</u>	<u>14,745</u>	<u>45,331</u>	<u>-</u>	<u>60,076</u>

10.3 Advances include Rs. 89,690 thousand (2003: Rs. 115,833 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	2004		
	Domestic	Provision Required	Provision Held
	Rupees in '000		
Other assets especially mentioned	-	-	-
Substandard	-	-	-
Doubtful	-	-	-
Loss	<u>89,690</u>	<u>71,541</u>	<u>71,541</u>
	<u>89,690</u>	<u>71,541</u>	<u>71,541</u>



10.4 Particulars of provision against non-performing advances:

	2004			2003		
	Specific	General	Total	Specific	General	Total
Opening balance	80,708	326,800	407,508	78,441	200,574	279,015
Charge for the year	17,113	79,399	96,512	22,883	126,226	149,109
Reversals	(12,320)	—	(12,320)	(14,422)	—	(14,422)
Net charge for the year	4,793	79,399	84,192	8,461	126,226	134,687
Amount written off	(13,960)	—	(13,960)	(6,194)	—	(6,194)
Closing balance	71,541	406,199	477,740	80,708	326,800	407,508

Provision against non-performing advances includes provision against consumer financing facilities extended by Bank.

	2004	2003
	Rupees in '000	
10.5 Particulars of write off :		
10.5.1 Against provisions	13,960	6,194
Directly charged to profit and loss account	432	71
	<u>14,392</u>	<u>6,265</u>
10.5.2 Write off of Rs. 500,000 and above	13,960	6,194
Write off of below Rs. 500,000	432	71
	<u>14,392</u>	<u>6,265</u>

10.6 Details of loan write off of Rs. 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to the persons during the year ended December 31, 2004 is enclosed as Annexure - I.

	Balance as at December 31, 2004	Maximum total amount of advances including temporary advances granted during the year
	Rupees in '000	
10.7 Particulars of loans and advances to directors, associated companies, etc.		
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	8,363	8,363
Debts due by executives of the Bank either severally or jointly with any other persons	11,882	13,192
	<u>2004</u>	<u>2003</u>
		Rupees in '000

11. OTHER ASSETS

Income/ mark-up accrued in local currency	11.1	571,947	530,845
Income/ mark-up accrued in foreign currencies		4,656	5,564
Advances, deposits, advance rent and other prepayments		81,747	85,766
Encashment of government securities		30,007	19,355
Stationery and stamps on hand		8,512	6,559
Receivable against sale of investments		—	2,996
Others		2,796	1,242
		<u>699,665</u>	<u>652,327</u>

11.1 This is stated net off mark-up suspense account of Rs. 15,913 thousand (2003: Rs. 18,503 thousand).

12. OPERATING FIXED ASSETS

Capital work-in-progress		—	1,100
Property and equipment	12.1	369,675	341,798
		<u>369,675</u>	<u>342,898</u>



12.1 Property and equipment

	C O S T			DEPRECIATION			Book value as at December 31, 2004	Rate of depreciation %
	Opening Balance January 1, 2004	Additions/ (deletions)	Closing Balance December 31, 2004	Opening Balance January 1, 2004	Charge for the year	Closing Balance December 31, 2004		
	(Rupees in '000s)							
Leasehold land	7,488	—	7,488	—	—	—	7,488	—
Building on leasehold land	452,008	75,838 (17,360)	510,486	132,324	34,939 (6,688)	160,575	349,911	10
Furniture, fixture, office & computer equipments	58,571	2,562 (4,888)	56,245	45,762	3,732 (4,182)	45,312	10,933	10 & 20
Vehicles	3,296	2,465 (2,506)	3,255	2,256	513 (354)	2,415	840	20
Leasehold improvement	6,171	— (370)	5,801	5,394	237 (333)	5,298	503	10
2 0 0 4 :	527,534	80,865 (25,124)	583,275	185,736	39,421 (11,557)	213,600	369,675	
2 0 0 3 :	463,469	69,129 (5,064)	527,534	154,285	35,287 (3,836)	185,736	341,798	

12.1.1 Detail of fixed assets sold / deleted with original cost or book value in excess of Rupees one million or two hundred fifty thousands respectively (which ever is less):

