



## HEAD OFFICE

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

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

## BRANCHES

### Karachi:

#### Main Branch:

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

#### Cloth Market:

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

#### Paper Market:

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

#### Gulshan-e-Iqbal:

Main Rashid Minhas Road, Near Drive-In  
Cinema, Gulshan-e-Iqbal, Karachi.  
Phones : (021) 499 1680 (2 Lines)  
499 2768  
Fax : (021) 499 2767  
Cable : METROBANK

#### Shahrah-e-Faisal:

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

#### Jodia Bazar:

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

#### Karachi Stock Exchange:

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

#### M. A. Jinnah Road:

Corner Abdullah Haroon Road,  
Karachi.  
Phones : (021) 773 7617 (4 Lines)  
Fax : (021) 773 7621  
SWIFT : MPBLPKKA020

#### North Napier Road:

Plot W.O.1/33, North Napier Road,  
Near Dandia Bazar, Karachi  
Phones : (021) 773 7603 (4 Lines)  
Fax : (021) 773 7607  
SWIFT : MPBLPKKA021

#### Karimabad:

Sohni Bridal Shopping Centre,  
BS-6, Block-4, F.B. Area,  
P.O. Box 75950, Karachi.  
Phones : (021) 634 5236 (2 Lines)  
(021) 634 9446, 680 2262  
Fax : (021) 634 9447

#### SITE:

3/9-B-2, Metro Chowrangi,  
S.I.T.E., G.P.O. Box 75700,  
Karachi.  
Phones : (021) 256 4101 (3 Lines)  
(021) 256 4104, 256 4793-95  
Fax : (021) 256 4100  
SWIFT : MPBLPKKA023

#### DHA:

1-C, Khayaban-e-Shamsheer, Phase V,  
G.P.O. Box No. 75600, Karachi.  
Phones : 585 7404 (3 Lines)  
(021) 585 7407  
Fax : (021) 585 7403

#### Timber Market:

5, Siddiq Wahab Road, Timber Market,  
Karachi.  
Phones : (021) 776 8411 (3 Lines)  
(021) 776 8415  
Fax : (021) 776 8414

#### Korangi:

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

#### Saddar:

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

#### Bahadurabad:

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

#### Ittehad:

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

#### Hyderi:

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

#### Dhoraji Colony:

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

#### North Karachi Industrial Area:

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

#### Gulshan Chowrangi:

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



## **BRANCHES**

### **Karachi:**

#### **Khalid Bin Walid:**

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

#### **Ceramic Market:**

485/486, Rizvia Society,  
Nazimabad, Karachi.  
Phones : (021) 660 0546 (2 Lines)  
Fax : (021) 660 7462

#### **Landhi:**

15 Milestone, National Highway,  
Landhi, Karachi.  
Phones : (0320) 407 7656

### **Lahore:**

#### **Lahore:**

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

#### **Gulberg:**

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

#### **Circular Road:**

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

#### **Defence:**

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

### **Peshawar:**

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

### **Quetta:**

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

### **Mirpur A.K.:**

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

### **Sialkot:**

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

### **Hyderabad:**

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

### **Multan:**

85-A, Qasim Road,  
P.O. Box No. 108, Multan Cantt.  
Phones : (061) 583515 (3 Lines)  
(061) 785719, 785720  
UAN : (061) 111-18-18-18  
Fax : (061) 583518  
Telex : 42353 BNKMN PK

### **Faisalabad:**

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

### **Islamabad:**

24-D, Rashid Plaza, Jinnah Avenue,  
P.O. Box No. 2009, Islamabad.  
Phones : (051) 274088 (3 Lines)  
UAN : (051) 111-18-18-18  
Fax : (051) 274082  
Telex : 54732 BNKMN PK

### **Rahim Yar Khan:**

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

### **Kasur:**

Railway Road, Kasur.  
Phones : (0492) 9250053, 764606  
(0492) 765331  
Fax : (0492) 9250090

### **Gujranwala:**

G.T. Road, Near Din Plaza, Gujranwala.  
Phones : (0431) 710767 (3 Lines)  
Fax : (0431) 710766  
Telex : 53352 BNKMN PK

### **Rawalpindi:**

186/2, Bank Road, Rawalpindi Cantt.  
Phones : (051) 511 0178 - 81 - 82  
(051) 551 7013, 511 0177  
Fax : (51) 579 4376



## **BOARD OF DIRECTORS**

### **CHAIRMAN**

Anwar H. Japanwala

### **PRESIDENT & CHIEF EXECUTIVE**

Kassim Parekh

### **DIRECTORS**

Bashir Ali Mohammad

Dewan Asim Mushfiq Farooqui

Firasat Ali

A. R. Wadiwala

Salim A. Zubairi

R. B. Limbuvalla

### **AUDIT COMMITTEE**

Anwar H. Japanwala      Chairman

Kassim Parekh

A. R. Wadiwala

### **COMPANY SECRETARY**

Fuzail Abbas

### **REGISTERED OFFICE AND HEAD OFFICE**

Ground Floor, Spencer's Building,  
G.P.O. Box 1289, I. I. Chundrigar Road,  
Karachi - 74200, Pakistan

