

هَذَا مِنْ فَضْلِ رَبِّي



Contents

Corporate Information	1
Directors' Report	2
Statement of Compliance with the Code of Corporate Governance	6
Statement on Internal Controls	8
Auditors' Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	9
Auditors' Report to the Members	10
Balance Sheet	11
Profit and Loss Account	12
Cash Flow Statement	13
Statement of Changes in Equity	15
Notes to the Financial Statements	16
Notice of Annual General Meeting	50
Statement Under Section 160 of the Companies Ordinance, 1984	52
Pattern of Shareholding	53
Branch Network	55
Form of Proxy	



Corporate Information

Board of Directors	Ali Raza D. Habib Abbas D. Habib Anwar Haji Karim Faiz N. Abdulali Hasnain A. Habib Imtiaz Alam Hanfi Murtaza H. Habib Qumail R. Habib Syed Mazhar Abbas Tariq Iqbal Khan	<i>Chairman</i> <i>Chief Executive & Managing Director</i> <i>Executive Director</i>
Audit Committee	Faiz N. Abdulali Ali Raza D. Habib Anwar Haji Karim Syed Mazhar Abbas	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Member</i>
Company Secretary	Mahmood S. Allarakhia	
Statutory Auditors	Taseer Hadi Khalid & Co. Chartered Accountants	
Legal Advisor	Liaquat Merchant Associates Advocates and Corporate Legal Consultants	
Registered Office	126-C, Old Bahawalpur Road, Multan	
Principal Office	2nd Floor, Mackinnons Building, I.I. Chundrigar Road, Karachi	
Share Transfer Department	217, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.	
Website	www.bankalhabib.com	



Directors' Report

The Directors are pleased to present the Fourteenth Annual Report together with the audited financial statements for the year ended December 31, 2004.

Al-Hamdolillah, the performance of the Bank during the year remained satisfactory and the operating results for the year and appropriations are as follows:

	(Rupees in '000)
Profit for the year before tax	1,039,179
Taxation	(498,168)
Profit for the year after tax	541,011
Unappropriated Profit brought forward	44,928
Transfer from surplus on revaluation of fixed assets	7,367
Profit available for Appropriations	593,306
Appropriations:	
Transfer to Statutory Reserve	(108,202)
Proposed - Fully paid Bonus Shares in the ratio of 35 Ordinary Shares for every 100 shares held	(473,389)
	(581,591)
Unappropriated Profit carried forward	11,715
Earnings per share (after tax)	Rs. 4.00

Performance Review

In the year under review, the economy showed healthy growth in virtually every segment of the economy. The broad based economic growth resulted in an expansion and acceleration in industrial activities in various sectors. Moreover, interest rates after touching its lowest levels during the year rebounded with a gradual continuous rise both in short term and long term.

Your Bank, Alhamdolillah grew as well, with deposits increasing by Rs. 16 billion from Rs. 46.2 billion, to Rs. 62.2 billion while advances increased by Rs. 12.2 billion from Rs. 35.2 billion to Rs. 47.4 billion as compared to the previous year. Foreign Trade business of the Bank also showed a substantial growth of Rs. 26.5 billion, bringing the total foreign trade business for the year to Rs. 131.4 billion against Rs. 104.9 billion of previous year. Pre-tax profit for the year was lower as compared to previous year on account of lower capital gains earned on sale of Government Securities and from sale of shares of listed companies, although profit from banking operations continued to show steady growth. During the year, four more branches were opened, increasing the branch network to 74 branches across the country.

Pakistan Credit Rating Agency (Pvt.) Limited (PACRA) has maintained the Bank's ratings which is AA for long term and A1 + for short term, denoting a very high credit quality, low expectation of credit risk and obligations supported by the highest capacity for timely repayments.



Future Outlook

Alhamdulillah, the Bank's first Islamic Branch started its operations in the first week of January 2005, offering all forms of Islamic Banking services.

With the rise in GDP growth rate, record production of cotton, expected stability in the long term interest rates and foreign exchange parities, we are hopeful that all the sectors of the economy will maintain their existing growth momentum. In this changing environment, the Bank will also, Inshallah, continue to grow in all areas of its operations.

Audit Committee

The Audit Committee of the Bank comprises of the following members:

Mr. Faiz N. Abdulali	Chairman
Mr. Ali Raza D. Habib	
Mr. Anwar Haji Karim	
Syed Mazhar Abbas	

Auditors

The present auditors Messrs Taseer Hadi Khalid & Company, Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the company for the year ending December 31, 2005, at a fee to be mutually agreed.

Risk Management Framework

The Bank already has a risk management framework commensurate with the size of the Bank and the nature of its business. This framework has been developed over the years and continues to be refined and improved. Effective risk management does not necessarily aim to minimize or avoid the various risks. Its aim, instead, is to ensure that risks are identified, measured, controlled, and monitored. Its salient features are summarized below:

- Credit risk is managed through the credit policies approved by the Board; a well-defined credit approval mechanism; prescribed documentation requirements; and post-disbursement administration, review, and monitoring of credit portfolios. Credit Risk Management Committee of the Board provides overall guidance in managing the Bank's credit risk.
- Market risk is managed through the fund management and interest rate risk management policies approved by the Board; approval of counterparty limits and dealer limits; specific senior management's approval for each investment; and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO). The fund management policy also provides guidance for managing the liquidity position of the Bank, which is monitored on daily basis by the Treasury and the Middle Office. Risk Management Committee of the Board provides supervision and guidance in managing the Bank's market and liquidity risks.



- Operational risk is mitigated through the audit policy approved by the Board, along with the policy on prevention of frauds and forgeries; operational manuals and procedures issued from time to time; a system of internal controls and dual authorization for important transactions and safe-keeping; and regular audit of the branches. Audit Committee of the Board provides overall guidance in managing the Bank's operational risks.

In order to comply with SBP's guidelines on risk management, the Bank has established a separate Risk Management Department, including a Middle Office that independently monitors and analyses the risks inherent in our treasury operations. The steps taken by the Department includes: sensitivity testing of Government Securities portfolio; computation of portfolio duration and modified duration; analysis of forward foreign exchange gap positions; more detailed reporting of TFCs and equities portfolios; and development of improved procedures for equities trading and settlement. In addition, written policy and procedures on country risk management have also been developed and implemented.

The Bank is in process of refining and improving its existing risk management framework keeping in view the SBP guidelines on various categories of risks and this exercise is expected to be completed by 2006.

Statement on Corporate and Financial Reporting Framework

- The financial statements, prepared by the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements, changes if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom if any, has been adequately disclosed.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
- There are no doubts upon the bank's ability to continue as a going concern.
- Key operating and financial data for last six years is summarized below:

	2004	2003	2002	2001	2000	1999
Total customer deposits	62,170	46,178	34,240	24,697	17,822	14,113
Total advances	47,348	35,232	23,775	15,902	14,772	10,925
Foreign trade business	131,373	104,912	72,929	52,073	38,614	26,525
Profit before tax	1,039	1,513	619	551	403	373
Profit after tax	541	1,012	290	246	153	153
Shareholders' Equity	3,274	2,726	1,822	1,532	1,322	1,169
Earnings per share*	(Rs.) 4.00	7.48	2.14	1.82	1.13	1.13
Cash Dividend	(%) -	10	-	5	-	-
Stock Dividend	(%) 35	25	25	20	20	20

* Earnings per share from 1999 to 2003 have been recalculated based on the revised paid up capital.



9. Value of investments of Provident Fund and Gratuity Fund Schemes for the financial year ended December 31, 2004 were as follows:

	Rs. '000
Provident Fund	115,580
Gratuity Fund	23,328

10. During the year 6 board meetings were held and the attendance of the Directors during the year was as follows:

Name of Director	Total Number of Board Meetings	Number of meetings attended
Mr. Ali Raza D. Habib	6	5
Mr. Abbas D. Habib	6	6
Mr. Faiz N. Abdulali	6	6
Mr. Imtiaz Alam Hanfi	6	6
Mr. Anwar Haji Karim	6	6
Mr. Qumail R. Habib	6	6
Mr. Tariq Iqbal Khan	6	3
Mr. Murtaza H. Habib	6	5
Syed Mazhar Abbas	6	5
Mr. Hasnain A. Habib	6	5

11. The pattern of shareholding and additional information regarding pattern of shareholding is given on Pages 53-54.
12. No trades in the shares of the Bank were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

General

We are grateful to our customers for their support, to the State Bank of Pakistan for its continued guidance and to our foreign and local correspondent banks for their valuable services. We also thank all our staff members for their sincere and dedicated services, which enabled the Bank to achieve these results.

On behalf of the Board of Directors

Karachi: March 1, 2005

ALI RAZA D. HABIB
Chairman



Statement of Compliance with the Code of Corporate Governance for the 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 eight (8) 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 the Bank, except for the nominee director of National Investment Trust (NIT).
3. All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred in the Board during the year that was filled by the Board within 30 days.
5. The Bank's "Statement of Ethics and Business Practices", has been signed by all the directors and employees.
6. The Bank has developed a vision/mission statement, overall corporate strategy 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 of remuneration and terms and conditions of employment of the CEO and the executive director has been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the Bank are well conversant with their duties and responsibilities and have attended the Orientation course organized by the State Bank of Pakistan.
10. The Chief Financial Officer, Company Secretary and Head of Internal Audit were appointed prior to the enforcement of the Code of Corporate Governance. However, next appointment of the aforesaid positions, if any, including remuneration, terms and conditions of employment, after its determination by the Chief Executive Officer, will be referred to the Board of Directors.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully 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 comprising of four (4) non-executive directors as members including the Chairman of the Committee.
16. Meetings of the Audit Committee were held once in every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the committee were revised in accordance with the requirement of the Code and advised to the committee for compliance.
17. The Bank has an effective internal audit division that is manned by experienced and qualified personnel. The audit team is conversant with the policies and procedures of the Bank and is involved in the internal audit function on a full time basis.
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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by 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 the other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

ALI RAZA D. HABIB
Chairman

Karachi: March 1, 2005.



Statement on Internal Controls

The Management of the Bank is responsible for establishing the Internal Control System with the main objectives of ensuring effectiveness and efficiency of operations; reliability of financial reporting; safeguarding of assets; and compliance with applicable laws and regulations. The Internal Control System has evolved over the years, as it is an ongoing process and is included in the Bank's policies, procedures, financial limits etc. as detailed in various manuals, circulars, and instructions issued by the Bank. This system continues to be reviewed, refined and improved from time to time to minimize risks which are inherent in banking business and operations.

The Internal Control Systems are reviewed by the Internal Auditors as well as External Auditors and their findings and recommendations are reported to the management and to the Audit Committee of the Board, and corrective action is taken to address control deficiencies and for improving procedures and systems as they are identified. The Board, acting through the Audit Committee, provides supervision and overall guidance in improving the effectiveness of the Internal Control System.

While the Internal Control System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure and circumvention or overriding of controls. Accordingly, even an effective Internal Control System can only provide reasonable but not absolute assurance that the system's objectives will be achieved.

During the year under review, we have endeavoured to follow guidelines issued by State Bank of Pakistan on internal controls and to incorporate these guidelines in the Bank's existing internal control system.

MAHMOOD S. ALLARAKHIA
Chief Financial Officer

I.A.K. TAREEN
Head of Internal Audit



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 prepared by the Board of Directors of Bank AL Habib Limited, to comply with the Listing Regulation of the 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's 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 effective as at 31 December 2004.

Karachi: March 1, 2005.

TASEER HADI KHALID & CO.
Chartered Accountants



Auditors' Report to the Members

We have audited the annexed Balance Sheet of Bank AL Habib Limited as at 31 December 2004, and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 6 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with 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 changes referred to in note 5.2, 5.5 and 5.10 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and 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 standards 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 31 December 2004, and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements for the year ended 31 December 2003 were audited by another firm of Chartered Accountants who have expressed an unqualified opinion thereon.

Karachi: March 1, 2005.