Particulars	Cost	Book Value	Sale proceeds	Mode of disposal	Particulars of Purchaser
-----Rupees in '000-----					
Premises	10,306	6,834	15,000	Negotiation	Habib Bank AG Zurich Hirani Centre, I.I. Chundrigar Road, Karachi.
Premises	7,054	3,838	8,100	Negotiation	Choudary Mohammad Akbar B-80, Block-2, Gulshan-e- Iqbal, Karachi.
Vehicle	77	25	250	Negotiation	Mrs. Alia Urooj House # 1542/14, F.B. Area, Karachi.
Vehicle	68	8	350	Negotiation	Mrs. Zareen Jamal, A-110 13-D, Gulshan-e-Iqbal, Karachi.
Vehicle	460	458	560	Insurance Claim	Adamjee Insurance Company Ltd. Adamjee House, I.I. Chundrigar Road, Karachi.
Vehicle	730	726	939	Insurance Claim	Adamjee Insurance Company Ltd. Adamjee House, I.I. Chundrigar Road, Karachi.
Vehicle	230	225	300	Negotiation	Mr. Mohammad Abid, Datar Castle Block-13, Gulistan-e-Juhar, Karachi.
Vehicle	719	673	939	Insurance Claim	Adamjee Insurance Company Ltd. Adamjee House, I.I. Chundrigar Road, Karachi.

12.1.2 No fixed assets were sold to chief executive, any director or any executive during the year.

12.1.3 Gross carrying amount of fully depreciated assets still in use is Rs. 36,536 thousand (2003:Rs. 35,199 thousand).

12.2 Intangible assets

Gross carrying amount of fully amortised intangible assets (computer software) still in use is Rs. 27,875 thousand (2003: Rs. 27,875 thousand).

	2004	2003
	Rupees in '000	
13. BILLS PAYABLE - In Pakistan	<u>1,203,214</u>	<u>939,780</u>
14. BORROWINGS FROM FINANCIAL INSTITUTIONS		
In Pakistan	12,048,131	12,822,466
Outside Pakistan	279,134	332,670
	<u>12,327,265</u>	<u>13,155,136</u>



	2004	2003
	Rupees in '000	
14.1 Particulars of borrowings from financial institutions		
In local currency	12,048,131	12,822,466
In foreign currencies	279,134	332,670
	<u>12,327,265</u>	<u>13,155,136</u>
14.2 Details of borrowings from financial institutions		
Secured		
Borrowings from State Bank of Pakistan		
under export refinance scheme	14.2.1 8,598,130	7,587,052
Repurchase agreement borrowings	14.2.2 3,250,000	4,711,944
	11,848,130	12,298,996
Unsecured		
Call borrowings	14.2.3 200,000	500,000
Overdrawn nostro accounts	279,134	332,670
Overdrawn local bank account	1	23,470
	479,135	856,140
	<u>12,327,265</u>	<u>13,155,136</u>
14.2.1	These are secured against promissory notes, undertaking of the bank and export documents by granting the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the State Bank of Pakistan. Mark-up rates ranges between 2.00% to 3.50% (2003: 1.50% to 2.00%) p.a. which is payable quarterly or upon maturity of loans, whichever is earlier.	
14.2.2	These have been borrowed from financial institutions and are secured against government securities and carries mark-up rates ranging between 2.60% to 4.90% (2003: 0.85% to 6.00%) p.a. with maturities upto January 2005.	
14.2.3	These have been borrowed from commercial banks and carries mark-up rate ranging between 4.35% to 4.70% (2003: 1.00% to 5.50%) p.a. with maturities up to February 2004.	
15. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	16,175,130	10,448,805
Savings deposits	14,238,988	14,590,435
Current Accounts - Non-remunerative	16,319,118	12,608,453
Others	308,439	191,493
	47,041,675	37,839,186
Financial Institutions		
Remunerative deposits	1,482,449	1,423,166
Non-remunerative deposits	71,441	75,698
	<u>48,595,565</u>	<u>39,338,050</u>
15.1 Particulars of deposits		
In local currency	45,315,645	36,666,884
In foreign currencies	3,279,920	2,671,166
	<u>48,595,565</u>	<u>39,338,050</u>
16. OTHER LIABILITIES		
Mark-up/Return/Interest payable in local currency	734,102	716,025
Mark-up/Return/Interest payable in foreign currencies	33,322	31,742
Unearned commission and income on bills discounted	17,642	31,194
Accrued expenses	62,170	53,272
Current taxation (provisions less payments)	1,217	97,342
Unclaimed dividends	388	939
Branch Adjustment	44	-
Locker Deposits	56,687	39,032
Security Deposit - finance lease	40,373	1,276
Others	19,104	12,844
	<u>965,049</u>	<u>983,666</u>



