

Credit Agricole Indosuez

The Global French Bank

(formerly: Banque Indosuez)

(Incorporated in France with limited liability)

Annual Report 1999

We have audited the annexed balance sheet of the Pakistan branches of Credit Agricole Indosuez The Global French Bank -- Pakistan branches as at December 31, 1999 and the related profit and loss account and the 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, found them satisfactory and, we report that:

(a) in our opinion, proper books of account have been kept by the branches 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 Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the matters referred to in note 3.8 with which we concur and note 6.1; .

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

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the branches and the transactions of the branches which have come to our notice have been within the powers of the branches;

(c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, the profit and loss account and the cash flow statement, together with the notes forming part thereof give the information required by the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 in the manner so required and except for the matters referred to in notes 6.1 and 18, give a true and fair view of the state of the branches' affairs as at December 31, 1999 and their true balance of the profit and 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 branches and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi
Dated: March 22, 2000

A.F. FERGUSON & CO.
Chartered Accountants

BALANCE SHEET AS AT DECEMBER 31, 1999

	Notes	1999 (Rupees in thousand)	1998
ASSETS			
Cash	4	1,389,942	701,338
Balances with other banks	5	15,733	2,708
Money at call and short notice		550,000	--
Investments	6	791,527	1,029,663
Advances - net of provision	7	3,683,448	3,520,679
Operating fixed assets	8	57,201	62,374
Other assets	9	591,110	358,248
		7,078,961	5,675,010
LIABILITIES			
Deposits and other accounts	10	3,549,305	4,159,831
Borrowings from other banks, agents e	11	2,723,332	741,264
Bills payable		28,547	39,971
Other liabilities	12	589,344	622,494
		6,890,528	5,563,560
NET ASSETS		188,433	111,450
REPRESENTED BY			
Capital	13	--	--
Unremitted profits		188,433	111,450
		188,433	111,450
MEMORANDUM ITEMS			

Bills for collection	14	303,072	289,941
endorsements and other obligations		1,068,723	812,321
Contingent liabilities and commitments	15		

Notes form an integral part of these accounts.

J.P. Fontaine	J.P. Raynaud
Chief Operating Officer	Senior Country Officer

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

Notes	1999 (Rupees in thousand)	1998
Mark up/interest and discount and/or return earned	844,321	762,814
Less: Cost/return on deposits, borrowings etc.	736,880	676,705
	-----	-----
	107,441	86,109
Fees, commissions and brokerage	38,657	59,574
Other operating income - income from dealing in foreign currencies	108,809	120,535
	-----	-----
	147,466	180,109
	-----	-----
	254,907	266,218
Operating expenses:		
Administrative expenses	16	141,925
(Net reversal)/provision against non-p	7.2	(31,700)
	-----	-----
	110,225	139,543
	-----	-----
	144,682	126,675
Profit/(loss) on disposal of fixed assets	75	(961)
	-----	-----
Profit before taxation	144,757	125,714
Taxation:		
- Current	25,400	96,000
- Deferred	15,177	(27,985)
	-----	-----
	40,577	68,015
	-----	-----
Profit after taxation	104,180	57,699
Unremitted profit brought forward	111,450	110,123
	-----	-----
Profit available for remittance	215,630	167,822
Remittance to Head Office	27,197	56,372
	-----	-----
	188,433	111,450
	=====	=====

The annexed notes form an integral part of these accounts.

J.P. Fontaine	J.P. Raynaud
Chief Operating Officer	Senior Country Officer

CASH FLOW STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

	1999 (Rupees in thousand)	1998
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	144,757	125,714
Adjustment for non-cash charges		
Depreciation	11,968	9,858
(Gain)/loss on disposal of fixed assets	(75)	961
(Net reversal)/provision against non-performing advances	(31,700)	436
	-----	-----