TASEER HADI KHALID & CO.
Chartered Accountants



Balance Sheet as at 31 December 2004

	Note	2004 (Rupees in '000)	2003
ASSETS			
Cash and Balances with Treasury Banks	6	6,239,421	6,110,710
Balances with Other Banks	7	4,287,685	544,554
Lendings to Financial Institutions	8	2,471,000	469,626
Investments	9	14,413,794	14,109,215
Advances	10	47,366,953	35,231,514
Other Assets	11	1,130,340	859,139
Operating Fixed Assets	12	1,526,360	741,107
Deferred Tax Assets	13	–	–
		77,435,553	58,065,865
LIABILITIES			
Bills Payable	14	1,344,637	1,224,757
Borrowings from Financial Institutions	15	7,975,185	6,790,674
Deposits and Other Accounts	16	62,170,628	46,178,048
Sub-ordinated loans	17	1,350,000	–
Liabilities against assets subject to finance lease	18	138,395	–
Other Liabilities	19	336,700	365,095
Deferred Tax Liabilities	13	295,596	316,463
		73,611,141	54,875,037
Net Assets		3,824,412	3,190,828
REPRESENTED BY :			
Share Capital	20	1,352,539	1,082,031
Reserves		1,910,091	1,599,008
Unappropriated Profit		11,715	44,928
		3,274,345	2,725,967
Surplus on Revaluation of Assets - net of deferred tax	21	550,067	464,861
		3,824,412	3,190,828
CONTINGENCIES AND COMMITMENTS			
	22		

The annexed notes 1 to 44 form an integral part of these financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

ANWAR HAJI KARIM
Director

FAIZ N. ABDULALI
Director



Profit and Loss Account for the year ended 31 December 2004

	Note	2004 (Rupees in '000)	2003
Mark-up /Return/Interest Earned	23	2,432,106	2,403,489
Mark-up/Return/Interest Expensed	24	(962,119)	(1,132,333)
Net Mark-up/return/Interest Income		1,469,987	1,271,156
Reversal / (Provision) against non-performing loans and advances	10.3	15,090	(108,181)
Provision for diminution in the value of investments		—	—
Bad Debts written off directly		—	—
Net Mark-up/return/Interest Income after provisions		1,485,077	1,162,975
NON MARK-UP/INTEREST INCOME			
Fees, Commission and Brokerage Income		390,328	317,687
Dividend Income		16,234	25,516
Income from dealing in foreign currencies		202,837	187,008
Other Income	25	260,403	901,081
Total non-markup/Interest Income		869,802	1,431,292
		2,354,879	2,594,267
NON MARK-UP/INTEREST EXPENSES			
Administrative Expenses	26	(1,314,947)	(1,075,033)
Other Assets written off	27	—	(5,455)
Other Charges	28	(753)	(787)
Total non-markup/Interest expenses		(1,315,700)	(1,081,275)
Extra ordinary/unusual items		—	—
PROFIT BEFORE TAXATION		1,039,179	1,512,992
Taxation – Current	29	(345,064)	(589,932)
– Prior years		(100,000)	91,488
– Deferred		(53,104)	(2,239)
		(498,168)	(500,683)
PROFIT AFTER TAXATION		541,011	1,012,309
Unappropriated Profit brought forward		44,928	16,330
Transfer from surplus on revaluation of fixed assets - net of tax		7,367	—
		52,295	16,330
Profit available for appropriation		593,306	1,028,639
APPROPRIATIONS			
Transfer to:			
Statutory Reserve		(108,202)	(205,000)
General Reserve		—	(400,000)
Reserve for Proposed issue of Bonus shares		(473,389)	(270,508)
Proposed Cash dividend for 2003 at the rate of Re. 1.00 per share		—	(108,203)
		(581,591)	(983,711)
Unappropriated Profit carried forward		11,715	44,928
Basic / diluted earnings per share (Rupees)	30	4.00	7.48

The annexed notes 1 to 44 form an integral part of these financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
Chief Executive and
Managing Director

ANWAR HAJI KARIM
Director

FAIZ N. ABDULALI
Director



Cash Flow Statement for the

	2004 (Rupees in '000)	2003
Cash Flow From Operating Activities		
Profit before Taxation	1,039,179	1,512,992
Dividend Income	(16,234)	(25,516)
	1,022,945	1,487,476
Adjustments for Non-Cash Charges:		
Depreciation	57,610	66,770
Amortization	74,172	71,067
(Reversal) / Provision Against non-performing loans and advances	(15,090)	108,181
Profit on sale of operating fixed assets	(8,926)	(5,234)
Charge for compensated absences	7,500	-
Financial charges on leased assets	5,406	-
	120,672	240,784
	1,143,617	1,728,260
(Increase) / Decrease in Operating Assets:		
Lendings to financial institutions	(2,001,374)	378,322
Advances	(12,120,349)	(11,564,412)
Other Assets (excluding advance taxation)	(307,926)	(25,235)
	(14,429,649)	(11,211,325)
Increase / (Decrease) in Operating Liabilities:		
Bills Payable	119,880	244,981
Borrowings from financial institutions	1,184,511	(3,619,689)
Deposits and other accounts	15,992,580	11,937,890
Other Liabilities	(37,974)	(217,397)
	17,258,997	8,345,785
	3,972,965	(1,137,280)
Income tax paid	(386,354)	(455,624)
Net cash flow from operating activities (Balance Carried Forward)	3,586,611	(1,592,904)

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*



year ended 31 December 2004

	Note	2004 (Rupees in '000)	2003
Net cash flow from operating activities (Balance Brought Forward)		3,586,611	(1,592,904)
Cash Flow From Investing Activities			
Net Investments		(727,289)	4,074,177
Dividend received		16,754	33,632
Investments in operating fixed assets		(260,529)	(189,832)
Payment of non refundable deposits for the acquisition of properties		(89,513)	–
Sale Proceeds of property and equipment disposed-off		9,991	5,539
Net cash flow from investing activities		(1,050,586)	3,923,516
Cash Flow From Financing Activities			
Sub-ordinated loans		1,350,000	–
Payments of lease obligations		(16,262)	–
Dividend paid		2,079	(1,306)
Net cash flow from financing activities		1,335,817	(1,306)
Increase in Cash and Cash Equivalents		3,871,842	2,329,306
Cash and Cash Equivalents at the Beginning of the Year		6,655,264	4,325,958
Cash and Cash Equivalents at the End of the Year	31	10,527,106	6,655,264

The annexed notes 1 to 44 form an integral part of these financial statements.

ANWAR HAJI KARIM
Director

FAIZ N. ABDULALI
Director



Statement of Changes in Equity for the year ended 31 December 2004

	Share Capital	Reserves			General Reserve	Unappropriated Profit	Total
		Reserve for issue of Bonus Shares	Statutory Reserve	Special Reserve			
(Rupees in '000)							
Balance as at 01 Jan. 2003	865,625	216,406	457,000	126,500	140,000	16,330	1,821,861
Profit for the year	-	-	-	-	-	1,012,309	1,012,309
Transfer to Statutory Reserve	-	-	205,000	-	-	(205,000)	-
Transfer to General Reserve	-	-	-	-	400,000	(400,000)	-
Transfer to Reserve for issue of Bonus Shares	-	270,508	-	-	-	(270,508)	-
Issue of bonus shares	216,406	(216,406)	-	-	-	-	-
Proposed Dividend	-	-	-	-	-	(108,203)	(108,203)
Balance as at 31 Dec. 2003	1,082,031	270,508	662,000	126,500	540,000	44,928	2,725,967
Profit for the year	-	-	-	-	-	541,011	541,011
Transfer from surplus on revaluation of fixed assets - current year net of tax	-	-	-	-	-	7,367	7,367
Transfer to Statutory Reserve	-	-	108,202	-	-	(108,202)	-
Transfer to reserve for issue of bonus shares	-	473,389	-	-	-	(473,389)	-
Issue of bonus shares	270,508	(270,508)	-	-	-	-	-
Balance as at 31 December 2004	1,352,539	473,389	770,202	126,500	540,000	11,715	3,274,345

The annexed notes 1 to 44 form an integral part of these financial statements.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

ANWAR HAJI KARIM
Director

FAIZ N. ABDULALI
Director



Notes to the Financial Statements for the year ended 31 December 2004

1. STATUS AND NATURE OF BUSINESS

The Bank was incorporated in Pakistan on October 15, 1991 as a public limited company under the Companies Ordinance 1984, having its registered office in Multan with principal place of business being in Karachi. Its shares are listed on all the Stock Exchanges in Pakistan. It is a scheduled bank principally engaged in the business of commercial banking with a network of 74 branches (2003 : 70 branches) operating throughout the country.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

The Securities and Exchange Commission of Pakistan has approved and notified the adoption of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property. The requirements of these standards have not been followed in preparation of these financial statements as the State Bank of Pakistan has deferred the implementation of these standards for the banks in Pakistan till further instructions. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the State Bank of Pakistan.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention as modified by revaluation of leasehold land and buildings and valuation of certain investments at market value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and Cash equivalents

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

5.2 Investments

In accordance with BSD Circular No. 13 dated 13 July 2004, the bank classifies its investment portfolio into 'Held to Maturity', 'Available for Sale' and 'Held for Trading' securities as follows:

Held to maturity

These are investments with fixed or determinable payments and fixed maturity and the bank has the positive intent and ability to hold them till maturity.

Held for trading

These are investments acquired principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin.



Available for sale

These are investments which do not fall under the held for trading and held to maturity categories.

Quoted securities where ready quotes are available on Reuters Page (PKRV) or Stock Exchange, other than investments classified as held to maturity and investments in associates, are valued at market value. Investments classified as held to maturity are carried at amortised cost.

Investment in associate and unquoted securities are carried at cost less impairment loss, if any.

The surplus / deficit arising as a result of revaluation at market value on trading portfolio is taken to income and that relating to the available for sale portfolio is kept in a separate account and shown below equity.

Effective 30 September 2004, the Bank has changed its accounting policy in respect of accounting for unrealised surplus / (deficit) arising on revaluation of its held for trading investment portfolio and method of valuation of securities classified as held to maturity (as described above) and investments in associates. Previously, all investments were classified as available for sale and quoted securities where ready quotes are available on Reuters Page (PKRV) or Stock Exchange were valued at market value and surplus / (deficit) was reported as a separate item below equity.

The above change has been made to comply with the requirements laid down in BSD Circular No. 10 dated 13 July 2004 and BSD Circular No. 14 dated 24 September 2004 issued by the State Bank of Pakistan. Had there been no change, investments and surplus on revaluation of investments would have been higher by Rs. 22.874 million and Rs. 43.790 million respectively.

Gains or losses on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised using the trade date method of accounting.

5.3 Repurchase agreements

The bank enters into purchase / (sale) of investments under agreements to resale / (repurchase) investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resale them at the future dates are not recognised. The amounts paid are recognised in lending to financial institutions. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds from the sale of the investments are reported in borrowings from financial institutions.

The difference between the purchase / (sale) and resale / (repurchase) consideration is recognised on a time proportion basis over the period of the transaction and is included in mark-up / return / interest earned or expensed.

5.4 Advances

Advances are stated net of specific and general provisions for bad and doubtful debts. Specific provisions for bad and doubtful debts are determined by the management keeping in view the requirements of the Prudential Regulations issued by the State Bank of Pakistan, whereas general provisions are made on prudence, based on judgement. Advances are written-off when they are considered irrecoverable.

5.5 Operating fixed assets

Tangible - owned

Lease hold land are stated at revalued amounts. Buildings on lease hold land are stated at revalued amount less accumulated depreciation. All other operating fixed assets are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to income applying the straight line method by taking into consideration the estimated useful lives of the related assets. Half year's depreciation is charged on fixed assets purchased or disposed off during the year. Gains or losses on disposal of fixed assets are included in income currently.



Maintenance and normal repairs are charged to profit and loss account as and when incurred. Costs incurred on renovations are capitalised as leasehold improvements. Previously, these were accounted for as deferred cost and written off over a period of five years.

The surplus on revaluation of fixed assets (net of deferred taxation) to the extent of the incremental depreciation charged on the revalued assets is transferred to retained earnings.

Effective 01 January 2004, the accounting policy in respect of accounting for leasehold land and buildings was changed from cost less accumulated depreciation to revalued amounts less accumulated depreciation. The change has resulted in increasing the value of tangible fixed assets by Rs. 441.312 million, surplus on revaluation of fixed assets being higher by Rs. 301.016 million and deferred tax liability being higher by Rs. 128.962 million.

Tangible - leased

Assets subject to finance lease are accounted for by recording the assets and related liability. These are stated at lower of fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. Depreciation is charged on the basis similar to the owned assets.

Intangible assets - owned

Intangible assets are stated at cost less accumulated amortization. Amortization is based on straight line method by taking into consideration the estimated useful life.

Capital work in progress

Capital work in progress is stated at cost.

5.6 Taxation

Current

Provision for taxation is based on taxable income at the current rates of taxation after taking into account applicable exemptions and rebates, as permissible under the Income Tax Ordinance, 2001.

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 financial reporting purposes and amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

5.7 Staff retirement benefits

Defined Benefit Plan - Employees' Gratuity Fund

The Bank operates an approved gratuity fund scheme for all its confirmed employees, which is administered by the Board of Trustees. The Bank's costs are determined based on an actuarial valuation using Projected Unit Credit Method. Net cumulative un-recognized actuarial gains / losses relating to previous reporting period in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated working lives of the employees.

Defined Contribution Plan - Employees' Provident Fund

The Bank operates an approved Provident Fund Scheme for all its regular permanent employees, administered by the Board of Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme.



5.8 Revenue recognition

Mark-up income and expenses are recognized on a time proportion basis taking into account effective yield on the instrument, except in case of advances classified under the Prudential Regulations issued by the State Bank of Pakistan on which mark-up is recognized on receipt basis.

