

First International Investment Bank Limited

Annual Report 1999

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COMPANY INFORMATION

Board of Directors	Syed Babar Ali Chairman Fakir Syed Aijazuddin Managing Director & Chief Executive Pir Ali Gohar Mr. Tawfiq A. Husain Mr. M. Rashid Zahir Mr. Nasim Beg Mr. S. Lachlan Hough
Company Secretary	Syed Zia UI Hasan
Auditors	Messrs. Ford, Rhodes, Robson, Morrow Chartered Accountants
Legal Advisers	Messrs. Orr, Dignam & Co. Advocates Messrs. Mohsin Tayebaly & Co. Advocates & Legal Consultants
Bankers	American Express Bank Ltd. Citi Bank N. A. Muslim Commercial Bank Ltd.
Registrars	Noble Computer Services (Pvt.) Ltd. Al-Manzoor Building, Dr. Ziauddin Ahmed Road, Karachi.
Lahore Registered Office	2nd Floor Babar Ali Foundation Building, 308, Upper Mall, Lahore. Telephones: (042) 5753414-6, 5710597, 111-234-234 Fax: (042) 5710598 / 111-567-567
Karachi Office	7th Floor, Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi. Telephones: (021) 2639042-46, 111-234-234 Fax: (021) 2630678 / 111-567-567
Islamabad Office	Mezzanine Floor, Razia Sharif Plaza, 90, Blue Area, G / 7, Islamabad. Telephones: (051) 275256-58, 111-234-234 Fax: (051) 273861 / 111-567-567

NOTICE OF NINTH ANNUAL GENERAL MEETING

Notice is hereby given that the Ninth Annual General Meeting of the shareholders will be held at 10:00 a.m. on Wednesday, December 15, 1999 at the Company's Registered Office, 2nd Floor, Babar Ali Foundation Building, 308 Upper Mall, Lahore to transact the following business:

ORDINARY BUSINESS:

- 1) To receive and consider the Accounts of the Company for the financial year ended June 30, 1999 together with the Directors' and Auditors' Report.
- 2) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

- 3) To consider if thought fit, to approve the remuneration payable to the Managing Director and Chief Executive.
- 4) To transact any other business with the permission of the Chair.

SYED ZIA UL HASAN
Company Secretary

Date: November 1, 1999

NOTES:

- 1) The Share Transfer Books will remain closed from November 8, 1999 to November 15, 1999 (Both days inclusive) in order to update the Register of the Shareholders for the purpose of determining the names of shareholders for issuing notice of Annual General Meeting, Annual Report and Accounts of the Company. The transfers received in order at the Registrar Office by the close of the business hours on November 7, 1999 will be treated in time for the entitlement of the above
- 2) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy in writing to attend the meeting and to vote on a member's behalf. A proxy need not be a member of the Company.
- 3) Duly completed forms of proxy must be deposited with the Company's Secretary not later than 48 hours before the time appointed for the meeting.
- 4) Account holders and sub-account holders holding book entry securities of the company in the Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting, are requested to bring original National Identify Cards with copy thereof duly attested by their Bankers for identification purpose.

DIRECTORS' REPORT

The Board of Directors of First International Investment Bank Limited (Interbank) has pleasure in presenting its Report and the Accounts for the twelve months ended 30 June 1999 to the Ninth Annual General Meeting of its members.

The year under review witnessed a continuation of the economic downturn manifest in the previous year. The effect of this on the operations of Interbank has necessitated a change in strategy, both in the mobilisation of funds and the disposition of such funds. Following the decision on 28 May 1998 by the Government of Pakistan to freeze foreign currency accounts, your bank was successful in negotiating an arrangement by which foreign currency deposits held for the specific purpose of hedging against matched foreign currency obligations were allowed to remain. As on 30 June 1999, these foreign currency deposits amounted to an equivalent of \$36.391 million.

The management of your bank, in its efforts to diversify its sources of financing, succeeded in mobilising rupee resources through direct fund raising and, to secure long term funding, through the public flotation of Interbank's Term Finance Certificates which are 5 year instruments, redeemable in four equal installments after a grace period of one year and carrying an expected profit rate of 17.5% per annum. The first tranche offering of Rs. 300 million in December 1998 was oversubscribed, your bank receiving a total of Rs. 325.57 million, primarily from institutional investors. This can be interpreted as a measure of the confidence enjoyed by your bank amongst its peers.

During the year, Interbank negotiated a reduction in its foreign currency facility with the International Finance Corporation (IFC) to the amount drawn down of \$3.076 million, as foreign exchange cover was not available at an economical rate to justify such borrowings. However, funds already borrowed from IFC have been productively applied in leasing, micro credit

to farmers, and other long term operations.

Interbank maintains a close and continuous scrutiny on the quality of its asset portfolios. Full provision in conformity with prudential regulations has been made for financing which might be irrecoverable, and a similar provision has been made for the diminution in value of those long term investments which have depreciated over the past four years. Even though this unrealised diminution relates to preceding years and could more appropriately be set-off against reserves accumulated over previous years, Interbank was advised by its auditors to deduct this provision of Rs. 31.798 million from the profits of the current year.

The effect on the pre-tax profits for the year under review of Rs. 42.705 million which, despite the highly competitive market conditions in which your bank was operating, were an improvement on the comparable profits of Rs. 28.499 million during the preceding year, was therefore as follows:

	<i>Rs. (million)</i>
Profit for the year before taxation and provision on long-term investments	42.705
Provision for diminution in value of long-term quoted investments	31.798

Profit for the year before taxation	10.907
Taxation - current	4.000

Profit for the year after taxation	6.907
Unappropriated profit brought forward	3.421

Available for appropriation	
Appropriations:	10.328
- transfer to special reserve	1.400
- transfer to general reserve	8.000

Unappropriated profit carried forward	0.928
	=====

The efforts of the bank will be maintained in a direction consistent with prudent and responsible fiscal management. It will continue in its endeavour to improve its expertise, to widen the range of products and services it can offer its clients, and to utilise its financial and intellectual capital more profitably.

The next fiscal year will overlap the millennium. Your bank is already not only Y2K compliant but has improved its Operating Systems and facilities to equip it to meet the challenges ahead. Your bank has also been successful in obtaining a favourable decision from a full bench of the Income Tax Tribunal confirming its claim, as a Non-Bank Financial Institution, to be assessed at the corporate rate rather than the higher rate applicable to scheduled banks.

In conclusion, your management would like to express its thanks to all the employees of the bank who had worked exceptionally hard in difficult market conditions to improve the bank's operations, to enhance its visibility, and to expand its market base. Their achievements during the current year are the pennants of which the bank can be justifiably proud.