	2004	2003	
	Rupees in '000		
17. DEFERRED TAX LIABILITY			
Deferred tax credits arising due to:			
Surplus on revaluation of securities	513,055	819,684	
Deferred tax debits arising in respect of:			
Accelerated depreciation	(13,508)	(26,289)	
Provision for non-performing advances	(29,332)	(35,512)	
	(42,840)	(61,801)	
Deferred tax credits arising in respect of:			
Net investment in finance lease	65,421	-	
	<u>535,636</u>	<u>757,883</u>	
18. SHARE CAPITAL			
18.1 Authorized Capital			
2004 2003			
Number			
<u>200,000,000</u> <u>100,000,000</u> Ordinary shares of Rs.10/- each	<u>2,000,000</u>	<u>1,000,000</u>	
18.2 Issued, subscribed and paid up			
2004 2003			
Number			
<u>30,000,000</u> 30,000,000 Ordinary shares	300,000	300,000	
<u>90,000,000</u> 70,000,000 Fully paid in cash	900,000	700,000	
<u>120,000,000</u> <u>100,000,000</u> Issued as bonus shares	<u>1,200,000</u>	<u>1,000,000</u>	
19. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS			
19.1 Surplus on revaluation of Securities			
i) Federal and Provincial Government securities	1,131,261	1,789,439	
ii) Other securities	77,378	84,933	
	<u>1,208,639</u>	<u>1,874,372</u>	
Less: related deferred tax liability	(513,055)	(819,684)	
	<u>695,584</u>	<u>1,054,688</u>	
20. CONTINGENCIES AND COMMITMENTS			
20.1 Direct Credit Substitutes			
Includes general guarantees of indebtedness, bank acceptances guarantees and standby letters of credit serving as financial guarantees for loans and securities - Others	<u>8,000</u>	<u>17,571</u>	
20.2 Transaction-related Contingent Liabilities			
Including performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees related to particular transactions.			
Government	1,773,180	1,363,209	
Financial institutions	52,712	87,397	
Others	596,966	412,679	
	<u>2,422,858</u>	<u>1,863,285</u>	
20.3 Trade-related Contingent Liabilities			
Letters of credits	11,614,050	10,312,221	
Acceptances	4,310,640	3,370,447	



2004 2003
Rupees in '000

20.4 Commitments in respect of forward exchange contracts

Purchase	4,417,339	5,852,889
Sale	6,413,653	7,092,437

All foreign exchange contracts are backed by trade-related transactions to meet the needs of the bank's clients, to generate trading revenues and, as part of its asset and liability management activity, to hedge its own exposure to currency risk. At year end, all foreign exchange contracts have a remaining maturity of less than one year.

20.5 Commitments in respect of operating leases

Not later than one year	66,307	58,638
Later than one year and not later than five years	75,155	56,654
	141,462	115,292

The Bank has entered into non-cancelable operating lease agreements with a Modaraba which has been duly approved by the Religious Board as Ijara transaction. The monthly rental installments are spread over a period of 36 months. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

20.6 Commitments for the acquisition of operating fixed assets	-	4,545
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20.7 Other Commitments	-	-
-------------------------------	---	---

21. MARK-UP/RETURN/INTEREST EARNED

a) On loans and advances to:		
i) Customers	1,322,362	1,148,991
ii) Financial institutions	20,589	27,880
b) On investments in:		
i) Available-for-sale securities	955,117	1,417,606
ii) Held-to-maturity securities	324,386	-
iii) Associates and subsidiaries	2,275	4,986
c) On deposits with financial institutions	34,589	29,397
d) On securities purchased under resale agreements	124,494	56,027
	2,783,812	2,684,887

22. MARK-UP/RETURN/INTEREST EXPENSED

Deposits	1,157,899	1,228,075
Securities sold under repurchase agreements	95,582	73,787
Other short term borrowings	7,221	10,192
	1,260,702	1,312,054

23. OTHER INCOME

Net profit on sale of fixed assets	14,422	3,177
Net gain on sale of securities	24,423	102,096
Recovery of expenses from customers	42,810	38,388
Others	16,110	10,150
	97,765	153,811