Fee, commission and brokerage are recognized on receipt basis.

Dividend income is recognized at the time when the right to receive the dividend is established.

5.9 Foreign currencies

Foreign currency transactions are translated into rupees at the exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the balance sheet date. The fair value of forward cover taken from the State Bank of Pakistan for foreign currency deposits is added / deducted from value of foreign currency deposits. Outstanding forward foreign exchange contracts and foreign bills purchased excluding swap contracts are valued at the market rates applicable to the respective maturities. However, premium on swap contracts is amortized over the period of swap and the movement in ready rates since the initiation of swap is also accounted for. Exchange gains and losses are included in income currently.

5.10 Dividends

Dividend is recognized as a liability in the period in which it is declared. Upto previous year, dividends proposed after the balance sheet date but before the financial statements were authorized for issue were recorded as a liability. The change has been necessitated by revision in the fourth schedule to the Companies Ordinance, 1984. Proforma information required under International Accounting Standard 8, Net profit or loss for the period, Fundamental Errors and Changes in Accounting Policies is presented in note 32 to the financial statements.

5.11 Provision for guarantee claims and other off balance sheet obligations

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

5.12 Acceptances

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

5.13 Employees' compensated absences

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

5.14 Off-setting

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognized amount and the Bank intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.



5.15 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

	2004	2003
	(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	1,577,310	1,349,339
Foreign currencies	263,963	216,686
With State Bank of Pakistan in:		
Local currency current account	6.1 2,933,997	3,560,376
Foreign currency deposit account		
Cash reserve account	312,185	199,703
Special Cash Reserve account	6.2 936,555	599,109
Local US Dollar collection account	6.3 14,086	–
With National Bank of Pakistan in:		
Local currency current account	201,325	185,497
	6,239,421	6,110,710

6.1 This represents statutory cash reserve maintained under Section 22 of the Banking Companies Ordinance, 1962.

6.2 This represents statutory cash reserve maintained against foreign currency deposits mobilised under FE 25 circular issued by the State Bank of Pakistan and is remunerated at the rate of one month LIBOR less 1.00% service charges.

6.3 This represents US Dollar settlement account opened with the State Bank of Pakistan in accordance with FE Circular No. 2 and is remunerated at the rate of one month LIBOR less 1.00% service charges.

	2004	2003
	(Rupees in '000)	
7. BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	44,067	76,344
In deposit accounts	7.1 2,500	2,500
Outside Pakistan		
In current accounts	291,349	164,560
In deposit accounts	7.2 3,949,769	301,150
	4,287,685	544,554

7.1 This carries mark-up at the rate of 2.00% per annum (2003: 2.30%) maturing in October 2005.

7.2 These carry mark-up ranging from 1.50% to 2.28% per annum (2003: 0.93% to 1.04%).



2004 2003
(Rupees in '000)

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings Certificates of Investment Repurchase agreement lendings (Reverse Repo)	8.1 8.2 8.3	900,000 425,000 1,146,000	270,000 – 199,626 <hr/> 469,626
		2,471,000	469,626

8.1 This represents lendings made in the local inter-bank market at rates ranging from 3.25% to 5.60% per annum (2003: 2.98%) and have a maturity period of upto three months.

8.2 These are certificates of investment of financial institutions carrying profit rates ranging from 5.70% to 6.50% and have a maturity period of upto three months.

8.3 These are short term lendings to different financial institutions secured against government and listed securities carrying mark-up ranging from 3.20% to 5.90% per annum (2003: 4.00%) and have a maturity period of upto three months.

8.4 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	–	–	–	199,626	–	199,626
Pakistan Investment Bonds	1,000,000	–	1,000,000	–	–	–
Shares of listed companies	146,000	–	146,000	–	–	–
	1,146,000	–	1,146,000	199,626	–	199,626

8.5 The market value of shares held as collateral against lendings to financial institutions as at 31 December 2004 amounted to Rs. 240.76 million.



9. INVESTMENTS

9.1 Investments by type	2004			2003		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	(Rupees in '000)					
<i>Available for sale securities</i>						
Market Treasury Bills	-	-	-	5,467,486	996,211	6,463,697
Federal Investment Bonds	-	-	-	101,906	-	101,906
Pakistan Investment Bonds	2,080,184	301,503	2,381,687	4,815,407	917,140	5,732,547
Ordinary shares of listed companies	241,903	-	241,903	340,571	-	340,571
Ordinary shares of unlisted companies	35,700	-	35,700	35,700	-	35,700
Term Finance Certificates						
- Listed	-	-	-	300,628	-	300,628
- Unlisted	-	-	-	183,311	-	183,311
Unlisted WAPDA Bonds	-	-	-	645,454	-	645,454
Open ended mutual funds	330,001	-	330,001	274,562	-	274,562
S.W.I.F.T.	1,896	-	1,896	1,681	-	1,681
	2,689,684	301,503	2,991,187	12,166,706	1,913,351	14,080,057
<i>Held to maturity securities</i>						
Market Treasury Bills	6,775,306	299,620	7,074,926	-	-	-
Federal Investment Bonds	101,267	-	101,267	-	-	-
Pakistan Investment Bonds	2,970,179	-	2,970,179	-	-	-
Term Finance Certificates						
- Listed	479,997	-	479,997	-	-	-
- Unlisted	174,995	-	174,995	-	-	-
Unlisted WAPDA Bonds	600,101	-	600,101	-	-	-
	11,101,845	299,620	11,401,465	-	-	-
<i>Associates</i>						
Ordinary shares of listed company	21,142	-	21,142	29,158	-	29,158
	13,812,671	601,123	14,413,794	12,195,864	1,913,351	14,109,215



	Note	2004 (Rupees in '000)	2003 (Rupees in '000)
9.2 Investments by segment			
<i>Federal Government Securities</i>			
– Market Treasury Bills	9.4	7,074,926	6,463,697
– Federal Investment Bonds	9.5	101,267	101,906
– Pakistan Investment Bonds	9.6	5,351,866	5,732,547
		12,528,059	12,298,150
<i>Fully paid-up ordinary shares</i>			
– Listed	9.7	241,903	340,571
– Unlisted	9.8	35,700	35,700
		277,603	376,271
<i>Term Finance Certificates</i>			
– Listed	9.9	479,997	300,628
– Unlisted	9.9	174,995	183,311
		654,992	483,939
<i>Provincial Government Securities</i>			
– WAPDA Bonds	9.10	600,101	645,454
<i>Others</i>			
– Open ended mutual funds	9.11	330,001	274,562
– S.W.I.F.T.	9.12	1,896	1,681
		331,897	276,243
<i>Associated company</i>	9.7	21,142	29,158
		14,413,794	14,109,215

9.3 The market value of held to maturity securities and investment in associate at 31 December 2004 amounted to Rs. 10,670 million.

9.4 Market Treasury Bills are for a period of six months and one year with yields ranging from 1.98% to 5.79% per annum (2003: 1.17% to 3.67%).

9.5 Federal Investment Bonds are for a period of ten years with yield of 15% per annum (2003: 15%). Federal Investment Bonds having a face value of Rs. 5 million are pledged with Controller of Military Accounts, Karachi as a security deposit for extending banking facilities on account of regimental funds vis-à-vis private fund accounts.

9.6 Pakistan Investment Bonds are for a period of three, five and ten years with yields ranging from 6.00% to 13.00% per annum (2003: 6.00% to 14.00%).



9.7 Investment in shares-Listed Companies

The par value of these shares / units is Rs. 10 except where stated.

No. of ordinary shares		Name of Companies	2004	2003
2004	2003		(Rupees in '000)	
<i>Associated company</i>				
2,003,999	2,003,999	Habib Sugar Mills Ltd*. Market value Rs. 93.687 million (2003: Rs. 29.158 million) *The par value per share is Rs. 5.	21,142	29,158
<i>Others</i>				
-	49,000	3rd ICP Mutual Fund	-	808
-	23,987	8th ICP Mutual Fund	-	450
-	196,762	11th ICP Mutual Fund	-	3,542
-	61,250	19th ICP Mutual Fund	-	1,041
7,839,500	-	Pakistan Strategic Allocation Fund	76,827	-
1,000,000	-	ABAMCO Composite Fund	8,500	-
100,000	-	PICIC Investment Fund	1,530	-
-	93,750	Orix Leasing Pakistan Ltd.	-	3,178
353,500	650,000	Standard Chartered Modaraba	10,958	25,350
262,000	-	Sitara Energy Ltd.	7,336	-
-	176,000	Gadoon Textile Mills Ltd.	-	6,424
1,597,500	1,597,500	The Hub Power Co. Ltd.	51,280	61,424
-	250,000	Fauji Fertilizer Co. Ltd.	-	23,875
-	446,000	Engro Chemicals Pakistan Ltd.	-	41,389
-	500,000	Pakistan Telecommunications Co. Ltd.	-	18,325
143,750	115,000	International Industries Ltd.	40,106	11,500
-	562,500	Pakistan Premier Fund	-	8,662
-	200,000	Nishat Mills Ltd.	-	6,450
-	90,000	National Refinery Ltd.	-	13,365
-	940,718	Oil and Gas Development Corp. Ltd.	-	48,823
16,800	7,000	Shell Pakistan Ltd.	8,660	2,885
27,100	27,100	Attock Refinery Ltd.	3,415	1,805
-	175,000	Lucky Cement Ltd.	-	4,314
100,000	100,000	Pak Suzuki Motor Co. Ltd.	14,100	14,505
50,000	-	Suzuki Motorcycle Pakistan Ltd.	1,325	-
19,600	-	Atlas Battery Ltd.	2,156	-
46,000	-	Pakistan State Oil Co. Ltd.	13,190	-
-	171,500	Pakistan Reinsurance Co. Ltd	-	9,604
-	18,960	Unilever Pakistan Ltd.**	-	27,454
36,000	63,500	Tri-Pack Films Ltd.	2,520	5,398
			241,903	340,571

- 9.8 The Bank subscribed towards purchase of 30 shares of Rs. 1,000,000 each amounting to Rs. 30 million being its proportionate share towards the equity of Khushhali Bank formed as per the directive of the Government of Pakistan to provide micro finance in rural communities with the objectives of alleviating poverty. Break-up Value per share as per audited financial statements of Khushhali Bank for the year ended 31 December 2003 amounted to Rs. 1,037,341. Chief Executive Officer : Mr. Ghalib Nishter.



The Bank has also subscribed towards purchase of 570,000 ordinary shares of Rs. 10 each amounting to Rs. 5.7 million being its proportionate share towards the equity of Pakistan Export Finance Guarantee Agency Limited, which is a joint venture between Asian Development Bank and thirteen commercial banks operating in Pakistan. Break-up value per share as per audited financial statements of Pakistan Export Finance Guarantee Agency Limited for the year ended 31 December 2003 amounted to Rs. 8.43. Chief Executive Officer: Mr. S.M. Zaeem.

9.9 Investment in Term Finance Certificates

No. of Certificates		Redeemable Value per certificate	Maturity Date	Name of Companies	2004	2003
		Rs.			(Rupees in '000)	
2004	2003					
<i>Listed</i>						
4,600	4,600	1,248.00	June-2005	Dewan Salman Fibre Ltd.	5,741	18,858
2,000	2,000	5,000.00	Sept-2006	First Dawood Investment Bank Ltd.	10,000	11,100
5,000	5,000	5,000.00	Jan - 2005	Packages Ltd.	25,000	28,125
7,928	7,928	4,163.33	June-2007	Sui Southern Gas Co. Ltd.	33,007	42,785
10,000	10,000	5,000.00	July-2006	Orix Leasing Pakistan Ltd.	50,000	56,000
17,200	17,200	4,995.00	Nov-2007	Engro Chemicals Pakistan Ltd.	85,914	92,395
5,000	5,000	4,997.00	Apr-2008	Jahangir Siddiqui & Co. Ltd.	24,985	26,370
-	5,000	-	Jan - 2007	D.G. Khan Cement Co. Ltd.	-	24,995
15,000	-	5,000.00	Nov-2012	Bank Alfalah Ltd.	75,000	-
1,070	-	5,000.00	Aug-2012	United Bank Ltd. - 1st issue	5,350	-
4,000	-	5,000.00	Dec-2012	United Bank Ltd. -2nd issue	20,000	-
9,000	-	5,000.00	Dec-2012	Prime Commercial Bank Ltd.	45,000	-
20,000	-	5,000.00	Dec-2012	Askari Commercial Bank Ltd.	100,000	-
					479,997	300,628
<i>Unlisted</i>						
35,000	35,000	4,999.85	Feb-2011	Pakistan Int'l Airlines Corp.	174,995	183,311

These Term Finance Certificates are redeemable in quarterly / half-yearly instalments and carry rate of return ranging from 6.1% to 16.0% per annum (2003: 7.5% to 16.0% per annum).