	(19,807)	11,255
	-----	-----
	124,950	136,969
Decrease/(Increase) in operating assets		
Government securities	238,136	(83,445)
Advances	(131,069)	(535,708)
Other assets (excluding taxation and deferred tax)	(179,394)	55,274
	-----	-----
	(72,327)	(563,879)
(Decrease)/Increase in operating liabilities		
Deposits and other accounts	(610,526)'	580,390
Bills payable	(11,424)	(3,322)
Other liabilities	(33,150)	148,204
	-----	-----
	(655,100)	725,272
Cash flow before tax	(602,477)	298,362
Income tax paid	(94,045)	(45,804)
	-----	-----
Net cash flow from operating activities	(696,522)	252,558
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(6,984)'	(27,019) '
Sale proceeds of fixed assets	264	534
	-----	-----
Net cash used in investing activities	(6,720)	(26,485)
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings from other banks, agents etc.	1,982,068	(126,123)
Remittances to Head Office	(27,197)	(56,372)
	-----	-----
Net cash flow from financing activities	1,954,871	(182,495)
Increase/(Decrease) in cash and cash equivalents for the y	1,251,629	43,578
Cash and cash equivalents at the beginning of the year	704,046	660,468
	-----	-----
Cash and cash equivalents at end of the year	1,955,675	704,046
	=====	=====
Cash and cash equivalents		
Cash	1,389,942	701,338
Balances with other banks	15,733	2,708
Money at call and short notice	550,000	--
	-----	-----
	1,955,675	704,046
	=====	=====

The annexed notes form an integral part of these accounts.

J.P. Fontaine
Chief Operating Officer

J.P. Raynaud
Senior Country Officer

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1999

1. STATUS AND NATURE OF BUSINESS

Credit Agricole Indosuez, The Global French Bank is incorporated in France with limited liability. It is operating in Pakistan as a Commercial Bank under Banking Companies Ordinance, 1962 through two branches located at Karachi and Lahore.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. One permissible form of trade-related mode of financing comprises of purchase of goods by the bank from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and sales arising under arrangements are not reflected in the accounts as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These accounts have been prepared under the historical cost convention.

3.2 Staff retirement benefits

The branches operate an approved funded gratuity scheme for all its employees who have completed 5 years' service or more. Contributions allowable under Income Tax rules have been made to the fund.

3.3 Taxation

Taxation charge in the accounts is based on taxable income. The branches account for deferred taxation, using the liability method, on the timing differences arising on account of provisions made for bad and doubtful advances and interest in suspense.

3.4 Advances

Advances are stated at cost less provision for bad and doubtful balances. The provision for bad and doubtful advances is made in accordance with the Prudential Regulations of the State Bank of Pakistan.

3.5 Investments

Investments are stated at the lower of cost and market value. The shortfall between cost and the market value is charged to profit and loss account. Premium/discount on purchase of investments are amortised over the term of the investment.

3.6 Operating fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method. A full month's depreciation is charged in the month of addition while no depreciation is charged for the month in which the disposal is made.

Gains and losses on the disposal of fixed assets are included in income currently.

3.7 Revenue recognition

Profit/return on advances and investments are recognized on an accrual basis.

Fees, commissions and brokerage income is recognized when earned.

3.8 Foreign currencies

Assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange approximating those prevailing at the balance sheet date, except those foreign currency deposits against which forward cover has been obtained from the State Bank of Pakistan, which are stated at contracted rates.

From the current year, the bank translated outstanding forward exchange contracts on a mark to market basis. Until last year, outstanding forward exchange contracts were translated into Pak Rupees at the contracted rates.

The policy has been changed to comply with the requirements of State Bank of Pakistan FE Circular No. 2 dated March 24, 1999. Had the policy for translating outstanding forward exchange contracts remained unchanged, other operating income and profit before tax would have been lower by Rs. 9.68 million.

Exchange gains or losses are included in the profit and loss account.

	1999	1998
	(Rupees in thousand)	

4. CASH

In hand		
- local currency	55,281	20,618
- foreign currencies	9,991	11,399
	-----	-----
	65,272	32,017
With State Bank of Pakistan in		
Special deposit account		
- head office capital account	424,789	403,839
- deposit account	674,560	--
Current account	225,321	265,482
	-----	-----
	1,389,942	701,338
	=====	=====

5. BALANCES WITH OTHER BANKS

Current Accounts		
- In Pakistan	500	500
- Outside Pakistan	15,233	2,208
	-----	-----
	15,733	2,708
	=====	=====

6. INVESTMENTS (at cost less provisions)**Investment securities**

- Federal and Provincial Governments' Securities		
Federal Investment Bonds	70,000	320,000
(Market value Rs 70 million; 1998: Rs 320 million)		
- Long Term Bonds	289,100	289,100
- Treasury Bills	432,360	352,430

Others

Term Finance Certificates -- listed

(Market value Rs 41 thousand: 1998: Rs. 68.35 million)

	67	68,133
	-----	-----
	791,527	1,029,663
	=====	=====

Book value of unquoted investments Rs. 721.46 million (1998: Rs. 641.53 million).

Treasury bills having face value of Rs. 68 million (book value Rs. 68.028 million) have been deposited with the State Bank of Pakistan pursuant to section 13(2) of the Banking Companies Ordinance, 1962.