For and on behalf of the Board

Lahore:
October 21, 1999

F. S. ALJAZUDDIN
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **FIRST INTERNATIONAL INVESTMENT BANK LIMITED** as at June 30, 1999 and the related profit and loss account and statement of changes in financial position (cash flow statement), together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(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 Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with objects of the company;

(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 and statement of changes in financial statement (cash flow statement), together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1999 and of the profit and the changes in financial position (cash flows) for the year then ended; and

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

Karachi:
October 13, 1999

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

FINANCIAL INFORMATION

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets	3	7,959,389	9,031,130
Long-term investments	4	209,604,802	222,286,649
Long-term finance	5	694,681,222	913,009,461
Net investment in lease finance	6	190,420,472	57,121,013
Long-term demand promissory note	7	78,000,000	78,000,000
Long-term deposits, prepayments and deferred costs	8	8,393,993	5,638,826
CURRENT ASSETS			
Prepayments and other receivables	9	263,953,896	250,414,855
Bill receivable	10	40,000,000	--
Demand promissory note		--	20,000,000
Fund placements with investment banks / other companies	11	819,000,000	544,000,000
Finance	12	315,073,766	658,515,552
Net investment in lease finance	6	59,711,326	17,618,871
Trading investments	13	496,008,573	447,776,550
Cash and bank balances	14	47,678,720	33,442,269
		-----	-----
		2,041,426,281	1,971,768,097
		-----	-----
		3,230,486,159	3,256,855,176
		=====	=====

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Authorised capital			
20,000,000 ordinary shares of Rs.10/- each		200,000,000	200,000,000
		=====	=====
Issued, subscribed and paid-up capital	15	180,000,000	180,000,000
Reserves	16	157,122,036	150,214,859
		-----	-----
		337,122,036	330,214,859

NON-CURRENT LIABILITIES

Term finance certificates	17	301,702,522	--
Long-term borrowing	18	108,624,239	114,965,612
Deferred liability - provision for gratuity		2,241,997	1,372,502
Long-term deposits	19	1,168,562,894	1,606,029,513
Deposits on lease contracts	20	19,281,842	7,299,185
CURRENT LIABILITIES AND PROVISIONS			
Current portion of long-term liabilities	21	491,748,584	253,980,667
Short-term deposits	22	745,322,961	872,695,696
Short-term running finance	23	--	--
Accrued expenses and other liabilities	24	55,879,084	56,797,142
Proposed final dividend		--	13,500,000
		-----	-----
		1,292,950,629	1,196,973,505
CONTINGENCIES AND COMMITMENTS			
	25	-----	-----
		3,230,486,159	3,256,855,176
		=====	=====

The annexed notes form an integral part of these accounts.

SYED BABAR ALI
Chairman

FAKIR S. ALJAZUDDIN
Managing Director & Chief Executive

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
INCOME			
Income from investments	26	103,584,300	70,016,277
Income from finance provided		191,711,071	225,335,141
Income from lease finance		33,836,177	10,965,264
Income from bills receivable		12,146,994	612,779
Income from demand promissory notes		15,710,219	14,075,767
Income from fund placements		114,561,983	85,016,062
Commission and fees		3,672,254	2,941,820
Other income	27	12,447,225	8,664,622
		-----	-----
		487,670,223	417,627,732
EXPENDITURE			
Financial charges	28	46,518,652	17,810,076
Return on deposits and related costs		331,164,437	310,759,877
Administration and operating expenses	29	60,721,903	54,997,210
Reversal of provision for diminution in value of trading investments		(1,392,269)	(1,614,188)
Provision for potential lease losses		1,019,594	242,677
Provision under SBP's NBFIs Regulations against finance provided		6,932,778	6,932,778
		-----	-----
		444,965,095	389,128,430
Profit for the year before taxation and provision on long-term investments		-----	-----
		42,705,128	28,499,302
Provision for diminution in value of long-term quoted investments		31,797,951	--
		-----	-----
Profit for the year before taxation		10,907,177	28,499,302
Taxation - current	9.2	4,000,000	7,500,000
		-----	-----
Profit for the year after taxation		6,907,177	20,999,302
Unappropriated profit brought forward		3,420,859	121,557
Available for appropriation		10,328,036	21,120,859
APPROPRIATIONS			
Transfer to special reserve	16.1	1,400,000	4,200,000
Transfer to general reserve		8,000,000	--
Proposed final dividend Nil (1998: @ 7.5%)		--	13,500,000
		-----	-----
		9,400,000	17,700,000
		-----	-----

Unappropriated profit carried forward		928,036	3,420,859
Basic earnings per share	36	0.38	1.17

The annexed notes form an integral part of these accounts.

SYED BABAR ALI
Chairman

FAKIR S. ALJAZUDDIN
Managing Director & Chief Executive

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	10,907,177	28,499,302
Adjustments for:		
Gain on disposal of fixed assets	(162,936)	(34,292)
Exchange gain	(3,697,862)	(2,737,936)
Deferred costs	1,787,157	1,320,466
Depreciation	3,362,250	3,251,704
Provision for gratuity	869,495	917,316
Reversal of provision for diminution in value of trading investments	(1,392,269)	(1,614,188)
Provision for potential lease losses	1,019,594	242,677
Provision against finance provided	6,932,778	6,932,778
Provision for diminution in value of long-term quoted investments	31,797,951	--
	40,516,158	8,278,525
	51,423,335	36,777,827
(Increase)/Decrease in current assets:		
Prepayments and other receivables	13,703,055	(28,526,966)
Bill receivable	(40,000,000)	18,000,000
Demand promissory note	20,000,000	(20,000,000)
Fund placements	(275,000,000)	(98,000,000)
Finance	238,067,206	111,926,110
Trading investments	(46,839,754)	(50,915,685)
	(90,069,493)	(67,516,541)
(Decrease)/Increase in current liabilities:		
Deposits	(127,372,735)	57,739,193
Accrued expenses and other liabilities	6,188,827	(8,558,986)
	(121,183,908)	49,180,207
Decrease in long-term finance	316,770,041	4,716,086
Increase in net investment in lease finance	(176,411,508)	(48,132,529)
Increase in long-term deposits, prepayments and deferred costs	(4,542,324)	(3,109,080)
(Decrease)/increase in long-term deposits	(202,003,199)	121,759,195
Increase in deposits on lease contracts	11,982,657	4,618,900
	(54,204,333)	79,852,572
Net cash from operating activities before income tax and gratuity	(214,034,399)	98,294,065
Income tax paid	(31,242,096)	(52,743,394)
Gratuity paid	--	(30,600)
Net cash used in operating activities Total c/f	(245,276,495)	45,520,071
Net cash used in operating activities Total b/f	(245,276,495)	45,520,071
Cash flows from investing activities:		
Acquisition of long-term investments	(338,604)	(155,977,029)
Acquisition of fixed assets	(2,436,772)	(2,737,639)
Sale proceeds of fixed assets	309,200	--

Net cash used in investing activities	(2,466,176)	(158,714,668)
Cash flows from financing activities:		
Term finance certificates issued	301,944,174	--
Long-term borrowing obtained - net	(19,617,270)	128,100,145
Payment of dividend	(20,606,885)	(15,232,942)
Net cash from financing activities	261,720,019	112,867,203
Net increase/(decrease) in cash	13,977,348	(327,394)
Cash and bank balances at the beginning of the year	33,442,269	31,659,243
Effect of exchange rate changes on cash and bank balances	259,103	2,110,420
Cash and bank balances at the end of the year	47,678,720	33,442,269

SYED BABAR ALI
Chairman

FAKIR S. ALJAZUDDIN
Managing Director & Chief Executive

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

1. LEGAL STATUS AND OPERATIONS

First International Investment Bank Limited (Interbank) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. Interbank is licensed to carry out all investment finance activities described under SRO 585(1)/87 dated July 13, 1987, issued by the Ministry of Finance. Its shares are quoted on the Karachi and Lahore Stock Exchanges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

The accounts are prepared under the historical cost convention.