9.10 Investment in WAPDA Bonds - Unlisted

No. of Certificates		Redeemable value per certificate	Maturity Date	Name of Company	2004	2003
		Rs.			(Rupees in '000)	
2004	2003					
120,000	120,000	5,000	Mar-2008	Water Power Development Authority	600,101	645,454

These Bond are redeemable at the end of the tenor and carry rate of return equal to the State Bank of Pakistan discount rate less 0.25% per annum (2003: SBP's discount rate less 0.25%)



9.11 Investment in open ended mutual funds

No. of Units		Book Value per Unit Rs.	Name of Companies	2004	2003
2004	2003			(Rupees in '000)	
-	231,483	10.00	Pakistan Income Fund	-	12,269
2,704,425	2,527,500	92.44	Dawood Money Market Fund	280,221	262,293
375,000	-	100.00	Faysal Balanced Growth Fund	39,525	-
20,000	-	500.00	Atlas Stock Market Fund	10,255	-
				330,001	274,562

9.12 Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T) allocated shares based on the financial contribution from network based services by the Bank. Based on the Bank's financial contribution in the year 2002, 12 shares were allocated to the Bank at the rate of EUR 1,950 per share.

10. ADVANCES

		2004	2003
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		43,087,102	32,155,928
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		1,557,031	695,207
Payable outside Pakistan		2,892,848	2,692,849
		4,449,879	3,388,056
		47,536,981	35,543,984
Provision for non-performing advances - Note 10.3		(170,028)	(312,470)
		47,366,953	35,231,514
10.1 Particulars of advances:			
10.1.1			
In local currency		44,325,291	35,231,514
In foreign currencies		3,041,662	-
		47,366,953	35,231,514
10.1.2			
Short Term (for upto one year)		39,062,871	30,263,734
Long Term (for over one year)		8,304,082	4,967,780
		47,366,953	35,231,514



10.2 Advances include Rs. 206.405 million (2003: Rs. 645.982 million) which have been placed under non-performing status as detailed below:

Category of Classification	Domestic	Provision Required (Rupees in '000)	Provision Held
Other Assets Especially Mentioned	3,663	–	–
Substandard	1,134	263	263
Doubtful	57,848	26,424	26,424
Loss	143,760	73,341	73,341
	<u>206,405</u>	<u>100,028</u>	<u>100,028</u>
General provision		–	70,000
		<u>100,028</u>	<u>170,028</u>

10.2.1 The Prudential Regulations issued by the State Bank of Pakistan effective from 01 January 2004 require banks to maintain a general reserve equal to 1.5% of the consumer portfolio which is fully secured and 5% of the consumer portfolio which is unsecured to protect the bank from the risk associated with the economic cyclical nature of this business. The charge on such secured and unsecured consumer portfolio amounting to Rs. 19.072 million is included in the general provision already held.

10.3 **Particulars of provision against non-performing advances:**

	2004			2003		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	212,470	100,000	312,470	218,820	–	218,820
Charge for the year	44,997	–	44,997	33,519	100,000	133,519
Reversals	(30,087)	(30,000)	(60,087)	(25,338)	–	(25,338)
	14,910	(30,000)	(15,090)	8,181	100,000	108,181
Amount Written Off 10.4	(127,352)	–	(127,352)	(14,531)	–	(14,531)
Closing balance	<u>100,028</u>	<u>70,000</u>	<u>170,028</u>	<u>212,470</u>	<u>100,000</u>	<u>312,470</u>

10.4 **Particulars of write offs:**

		2004	2003
		(Rupees in '000)	
10.4.1	Against provisions	127,352	14,531
	Directly charged to profit and loss account	–	–
		<u>127,352</u>	<u>14,531</u>
10.4.2	Write-offs of Rs. 500,000 and above	127,352	14,518
	Write-offs of below Rs. 500,000	–	13
		<u>127,352</u>	<u>14,531</u>

10.5 **Detail of loans written-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 a person(s) during the year ended 31 December 2004 is given in Annexure 1 on page 49.



10.6 **Particulars of Loans and Advances to Directors, Associated Companies, etc.** Balance as at 31 Dec. 2004 *Maximum total amount of advances including temporary advances granted during the year

(Rupees in '000)

(i) Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons.	152,095	152,095
(ii) 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.	260,000	291,025

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

11. OTHER ASSETS

2004 **2003**
(Rupees in '000)

Income/Mark-up accrued in local currency	549,769	418,884
Income/Mark-up accrued in foreign currency	1,674	418
Advances, deposits, advance rent and other prepayments	115,814	81,815
Advance taxation (payments less provisions)	4,424	63,134
Deferred costs	132,192	193,244
Unrealized gain on forward foreign exchange contracts	22,042	6,307
Stationery and stamps on hand	24,525	18,759
Receivable from SBP/Government of Pakistan	145,077	59,197
Dividend receivable	-	520
Non refundable deposits	99,037	16,000
Others	35,786	861
	1,130,340	859,139

11.1 This represents renovation costs incurred on bank premises before 31 December 2003, being accounted for as deferred cost and amortized over a period of five years. From current year renovation costs representing major renewals and improvements are capitalized as improvements to buildings and depreciated over the remaining useful lives of buildings.

11.2 This represents non refundable deposits paid in relation to acquisition of some bank's properties. These are being written off over the periods ranging from 10 to 20 years (being estimated useful lives of related properties).

11.3 This includes advance of Rs. 34.750 million given to Karachi Stock Exchange (Guarantee) Limited for stock exchange membership card.

2004 **2003**
(Rupees in '000)

12. OPERATING FIXED ASSETS

Capital work-in-progress	12.1	36,969	190,396
Property and equipment	12.2	1,484,396	549,062
Intangible assets	12.3	4,995	1,649
		1,526,360	741,107



	2004	2003
	(Rupees in '000)	
12.1 Capital work-in-progress		
Civil works	24,153	43,107
Advance payment towards property and equipments	10,115	145,219
Consultants fee and other charges	2,701	2,070
	36,969	190,396

12.2 Property and equipment

	Cost/Revalued Amount			As at 31 Dec. 2004	Depreciation		As at 31 Dec. 2004	Book value as at 31 Dec. 2004	Rate of depreciation %
	As at 1 Jan. 2004	Revaluation Surplus/ (Deficit)	Additions/ (Deletions)/ Adjustments		As at 1 Jan. 2004	Charge (Deletions)/ Adjustments			
(Rupees in '000)									
<i>Owned</i>									
Leasehold land	60,407	61,515	-	248,250	-	-	-	248,250	-
Buildings on leasehold land	610,838	379,797	**126,328 350,288 *(126,328) **(179,259)	1,035,336	180,398	28,584	29,723	1,005,613	2.00-6.67
Improvements to leasehold buildings	-	-	24,341	24,341	-	609	609	23,732	5
Furniture and fixtures	76,237	-	26,972 (1,793)	101,416	28,491	8,237 (1,138)	35,590	65,826	10
Electrical, office and computer equipments	63,689	-	1,996 (4,260)	61,425	54,535	4,816 (4,267)	55,084	6,341	20
Vehicles	4,042	-	369 (1,178)	3,233	2,727	455 (858)	2,324	909	20
	815,213	441,312	403,966 (7,231) (179,259)	1,474,001	266,151	42,701 (6,263) (179,259)	123,330	1,350,671	
<i>Leased</i>									
Electrical, office and computer equipments	-	-	100,968	100,968	-	10,097	10,097	90,871	20
Vehicles	-	-	48,283 (667)	47,616	-	4,812 (50)	4,762	42,854	20
	-	-	149,251 (667)	148,584	-	14,909 (50)	14,859	133,725	
2004	815,213	441,312	553,217 (7,898) (179,259)	1,622,585	266,151	57,610 (6,313) (179,259)	138,189	1,484,396	
2003	639,657	-	179,679 (4,123)	815,213	203,199	66,770 (3,818)	266,151	549,062	

* The revaluation of bank's premises facilitated the bifurcation of certain properties between land and buildings. Hence, Rs. 126.328 million has been transferred from buildings to land.

** This represents elimination of accumulated depreciation at the date of the revaluation against the gross carrying amount of the asset.



12.3 Intangible assets

	Cost			Amortization		Book value		Rate of amortization %	
	As at 1 Jan. 2004	Additions	(Deletions)	As at 31 Dec. 2004	As at 1 Jan. 2004	Charge	As at 31 Dec. 2004		as at 31 Dec. 2004
	(Rupees in '000)								
Computer software	35,509	9,990	-	45,499	33,860	6,644	40,504	4,995	50
2003	32,210	3,299	-	35,509	28,144	5,716	33,860	1,649	50

Various computer software procured by the bank have been fully amortized and continue to remain in bank's use.

- 12.4 Disposals / deletions of fixed assets during the year with original cost or book value in excess of Rupees one million or two hundred fifty thousand respectively (whichever is less):

Particulars	Cost	Book Value	Sale Price	Mode of disposal	Particulars of purchaser
	(Rupees in '000)				
Furniture and fixtures	501	253	105	Auction	Karachi Auction Mart, 7/C, Mai Kolachi Road, Near United Bank Limited, Karachi.
Electrical, office and computer equipments	1,648	-	144	Tender	Engineering Services, Suite 7, 3rd Floor, 680-681/C, Allama Iqbal Road, P.E.C.H.S., Karachi.

- 12.5 During the year no assets were disposed-off to the Chief Executive or a director or an executive or a shareholder holding not less than ten percent of the voting shares of the bank or any related party.
- 12.6 During the year leasehold land and buildings were revalued by M/s Iqbal A. Nanjee & Co. on the basis of market value which resulted in net surplus of Rs. 441.312 million over the book value of the assets as on 01 January 2004. As a result of revaluation, land and buildings have been bifurcated as stated in note 12.2 with a transfer of Rs. 126.328 million from buildings to land.

During the year, the bank also revised the useful lives of buildings on leasehold land on the basis of survey carried out by M/s. Iqbal A. Nanjee & Co. Had the useful lives not been revised, the depreciation charge would have been higher and profit for the year would have been lower by Rs. 58.534 million.

The carrying value of land and buildings, if they were carried at cost less accumulated depreciation at 31 December 2004 would have been as follows:



	Net Book Value	
	2004	2003
	(Rupees in '000)	
Leasehold land	60,407	60,407
Buildings on leasehold land	811,096	430,440
	871,503	490,847
	(Rupees in '000)	
	2004	2003
	(Rupees in '000)	
13. DEFERRED TAX ASSETS / (LIABILITIES)		
Deferred tax debits arising in respect of:		
Provision for general loan loss	24,500	35,000
Difference between accounting book value of leased assets and lease liabilities	1,635	-
	26,135	35,000
Deferred tax credits arising in respect of:		
Difference between accounting book value of owned fixed assets and tax base	(214,407)	(37,239)
Surplus on revaluation of securities	(107,324)	(314,224)
	(321,731)	(351,463)
	(295,596)	(316,463)
14. BILLS PAYABLE		
In Pakistan	1,344,637	1,224,757
15. BORROWINGS FROM FINANCIAL INSTITUTIONS		
In Pakistan	7,975,185	6,790,674
15.1 Particulars of borrowings from financial institutions		
In local currency	7,975,185	6,790,674
15.2 Details of borrowings from financial Institutions		
Secured		
Borrowings from State Bank of Pakistan		
Under export refinance scheme	15.3	4,978,990
Repurchase agreement borrowings	15.4	1,696,211
		7,375,797
		599,388
		7,975,185
Unsecured		
Overdrawn Nostros	-	115,473
	7,975,185	6,790,674



- 15.3 These borrowings carry mark-up rates ranging from 1.50% to 3.50% per annum (2003: 1.50% to 4.50%) and are secured against promissory notes, undertakings in favour of the Bank and export documents, payable quarterly at the time of partial payment or upon maturity of loan, whichever is earlier.
- 15.4 This represents repurchase agreement borrowings from other banks at rates ranging from 1.00% to 5.00% per annum (2003: 1.50% to 5.50%) having a maturity period of upto three months.