	2004	2003
	Rupees in '000	
24. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	227,948	172,546
Charge for defined benefit plan	5,177	4,030
Contribution to defined contribution plan	8,987	7,119
Brokerage and commissions	23,243	24,525
Rent, taxes, insurance, electricity etc.	91,206	70,980
Legal and professional charges	6,269	5,741
Communications	47,901	42,638
Repairs and maintenance	94,635	70,235
Rentals of operating leases	71,013	69,533
Stationery and printing	25,285	19,467
Advertisement and publicity	12,870	11,055
Donations	24.1 12,525	11,748
Auditors' remuneration	24.2 571	492
Depreciation	12.1 39,421	35,287
Security charges	12,655	11,674
Travelling and conveyance	8,453	7,113
Motor car running	24,399	21,908
Computer software, maintenance etc.	22,922	18,780
Others	78,857	57,089
	814,337	661,960

24.1 Details of the donations given in excess of Rupees one hundred thousand are given below:

Abdul Sattar Edhi Foundation	150	100
Ahmed Abdullah Foundation	150	150
Al-Sayyeda Benevolent Trust	1,000	1,120
Anjuman Behbood-e-Samat-e-Atfal	250	100
Ansar Burney Welfare Trust International	125	100
Children Foundation Trust	500	-
IDA Rieu Poor Welfare Association	150	150
Habib Medical Trust	720	720
Habib Poor Fund	720	690
Habib Public School	50	157
Lahore University of Management Sciences	300	200
Memon Educational Board	250	200
Memon Hospital	-	150
Mohammadali Habib Welfare Trust	500	250
Pakistan Memon Educational & Welfare Society	500	500
Pakistan Memon Jamat	-	200
Pakistan Memon Women Educational Society	250	200
Patients Welfare Association	150	100
Police Welfare Trust	160	-
Rahmat Bai Habib Foods & Clothings Trust	720	945
Rahmat Bai Habib Widows & Orphans Trust	720	1,070
Shaukat Khanum Memorial Trust	250	250
Society for Welfare of Patient of SIUT	250	250
The Citizens Foundation	2,800	2,400
The Kidney Centre	250	250
The Layton Rehmatulla Benevolent Trust	250	250
The Society for the Prevention & Cure of Blindness	150	100

Recipients of donations do not include any donee in whom any director or their spouses had any interest.

	2004	2003
	Rupees in '000	
24.2 Auditors' remuneration		
Audit fee	400	400
Special certifications and sundry advisory services	156	77
Out of pocket expenses	15	15
	<u>571</u>	<u>492</u>
25. OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	<u>874</u>	<u>3,068</u>
26. TAXATION		
For the year - current	478,000	548,000
- deferred	84,382	(4,112)
For prior years - current	-	1,552
	<u>562,382</u>	<u>545,440</u>
26.1 Income-tax assessments have been finalised upto the tax year 2003 (corresponding to the accounting year ended December 31, 2002). The bank has filed return of income for the tax year 2004, (corresponding to the accounting year ended December 31, 2003) where the same is deemed to be an assessment order in terms of section 120 of the Income Tax Ordinance, 2001.		
26.2 Relationship between tax expense and accounting profit		
Profit before taxation	<u>1,377,921</u>	<u>1,223,919</u>
Tax at the applicable rate of 41% (2003: 44%)	564,948	538,524
Tax effect of expenses that are not deductible in determining taxable income	(43,766)	65,709
Tax effect of income not subject to tax	(41,205)	(44,922)
Tax effect of income taxed at reduced rate	(1,977)	(11,311)
Tax charge for the year	<u>478,000</u>	<u>548,000</u>
The Federal Government has, through the Finance Ordinance, 2002 reduced the rate of tax applicable on banking companies from 44% to 41% for the Tax Year 2005.		
27. BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the year	<u>815,539</u>	<u>678,479</u>
Weighted average number of ordinary shares	<u>120,000</u>	<u>120,000</u>
Basic and diluted earnings per share - Rupees	<u>6.80</u>	<u>5.65</u>
28. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	4,648,318	3,294,581
Balances with other banks	2,359,259	607,302
	<u>7,007,577</u>	<u>3,901,883</u>
29. KEY FINANCIAL FIGURES OF THE ISLAMIC BANKING BRANCH		
Islamic Banking Fund	50,000	-
Deposits	15,562	-
Balance with other banks	13,660	-
Murabaha Financing	34,239	-
Profit before taxation	79	-