2.2 Tangible fixed assets

These are stated at cost less accumulated depreciation. Depreciation charge is based on the straight line method whereby the cost of an asset is written off over its estimated useful life without taking into account any residual value. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of fixed assets are taken to profit and loss account.

2.3 Investments

Long-term investments are valued at cost. Provision is made for any diminution in value, if considered other than temporary.

Short-term government securities are carried at their realisable values.

Other trading investments, including National Investment Trust (NIT) units, are valued at the lower of cost and market value on category of investment basis.

Cost is taken as estimated realisable value for unquoted investments.

2.4 Provision for doubtful finance

Specific provision for doubtful finance, if any, is made annually in accordance with the State Bank of Pakistan's Non-Banking Financial Institutions (SBP's NBFIs) Regulations.

The provision for potential lease losses is maintained at a level which is considered reasonably adequate at the time of execution of the leases to provide for potential losses on Interbank's lease portfolio.

2.5 Securities under repurchase / resale agreements

Transactions of repurchase / resale of government securities, term finance certificates (TFCs) of other companies and shares are entered into at contracted rates for specified periods of time.

The securities sold under repurchase obligations are deleted from investments and are reinstated upon maturity of the respective repurchase obligations. The differential

between the initial and maturity values of the contracts is amortised over the period of the contract and recorded under income from trading investments.

The securities purchased under resale obligations are recognised as investments and deleted upon resale. The differential between the initial and maturity values of the contracts is amortised over the period of the contract and recorded under income from trading investments.

2.6 Taxation

Current

Provision for current taxation is based on taxable income at the current rate after taking into account applicable tax credits, rebates and exemptions.

Deferred

Provision for deferred taxation is made on all material timing differences expected to reverse in the foreseeable future, using the liability method. Also see note 9.2.

2.7 Foreign currency transactions

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates prevailing on the balance sheet date except those which have forward exchange cover. Gains and losses on translation are taken to income currently.

2.8 Revenue recognition

Mark-up / return on finance provided, bills receivable, bankers' acceptances, TFCs and fund placements are recognised on a time proportion basis taking account of the relevant maturity dates and the applicable mark-up / return in respect thereof.

Mark-up / return on demand promissory notes (DPNs) is recognised on a time proportion basis taking into account the relevant DPNs' purchase dates and final maturity dates as specified in the DPN investment agreements.

Interbank follows the finance method for recognition of lease income. Under this method the unearned income, i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of leased assets, apart from an amount equal to the allowance for potential lease losses (which is transferred to income at the inception of lease), is taken to income over the term of the lease, so as to produce a systematic return on net investment in the lease.

Gain or loss on interbank's market making activities, i.e. buying and reselling, of its own listed TFCs is taken to income currently.

Dividend income is recognised upon receipt of respective warrants.

Commission and fees are taken to income currently.

2.9 Exchange risk cover fee

The fee for exchange risk cover obtained in respect of foreign currency certificates of deposit is amortised over the term of the respective forward exchange contracts.

2.10 Staff retirement benefits

Interbank operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made both by Interbank and the employee, to the fund at the rate of 10% of basic salary. Interbank also has an unfunded staff gratuity scheme for its permanent employees who complete qualifying period of service, in respect of which provisions are made.

2.11 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if Interbank has a legal enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.12 Term Finance Certificates

Own Term Finance Certificates (TFCs) purchased and being held for resale by Interbank, in its role as a market-maker for such TFCs, have been set-off against the gross liability for the TFCs.

2.13 Deferred costs

Premium on purchase of foreign currency bearer certificates (FCBCs) and expenditure incurred in obtaining long-term borrowings and issuance of TFCs are being amortised on a straight line basis over the term of the instrument or 5 years, whichever is less.

3. TANGIBLE FIXED ASSETS

Accumulated

<i>Particulars</i>	<i>Cost at the beginning of the year Rupees</i>	<i>Additions/ (Disposals) Rupees</i>	<i>Cost at the end of the year Rupees</i>	<i>depreciation at the beginning of the year Rupees</i>	<i>Depreciation for the year/ (Adjustments) Rupees</i>	<i>Accumulated depreciation at the end of the year Rupees</i>	<i>Book value at the end of the year Rupees</i>	<i>Rate per annum %</i>
Improvements to leased premises	3,288,332	--	3,288,332	2,758,632	238,845	2,997,477	290,855	20
Office equipments	7,625,970	839,772 (584,300)	7,881,442	5,075,399	1,261,579 (504,703)	5,832,275	2,049,167	20
Furniture and fittings	2,992,188	65,500	3,057,688	1,547,739	341,941	1,889,680	1,168,008	10-20
Vehicles	7,235,663	1,531,500 (400,000)	8,367,163	2,729,253	1,519,885 (333,334)	3,915,804	4,451,359	20
1999	21,142,153	2,436,772 (984,300)	22,594,625	12,111,023	3,362,250 (838,037)	14,635,236	7,959,389	
1998	19,344,574	2,737,639 (940,060)	21,142,153	9,078,671	3,251,704 (219,352)	12,111,023	9,031,130	

3.1 Particulars of disposal of fixed assets having book value above Rs.5,000.

<i>Particulars of assets</i>	<i>Original cost Rupees</i>	<i>Accumulated depreciation Rupees</i>	<i>Written down value Rupees</i>	<i>Proceeds of sale Rupees</i>	<i>Profit/(Loss) on sale Rupees</i>	<i>Mode of disposal Rupees</i>	<i>Particulars of purchasers</i>
Mobile Phone	5,500	183	5,317	3,200	(2,117)	Negotiation	Abdul Samee Khan House # 1, Fazal Ahmed Street, Kot Lakhpat, Lahore.
Photocopier	177,600	106,560	71,040	15,000	(56,040)	Negotiation	Communicaid Systems Ltd. F-28, Raja Centre, Main Boulevard, Gulberg, Lahore.
Suzuki Margalla Car	400,000	333,333	66,667	270,000	203,333	Negotiation	Muhammad Adrees House # 65, Macleod Road, Lahore.
	583,100	440,076	143,024	288,200	145,176		