2004 **2003**
(Rupees in '000)

16. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	9,092,671	4,599,719
Savings deposits	16,496,790	14,593,956
Current accounts - Remunerative	15,322,376	11,039,586
Current accounts - Non-remunerative	20,044,933	14,802,311
	60,956,770	45,035,572

Financial Institutions

Remunerative deposits	1,126,323	1,062,900
Non-remunerative deposits	87,535	79,576
	1,213,858	1,142,476
	62,170,628	46,178,048

16.1 Particulars of deposits

In local currency	55,837,868	42,226,590
In foreign currencies	6,332,760	3,951,458
	62,170,628	46,178,048



2004 2003
(Rupees in '000)

17. SUB-ORDINATED LOANS

Term Finance Certificates (TFCs)	1,350,000	—
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The bank has raised sub-ordinated loan by way of issuing rated, listed and un-secured subordinated term finance certificates as Tier II capital in the light of guidelines issued by the State Bank of Pakistan to support the bank's growth and improvement in capital adequacy ratio. The salient features of this instrument are as follows:

Total issue	Rupees 1,350 million
Pre-initial public offer (Pre-IPO)	Rupees 1,150 million
Initial public offer (IPO)	Rupees 200 million
Rating	AA-
Rate	Payable six monthly on January 15 and July 15 at average six months KIBOR plus 150 bps
Floor	3.50%
Ceiling	10.00%
Repayment	8 Years
Redemption	6-78th month: 0.25%
	84th month: 33.25%
	90th month: 33.25%
	96th month: 33.25%

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2004		
	Minimum lease payments	Financial charges for future periods	Principal outstanding
	(Rupees in '000)		
Not later than one year	45,675	12,339	33,336
Later than one year but not later than five years	118,680	13,621	105,059
	164,355	25,960	138,395

18.1 The bank has entered into various lease agreements for computer, office equipments and vehicles. Lease rentals include financial charges at the rate of 10 percent per annum which have been used as discounting factor and are payable quarterly. The bank has the option to purchase the assets upon completion of lease period and has intention to exercise it.



	2004	2003
	(Rupees in '000)	
19. OTHER LIABILITIES		
Mark-up /Return/Interest payable in local currency	179,819	162,275
Mark-up/Return/Interest payable in foreign currencies	2,302	822
Accrued expenses	17,578	21,594
Provision for compensated absences	7,500	-
Advance payments	6,025	5,449
Unclaimed dividends	6,880	4,801
Proposed cash dividend	-	108,203
Branch adjustment account	23,441	8,657
Special exporters accounts in foreign currencies	43,755	11,537
Others	49,400	41,757
	<u>336,700</u>	<u>365,095</u>

20. SHARE CAPITAL

Authorised Capital

2004	2003		2004	2003
(Number)				
<u>300,000,000</u>	<u>150,000,000</u>	Ordinary shares of Rs.10 each	<u>3,000,000</u>	<u>1,500,000</u>

Issued, subscribed and paid up capital

2004	2003		2004	2003
(Number)				
<u>30,000,000</u>	30,000,000	Ordinary shares of Rs. 10 each fully paid in cash	<u>300,000</u>	300,000
<u>105,253,940</u>	78,203,140	Issued as bonus shares	<u>1,052,539</u>	782,031
<u>135,253,940</u>	<u>108,203,140</u>		<u>1,352,539</u>	<u>1,082,031</u>

20.1 Issued, subscribed and paid-up capital at year-end includes 2,249,720 ordinary shares of Rs. 10 each (2003: 1,799,776 shares) held by the associated undertaking.

20.2 The Board of Directors of the bank has recommended bonus issue of 35% which would increase the paid up capital of the bank to Rs. 1,826 million in compliance with BSD Circular No. 12 dated 25 August 2004 of the State Bank of Pakistan.



2004 2003
(Rupees in '000)

21. SURPLUS ON REVALUATION OF ASSETS - NET

Surplus on revaluation of securities - net of tax	21.1	249,051	464,861
Surplus on revaluation of fixed assets - net of tax	21.2	301,016	-
		550,067	464,861
		550,067	464,861
21.1 Federal Government securities		306,639	652,482
Quoted shares		17,234	35,877
Other securities		32,502	90,726
Related deferred tax liability		(107,324)	(314,224)
		249,051	464,861
		249,051	464,861
21.2 Net surplus on revaluation of fixed assets during the year		441,312	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year			
- net of deferred tax		(7,367)	-
Related deferred tax liability		(3,967)	-
		(11,334)	-
		429,978	-
Less: Related deferred tax liability on:			
Revaluation of fixed assets during the year		132,929	-
Incremental depreciation charged during the year transferred to profit and loss account		(3,967)	-
		128,962	-
		301,016	-



		2004	2003
		(Rupees in '000)	
22.	CONTINGENCIES AND COMMITMENTS		
22.1	Direct Credit Substitutes		
	Acceptances	2,614,550	1,793,988
22.2	Transaction-related Contingent Liabilities		
	Guarantees issued favoring:		
	– Government	2,035,970	1,687,164
	– Financial Institutions	84,971	44,929
	– Others	822,642	460,465
22.3	Trade-related Contingent Liabilities		
	Letters of credit	12,575,375	7,958,205
22.4	Other contingencies		
	<p>The income tax assessments of the Bank have been finalised upto assessment year 2002-2003 (accounting year ended 31 December 2001). Appeals for assessment years 1995-1996, 2001-2002 and 2002-2003 are pending before Income Tax Appellate Tribunal (ITAT). In the event the appeals are decided against the Bank, a further tax liability of Rs. 103.005 million may arise in addition to amount already provided.</p> <p>The Bank's appeals before Commissioner Income Tax (Appeals) in respect of liability amounting to Rs. 83.546 million included in Rs. 103.005 million have already been successful but the department has filed an appeal with ITAT. The Bank, based on decision at ITAT level in previous years and the tax advisors opinion, is confident that no additional liability would arise.</p>		
		2004	2003
		(Rupees in '000)	
22.5	Commitments in respect of forward lending		
	Commitments to extend credit	400,000	20,000
22.6	Commitments in respect of forward exchange contracts		
	Purchase	3,361,224	4,389,335
	Sale	5,922,139	5,512,238
	The maturities of above contracts are spread over a period of one year.		
22.7	Commitments for the acquisition of operating fixed assets	93,246	30,752
22.8	Commitments in respect of operating leases		
	Not later than one year	144,607	131,965
	Later than one year and not later than five years	64,386	205,370
		208,993	337,335

The Bank has entered into operating lease arrangements whereby equipment and vehicles are acquired on lease. The lease rentals are payable over a period of 36 to 60 months.



	2004	2003
	(Rupees in '000)	
23. MARK-UP / RETURN / INTEREST EARNED		
On loan and advances to:		
– Customers	1,612,592	1,418,096
– Financial institutions	25,223	22,635
On investments	686,815	916,268
On deposits with financial institutions	28,661	10,954
On securities purchased under resale agreements	51,553	7,982
On call money lendings	27,262	27,554
	2,432,106	2,403,489
	2,432,106	2,403,489
24. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	790,599	938,238
Securities sold under repurchase agreements	22,806	138,048
Sub-ordinated loan - TFCs	30,369	–
Borrowing from State Bank of Pakistan under export refinance scheme	113,672	41,390
Other short term borrowings	4,673	14,657
	962,119	1,132,333
	962,119	1,132,333
25. OTHER INCOME		
Gain on sale of Government Securities	89,972	701,373
Gain on sale of quoted shares and mutual funds	62,082	113,168
Gain on sale of listed Term Finance Certificates	–	1,882
Net profit on sale of operating fixed assets	8,926	5,234
Miscellaneous income (rent of lockers, recovery of fax, telephone, telex, courier charges etc.)	99,423	79,424
	260,403	901,081
	260,403	901,081



		2004	2003
		(Rupees in '000)	
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.		446,912	345,634
Charge for defined benefit plan	34.5	9,333	6,722
Contribution to defined contribution plan		19,827	14,312
Charge for compensated absences		7,500	–
Non-executive directors' fees, allowances and other expenses		87	13
Rent, taxes, insurance, electricity etc.		182,121	152,755
Legal and professional charges		32,822	20,036
Communications		65,605	52,166
Repairs and maintenance		43,526	27,919
Rentals of operating leases		131,849	119,334
Financial charges on leased assets		5,406	–
Security charges		34,063	25,193
Stationery and printing		41,012	38,735
Advertisement and publicity		19,474	19,877
Donations	26.1	7,780	6,125
Auditors' remuneration	26.2	760	300
Depreciation	12.2	57,610	66,770
Amortization		74,172	71,067
Vehicle running expenses		35,183	25,883
Commission and brokerage		29,039	35,026
Subscriptions and publications		11,695	7,075
Clearing charges (NIFT)		11,532	7,641
Others		47,639	32,450
		1,314,947	1,075,033

26.1 The detail of donations in excess of Rupees One hundred thousand is given below:

Shaukat Khanum Memorial Hospital and Research Centre	125	100
Habib Medical Trust	925	1,050
Jinnah Foundation (Memorial) Trust	200	200
Rahmatbai Habib Widows & Orphans Trust	900	400
Habib Poor Fund	900	400
The Kidney Centre	100	100
Rahmatbai Habib Food & Clothing Trust	900	300
Aga Khan University Hospital Oncology Department	–	500
Layton Rehmatullah Benevolent Trust	100	100
Bait-ul-Sukoon Trust	125	100
Hussaini Blood Bank	500	100
Habib Education Trust	900	900
Idia Rieu Poor Welfare Association	–	100
The Society for the Prevention and Cure of Blindness	125	100
Al-Sayyeda Benevolent Trust	925	1,400
Aga Khan Hospital & Medical College Foundation	650	–

None of the directors or their spouse had any interest in the above donees.



		2004	2003
		(Rupees in '000)	
26.2	Auditors' remuneration		
	Audit fee	500	275
	Fee for half yearly review, audit of provident and gratuity fund, special certifications and sundry advisory services	200	25
	Out of pocket expenses	60	-
		760	300
27.	OTHER ASSETS WRITTEN OFF		
	This pertained to excise duty on security stationery written off in the year 2003, since it was not recoverable as per notification of Central Board of Revenue.		
		2004	2003
		(Rupees in '000)	
28.	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	753	787
29.	TAXATION		
	For the year		
	- Current	29.1	345,064
	- Deferred		589,932
			(17,834)
		398,168	572,098
	For the prior year		
	- Current	29.2	100,000
	- Deferred		-
			(91,488)
		100,000	20,073
		498,168	(71,415)
		498,168	500,683
29.1	Relationship between tax expense and accounting profit		
	Profit before taxation	1,039,179	1,512,992
	Tax at the applicable rate of 41% (2003: 44%)	426,063	665,716
	Tax effect of:		
	- Expenses that are not deductible in determining taxable Income	38,551	8,800
	- Dividend income taxed at reduced rate	(5,844)	(9,951)
	- Capital gain on sale of quoted shares being exempt from tax	(25,454)	(49,794)
	- Capital gain on sale of Government Securities held beyond twelve months	-	(47,259)
	- General provision against advances	(12,300)	44,000
	- Prior year provision for taxation	100,000	(91,488)
	- Others	(22,848)	(19,341)
		498,168	500,683
29.2	This represents tax provided against income from sale of government securities previously treated as capital gain exempt from tax and against cost allocation in respect of capital gain and dividend income.		



	2004	2003	(Rupees in '000)	
30. EARNINGS PER SHARE - BASIC AND DILUTED				
Profit for the year	541,011	1,012,309		
Weighted average number of ordinary shares	135,253,940	135,253,940		
Basic and diluted net earnings per share	Rs. 4.00	Rs. 7.48		
31. CASH AND CASH EQUIVALENTS				
Cash and Balance with Treasury Banks	6,239,421	6,110,710		
Balance with other banks	4,287,685	544,554		
	10,527,106	6,655,264		
32. PRO FORMA INFORMATION				
	2004	2003	Proforma	
			2004	2003
			(Restated)	
			(Rupees in '000)	
32.1 Statement of unappropriated profit				
Opening unappropriated profit as previously reported	44,928	16,330	44,928	16,330
Change in accounting policy for dividends	-	-	108,203	-
Opening unappropriated profit as restated	44,928	16,330	153,131	16,330
Profit for the year	541,011	1,012,309	541,011	1,012,309
Transfer from surplus on revaluation of fixed assets - current year net of tax	7,367	-	7,367	-
Transfer to statutory reserve	(108,202)	(205,000)	(108,202)	(205,000)
Transfer to general reserve	-	(400,000)	-	(400,000)
Reserve for proposed issue of bonus shares	(473,389)	(270,508)	(473,389)	(270,508)
Dividends	-	(108,203)	(108,203)	-
Closing unappropriated profit	11,715	44,928	11,715	153,131
32.1 Extract of balance sheet				
Other liabilities	336,700	365,095	336,700	256,892



33. STAFF STRENGTH

	2004	2003
	(Number)	
Total number of employees at the end of the year	<u>1,462</u>	<u>1,253</u>

34. DEFINED BENEFIT PENSION PLAN - EMPLOYEES' GRATUITY FUND

34.1 General description

The benefits under the gratuity scheme are payable on retirement at the age of 60 or on earlier cessation of service as under:

Number of years of eligible service completed:	Amount of gratuity payable:
– Less than 5 years	Nil
– 5 years or more but less than 10 years	1/3rd of basic salary for each year served
– 10 years or more but less than 15 years	2/3rd of basic salary for each year served
– 15 years or more	Full basic salary for each year served.