	2004	2003
30. STAFF STRENGTH		
Number of employees at the end of the year	<u>1,045</u>	<u>901</u>
31. DEFINED BENEFIT PLAN		
31.1	The benefits under the funded gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service. The benefit is equal to one month's last drawn basic salary for each year of eligible service subject to a maximum of 24 months last drawn basic salary. The minimum qualifying period for eligibility under the plan is five years of continuous service.	
31.2	The actuarial valuation was carried out on December 31, 2004 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for actuarial valuation were as follows:	
	Discounted rate is	9 percent per annum
	Expected rate of increase in salaries is	9 percent per annum
	Expected rate of return on investments is	9 percent per annum
	2004	2003
		Rupees in '000
31.3 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligations	47,358	39,101
Net actuarial gains or losses not recognized	8,005	(5,170)
Fair value of any plan assets	(55,363)	(33,931)
	<u>—</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>—</u></u>
	Included herein is a sum of Rs. 13,311 thousand (2003: Rs. 10,110 thousand) placed under Bank's PLS fixed deposits and savings account.	
31.4 Movement in payable to defined benefit plan		
Opening balance	—	—
Charge for the year	4,062	4,030
Contribution to fund made during the year	(4,062)	(4,030)
Closing balance	<u>—</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>—</u></u>
31.5 Charge for defined benefit plan		
Current service cost	5,174	3,943
Interest cost	2,737	2,855
Expected return on plan assets	(3,964)	(2,768)
Actuarial gains and losses	115	—
	<u>4,062</u>	<u>4,030</u>
	<u><u>4,062</u></u>	<u><u>4,030</u></u>
31.6 Actual return on plan assets	<u>4,408</u>	<u>3,027</u>

32. DEFINED CONTRIBUTION PLAN

The Bank operates a recognized provident fund scheme for all its regular employees which is administered by the board of trustees. Equal monthly contributions are made both by the Bank and the employee to the fund at the rate of 10% of basic salary in accordance with the terms of the above fund.



33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	President/Chief Executive		Director		Executives	
	2004	2003	2004	2003	2004	2003
	-----Rupees in '000-----					
Managerial remuneration	1,465	1,308	138	–	12,893	10,535
Charge for defined benefit plan	122	83	12	–	833	747
Contribution to defined contribution plan	146	131	14	–	1,000	916
Rent and house maintenance	944	823	62	–	5,802	4,741
Utilities	95	95	14	–	1,289	1,053
Bonus	363	224	69	–	3,189	2,634
Others	1,243	1,101	184	–	–	–
	<u>4,378</u>	<u>3,765</u>	<u>493</u>	<u>–</u>	<u>25,006</u>	<u>20,626</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>–</u>	<u>18</u>	<u>16</u>

The Chief Executive, Director and certain executives are provided with free use of cars and household equipments in accordance with their terms of employment.

34. MATURITIES OF ASSETS AND LIABILITIES

	2 0 0 4				
	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five years
	-----Rupees in '000-----				
Assets					
Cash and balances with treasury banks	4,648,318	4,648,318	–	–	–
Balances with other banks	2,359,259	2,359,259	–	–	–
lendings to financial institutions	4,132,234	3,832,234	300,000	–	–
Investments	15,559,826	2,610,293	2,528,122	3,851,318	6,570,093
Advances	40,121,548	4,461,173	34,879,963	634,517	145,895
Other assets	699,665	640,253	32,634	26,778	–
Operating fixed assets	369,675	9,855	29,566	197,105	133,149
	<u>67,890,525</u>	<u>18,561,385</u>	<u>37,770,285</u>	<u>4,709,718</u>	<u>6,849,137</u>
Liabilities					
Bills payable	1,203,214	1,203,214	–	–	–
Borrowings from financial institutions	12,327,265	8,764,010	3,563,255	–	–
Deposits and other accounts	48,595,565	14,915,991	23,592,821	5,225,377	4,861,376
Other liabilities	965,049	531,958	336,029	40,375	56,687
Deferred tax liabilities	535,636	–	10,091	159,851	365,694
	<u>63,626,729</u>	<u>25,415,173</u>	<u>27,502,196</u>	<u>5,425,603</u>	<u>5,283,757</u>
Net assets	<u>4,263,796</u>	<u>(6,853,788)</u>	<u>10,268,089</u>	<u>(715,885)</u>	<u>1,565,380</u>
Share capital	1,200,000				
Reserves	2,321,951				
Unappropriated profit	46,261				
Surplus on revaluation of assets	695,584				
	<u>4,263,796</u>				