4. LONG-TERM INVESTMENTS

	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Investment in listed companies - note 4.1	29,705,169	61,129,620
Investment in FCBCs - note 4.2	179,899,633	161,157,029
	209,604,802	222,286,649

4.1 Investment in listed Companies:

<i>No. of shares/ certificates of Rs. 10/- each</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
1998		
1999		
Modaraba		
327,750	327,950	First Equity Modaraba
		Others
705,300	705,300	Shifa International Hospitals Limited
498,800	498,800	24th ICP Mutual Fund
192,900	192,900	Pak Apex Leasing Limited
431,011	566,621	Packages Limited
	61,503,120	
	31,797,951	--

29,705,169	61,129,620
=====	=====
29,705,169	25,948,395
=====	=====

4.2 Investment in FCBCs:

The FCBCs have a maturity of 5 years with income payable semi-annually at 8.25% per annum.

5. LONG-TERM FINANCE - CONSIDERED GOOD

Chief executive and executives - note 5.1	20,500,178	16,804,674
Associated undertaking- note 5.2	15,000,000	30,000,000
Others - note 5.3	802,979,433	1,108,444,978
	-----	-----
	*838,479,611	*1,155,249,652
Less: Current maturity of long-term finance - note 12	143,798,389	242,240,191
	-----	-----
	694,681,222	913,009,461
	=====	=====

*Outstanding for periods exceeding three years is Rs. 169,140,135 (1998: Rs.376,814,848).

5.1 This represents finance provided to the chief executive and executives for purchase of houses and other purposes for periods ranging from 4 to 25 years at mark-up rates ranging from 2.5% to 16% per annum. The maximum aggregate amount in this respect at the end of any month during the year was Rs.21,366,406 (1998: Rs.16,968,555).

5.2 This represents finance provided at mark-up rate of 18.75% per annum repayable in June 2000. The maximum aggregate amount in this respect at the end of any month during the period was Rs.30,000,000 (1998: Rs.30,000,000).

<i>Borrower</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>	<i>Collateral</i>
Saudi Pak Leasing Company Limited	15,000,000 =====	30,000,000 =====	Secured against first charge on specific leased assets and corresponding lease rentals.

5.3 This represents finance provided at mark-up rates ranging from 13.56% to 24.63% (employees 2.5% to 6.5%) per annum repayable within 2 to 7 (employees 4 to 25) years from the date of financing. Particulars are as follows:

<i>Borrower</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>	<i>Collateral</i>
5.3.1 Security Leasing Corporation Limited	11,000,000		-- Secured against pari-passu charge on specific book debts and leased assets.
5.3.2 ORIX Leasing Pakistan Limited	50,000,000	16,700,701	Secured against hypothecation of specific leased assets and book debts.
5.3.3 Packages Limited	423,829,280	547,325,370	Secured against lien on Interbank's foreign currency certificates of deposit.
5.3.4 National Development Leasing Corporation Ltd.	180,540,000	257,087,500	Secured against lien on Interbank's foreign currency certificates of deposit and second charge over leased assets and book debts.
5.3.5 Pakistan Industrial Leasing Corporation Limited	109,136,100	182,410,492	Secured against lien on Interbank's foreign currency certificates of deposit and second charge over leased assets.
5.3.6 Zafa Pharmaceutical Laboratories (Pvt.) Limited	23,537,037	23,796,298	Secured against first charge on land and building and first floating charge on all present and future fixed assets on factory located at F.B. Industrial Area Block 22, Karachi.
5.3.7 Atlas Lease Limited	--	18,750,000	Secured against lien on Interbank's foreign currency certificates of deposit and pledge of government securities.
5.3.8 Emco Industries (Pvt.) Limited	--	20,000,000	Secured against equitable mortgage of property.
5.3.9 Loads Limited	--	10,000,000	Secured against equitable mortgage of property.

5.3.10 Shakarganj Mills Limited	--	30,000,000 Secured against charge over fixed assets.
5.3.11 Individuals (including employees)	4,937,016	2,374,617 Secured against mortgage of property, shares of listed companies, Interbank's foreign currency certificates of deposit and vehicles (which are in the joint name with Interbank).
	----- 802,979,433 =====	----- 1,108,444,978 =====

6. NET INVESTMENT IN LEASE FINANCE

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Minimum lease payments receivable	316,922,274	92,384,383
Add: Residual value of leased assets	26,599,667	7,521,048
	----- 343,521,941	----- 99,905,431
Less: Unearned income	92,006,865	24,801,863
	----- 251,515,076	----- 75,103,568
Less: Current portion of net investment in lease finance - note 6.1	61,094,604	17,982,555
	----- 190,420,472	----- 57,121,013
	=====	=====
6.1 Current portion of net investment in lease finance	61,094,604	17,982,555
Less: Provision for potential lease losses - note 2.4	1,383,278	363,684
	----- 59,711,326	----- 17,618,871
	=====	=====

The net investment in lease finance includes Rs.3,331,576 (1998: Rs.4,083,666) in respect of an associated undertaking. Maximum outstanding in this respect during the period was Rs.4,837,173 (1998: Rs.5,027,784).

7. LONG-TERM DEMAND PROMISSORY NOTE - CONSIDERED GOOD

The demand promissory note's principal will mature in December 2001. The applicable discount rate is 16% per annum.

<i>Name</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>	<i>Collateral</i>
Rupafab Limited	78,000,000	78,000,000	Secured fully against lien on Interbank's certificates of deposit.
	=====	=====	

8. LONG-TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Security deposits	694,960	491,960
Prepayments	281,952	--
Deferred costs - note 8.1	7,417,081	5,146,866
	----- 8,393,993	----- 5,638,826
	=====	=====
8.1 Deferred costs		
Premium on purchase of FCBCs	1,732,266	2,294,082
Front-end fee on long-term borrowing	2,046,159	2,852,784
TFC floatation expenses	3,638,656	--
	----- 7,417,081	----- 5,146,866
	=====	=====

As the benefits of these costs are expected to materialise over an extended period, these are being amortised over a period of five years commencing from the date of incurrence.

9. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments - note 9.1	75,393,603	94,648,338
Payments less provision for taxation - note 9.2	94,349,529	67,107,433
Income accrued or receivable - note 9.3	88,902,367	83,104,591

Other receivables - note 9.4	5,308,397	5,554,493
	-----	-----
	263,953,896	250,414,855
	=====	=====

9.1 Prepayments

Included under prepayments is Rs.68,278,263 (1998: Rs.89,262,439) representing the unamortised portion in respect of forward exchange cover fees (for foreign currency deposits) paid to the SBP, which is being amortised over the duration of the respective forward exchange contracts. Prepayments include the current portion of Rs. 1,056,152 (1998: Rs.1,170,781) of advance rent in respect of leased premises.