34.2 Principal actuarial assumptions

The last actuarial valuation of the scheme was carried out on 31 December 2004 and the key assumptions used for actuarial valuation were as follows:

	2004	2003
Discount rate	8% p.a.	6% p.a.
Expected rate of increase in salary in future years	7% p.a.	5% p.a.
Expected rate of return on plan assets	8% p.a.	6% p.a.
Withdrawal rate before normal retirement age	Moderate	Moderate

2004 2003
(Rupees in '000)

34.3 Reconciliation of payable to defined benefit plan

Present value of defined benefit obligations	80,524	54,749
Fair value of plan assets	(54,399)	(43,616)
Net actuarial losses not recognized	(26,125)	(11,133)
	<u>–</u>	<u>–</u>

34.4 Movement in payable to defined benefit plan

Opening Balance	–	–
Charge for the year	9,333	6,722
Contribution to the fund during the year	(9,333)	(6,722)
	<u>–</u>	<u>–</u>



	2004	2003
	(Rupees in '000)	
34.5 Charge for defined benefit plan		
Current service cost	8,292	6,122
Interest cost	3,467	3,893
Expected return on plan assets	(2,830)	(3,293)
Amortization of actuarial losses	404	–
	<u>9,333</u>	<u>6,722</u>
34.6 Actual return on plan assets	<u>2,921</u>	<u>3,017</u>

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	(Rupees in '000)					
	Chief Executive		Directors		*Executives	
	2004	2003	2004	2003	2004	2003
Managerial remuneration	3,600	2,400	2,150	2,000	56,889	33,261
Contribution to provident fund	360	240	215	140	4,194	2,558
Charge for defined benefit plan	146	93	87	78	2,306	1,290
Rent and house maintenance	1,440	960	860	800	22,756	13,304
Utilities	773	698	215	200	5,689	3,326
Bonus	667	400	400	333	8,834	5,546
Medical	34	70	49	40	1,613	980
Others	–	–	–	–	1,034	684
	<u>7,020</u>	<u>4,861</u>	<u>3,976</u>	<u>3,591</u>	<u>103,315</u>	<u>60,949</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>67</u>	<u>40</u>

The Chief Executive, Directors and Executives are also provided with company maintained cars and chauffeurs.

* Executives mean employees, other than the Chief Executive and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.



36. MATURITIES OF ASSETS AND LIABILITIES

(Rupees in '000)

	2004				
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
Assets					
Cash and balances with treasury banks	6,239,421	6,239,421	–	–	–
Balances with other banks	4,287,685	4,285,185	2,500	–	–
Lendings to financial institutions	2,471,000	2,471,000	–	–	–
Investments	14,413,794	7,106,475	1,057,631	3,492,308	2,757,380
Advances	47,366,953	14,872,481	24,190,390	6,773,124	1,530,958
Other assets	1,130,340	722,330	152,632	107,012	148,366
Operating fixed assets	1,526,360	10,134	31,830	140,975	1,343,421
	77,435,553	35,707,026	25,434,983	10,513,419	5,780,125
Liabilities					
Bills payable	1,344,637	1,344,637	–	–	–
Borrowings from financial institutions	7,975,185	5,141,817	2,833,368	–	–
Deposits and other accounts*	62,170,628	59,287,449	2,167,752	706,635	8,792
Sub-ordinated loan - TFCs	1,350,000	270	270	2,700	1,346,760
Liabilities against assets subject to finance lease	138,395	8,033	25,303	105,059	–
Other liabilities	336,700	312,209	18,466	–	6,025
Deferred tax liabilities	295,596	–	–	–	295,596
	73,611,141	66,094,415	5,045,159	814,394	1,657,173
	3,824,412	(30,387,389)	20,389,824	9,699,025	4,122,952
Net Assets					
Share capital	1,352,539				
Reserves	1,910,091				
Unappropriated profit	11,715				
Surplus / (deficit) on revaluation of assets	550,067				
	3,824,412				

* Savings deposits, treasurers' call and current deposits have been reported under three months maturity. However, they are not expected to be payable within three months period.

36.1 Liquidity risk reflects a bank's inability in raising funds to meet its commitments. The Bank's liquidity position is managed by the Asset Liability Management Committee (ALCO) which monitors liquidity ratios, depositors concentration, fund management and liquidity contingency plan.



37. YIELD / INTEREST RATE RISK

The bank's yield / interest rate sensitivity position, based on the earlier of contractual re-pricing or maturity date, is as follows:

(Rupees in '000)

	Effective Yield/ Interest Rate	Total	Exposed to Yield / Interest rate risk				Not exposed to Yield/ Interest rate Risk
			Upto 3 months	Over 3 months to one year	Over 1 year to 5 years	Over 5 years	
On-balance sheet financial Instruments							
Assets							
Cash and balances with treasury banks	1.29%	6,239,421	6,239,421	-	-	-	-
Balances with other banks	1.57%	4,287,685	4,285,185	2,500	-	-	-
Lendings to financial institutions	3.60%	2,471,000	2,471,000	-	-	-	-
Investments	5.23%	14,413,794	7,106,475	1,057,631	2,884,704	2,734,342	630,642
Advances	4.65%	47,366,953	14,872,481	24,190,390	6,773,124	1,530,958	-
Other assets	-	719,598	-	-	-	-	719,598
		75,498,451	34,974,562	25,250,521	9,657,828	4,265,300	1,350,240
Liabilities							
Bills payable	-	1,344,637	-	-	-	-	1,344,637
Borrowings from financial institutions	2.60%	7,975,185	5,141,817	2,833,368	-	-	-
Deposits and other accounts	1.55%	62,170,628	39,154,981	2,167,752	706,635	8,792	20,132,468
Sub-ordinated loan - TFCs	4.47%	1,350,000	270	270	2,700	1,346,760	-
Liabilities against assets subject to finance lease	10.00%	138,395	8,033	25,303	105,059	-	-
Other Liabilities	-	305,759	-	-	-	-	305,759
		73,284,604	44,305,101	5,026,693	814,394	1,355,552	21,782,864
On-balance sheet gap		2,213,847	(9,330,539)	20,223,828	8,843,434	2,909,748	(20,432,624)
Total yield / interest risk sensitivity gap			(9,330,539)	20,223,828	8,843,434	2,909,748	
Cumulative yield / interest risk sensitivity gap				10,893,289	19,736,723	22,646,471	
Off-balance sheet financial Instruments							
Commitments to extend credit	7.00%	400,000	-	-	-	400,000	-

37.1 The interest rate risk arises from the fluctuation in the value of financial instrument consequent to the changes in market interest rates. The Bank's interest rates exposure comprises those originating from investing and lending activities. The Asset Liability Management Committee (ALCO) monitors and manages the interest rates risk with the objective of limiting the potential adverse effects on the profitability of the Bank arising from fluctuation in the market interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands.



38. CURRENCY RISK

(Rupees in '000)

	2004			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupee	66,685,312	66,905,787	2,560,915	2,340,440
United States Dollar	8,298,727	5,792,314	(2,589,061)	(82,648)
Great Britain Pound	95,063	312,116	221,408	4,355
Japanese Yen	41,572	21	(42,717)	(1,166)
Euro	319,089	274,366	(147,642)	(102,919)
Other Currencies	58,688	-	(2,903)	55,785
	<u>75,498,451</u>	<u>73,284,604</u>	<u>-</u>	<u>2,213,847</u>

38.1 Currency risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank's foreign exchange exposure comprises of forward contracts, purchase of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency deposits and foreign currency placements with State Bank of Pakistan and other banks. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position is managed within the statutory limits as fixed by the State Bank of Pakistan. Counter party limits are also fixed to limit risk concentration.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2004		2003	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
On-balance sheet financial instruments				
Assets				
Cash and balances with treasury bank	6,239,421	6,239,421	6,110,710	6,110,710
Balances with other banks	4,287,685	4,287,685	544,554	544,554
Lendings to financial institutions	2,471,000	2,471,000	469,626	469,626
Investments	14,413,794	14,436,893	14,109,215	14,109,215
Advances	47,366,953	47,366,953	35,231,514	35,231,514
Other assets	719,598	719,598	486,187	486,187
	<u>75,498,451</u>	<u>75,521,550</u>	<u>56,951,806</u>	<u>56,951,806</u>
Liabilities				
Bills payable	1,344,637	1,344,637	1,224,757	1,224,757
Borrowings from financial institutions	7,975,185	7,975,185	6,790,674	6,790,674
Deposits and other accounts	62,170,628	62,170,628	46,178,048	46,178,048
Sub-ordinated loan - TFCs	1,350,000	1,350,000	-	-
Liabilities against assets subject to finance lease	138,395	138,395	-	-
Other liabilities	305,759	305,759	356,438	356,438
	<u>73,284,604</u>	<u>73,284,604</u>	<u>54,549,917</u>	<u>54,549,917</u>
Off-balance sheet financial instruments				
Forward purchase of foreign exchange	3,361,224	3,384,002	4,341,061	4,389,335
Forward sale of foreign exchange	5,922,139	5,922,875	5,470,271	5,512,238



Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of quoted investments is based on quoted market price. Fair value of unquoted equity investments is determined on the bases of break-up value of these investments as per the latest available audited financial statements. In the opinion of management, the fair value of the remaining financial assets and liabilities are not significantly different from their book value since assets and liabilities are either short term in nature or frequently re-priced, except for fixed term advances of over one year, staff loans and fixed term deposits of over one year.

In the opinion of management, the fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities.

40. CONCENTRATION OF CREDIT AND DEPOSITS

Credit Risk

Credit Risk is defined as the risk that parties with whom the bank has entered into agreements do not fulfill their obligations to the Bank and that any collateral deposited does not cover the Bank's receivable claims. The Bank mitigates credit risk by monitoring credit exposures by continuously assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities or in the same geographical region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. The Bank's major credit is concentrated in the textile sector which includes export of raw-cotton, ginning, spinning, textile made ups etc. which is adequately collateralized.

40.1 Segment by class of business

	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Chemical and Pharmaceuticals	367,685	0.77	1,870,681	3.01	453,980	2.50
Agribusiness	177,991	0.38	242,041	0.39	236,155	1.30
Textile	22,694,207	47.84	903,457	1.45	5,303,177	29.25
Cement	71,319	0.15	17,128	0.03	214,475	1.18
Sugar	270,904	0.57	167,679	0.27	30,648	0.17
Shoes and leather garments	993,694	2.09	77,409	0.13	266,759	1.47
Automobile and transportation equipment	192,486	0.41	926,740	1.49	2,117,089	11.68
Financial	290,024	0.61	465,796	0.75	346	—
Insurance	—	—	435,969	0.70	—	—
Electronics and electrical appliances	108,431	0.23	36,162	0.06	539,631	2.98
Production and transmission of energy	79,955	0.17	2,277,045	3.66	1,403,221	7.74
Commerce and trade	5,049,940	10.64	2,708,872	4.36	1,278,791	7.05
Manufacturing	2,939,928	6.20	310,543	0.50	435,449	2.40
Oil refinery	1,742,016	3.67	3,004,133	4.83	954,679	5.27
Iron and steel	421,687	0.89	2,185,149	3.51	1,376,850	7.59
Individuals	4,747,212	10.01	32,379,226	52.08	71,238	0.39
Others	7,289,474	15.37	14,162,598	22.78	3,451,020	19.03
	<u>47,436,953</u>	<u>100.00</u>	<u>62,170,628</u>	<u>100.00</u>	<u>18,133,508</u>	<u>100.00</u>
General provision	(70,000)					
	<u>47,366,953</u>					

All other business classes are less than ten percent of the total exposure.



40.2. Segment by sector

	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	2,042,077	4.30	9,483,117	15.25	3,024,329	16.68
Private	45,394,876	95.70	52,687,511	84.75	15,109,179	83.32
	<u>47,436,953</u>	<u>100.00</u>	<u>62,170,628</u>	<u>100.00</u>	<u>18,133,508</u>	<u>100.00</u>
General provision	(70,000)					
	<u>47,366,953</u>					

41. GEOGRAPHICAL SEGMENT ANALYSIS

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

42. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

The bank continues to have a policy whereby all transactions with related parties are entered into an arm's length prices using the comparable uncontrolled price method except dividends which have been approved in the Annual General Meeting.

Transactions with related parties, other than those under the terms of employment, are summarized as follows:

	2004	2003
	(Rupees in '000)	
Advances given during the year	160,951	276,273
Advances repaid during the year	172,482	296,089
Advances (at year end)	260,000	271,531
Deposits (at year end)	225,735	331,460
Mark-up / Interest expensed	5,263	11,827
Mark-up / interest earned / bank charges recovered	7,540	17,809
Insurance premium paid	38,638	35,482
Insurance claims received	4,883	7,779
Dividend income on investment	2,004	–
Dividend paid	12,958	–
Guarantees	–	11,689

The nature of related parties of the above transactions was due to their ability to exercise significant influence. Significant influence arose on account of representation of directors on the Board of the Bank and their ability to participate in policy making process.