6.1 Interest income amounting to Rs 64.5 million relating to 1998 has been recognized in 1999 on a receipt basis. However, interest income amounting to Rs. 32.3 million relating to 1999 has not been accrued on long term bonds. This will be recognized on a receipt basis.

1999	1998
(Rupees in thousand)	

7. ADVANCES

Loans, cash credits, overdrafts etc.

In Pakistan	3,142,843	2,941,188
Bills discounted and purchased		
Payable in Pakistan	393,771	235,766
Payable outside Pakistan	268,639	497,469
	-----	-----
	662,410	733,235
	-----	-----
	3,805,253	3,674,423

General and specific provision for non-performing advances -- note 7.2

	(121,805)	(153,744)
	-----	-----
	3,683,448	3,520,679
	=====	=====

Advances before provision for doubtful debts include Rs. 122.9 million which have been placed on non-performing status.

7.1 Particulars of advances

- in local currency	3,683,448	3,520,679
- in foreign currencies	--	--
	-----	-----
	3,683,448	3,520,679
	=====	=====

Debts considered good in respect of which the bank is fully secured

3,678,744	3,519,180
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Debts considered good for which the bank holds no other security than the debtors' personal security

4,704	1,499
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Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors

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Debts considered doubtful or bad not provided for

--	--
-----	-----
3,683,448	3,520,679
=====	=====

Balance	Maximum total
outstanding at	amount of financing
December 31,	including temporary
1999	financing granted
	during the year 1999

(Rupees in thousand)

Debts due by directors or executives of the bank or any of them either severally or jointly with any other persons

32,097	32,097
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Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in case of private companies, as members

--	--
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Debts due by the subsidiary companies, controlled firms, managed modarabas and other associated undertakings

--	64,443
----	--------

1999 1998
(Rupees in thousand)

7.2 Particulars of provision against non-performing advances**Specific**

Opening balance	153,744	156,241
Provision for the year	10,000	23,714
Reversals	(41,700)	(23,278)
	(31,700)	436
Amounts written off	(239)	(2,933)
Closing balance	121,805	153,744
Provision against		
- advances to banks	--	--
- advances to others	121,805	153,744
	121,805	153,744

7.3 During the year ended December 31, 1999, there were no write offs or financial relief provided which were Rs. 500,000 or more.

8. OPERATING FIXED ASSETS - TANGIBLE

Description	Cost as at January 1, 1999	Additions/ (Disposals)	Cost as at December 31, 1999	Accumulated depreciation as at January 1, 1999	Depreciation Charge for the year/ (Accumulated Depreciation on on disposals)	Accumulated Depreciation as at December 31, 1999	Net book value at December 31, 1999	Rate of depreciation % per annum
Furniture and fixtures	39,280	460	39,740	3,531	3,953	7,484	32,256	10
Office equipments	38,821	6,524 (313)	45,032	12,196	8,015 (124)	20,087	24,945	20
1999	78,101	6,984 (313)	84,772	15,727	11,968	27,571	57,201	
1998	57,312	27,019 (6,230)	78,101	10,604	9,858 (4,735)	15,727	62,374	

8.1 Details of disposal of fixed assets

Description	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of purchaser
(Rupees in thousand)						
Office equipment	45	32	13		13 Negotiation	Mr. Faheem Ahmed - Ex employee
	40	7	33		33 Negotiation	Mr. S.M. Fatmi - Ex employee
	131	53	78		78 Negotiation	Mr. Khalil Qureshi - Ex employee
	72	32	40		40 Negotiation	Various Staff
	25	--	25		100 Sold	Various staff
	313	124	189	264		

1999 1998
(Rupees in thousand)

9. OTHER ASSETS

Stationery and stamps on hand	97	112
Income/mark up accrued on advances and investments	101,659	128,958
Accrued profit on forward exchange contracts	10,272	4,337
Prepaid exchange risk fee	8,760	20,552
Other advances, deposits, advance rent and other prepayments	7,762	6,211
Net amount due from Head Office and other outside Pakistan -- note 9.1	221,008	18,630
Branch Adjustment Account	--	76
Taxation (payments less provision)	131,210	62,565
Deferred taxation	98,740	113,917
Others	11,602	2,890

	591,110	358,248
	=====	=====

9.1 The above includes Rs. 142.712 million (equivalent to US\$ 2.75 million), which has been placed with the Head Office (1998: Rs Nil).