9.2 Taxation

Current

The provision for taxation has been computed by Interbank at the rate applicable to it as a listed company. In the initial assessments made by the Deputy Commissioner of Income Tax (DCIT), the rate for the assessment years 1991-92 to 1994-95 applied in determining the tax liability was that applicable to banking companies. However, in the appeals against the initial assessments upto the assessment year 1994-95, the Commissioner of Income Tax, Appeals (CIT-A) directed the DCIT to apply the rates applicable to listed companies and revised orders were duly passed thereby. The Income Tax Department had filed appeals before the Income Tax Appellate Tribunal against these directions. Again in the appeals against the initial assessment upto the assessment year 1992-93, the full bench of Income Tax Appellate Tribunal held that the investment banks are not banking companies.

For the assessment years 1995-96 and 1996-97 the DCIT has again applied the rate applicable to banking companies. However, Interbank has again referred appeals to the CIT-A against the above orders for these two years. These appeals are pending adjudication. In view of the above, the charge for current taxation is based on rates applicable to listed companies.

If the provision for taxation were to be made at the rate applicable to a banking company the additional provision would approximately be Rs.63 million as of June 30, 1999.

Deferred

Deferred taxation arising due to timing differences computed under the liability method is estimated at Rs.16.38 million of which Rs.13.17 million credit is in respect of the current year (1998:Rs.3.21 million, credit for the year Rs.0.43 million). As of June 30, 1999 no provision has been made for these timing differences as these are not expected to reverse in the foreseeable future.

9.3 Income accrued or receivable

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Government securities	18,219,013	7,236,784
FCBCs	7,151,696	6,404,712
TFCs	4,046,101	5,740,492
Finance	30,891,880	48,789,883
Bill receivable	1,974,794	--
Fund placements	25,084,233	13,610,705
Demand promissory note	--	889,232
Deposits with banks	1,534,650	432,783
	-----	-----
	88,902,367	83,104,591
	=====	=====

9.4 OTHER RECEIVABLES - CONSIDERED GOOD

Sundry receivables	5,308,397	5,554,493
	=====	=====

This includes receivables of Rs.416,275 (1998: Rs.1,234,350) from associated undertakings and Rs.3,397,871 (1998: Rs.3,426,200) relating to excise duty receivable on finance.

10. BILL RECEIVABLE

This represents purchase of a bill of exchange drawn on and accepted by a bank and has an effective yield of 17% per annum.

11. FUND PLACEMENTS WITH INVESTMENT BANKS / OTHER COMPANIES

These include fund placements with associated companies of Rs.474,000,000 (1998: Rs.314,000,000).

	1999 Rupees	1998 Rupees
12. FINANCE - CONSIDERED GOOD		
Finance - maturing within one year	185,140,933	423,208,139
Less: Provision under SBP's NBFIs		
Regulations - note 12.1	13,865,556	6,932,778
	-----	-----
	171,275,377	416,275,361
Current maturity of long-term finance - note 5	143,798,389	242,240,191
	-----	-----
	315,073,766	658,515,552
	=====	=====

Included in the above are finance provided to executives amounting to Rs.279,853 (1998: Rs.439,533). The maximum aggregate amount due at the end of any month during the period from associated undertakings was Rs. NIL (1998: Rs.20,000,000) and from executives was Rs.630,188 (1998: Rs.683,145).

12.1 Particulars of provision against non-performing finance:

Specific		
Opening balance	6,932,778	--
Charge for the year	6,932,778	6,932,778
	-----	-----
Closing balance	13,865,556	6,932,778
	=====	=====

13. TRADING INVESTMENTS

Investment in government securities - note 13.1	452,296,402	419,334,100
Investment in listed companies and modarabas - note 13.2	10,196,325	9,044,872
Investment in NIT units	--	113,400
Investment in listed TFCs- note 13.3	26,849,176	9,284,188
Investment in unlisted TFCs - note 13.4	6,666,670	9,999,990
	-----	-----
	496,008,573	447,776,550
	=====	=====

See also notes 2.3 and 25.

13.1 These represent ten-year Federal Investment Bonds with income payable semi-annually at 15% per annum, with remaining terms varying between 2 to 6 years.

13.2 Investment in listed companies and modarabas:

<i>No. of shares/ certificates of Rs. 10/- each</i>	<i>Name</i>	1999 Rupees	1998 Rupees
1998	1999		
Associated companies			
5,000 *	5,000 * Lever Brothers Pakistan Limited	3,690,000	3,690,000
15,688	20,690 International General Insurance Company of Pakistan Limited	815,046	815,046
20,003	30,004 Nestle Milkpak Limited	2,179,534	2,179,534
Modarabas			
24,600	24,600 First B.R.R. Capital Modaraba	442,800	442,800
1,872	1,872 Al-Zamin Leasing Modaraba	385	385
20	20 First Hajveri Modaraba	160	160
Others			
11,316	12,447 Soneri Bank Limited	323,900	323,900
2,500	Service Fabrics & Allied Products Limited	23,750	23,750
4,058	18,129 Nishat Mills Limited	596,852	267,852
5,000	5,000 Sapphire Fibres Limited	205,000	205,000
13,123	17,322 Bank Al-Habib Limited	362,250	362,250
4,950	5,667 Union Bank Limited	167,063	167,063
11,000	11,000 Saitex Spinning Mills Limited	53,900	53,900

5,305	5,305 Umer Fabrics Limited	55,800	55,800
32,600	32,600 Kohinoor Weaving Mills Limited	594,950	594,950
20,872	21,915 Askari Commercial Bank Limited	442,500	442,500
9,618	9,618 Wazir Ali Industries Limited	242,435	242,435
32,900	--Nishat Fabrics Limited	--	329,000
1,000	--Engro Chemicals Limited	--	67,000

10,196,325	10,263,325
--	1,218,453

Less: Provision for diminution in value of investments

10,196,325	9,044,872
------------	-----------

Aggregate market value

11,005,530	9,044,872
------------	-----------

* Nominal value Rs.50/- each

13.3 Investment in listed TFCs:

<i>No. of certificates</i>		<i>Name</i>	<i>1999</i>	<i>1998</i>
<i>1998</i>	<i>1999</i>		<i>Rupees</i>	<i>Rupees</i>
672		6,307 Packages Limited - note 13.3.1	12,158,815	2,554,013
88		88 ICI Pakistan Limited - note 13.3.2	4,690,361	6,730,175
		Dewan Salman Fibre		
--		2,000 Limited - note 13.3.3	10,000,000	--
			26,849,176	9,284,188
		Aggregate market value	27,070,798	9,416,070

13.3.1 Packages Limited:

These certificates (6,267 of Rs.5,000/- each and 40 of Rs.100,000/- each) have a redemption period of five years from the date of issue and carry an expected profit of 18.5% per annum payable semi-annually.