The lending policy in case of related parties has been consistent with that of the Bank's overall credit policy and in line with the SBP's Prudential Regulations.



43. GENERAL

43.1 Figures have been rounded off to the nearest thousand rupees except stated otherwise.

43.2 Captions, as prescribed by BSD Circular No. 36 dated 10 October 2001 issued by the State Bank of Pakistan, in respect of which there are no amounts have not been reproduced in these financial statements.

43.3 Figures have been re-arranged and reclassified wherever necessary for comparison purpose.

44. DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors meeting held on 01 March 2005.

ALI RAZA D. HABIB
Chairman

ABBAS D. HABIB
*Chief Executive and
Managing Director*

ANWAR HAJI KARIM
Director

FAIZ N. ABDULALI
Director



Annexure-1

**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.)	Father's/ Husband's Name	Outstanding Liabilities at beginning of 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.	M/s Hyderi Steel Industries F/113, S.I.T.E., Karachi	Ms. Shabnam Roshan Ali Premjee (Director) (NIC No. 517-45-347336) Mr. Abbas Premjee (Director) (NIC No. 517-93-472702) Mr. Aqeel Premjee (Director) (NIC No. 517-64-347337)	Mr. Roshan Ali Premjee Mr. Roshan Ali Premjee Mr. Roshan Ali Premjee	83,045	12,222	-	95,267	30,045	12,222	-	42,267
2.	M/s Lotus Textile Industries Limited, F/167, S.I.T.E. Karachi.	Ms. Shabnam Roshan Ali Premjee (Director) (NIC No. 517-45-347336) Mr. Abbas Premjee (Director) (NIC No. 517-93-472702) Mr. Aqeel Premjee (Director) (NIC No. 517-64-347337)	Mr. Roshan Ali Premjee Mr. Roshan Ali Premjee Mr. Roshan Ali Premjee	203,952	21,849	-	225,801	93,952	21,849	-	115,801
3.	M/s Sana Enterprises 163-N, Block 3, P.E.C.H.S., Karachi.	Mr. Murtaza Waliji (Sole Proprietor) (NIC No. 516-69-108492)	Mr. Hassan Waliji	627	-	-	627	607	-	-	607
4.	M/s Elite Marketing Ikhlas Building Jinnah Road Faisalabad	Mr. Ajmal Ikhlas (Chief Executive) (NIC No. 246-42-041168) Mrs. Shahida Ajmal (Director) (NIC No. 246-45-041167) Mr. Imamat Ajmal (Director) (NIC No. 246-42-041169) Mr. Taimoor Ajmal (Director) (NIC No. 246-42-041170)	Mr. Mohammad Ikhlas Mr. Ajmal Ikhlas Mr. Ajmal Ikhlas Mr. Ajmal Ikhlas	9,998	2,065	-	12,063	2,748	2,065	-	4,813
5.	M/s Master Import & Export, House No. 489 Ward No. 8-M-Ext. Multan	Mr. Mohammad Iqbal Javed (Partner) (NIC No. 322-43-712530) Mrs. Arshad Mehmood (Partner) (NIC No. 322-49-584509)	Mr. Mohammad Shafi Mr. Mohammad Shafi	515	227	-	742	-	117	-	117
			Total	298,137	36,363	-	334,500	127,352	36,253	-	163,605

Note 1: The amount of principal written off was against the specific provision held by the bank.

Note 2: Interest / mark-up written off was against suspended mark-up.



Notice of Annual General Meeting

Notice is hereby given that the Fourteenth Annual General meeting of Bank AL Habib Limited will be held at the Registered Office of the Bank located at 126-C, Old Bahawalpur Road, Multan, on Tuesday, March 29, 2005 at 12:00 noon to transact the following Business:

1. To confirm the minutes of the Thirteenth Annual General Meeting of the Bank held on March 30, 2004.
2. To receive and adopt the audited accounts of the Bank for the year ended December 31, 2004 together with the Directors' and Auditors' Report thereon.
3. 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. 473,388,300 (Rupees four hundred seventy three million three hundred eighty eight thousand three hundred only) out of the un-appropriated profit be capitalized and distributed by issuing 47,338,830 fully paid ordinary shares of Rs. 10 each as bonus shares in the proportion of thirty five shares for every hundred shares held, to those members whose names appear in the register of members as at the close of business on March 22, 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 respect with the existing shares of the Bank.

FURTHER RESOLVED that the Directors be and are hereby authorized to consolidate all fractions of bonus shares and sell in the Stock Market and pay the proceeds of sale when realized to a charitable trust.

FURTHER RESOLVED that the Directors be and are hereby authorized 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 47,338,830 shares."

4. To appoint Auditors for the year 2005 and to fix their remuneration. Messrs. Taseer Hadi Khalid & Company, Chartered Accountants, being eligible offer themselves for reappointment.
5. To consider any other business of the Bank with the permission of the Chair.

Special Business

6. To consider the recommendation of the Board of Directors to place quarterly accounts of the Bank on its website instead of circulating the same by post to the shareholders as allowed by the Securities and Exchange Commission of Pakistan vide its Circular No. 19 of 2004 dated April 14, 2004.

By order of the Board

Karachi: March 1, 2005.

MAHMOOD S. ALLARAKHIA
Company Secretary



Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy must be a member of the Bank. Proxy forms in order to be effective, must be received at the Registered Office of the bank located at 126-C, Old Bahawalpur Road, Multan, duly stamped and signed not less than 48 hours before the meeting.
2. The CDC accounts/sub account holders are requested to bring with them their National ID Cards along with Participant(s) ID Number and their account numbers at the time of attending the AGM in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.
3. The share transfer books of the Bank will remain closed from Wednesday, March 23, 2005 to Thursday, March 31, 2005, both days inclusive. The Shares Department of the Bank is located at 217, Cotton Exchange Building, I.I. Chundrigar Road, Karachi.
4. Members are requested to promptly communicate to the Bank any change in their address.
5. For item No. 6 a statement under section 160 of the Companies Ordinance, 1984 is annexed on Page 52.



Statement Under Section 160 of the Companies Ordinance, 1984

March 1, 2005

To all Members of the Bank

The Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 19 of April 14, 2004 has allowed listed companies to place their quarterly accounts on their website instead of sending the same to each shareholder by post. After obtaining prior permission of SECP and complying with the conditions stated in the above mentioned circular, the Bank's quarterly accounts will be available on the following website:

www.bankalhabib.com

For the said purpose, the Directors propose the following resolution:

“RESLOVED that the Bank be and is hereby authorized to place its quarterly accounts on its website instead of sending the same to members by post after complying with the directives of SECP as mentioned in Circular No. 19 dated April 14, 2004, as allowed by the Securities and Exchange Commission of Pakistan”.

MAHMOOD S. ALLARAKHIA
Company Secretary



Pattern of Shareholding as at December 31, 2004

Number of Shareholders	Size of Shareholding				Total Shares held
344	From	1	To	100	15,329
1,325	From	101	To	500	437,965
384	From	501	To	1,000	301,826
2,654	From	1,001	To	5,000	6,137,782
183	From	5,001	To	10,000	1,387,657
76	From	10,001	To	15,000	947,393
39	From	15,001	To	20,000	676,617
48	From	20,001	To	25,000	1,090,952
13	From	25,001	To	30,000	364,533
17	From	30,001	To	35,000	543,299
16	From	35,001	To	40,000	613,773
65	From	40,001	To	50,000	2,925,394
25	From	50,001	To	60,000	1,397,270
27	From	60,001	To	80,000	1,830,920
19	From	80,001	To	100,000	1,741,502
42	From	100,001	To	150,000	5,382,891
15	From	150,001	To	200,000	2,660,475
10	From	200,001	To	250,000	2,166,496
6	From	250,001	To	300,000	1,613,668
2	From	300,001	To	350,000	665,203
23	From	350,001	To	600,000	11,400,972
10	From	600,001	To	1,000,000	7,668,822
29	From	1,000,001	To	23,730,000	83,283,061
5,372					135,253,800

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage
Individuals	5,253	82,143,389	60.73
Investment Companies	3	6,854	0.01
Insurance Companies	5	10,742,355	7.94
Joint Stock Companies	78	11,202,116	8.28
Financial Institutions	12	24,242,504	17.92
Modaraba Companies	4	3,255,010	2.41
Mutual Funds	1	14,637	0.01
Foreign Companies	6	2,849,909	2.11
Others	10	797,026	0.59
TOTAL	5,372	135,253,800	100.00



Pattern of Shareholding as at December 31, 2004

Additional Information

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Company		
Habib Sugar Mills Ltd.	1	2,249,720
NIT and ICP		
National Investment Trust		
National Bank of Pakistan Trustee Department	1	23,728,856
Investment Corporation of Pakistan	1	229
Directors		
Ali Raza D. Habib	1	1,266,422
Faiz N. Abdulali	1	1,625,000
Qumail R. Habib	1	1,775,293
Anwar Haji Karim	1	1,502,820
Tariq Iqbal Khan (NIT Nominee)	—	—
Murtaza H. Habib	1	1,413,760
Syed Mazhar Abbas	1	2,250
Hasnain A. Habib	1	2,142,657
Imtiaz Alam Hanfi	1	625
Chief Executive Officer		
Abbas D. Habib	1	4,550,910
Directors' Spouses and Minor Children		
Mrs. Razia A. Raza Habib W/o. Mr. Ali Raza D. Habib	1	563,556
Mrs. Niamet Fatima W/o. Mr. Abbas D. Habib	1	563,556
Master Qasim Abbas Habib S/o. Mr. Abbas D. Habib (Joint A/c)	1	112,708
Executives	7	37,492
Banks, Development Financial Institutions, Insurance Companies, Investment Companies, Non-Banking Financial Institutions, Modarabas and Mutual Funds	23	14,532,275
Joint Stock Companies and Corporations	77	8,952,396
Individuals	5,234	66,586,340
Others	16	3,646,935
	5,372	135,253,800



Branch Network

KARACHI

MAIN BRANCH

Mackinnons Building, I.I. Chundrigar Road.
Phones : (92-21) 2412986 & 111-786-110
Fax : (92-21) 2425423 & 2412028
Telex : 21286 ALHAB PK

SHAHRAH-E-FAISAL BRANCH

19-1-A, Block 6, P.E.C.H.S.,
Shahrah-e-Faisal.
Phones : (92-21) 4544383-87
Fax : (92-21) 4530143

GULSHAN-E-IQBAL BRANCH

B-39, Al-Shams Centre, Block 13-A,
University Road, Gulshan-e-Iqbal.
Phones : (92-21) 4989162-63
Fax : (92-21) 4989164

ZAMZAMA BRANCH

16-C, Commercial Lane 3, Phase V,
Zamzama Boulevard, D.H.A.
Phones : (92-21) 5863986, 5861804
Fax : (92-21) 5863914

S.I.T.E., BRANCH

B/76, S. S. Chambers, S.I.T.E.,
Phones : (92-21) 2571710 -11 & 2571521
Fax : (92-21) 2571522

BAHADURABAD BRANCH

Central Commercial Area, B.C.H.S.,
Bahadurabad.
Phones : (92-21) 4915803-5
Fax : (92-21) 4915802

M.A. JINNAH ROAD BRANCH

Godrej Kandawalla Building,
M.A. Jinnah Road.
Phones : (92-21) 2228494, 2228458
Fax : (92-21) 2228450

CLOTH MARKET BRANCH

Ground Floor, Lotus Manzil, BR-2,
New Neham Road, Cloth Market.
Phones : (92-21) 2401301-4
Fax : (92-21) 2401300

KARACHI STOCK EXCHANGE BRANCH

Room No. 4-6, Stock Exchange Building,
Stock Exchange Road.
Phones : (92-21) 2401516-19
Fax : (92-21) 2401520

JODIA BAZAR BRANCH

MR-1/16, Ram Bharti Street,
Market Quarter, Jodia Bazar.
Phones : (92-21) 2446451-5
Fax : (92-21) 2473390

NAPIER ROAD BRANCH

2-A, Ground Floor, Yousufi Manzil,
North Napier Road.
Phones : (92-21) 2731496, 2771321 & 2771218
Fax : (92-21) 2771187

CLIFTON BRANCH

Shaheen Centre, Block-7,
K.D.A. Scheme No. 5, Clifton.
Phones : (92-21) 5821882-4
Fax : (92-21) 5821885

FEDERAL 'B' AREA BRANCH

ST. 4/A-2, Block-20,
Al-Noor Society, F.B. Area.
Phones : (92-21) 6345611, 6345651 & 6345663
Fax : (92-21) 6349879

NEW CHALLI BRANCH

Haji Adam Chambers,
Altaf Hussain Road.
Phones : (92-21) 2410526, 2410876 & 2410917
Fax : (92-21) 2411048

GULISTAN-E-JAUHAR BRANCH

Shahlimar Shopping Centre,
Block-17, Gulistan-e-Jauhar.
Phones : (92-21) 4010921-22
Fax : (92-21) 4010911