35. YIELD/INTEREST RATE RISK

		2004					
Effective Yield/ Interest rate %	Total	Exposed to Yield/ Interest risk				Not exposed to Yield/ Interest Risk	
		Upto three months	Over 3 months to one year	Over one year to five years	Over five years		
-----Rupees in '000-----							
On-balance sheet financial instruments							
Assets							
Cash and balances with treasury banks	1.29	4,648,318	462,918	-	-	-	4,185,400
Balances with other banks	2.22 to 4.70	2,359,259	1,695,493	-	-	-	663,766
Lendings to financial institutions	2.00 to 12.25	4,132,234	3,832,234	300,000	-	-	-
Investments	2.06 to 15.00	15,559,826	2,606,062	2,528,122	3,851,318	6,539,413	34,911
Advances	1.50 to 18.00	40,121,548	4,461,173	34,879,963	634,517	56,205	89,690
Other assets		688,357	-	-	-	-	688,357
		67,509,542	13,057,880	37,708,085	4,485,835	6,595,618	5,662,124
Liabilities							
Bills payable		1,203,214	-	-	-	-	1,203,214
Borrowings from financial institutions	2.00 to 4.90	12,327,265	8,484,875	3,563,255	-	-	279,135
Deposits and other accounts	0.50 to 5.00	48,595,565	11,576,192	15,243,320	2,720,527	2,356,528	16,698,998
Other liabilities		972,140	-	-	-	-	905,140
		63,098,184	20,061,067	18,806,575	2,720,527	2,356,528	19,086,487
On-balance sheet gap		4,411,358	(7,003,187)	18,901,510	1,765,308	4,239,090	(13,424,363)
Off-balance sheet financial instruments							
Forward lendings		-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(7,003,187)	18,901,510	1,765,308	4,239,090	
Cumulative Yield/Interest Risk Sensitivity Gap			(7,003,187)	11,898,323	13,663,631	17,902,721	

Interest rate exposure arises from borrowing and lending activities of varying periods. The management regularly monitors interest rate fluctuations and maturities of various Assets and Liabilities to maintain the maturity gaps within acceptable levels.

36. CURRENCY RISK

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
-----Rupees in '000-----				
Pakistan Rupee	62,277,931	64,331,471	1,996,314	(57,226)
United States Dollar	4,848,482	3,277,196	(1,606,897)	(35,611)
Great Britain Pound	141,425	129,914	(9,593)	1,918
Japanese Yen	530	27,515	34,494	7,509
Euro	540,806	121,494	(398,901)	20,411
Asian Currency unit	61,407	-	(9,779)	51,628
Swiss francs	5,741	-	(3,433)	2,308
Canadian Dollar	3,672	-	(1,251)	2,421
Arab Emirates Draham	1,632	-	-	1,632
Australian Dollar	2,352	-	(105)	2,247
Other currencies	6,547	2,935	(849)	2,763
	67,890,525	67,890,525	-	-

The bank's policy is to keep currency risks to a minimum. The bank manages its foreign exchange risks by matching its foreign currency assets and liabilities. The net exposures and nostro balances are managed within limits prescribed by State Bank of Pakistan. Counter parties limits are also fixed to limit settlement risk.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits can not be calculated with sufficient reliability due to absence of current active market value for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the bank's accounting policy as stated in note 5.3.



In the opinion of the management, fair value of remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in case of customer loans and deposits, are frequently repriced except for certain investments which are being stated at fair value as stated in note 9.

38. CONCENTRATION OF CREDITS AND DEPOSITS

The Bank places strong emphasis on long term stability before high returns. It is the bank's strategy to keep risks to a minimum through broad diversification in terms of geography, product mix, and to spread the bank's credit, trade financing and deposits activities over a wide range of customers. Lending, as a rule, is made on secured, and self liquidating basis.

	2 0 0 4					
	Advances		Deposits		* Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
38.1 Segment by class of business						
Chemicals and Pharmaceuticals	833,588	2.05	1,200,567	2.47	774,157	4.19
Agribusiness	29,722	0.07	748,683	1.54	195,804	1.06
Textile **	22,865,892	56.32	3,613,119	7.44	3,706,496	20.04
Cement	32,240	0.08	23,441	0.05	85,515	0.46
Sugar	359,173	0.88	151,796	0.31	2,151	0.01
Shoes and leather garments	430,058	1.06	471,494	0.97	79,426	0.43
Automobile and transportation equipment	418,513	1.03	1,298,353	2.67	148,960	0.81
Financial	662,496	1.63	1,553,890	3.20	149,462	0.81
Insurance	93,982	0.23	370,644	0.76	482	0.00
Transportation	46,235	0.11	551,120	1.13	76,332	0.41
Electronics and electrical appliances	767,055	1.89	360,179	0.74	191,933	1.04
Production and transmission energy	17,202	0.05	2,243,259	4.62	682,826	3.69
Individuals	442,610	1.10	16,525,538	34.01	20,884	0.11
Others	13,600,522	33.50	19,483,482	40.09	12,382,582	66.94
	<u>40,599,288</u>	<u>100.00</u>	<u>48,595,565</u>	<u>100.00</u>	<u>18,497,010</u>	<u>100.00</u>

*Excludes commitments in respect of forward exchange contracts.