10. DEPOSITS AND OTHER ACCOUNTS

Fixed deposits	372,030	621,510
Savings deposits	927,112	1,131,123
Current accounts	370,159	424,420
Margin accounts	69,148	131,227
Deposit of Federal Government	--	323,247
Deposits and other accounts of banks	1,810,856	1,528,304
	-----	-----
	3,549,305	4,159,831
	=====	=====

10.1 Particulars of deposits and other accounts

- in local currency	1,614,307	1,589,561
- in foreign currencies	1,934,998	2,570,270
	-----	-----
	3,549,305	4,159,831
	=====	=====

11. BORROWINGS FROM OTHER BANKS, AGENTS ETC.

in Pakistan	2,723,332	740,663
Outside Pakistan	--	601
	-----	-----
	2,725,332	741,264
	=====	=====

11.1 Particulars of borrowings from other banks, agents etc.

- in local currency	2,723,332	740,663
- in foreign currencies	--	601
	-----	-----
	2,723,332	741,264
	=====	=====

11.2 Secured

In Pakistan		
Export refinance from State Bank of Pakistan		
- rate of mark-up 6% per annum	1,048,332	490,663

Unsecured

in Pakistan		
Loans from banks - rate of mark-up ranges from 10% to 13% per annum	1,675,000	250,000
Outside Pakistan		
Overdrawn nostro accounts	--	601
	-----	-----
	2,723,332	741,264
	=====	=====

12. OTHER LIABILITIES

Capital in term of section 13(3) of Banking Companies Ordinance, 1962	492,821	471,877
Mark up/interest on loan/borrowings	29,369	17,450
Profit payable on PLS deposits and other accounts	24,503	39,006
Interest on foreign currency deposits	10,331	49,807
Branch adjustment account	233	
Accrued expenses	9,425	15,159
Provision for gratuity	5,327	5,327
Others	17,335	23,868
	-----	-----
	589,344	622,494
	=====	=====

13. CAPITAL (shown under 'other liabilities')

Amount deposited with State Bank of Pakistan under Section 13(3) of the Banking Companies Ordinance 1962, FRF 53,442,545 equivalent to Rs. 424,783,394 and Rs 68,038,021 aggregating to Rs 492,821,415 (1998: FRF 49,442,551 equivalent to Rs. 403,838,491 and Rs 68, 038,021 aggregating to Rs. 471,876,512)

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1999 **1998**
(Rupees in thousand)

14. BILLS FOR COLLECTION

Payable in Pakistan	2,260	3,095
Payable outside Pakistan	300,812	286,846
	303,072	289,941
	303,072	289,941

15. CONTINGENT LIABILITIES AND COMMITMENTS**Contingencies**

Money for which the bank is contingently liable

a. Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings	--	--
b. Contingent liability in respect of guarantees given favouring:		
i Government	245,734	100,398
ii Banking companies and other financial institutions	27,662	190,412
iii Others	3,066	164,699
c. Liability on bills of exchange rediscounted	--	--
Claims against the bank not acknowledged as debts	--	--

Commitments

Commitments in respect of forward exchange contracts		
- Sale	1,064,241	2,404,569
- Purchase	465,992	2,005,549
Commitments in respect of operating leases	11,606	17,579
Capital expenditure contracted for but not provided for	--	--
Commitments to acquire investments under sale and repurchase agreements at the repurchase price of	856,846	2,152,130

16. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.	55,848	60,854
Staff retirement benefits	3,647	5,294
Brokerage and commission	4,830	3,526
Rent, taxes, insurance and electricity	16,659	8,591
Legal and professional charges	5,245	2,698
Communication	8,244	7,551
Repairs and maintenance	4,363	3,596
Rentals of operating leases	8,910	10,800
Stationery and printing	1,355	1,860
Advertisement and publicity	1,994	4,654
Donations	54	317
Auditors' remuneration -- note 16.1	1,953	1,120
Depreciation on operating fixed assets -- note 8	11,968	9,858
Data processing	8,406	10,704
Others	8,249	7,684
	141,925	139,107
	141,925	139,107

16.1 Auditors' remuneration

Audit fee	450	400
Fee for audit of gratuity fund	20	15
Special certifications/examinations	360	400
Tax services	1,029	250
Out of pocket expenses	94	55
	1,953	1,120
	1,953	1,120

17. TAXATION - current

Provision - for the year	25,400	63,070
- for prior years	--	32,930
	25,400	96,000
	25,400	96,000

18. In arriving at the balance of profit for the year, consistent with the practice followed in the preceding years, head office administrative expenses have not been considered.