KORANGI ROAD BRANCH

Speedy Towers Plot No. 131/1
Phase-I, Defence Housing Authority.
Phones : (92-21) 5386797-99
Fax : (92-21) 5386796

NORTH KARACHI INDUSTRIAL AREA BRANCH

Nimra Corner, ST-3, Sector 12-A,
North Karachi.
Phones : (92-21) 6954196-98
Fax : (92-21) 6954187

TIMBER MARKET BRANCH

Plot No. E-III-2, S-34, Siddiq Wahab Road,
Phones : (92-21) 2762776, 2762778 & 2762784
Fax : (92-21) 2762730

MUHAMMAD ALI HOUSING SOCIETY BRANCH

Block No. 7 & 8, Plot No. Z-130-131,
Kathiawar Co-Operative Housing Society,
Adamjee Nagar, Karachi.
Phones : (92-21) 4533620-22
Fax : (92-21) 4533618

GULSHAN CHOWRANGI BRANCH

Plot No. FL-3, Block No. 3,
KDA Scheme No. 24, Gulshan-e-Iqbal.
Phones : (92-21) 4811971-3
Fax : (92-21) 4985045

KHYABAN-E-SHAMSHER BRANCH

Plot No. 2-C, Stadium Lane No. 4,
Phase V, Defence Housing Authority.
Phones : (92-21) 5846277-79
Fax : (92-21) 5846179

ALLAMA IQBAL ROAD BRANCH

86-S, Block-2, Raja Terrace,
P.E.C.H.S.
Phones : (92-21) 4384661-4
Fax : (92-21) 4384665

BARKAT-E-HYDARI BRANCH

Al-Burhan Arcade, Block-E,
North Nazimabad.
Phones : (92-21) 6670115, 6631793-94
Fax : (92-21) 6670116

PAKISTAN CHOWK BRANCH

Shop No. 1, Chandna Manzil,
Kutchery Road.
Phones : (92-21) 2212352-54
Fax : (92-21) 2212350

Registered Office and Head Office
126-C, Old Bahawalpur Road, Multan. Phones: (92-61) 580314-16, 544539 & 111-786-110
Fax: (92-61) 582471 Telex: 42336 ALHML PK



Branch Network

LEA MARKET BRANCH

Shop No. 1, Plot No. N.P 6/30-31,
Zulikha Mansion, Napier Town Quarters.
Phones : (92-21) 2540846-47, 2520684
Fax : (92-21) 2540848

NEW SABZI MANDI BRANCH

Administration Block, New Sabzi Mandi
Super Highway.
Phones : (92-21) 6380840-43
Fax : (92-21) 6380844

WATER PUMP BRANCH

C-21, Block-13, Federal "B" Area,
Shahrah-e-Pakistan.
Phones : (92-21) 6369125, 6369114-15
Fax : (92-21) 6369216

FATIMA JINNAH COLONY BRANCH

6, Ruby Appartments, Jamshed Quarters,
Phones : (92-21) 4854529, 4854548 & 4854560
Fax : (92-21) 4854542

MALIR HALT BRANCH

Plot No. 157, Malir Halt, Opp. Malir Halt
Railway Station, Shahrah-e-Faisal, Karachi.
Phones : (92-21) 4599591-3 & 4599611-2
Fax : (92-21) 4599613

PAKISTAN STEEL MILLS BRANCH

Pipri Bin Qasim, Karachi.
Phones : (92-21) 4750617
Fax : (92-21) 4750618

RIZVIA SOCIETY BRANCH

D-9, Ishrat Arcade, Rizvia Co-operative
Housing Society, Nazimabad, Karachi.
Phones : (92-21) 6607992-95
Fax : (92-21) 6607996

KORANGI INDUSTRIAL AREA BRANCH

Plot No. ST 2/2, Sector-23,
Korangi Town Ship, Karachi.
Phones : (92-21) 5074492-95
Fax : (92-21) 5074496

SADDAR BRANCH

Saddar Bazar Shop No. 4-6, Bukhara Centre,
Raja Ghazanfar Ali Khan Road, Saddar,
Phones : (92-21) 5658032-35
Fax : (92-21) 5658030

SHERSHAH BRANCH

Shop No. 27-30, Plot No. D-283,
Shershah, S.I.T.E., Area,
Phones : (92-21) 2586241-44
Fax : (92-21) 2586246

EXPORT PROCESSING ZONE

W/1, & 2, Sector B-III,
Export Processing Zone, Landhi Industrial Area
Phone : 5084832
Fax : (92-21) 5084833

LAHORE

MAIN BRANCH

87, Shahrah-e-Quaid-e-Azam.
Phones : (92-42) 6305042-45 & 111-786-110
Fax : (92-42) 6368864 & 6305046
Telex : 44610 BAHLR PK

NEW GARDEN TOWN BRANCH

Awami Complex, 1-4 Usman Block,
Front Block V, New Garden Town.
Phones : (92-42) 5869366-69
Fax : (92-42) 5869370

GULBERG BRANCH

3-E, Block E, Ground Floor,
Main Market, Gulberg II.
Phones : (92-42) 5762502 & 5754586
Fax : (92-42) 5762501

SHAHALAM MARKET BRANCH

Hilal-e-Ahmar Health Complex
2, Queens Road, Shahalam Gate.
Phones : (92-42) 7670496 & 7670498
Fax : (92-42) 7670510

PECO ROAD BRANCH

897-898, Block-D,
Maulana Shaukat Ali Road, Faisal Town.
Phones : (92-42) 5175169 & 5175430-31
Fax : (92-42) 5175427

CIRCULAR ROAD BRANCH

51, S.E. Vohra Building, Outside Akbari Gate,
Circular Road, Lahore.
Phones : (92-42) 7670671-73
Fax : (92-42) 7670674

ICCHRA BRANCH

144, Main Ferozepur Road, Icchra.
Phones : (92-42) 7569982-3, 7569923
Fax : (92-42) 7569924

DEFENCE BRANCH

82-Y Commercial, Phase III, D.H.A.
Phones : (92-42) 5894113-5894116
Fax : (92-42) 5893303

AZAM CLOTH MARKET BRANCH

1-Kamla Centre, Ittehad Bazar,
Punjab Block, Azam Cloth Market.
Phones : (92-42) 7672913-15
Fax : (92-42) 7672916

NEW ANARKALI BRANCH

1-A, New Anarkali, First Floor,
Tariq Trade Centre, Chowk Lohari Gate.
Phones : (92-42) 7674248-50
Fax : (92-42) 7674252

ALLAMA IQBAL TOWN BRANCH

7-Chenab Block, Main Boulevard,
Allama Iqbal Town.
Phones : (92-42) 5430918-20
Fax : (92-42) 5430921

BADAMI BAGH BRANCH

92-Grain Market, Badami Bagh.
Phones : (92-42) 7708002-4
Fax : (92-42) 7708005

LAHORE STOCK EXCHANGE BRANCH

Room No. 112, 1st Floor,
Stock Exchange Building,
19, Khayaban-e-Iqbal.
Phones : 6300125-27
Fax : (92-42) 6300125

MULTAN

MAIN BRANCH

126-C, Old Bahawalpur Road.
Phones : (92-61) 544539 & 111-786-110
Fax : (92-61) 582471
Telex : 42336 ALHML PK



Branch Network

HUSSAIN AGAHI ROAD BRANCH

Lohari Gate Shopping Centre,
Hussain Agahi Road.
Phones : (92-61) 513893 & 513577
Fax : (92-61) 513793

GHALLA MANDI BRANCH

135/C, Ghalla Mandi, Vehari Road.
Phones : (92-61) 232627-28
Fax : (92-61) 232629

FAISALABAD

Bank Square, Outside Kutchery Bazar.
Phones : (92-41) 637301-3 & 111-786-110
Fax : (92-41) 614266
Telex : 43528 ALHAB PK

BUREWALA

67/F Vehari Road, Burewala
Phones : (92-447) 772531-33
Fax : (92-447) 772534

SIALKOT

Paris Road.
Phones : (92-432) 597064 & 111-786-110
Fax : (92-432) 592747
Telex : 46426 ALHAB PK

SHEIKHUPURA

B-IX-64-95/A, Sarghoda Road,
Near Sharif Plaza.
Phones : (92-4931) 612906 & 111-786-110
Fax : (92-4931) 612877

SAHIWAL

271, Block-2, High Street (Jinnah Road).
Phones : (92-441) 66021 & 67021
Fax : (92-441) 64031

SADIQABAD

Plot No. 24, Allama Iqbal Road.
Phones : (92-702) 81101, 81102 & 81103
Fax : (92-702) 81104

RAHIM YAR KHAN

Shahi Road.
Phones : (92-731) 84557 & 84508-9
Fax : (92-731) 84503

KHANPUR

Plot No. 8/9, Model Town Road, Khanpur,
Distt Rahim Yar Khan.
Phones : (92-707) 76702-3
Fax : (92-707) 76704

ISLAMABAD

MAIN BRANCH

90-91, Razia Sharif Plaza,
Jinnah Avenue, Blue Area.
Phones : (92-51) 2270883-4 & 111-786-110
Fax : (92-51) 2270885
Telex : 54726 BAHID PK

F-10 MARKAZ BRANCH

F-10 Markaz.
Phones : (92-51) 2297758-2213482
Fax : (92-51) 2296895

RAWALPINDI

CANTT BRANCH

40/3, Jhanzeb Centre, Bank Road,
Rawalpindi Cantt.
Phones : (92-51) 5519936-38
Fax : (92-51) 5519939

CITY BRANCH

C/30, C/32, Iqbal Road, Trunk Bazar, Rawalpindi City.
Phones : (92-51) 5553462, 5553664
Fax : (92-51) 5554493

PESHAWAR

105-106, F.C. Trust Building,
Sonehri Masjid Road.
Phones : (92-91) 279814 & 111-786-110
Fax : (92-91) 279861

MIRPUR (AZAD KASHMIR)

82-A/B, Allama Iqbal Road, Sector B-4.
Phone : (92-58610) 45064
Fax : (92-58610) 44766

GUJRAT

Ground Floor, Soufi Hotel, G.T. Road.
Phones : (92-433) 525623 & 111-786-110
Fax : (92-433) 525628

D.G. KHAN

83-Block-10, New College Road,
Dera Ghazi Khan.
Phones : (92-641) 468471-73
Fax : (92-641) 468474

DINGA (DISTT. GUJRAT)

Opp. Civil Hospital.
Phone : (92-4337) 401737
Fax : (92-4337) 402785

QUETTA

Mannan Chowk, M.A. Jinnah Road.
Phones : (92-81) 844125 & 111-786-110
Fax : (92-81) 842335

NAWABSHAH

Masjid Road.
Phones : (92-241) 62738 & 62854
Fax : (92-241) 62737

HYDERABAD

Qasre Fatima, 90/1-2 Saddar Bazar,
Cantonment Area.
Phones : (92-221) 785541 & 785809
Fax : (92-221) 781955

QASIMABAD BRANCH

Suhrio House, Ground Floor, Main
Shahrah-e-Qasimabad, Hyderabad, Sindh.
Phones : (92-221) 655551-4
Fax : (92-221) 655557

SUKKUR

B-2555, Shaheed Gunj.
Phones : (92-703) 22287 & 23713
Fax : (92-703) 25749

DAHARKI

Daharki Distt. Ghotki
Phones : 43821, 43822
Fax : (0703) 43820

ISLAMIC BANKING

20-A/1, Block-6,
Shahrah-e-Faisal, P.E.C.H.S.
Phones : 4392411-13
Fax : (92-21) 4392443

Principal Office

Mackinnons Building, I. I. Chundrigar Road, Karachi. Phones: (92-21) 2412421, 2412986 & 111-786-110

Fax: (92-21) 2419752 Telex: 21285 ALHAB PK

SWIFT CODE : BAHLPKKA

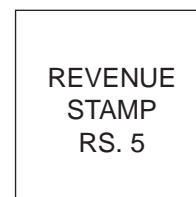
website : www.bankalhabib.com



Form of Proxy

The Company Secretary
Bank AL Habib Limited
126-C, Old Bahawalpur Road,
MULTAN.

I/We _____
of _____
a member(s) of Bank AL Habib Limited and holding _____
ordinary shares, as per Register Folio No./CDC Account and Participant's I.D. No. _____
hereby appoint
of _____
or failing him/her
of _____
another member of the Bank to vote for me/us and on my/our behalf at the Fourteenth Annual General Meeting
of the Bank to be held on Tuesday, March 29, 2005 and at any adjournment thereof. _____
As witness my/our hand this _____ day of _____ 2005.



SIGNATURE OF MEMBER (S)

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

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's NIC / Passport with the proxy form. The proxy shall also produce his / her original NIC or passport at the time of the meeting. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted alongwith proxy form.

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

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