**The management has ensured diversification within the sector.

38.2 Segment by sector

Public/ Government	–	–	8,113,324	16.70	1,046,388	3.08
Private	40,599,288	100.00	40,482,241	83.30	17,450,622	96.92
	<u>40,599,288</u>	<u>100.00</u>	<u>48,595,565</u>	<u>100.00</u>	<u>18,497,010</u>	<u>100.00</u>

38.3 Geographical segment analysis

	2 0 0 4			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	-----Rupees in '000-----			
Pakistan	<u>1,377,921</u>	<u>67,890,525</u>	<u>4,263,796</u>	<u>18,497,010</u>
			2004	2003
			Rupees in '000	

39. TRANSACTIONS WITH RELATED PARTIES

The Bank has related party relationship due to common directorship.

The pricing policy in respect of following transactions is based on an arm's length basis using the comparable uncontrolled price method.

Deposits (at year end)	1,957,238	4,139
Profit paid on deposits	10,815	15
Investments in term finance certificates (at year end)	–	66,363
Profit earned on term finance certificates	2,275	2,220
Advances (at year end)	8,363	–
Trade related contingent liabilities (at year end)	565,908	–
Markup/Interest earned	297	–
Commission/Bank charges recovered	256	–
Rent income	132	–
Insurance premium paid	997	–



40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 26, 2005 by the Board of Directors of the Bank.

41. GENERAL

- (i) Figures in the financial statements have been rounded off to the nearest thousand rupees.
- (ii) Prior year figures have been rearranged in note nos. 10.1.2 & 27 to facilitate comparison and better presentation.

ANWAR H. JAPANWALA
Chairman

KASSIM PAREKH
President and Chief Executive

MOHAMEDALI R. HABIB
Director

R. B. LIMBUVALLA
Director

ANNEXURE-I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2004

Rupees in '000

S. No.	Name and address of the borrower	Name of individuals/ partners/directors (with NIC No.)	Fathers'/ Husband's name	Outstanding Liabilities at beginning of the year			Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total ((9+10+11)	
				Principal	Interest/ Mark-up	Others					Total
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1.	Linex International (Private) Limited Plot No. 145, Sector 30, Korangi Industrial Area, Karachi.	Mr. Zafar Alam 517-90-218324 Mr. Afif Alam 517-88-218325 Mrs. Zakia Alam	Mr. Habibur Rehman Mr. Habibur Rehman Mr. Habibur Rehman	9,324	-	-	9,324	9,324	-	-	9,324
2.	First Custodian Modaraba 406, 4th Floor, Trade Centre, I.I.Chundrigar Road, Karachi.	Mr. Humayun Zia 323-47-012769 Mr. Zafar Alam 517-90-218324 Mr. Rahat Aziz 276-62-180566	Mr. Younus Zia Rehman	3,064	-	-	3,064	3,064	-	-	3,064
3.	Al-Jadeed Textile Mills Limited, 1st Floor, I.I. Chundrigar Road, Karachi.	Mr. Asif Karim 511-45-014120 Mr. Afif Karim 517-85-144428 Mr. Abdul Karim Haji Omer 510-39-138764 Mrs. Zarina A. Karim 512-56-227884 Mr. Sohaib Siddique 517-55-106822	Mr. Abdul Karim Mr. Abdul Karim Mr. Haji Omer Mr. Abdul Karim Mr. Mohammad Siddique	2,556	333	-	2,889	1,056	333	-	1,389
4.	City Builders (Private) Limited, City Terrace PP II, Gulshan-e-Iqbal Karachi.	Mr. Asad Hussain Farooqui 516-56-198905 Mr. Amjad Hussain Farooqui 516-55-255617 Mr. Wajid Hussain Farooqui 516-93-255618	Mr. Sajid Hussain Farooqui Mr. Sajid Hussain Farooqui Mr. Sajid Hussain Farooqui	1,783	409	-	2,192	516	632	-	1,148
5.	A. F. Enterprises 2/5, Zia Centre, 1st Floor, Zakaria Lane, Jodia Bazar, Karachi.	Mr. Anis Hussain Kazi 514-51-172715	Mr. Hussain Abdullah Kazi	334	569	-	903	334	569	-	903
			Total	17,061	1,311	-	18,372	14,294	1,534	-	15,828