19. REMUNERATION OF SENIOR COUNTRY OFFICER AND EXECUTIVES

	Senior Country Officer		Executives	
	1999	1998	1999	1998
	(Rupees in thousand)			
Managerial remuneration	4,653	4,356	11,609	11,838
Retirement benefits				

- Provident fund	285	285	859	1,484
- Gratuity	--	--	738	--
Rent and house maintenance	1,143	1,080	3,924	3,968
Utilities	170	225	1,208	1,137
Medical	--	--	--	596
Others	1,662	1,688	7,198	765
Total	7,913	7,634	25,536	19,788
	1	1	12	12

19.1 In addition to the above, the senior country officer and executives are provided with free use of the bank's maintained cars and household items.

20. MATURITIES OF ASSETS AND LIABILITIES

TOTAL	Upto one Month	Over one month to one year	Over one year to Five years	Over five years
(Rupees in thousand)				
Assets				
Cash	1,389,942	965,153	--	424,789
Balances with other banks	15,733	15,733	--	--
Money at call and short notice	550,000	250,000	300,000	--
Investments	791,527	182,040	363,536	28,910
Advances	3,683,448	291,927	3,059,189	68,306
Operating fixed ass	57,201	--	--	57,201
Other assets	591,110	147,514	443,596	--
Total	7,078,961	1,852,367	4,166,321	579,206
Liabilities				
Deposits and other accounts	3,549,305	394,116	2,188,012	967,177
Borrowings from other bank's, agents etc	2,723,332	925,000	1,798,332	--
Bills payable	28,547	28,538	9	--
Other liabilities	589,344	17,285	79,238	492,821
Total	6,890,528	1,364,939	4,065,591	492,821
Net balance	188,433	487,428	100,730	(486,110)

21. SEGMENT ANALYSIS

21.1 Geographic segment

	Profit before Taxation	Total assets employed	Net assets employed	Bills for collection	Endorsements and other obligations
(Rupees in thousand)					
Pakistan	144,757	7,078,961	188,433	303,072	1,068,723
Asia Pacific (including South Asia)	--	--	--	--	--
Europe	--	--	--	--	--
United States of America and Canad	--	--	--	--	--
Middle East	--	--	--	--	--
Others	--	--	--	--	--
Total	144,757	7,078,961	188,433	303,072	1,068,723

Total assets employed include intra group items of Rs. 233 thousand.

21.2 Segment by class of business

Deposits		Advances	
Rupees in thousand	Percentage	Rupees in thousand	Percentage

Automobile and transportation

equipment	--	--	35,203	0.96
Cement	139	--	40,000	1.09
Chemical and phar	68,607	1.93	295,984	8.03
Commodity trading	--	--	--	--
Electronics and ele	642	0.02	--	--
Financial	1,615,468	45.52	--	--
Food & Allied	23,266	0.65	465,592	12.64
Paper Products	291	0.01	2,800	0.08
Engineering	144,022	4.06	79,709	2.16
Fuel & Energy	8,713	0.25	786,885	21.36
Shoes and leather	5,453	0.15	52,156	1.42
Textiles	26,780	0.75	1,375,822	37.35
Transportation	178,523	5.03	120,549	3.27
Others	1,477,401	41.64	428,748	11.64
	3,549,305	100.00	3,683,448	100.00

21.3 Segment by sector

	Deposits		Advances	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
Public/Government	6,949	0.20	90,643	2.46
Private	3,542,356	99.80	3,592,805	97.54
	3,549,305	100.00	3,683,448	100.00

22. CURRENCY BREAKDOWN OF ASSETS AND LIABILITIES

	Assets		Liabilities	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
Pak rupees	6,549,732	92.51	4,241,652	61.56
US dollar	489,890	6.93	1,808,192	26.24
Pound sterling	11,088	0.16	14,296	0.21
Deutsche mark	13,627	0.20	399,988	5.80
Japanese yen	3,180	0.04	1	--
Other European cur	11,187	0.16	426,393	6.19
Other currencies	257	--	6	--
	7,078,961	100.00	6,890,528	100.00

1999 **1998**
(Rupees in thousand)

23. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Advances given during the year	--	--
Advances repaid during the year	--	--
Deposits as at December 31	1,007	5,751
Mark up/interest expensed	294	525
Mark up/interest earned	2,887	2,132

The running finance facility given to an associated undertaking amounts to Rs. 100 million. The balance of running finance outstanding as at December 31, 1999 and 1998 is nil.

24. CORRESPONDING FIGURES

Corresponding year's figures have been rearranged wherever necessary for the purpose of comparison.

J.P.Fontaine
Chief Operating Officer

J.P. Raynaud
Senior Country Officer