13.3.2 ICI Pakistan Limited:

These certificates (88 of Rs.100,000/- each) have a redemption period of five years from the date of issue and carry an expected profit of 18.7% per annum payable semi-annually.

13.3.3 Dewan Salman Fibre Limited:

These certificates (2,000 of Rs.5,000/- each) have a redemption period of five years from the date of issue and carry an expected profit of 19% per annum payable semi-annually.

13.4 Investment in unlisted TFCs:

<i>No. of certificates</i>		<i>Name</i>	<i>1999</i>	<i>1998</i>
<i>1998</i>	<i>1999</i>		<i>Rupees</i>	<i>Rupees</i>
10		10 Askari Leasing Limited	6,666,670	9,999,990
			6,666,670	9,999,990

These certificates (10 of Rs.1,000,000/- each) will be redeemed over a period of three years from the date of issue and carry an expected profit of 17.1% per annum payable semi-annually.

<i>1999</i>	<i>1998</i>
<i>Rupees</i>	<i>Rupees</i>

14. CASH AND BANK BALANCES

In hand	3,432	1,927
With banks - on current account		
State Bank of Pakistan - note 14.1	29,440,598	22,458,603
others - note 14.2	6,629,252	2,817,406
- on PLS short-term deposits - note 14.2	11,605,438	8,164,333
	47,678,720	33,442,269

14.1 This includes Rs.29,128,000 (1998: Rs.19,362,000) to meet the additional liquidity reserve of 1% of specified liabilities as required by SBP's Prudential Regulations.

14.2 This includes balances with American Express Bank Ltd., an associated undertaking, of Rs. 3,393,797 (1998: Rs.7,084,753).

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
15,000,000 ordinary shares of Rs.10/- each fully paid in cash	150,000,000	150,000,000
3,000,000 ordinary shares of Rs.10/- each issued as bonus shares	30,000,000	30,000,000
	-----	-----
	180,000,000	180,000,000
	=====	=====
16. RESERVES		
Capital reserves		
Special reserve - note 16.1	34,194,000	32,794,000
Share premium	70,000,000	70,000,000
	-----	-----
	104,194,000	102,794,000
Revenue reserves		
General reserve - note 16.2	52,000,000	44,000,000
Unappropriated profit	928,036	3,420,859
	-----	-----
	52,928,036	47,420,859
	-----	-----
	157,122,036	150,214,859
	=====	=====
16.1 Special reserve		
Brought forward	32,794,000	28,594,000
Transfer from profit and loss account	1,400,000	4,200,000
	-----	-----
	34,194,000	32,794,000
	=====	=====
This represents a statutory reserve created (at 20% of profit for the year after taxation) in compliance with the SBP's NBFIs Circular No.1 dated December 5, 1991.		
16.2 General reserve		
Brought forward	44,000,000	44,000,000
Transfer from profit and loss account	8,000,000	--
	-----	-----
	52,000,000	44,000,000
	=====	=====

17. TERM FINANCE CERTIFICATES

Interbank has raised Rs.325,570,000 in cash by way of redeemable capital through an issue of five-year TFCs at an expected rate of 17.5% per annum payable quarterly. The TFC issue, rated 'A' by the Pakistan Credit Rating Agency, is secured by a hypothecation charge on Interbank's current and future assets and is listed on the Lahore Stock Exchange (LSE).

Interbank acts as a market maker for this TFC issue, with the approval of the Securities and Exchange Commission of Pakistan (formerly Corporate Law Authority) and the LSE. The role of the market maker is to offer bid and ask quotes for the TFCs and to provide secondary market support for the instrument. TFCs purchased and being held for resale by Interbank as a market maker at year-end amounted to Rs.23,495,598. TFC liability reported in the balance sheet is net of this figure.

The nominal value of 1,354 TFCs issued is Rs.5,000 each and 3,188 TFCs issued is Rs.100,000 each.

18. LONG-TERM BORROWING - UNSECURED

Interbank has entered into a financing agreement with the International Finance Corporation (IFC) to be utilised for term and lease financing. Loan 'A' under this agreement amounted to US\$ 7.5 million.

A draw-down of US\$ 3,076,003 was made from the loan and the remaining unutilized amount has been cancelled at the request of Interbank. The return on this loan is 9.5625% per annum payable semi-annually directly to IFC. The loan is repayable in sixteen semi-annual equal

installments which commenced from June 15, 1998. In case Interbank fails to pay amount on the due date, it shall be liable to pay late payment surcharge at the rate of 2% per annum over and above the interest rate on the amount overdue.

Current maturity of long-term borrowing amounting to Rs.19,749,862 (1998: Rs.17,687,017) has been shown under current portion of long-term liabilities - note 21.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
19. LONG-TERM DEPOSITS		
Local currency	81,837,572	80,777,251
Foreign currency - note 191	1,558,482,392	1,761,545,912
	-----	-----
	1,640,319,964	1,842,323,163
Less: Current maturity of long-term deposits - note 21	471,757,070	236,293,650
	-----	-----
	1,168,562,894	1,606,029,513
	=====	=====

These represent certificates of deposit of customers maturing after one year from the balance sheet date. Expected rates of return payable on long-term deposits are 15% per annum for local currency deposits and 6.06% to 7.75% per annum for foreign currency deposits.

19.1 Foreign currencies were exchanged for Pak rupees by SBP which provided the foreign exchange risk cover.

20. DEPOSITS ON LEASE CONTRACTS

These represent security deposits against lease contracts repayable on the expiry of the lease.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
21. CURRENT PORTION OF LONG-TERM LIABILITIES		
TFCs - note 17	241,652	--
Long-term borrowing - note 18	19,749,862	17,687,017
Deposits - note 19	471,757,070	236,293,650
	-----	-----
	491,748,584	253,980,667
	=====	=====
22. SHORT-TERM DEPOSITS		
Local currency	471,561,856	45,224,971
Foreign currency- note 22.1	273,761,105	827,470,725
	-----	-----
	745,322,961	872,695,696
	=====	=====

These represent deposits having maturities of 30 days to one year after the balance sheet date. Expected rates of return payable on short-term deposits range from 12% to 15% per annum for local currency deposits and 1% to 8% per annum for foreign currency deposits. Local currency deposits include fiduciary deposit of Rs.23,096,107 (1998: Rs.20,395,806) and Federal Government deposits of Rs.433,627,572 (1998: Rs. Nil).

22.1 Foreign currencies were exchanged for Pak rupees by SBP which provided the foreign exchange risk cover.

23. SHORT-TERM RUNNING FINANCE- secured

Under mark-up arrangement	--	--
	=====	=====

This facility, amounting to Rs.244.125 million (1998:Rs.244.125 million), has been obtained from an associated bank and secured against Interbank's debts and assets. Mark-up is charged at the rate of Rs.0.4521/Rs.1,000 / diem (16.5% per annum). However, no amount is outstanding at the year end.

24. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued return on TFCs	13,907,007	--
Accrued return on deposits	36,905,071	44,061,907
Interest payable on long-term borrowing - IFC	545,590	563,774
Accrued expenses	1,705,827	1,554,732
Accrued mark-up on short-term running finance	55,000	1,101,000
Excise duty	346,072	163,670
Unclaimed dividends	359,458	7,466,343

Others	2,055,059	1,885,716
	-----	-----
	55,879,084	56,797,142
	=====	=====
	1999	1998
	Rupees	Rupees

25. CONTINGENCIES AND COMMITMENTS

- Commitments for rentals under lease agreements for motor vehicles and office equipment are payable as follows:

Year		
1998-99	--	102,964
	=====	=====

- Commitments to repurchase / purchase securities are as follows:

Government securities	174,272,382	87,871,489
TFCs	--	35,115,080
	=====	=====

These include Rs.53,193,766 (1998: Rs.26,043,394) from associated companies.

- Commitments to resell / sell securities are as follows:

Government securities	237,831,075	226,442,922
	=====	=====

These include Rs.76,000,000 (1998: Rs.40,855,900) to associated companies.

- Guarantees issued	46,000,000	62,000,000
	=====	=====

26. INCOME FROM INVESTMENTS

Income from government securities	80,332,213	51,141,105
Income from FCBCs	14,029,484	6,404,712
Income from TFCs	7,727,841	10,731,361
Net gain on disposal of shares - note 26.1	204,466	--
Dividend income - note 26.2	1,290,296	1,739,099
	-----	-----
	103,584,300	70,016,277
	=====	=====

26.1 This represents gain on disposal of shares net of loss amounting to Rs.254,629 (1998: Rs. Nil).

26.2 This includes dividend received from associated undertakings of Rs.163,002 (1998: Rs.187,500) and from modarabas of Rs.41,030 (1998: Rs.486,046).

27. OTHER INCOME

Net gain on disposal of fixed assets	162,936	34,292
Income from deposits with banks	7,657,186	4,922,808
Net exchange gain	3,697,862	2,737,936
Others	929,241	969,586
	-----	-----
	12,447,225	8,664,622
	=====	=====
	1999	1998
	Rupees	Rupees

28. FINANCIAL CHARGES

Return on TFCs	28,662,454	--
Interest on long-term borrowing -IFC	13,803,959	11,945,047
Commitment fee - IFC	713,507	2,389,194
Amortisation of deferred costs	1,787,157	1,320,466
Mark-up on short-term running finance	1,551,575	2,155,369
	-----	-----
	46,518,652	17,810,076
	=====	=====

29. ADMINISTRATION AND OPERATING EXPENSES

Salaries, allowances and benefits -note 29.1	34,308,029	28,815,011
--	------------	------------

Depreciation - note 3	3,362,250	3,251,704
Lease and other rentals	6,390,530	6,633,937
Traveling and entertainment	1,155,871	1,659,783
Telephone, telex and fax	1,701,416	1,808,181
Printing, postage and stationery	1,651,131	1,533,947
Insurance	2,738,715	2,509,408
Lighting, heating and cooling	1,902,442	1,605,754
Auditors' remuneration - note 29.2	375,000	330,000
Repairs and maintenance	2,053,340	2,330,786
Brokerage and commission	574,764	582,960
Donations - note 29.3	870,000	1,080,000
Legal and professional fees	888,232	459,810
Subscription	1,211,165	521,397
Other expenses	1,539,018	1,874,532
	-----	-----
	60,721,903	54,997,210
	=====	=====

29.1 This includes retirement benefit costs Rs.2,815,441 (1998: Rs.2,125,098) in respect of provident fund contribution and provision for gratuity.

29.2 Analysis of auditors' remuneration

Audit fees	130,000	130,000
Taxation	225,000	175,000
Out-of-pocket expenses	20,000	25,000
	-----	-----
	375,000	330,000
	=====	=====

29.3 This includes Rs.180,000 donation given to World Wide Fund for Nature, situated at All Industrial Technical Institute, Ferozepur Road, Lahore in which Syed Babar All, Chairman Interbank, is President and Rs.450,000 to Lahore University of Management Sciences, Opp: Sector U, LCCHS, Lahore Cantt., Lahore in which Syed Babar All, Chairman Interbank, is Pro-Chancellor.

30. REMUNERATION OF DIRECTORS AND EXECUTIVES

	<i>Chief Executive</i>		<i>Executives</i>		<i>Total</i>	
	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Managerial remuneration	2,017,284	1,632,349	12,407,817	9,248,631	14,425,101	10,880,980
Housing	832,910	702,006	5,129,968	3,729,767	5,962,878	4,431,773
Utilities	204,795	195,085	1,139,993	828,837	1,344,788	1,023,922
Retirement benefits	185,091	484,543	1,139,993	1,372,992	1,325,084	1,857,535
Medical expenses	17,060	45,553	689,771	588,982	706,831	634,535
Conveyance	147,106	124,156	1,079,618	1,086,486	1,226,724	1,210,642
Others	252,116	419,245	1,452,528	1,575,026	1,704,688	1,994,271
	-----	-----	-----	-----	-----	-----
	3,656,406	3,602,937	23,039,688	18,430,721	26,696,094	22,033,658
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	38	28	39	29
	=====	=====	=====	=====	=====	=====

The chief executive was provided with a house rent allowance in lieu of free furnished accommodation. Free use of cars is provided to the chief executive and senior executives.

30.1 Number of employees

The total numbers of employees at year end was 63.

31. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Cumulative sum of deposits received	--	289,300,000
Return on deposits	18,079,024	26,947,290
Cumulative sum of money market instruments sold	418,900,000	1,112,000,000
Cumulative sum of money market instruments purchased	213,900,000	1,279,000,000
Net income on money market transactions	409,743	3,235,804
Cumulative sum of funds placed	1,004,000,000	247,000,000
Income on funds placed	27,329,055	18,903,937

Cumulative sum of guarantees received	--	51,822,671
Cumulative sum of guarantees issued	42,000,000	62,000,000
Financial charges	1,152,013	1,429,509
Receivable from First International Fund Management (Pvt.) Limited for expenses (FIFML) - note 31.1	403,400	355,000

31.1 Four directors of Interbank are common to FIFML which is a related party.

32. MARKET RATE OF RETURN RISK MANAGEMENT

Market rate of return (MROR) risk arises from the possibility that changes in MRORs will affect the value of financial instruments. Interbank is exposed to MROR risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. Interbank manages this risk by matching the repricing of assets and liabilities.