Pattern of Shareholdings as at December 31, 2004

Number of Shareholders	Size of Shareholding Rs. 10 each	Total Shares Held
130	1	100
331	101	500
153	501	1000
938	1001	5000
129	5001	10000
38	10001	15000
24	15001	20000
10	20001	25000
14	25001	30000
4	30001	35000
10	35001	40000
3	40001	45000
8	45001	50000
3	50001	55000
12	55001	60000
2	60001	65000
5	75001	80000
1	80001	85000
4	95001	100000
1	100001	105000
5	115001	120000
4	120001	125000
5	130001	135000
3	135001	140000
1	140001	145000
1	150001	155000
3	155001	160000
5	170001	175000
1	190001	195000
5	195001	200000
2	210001	215000
2	220001	225000
2	235001	240000
2	245001	250000
2	255001	260000
2	265001	270000
2	275001	280000
1	315001	320000
3	340001	345000
1	350001	355000
4	395001	400000
2	445001	450000
1	580001	585000
1	675001	680000
1	795001	800000
1	1000001	1005000
1	1095001	1100000
1	1200001	1205000
1	1365001	1370000
1	1625001	1630000
1	1825001	1830000
1	2280001	2285000
1	2400001	2405000
1	2830001	2835000



Number of Shareholders	Size of Shareholding Rs. 10 each	Total Shares Held
1	2840001	—
1	2845001	—
1	2865001	—
1	2885001	—
1	2915001	—
1	2930001	—
2	2935001	—
1	2950001	—
2	2955001	—
1	2970001	—
1	2995001	—
1	3195001	—
1	3905001	—
1	3995001	—
1	4395001	—
1	4825001	—
1	23565001	—
1,909		23,568,776
		120,000,000

Categories of Share holders	Number of Shares held	Category wise No. of Share holders	Category wise Shares held	Percentage %
Individuals		1,798	26,697,448	22.25
Investment Companies		4	427,392	0.36
Joint Stock Companies		45	763,492	0.64
Directors, Chief Executive Officer and their spouses and minor children		6	4,708,320	3.92
Mr. Anwar H. Japanwala	799,998			
Mr. Kassim Parekh	399,996			
Mr. Bashir Ali Mohammad	3,199,998			
Mr. Mohamedali R. Habib	266,796			
Mrs. Syeda Mohamedali R. Habib	133,200			
Mr. Firasat Ali - Nominee NIT	—			
Mr. A. R. Wadiwala	399,996			
Mr. Salim A. Zubairi	399,996			
Mr. R. B. Limbuvalla	600			
Executives		8	320,757	0.27
NIT/ICP		2	23,580,848	19.65
National Bank of Pakistan, Trustee Department *	23,573,976			
Investment Corporation of Pakistan	6,872	1		
Associated Companies, Undertakings and related parties				
Habib Insurance Company Limited	275,548	1	275,548	0.22
Public Sector Companies and Corporations		—	—	—
Banks, DFIs, Insurance Companies, Modarabas & Mutual Funds		12	10,544,762	8.79
Foreign Investors		22	51,320,147	42.77
Co-operative Societies		1	1,201,998	1.00
Charitable Trusts		4	89,400	0.07
Others		5	69,888	0.06
Total		1,909	120,000,000	100.00

* Holds ten percent or more voting interest in the Bank.



PROXY FORM

I/We _____

of _____

being member (s) of Metropolitan Bank Limited and holding _____

ordinary shares, as per Register folio _____

hereby appoint _____ Folio No. _____

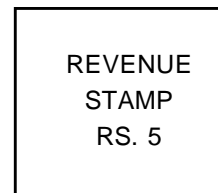
of _____

or failing him _____ Folio No. _____

of _____

another member of the Bank to vote for me/us and on my/our behalf at the 13th Annual General Meeting of the Bank to be held on March 26, 2005 and at any adjournment thereof.

As Witness my/our hand this _____ day of March 2005.



SIGNATURE OF MEMBER(S)

A member entitled to attend General Meeting is entitled to appoint proxy to attend and vote instead of him. A proxy should be a member of the Bank. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxies shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.