Interbank's exposure to MROR risk and the effective MRORs on its financial assets and liabilities are summarized as follows:

	<i>Total Rupees</i>	<i>Within one year Rupees</i>	<i>More than one year and less than five years Rupees</i>	<i>More than five years Rupees</i>	<i>Not exposed to MROR risk Rupees</i>	<i>Effective MROR %</i>
ASSETS						
Tangible fixed assets	7,959,389	--	--	--	7,959,389	--
Long-term investments	209,604,802	--	--	--	209,604,802	--
Finance	1,009,754,988	315,073,766	677,802,509	16,878,713	--	15.10
Net investment in lease finance	250,151,798	59,711,326	190,420,472	--	--	20.87
Demand promissory note	78,000,000	--	78,000,000	--	--	15.00
Prepayments	75,675,555	--	--	--	75,675,555	--
Security deposits	694,960	--	--	--	694,960	--
Deferred costs	7,417,081	--	--	--	7,417,081	--
Prepayments less provision for taxation	94,349,529	--	--	--	94,349,529	--
Other receivables	5,308,397	--	--	--	5,308,397	--
Income accrued or receivable	88,902,367	--	--	--	88,902,367	--
Bill receivable	40,000,000	40,000,000	--	--	--	17.50
Fund placements	819,000,000	819,000,000	--	--	--	15.67
Trading investments	496,008,573	485,812,248	--	--	10,196,325	14.71
Cash and bank balances	47,678,720	12,975,163	--	--	34,703,557	10.20
Total assets	3,230,486,159	1,732,572,503	946,222,981	16,878,713	534,811,962	--
SHARE CAPITAL AND RESERVES						
	337,122,036	--	--	--	337,122,036	--
LIABILITIES						
Term finance certificates	301,944,174	241,652	301,702,522	--	--	17.50
Long-term borrowing	128,374,101	19,749,862	64,406,694	44,217,545	--	9.56
Deferred liability	2,241,997	--	--	--	2,241,997	--
Deposits	2,385,642,925	1,217,080,031	1,168,562,894	--	--	10.08
Deposits on lease contracts	19,281,842	--	--	--	19,281,842	--
Accrued expenses and other liabilities	55,879,084	--	--	--	55,879,084	--
Total liabilities	3,230,486,159	1,237,071,545	1,534,672,110	44,217,545	414,524,959	--
MROR sensitivity gap	495,500,958	(588,449,129)	(27,338,832)	120,287,003	--	--
Cumulative MROR sensitivity gap	495,500,958	(92,948,171)	(120,287,003)	--	--	--

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reflected in the financial statements approximates their fair values.

34. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Interbank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry.

Interbank follows two sets of guidelines. Internally, it has its own operating policy duly approved by the Board of Directors whereas externally it adheres to the regulations issued by the SBP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group.

Interbank seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. Details of the composition of finance and lease portfolio are given below:

	1999	%
	Rupees	
Finance and leases		
Paper and board	428,628,310	34.02
Financial institutions	366,220,907	29.07
Textile/Textile composite	147,014,312	11.67
Miscellaneous	83,351,804	6.62
Chemicals/Fertilizers/Pharmaceuticals	67,477,303	5.36
Trading	63,741,841	5.06
Sugar	29,059,530	2.31
Leather	20,909,430	1.66
Construction	20,000,000	1.59
Engineering	12,967,554	1.03
Food	8,177,794	0.64
Health	7,793,245	0.61
Petrol	4,544,756	0.36
	-----	-----
	1,259,886,786	100.00
	=====	=====

35. NET FOREIGN CURRENCY EXPOSURE

Interbank's net exposure (borrowing less assets) denominated in foreign currencies is given below:

	1999	1998
	Rupees	Rupees
US dollar	(68,867,039)	(44,081,787)
Other foreign currencies	(80,897)	(54,243)
	-----	-----
	(68,947,936)	(44,136,030)
	=====	=====

36. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit after taxation for the year by the weighted average number of shares outstanding during the year as follows:

Profit for the year after taxation	6,907,177	20,999,302
Weighted average number of shares outstanding during the year	18,000,000	18,000,000
	-----	-----
Basic earnings per share	0.38	1.17
	=====	=====

37. CASH MANAGEMENT SCHEME

Interbank has an amount of Rs.542,301,238 as at June 30, 1999 (1998: Rs.595,561,214) outstanding under its Cash Management Scheme offered to customers. Funds under this scheme are invested in a mix of investments, as authorised by the customers. Interbank is responsible for payment of the amount realised from the investment after deducting its cost and expenses.

38. COMPARATIVE FIGURES

The prior year's figures have been rearranged wherever considered necessary.

SYED BABAR ALI
Chairman

FAKIR S. ALJAZUDDIN
Managing Director & Chief Executive

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 1999**

<i>Number of Shareholders</i>		<i>Shareholdings</i>		<i>Total Share held</i>	
192	From	1	To	100	11,402
296	From	101	To	500	78,455
381	From	501	To	1000	282,875
257	From	1001	To	5000	569,570
64	From	5001	To	10000	441,100
11	From	10001	To	15000	138,040
8	From	15001	To	20000	148,860
7	From	20001	To	25000	163,500
4	From	25001	To	30000	106,940
2	From	30001	To	35000	63,120
1	From	45001	To	50000	46,800
2	From	50001	To	55000	104,060
1	From	60001	To	65000	63,420
1	From	85001	To	90000	90,000
1	From	105001	To	110000	105,600
1	From	115001	To	120000	120,000
2	From	175001	To	180000	360,000
1	From	335001	To	340000	336,100
1	From	500001	To	505000	500,600
1	From	540001	To	545000	540,900
1	From	910001	To	915000	913,860
1	From	1255001	To	1260000	1,260,000
1	From	1645001	To	1650000	1,646,500
1	From	1795001	To	1800000	1,799,998
1	From	1825001	To	1830000	1,826,300
1	From	2680001	To	2685000	2,682,000
1	From	3595001	To	3600000	3,600,000
-----				-----	
1,324				18,000,000	
=====				=====	

<i>S.No.</i>	<i>Categories of Shareholders</i>	<i>Number of Shareholders</i>	<i>Shares held</i>	<i>Percentage</i>
1	INDIVIDUALS	1,196	4,476,035	24.867
2	INVESTMENT COMPANIES	8	654,960	3.639
3	INSURANCE COMPANIES	6	1,866,000	10.367
4	JOINT STOCK COMPANIES	16	5,508,603	30.603
5	FINANCIAL INSTITUTIONS	1	1,826,300	10.146
6	MODARABA	7	47,360	0.263
7	FOREIGN INVESTORS	5	3,619,840	20.110
8	CO-OPERATIVE SOCIETIES	--	--	--
9	CHARITABLE TRUSTS	2	902	0.005
10	OTHERS	1	1	1
TOTALS		1,241	18,000,000	100.000
		=====	=====	=====