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URL : [www.metrobank.com.pk](http://www.metrobank.com.pk)

E-mail : [info@metrobank.com.pk](mailto:info@metrobank.com.pk)

### **SHARE REGISTRAR:**

Noble Computer Services (Private) Limited

Shares Department

14-Banglore Town Housing Society

Shahrah-e-Faisal, Karachi - 75350



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting of the shareholders of Metropolitan Bank Limited will be held at Raffia Choudri Memorial Hall, Sidco Avenue Centre (Near PIA Booking Office), Karachi on Saturday March 27, 2004 at 9:00 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2003 together with the Directors' and Auditors' Reports thereon.
2. To approve the issue of bonus shares as recommended by the Board of Directors and in this regard to pass the following ordinary resolution.

**"Resolved** that a sum of Rs. 200,000,000 (Rupees Two Hundred Million only) out of current year's profit be capitalized and distributed by issuing 20,000,000 fully paid ordinary shares of Rs. 10 each as bonus shares in the proportion of 20 (twenty) share for every 100 (hundred) shares held, to those members whose names appear in the register of members as at the close of business on March 15, 2004 and that the shares so distributed shall be treated for all purposes as an increase in the paid-up capital of the Bank.

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

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

**Further resolved** that the Directors be and are hereby authorised and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of 20,000,000 bonus shares."

3. To appoint Auditors for the financial year ending December 31, 2004 and fix their remuneration.

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

4. To consider any other business with the permission of the Chair.

### SPECIAL BUSINESS

1. To consider and if thought fit, pass the following resolution in respect of increase in Authorised Capital of the Bank:

**"Resolved** that the figures and words "Rs. 1,000,000,000 (Rupees One Billion only) divided into 100,000,000 ordinary shares of Rs. 10 each" appearing in Clause V of the Memorandum of Association and in Article 4 of the Articles of Association of the Bank be and are hereby substituted by the figures and words "Rs. 2,000,000,000 (Rupees Two Billion only) divided into 200,000,000 ordinary shares of Rs. 10 each."

By Order of the Board

**FUZAIL ABBAS**  
Company Secretary

Karachi : February 19, 2004



**NOTES:**

1. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Form of Proxy is enclosed herewith. A proxy must be a member of the Bank. Proxies, in order to be effective, must be received at the Registered Office of the Bank, duly stamped, signed and witnessed, not less than 48 (forty-eight) hours before the meeting.
2. The share transfer book of the Bank will remain closed from March 16, 2004 to March 30, 2004 (both days inclusive).
3. CDC account holders and sub-account holders are requested to bring with them their National Identity Card along with the participants' ID numbers and their account numbers in order to facilitate identification.
4. Members are requested to notify the change of address, if any.
5. A statement under section 160 of the Companies Ordinance, 1984 pertaining to Special Business is placed below:

**STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984**

This Statement sets out material facts concerning the special business to be transacted at the Twelfth Annual General Meeting to be held on March 27, 2004.

1. To enable the Bank to increase its paid-up capital from time to time, the Directors have recommended to increase the Bank's Authorised Capital from 1,000,000,000 to Rs. 2,000,000,000.



## DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders:

I am pleased to present to you the Bank's Annual Report for the financial year ended December 31, 2003.

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

	Rupees in '000
Profit for the year	1,223,919
Provision for taxation - current	548,000
- prior years	1,552
- deferred	(4,112)
	(545,440)
Profit after taxation	678,479
Unappropriated profit brought forward	11,243
Profit available for appropriation	689,722
Transfer to	
- Statutory reserve	136,000
- Revenue reserve	300,000
- Reserve for issue of bonus shares in the ratio of 20 shares for every 100 shares held	200,000
	(636,000)
Unappropriated profit carried forward	53,722

The earnings per share after tax amounted to Rs. 6.78

During the year under review, the economy begun to show signs of recovery. The Pak rupee remained stable against the US dollar. Inflation and interest rates are still low from a historical perspective. This low interest rate environment has resulted in increased demand for credit by the private sector. Consumer financing, especially for auto and consumer durables was in high demand and most banks have taken advantage and extended credit in the consumer financing sector. The boom in the consumer financing has resulted in strong growth in the manufacturing sector and it is expected that Pakistan will be able to achieve a GDP growth rate of over 6% in financial year 2003-04.

The foreign exchange reserves grew higher and crossed the US\$ 12 billion mark. To reduce the debt serving cost, the Government of Pakistan successfully restructured its outstanding foreign debt.

Liquidity in the banking sector remained high on the back of inward remittances. This also resulted in the growth of deposit base of the banks. Earnings of the bank also grew higher but, generally, this increase in earnings came from other than core business activities of the industry. With the privatization of two more public sector banks and the continuing pressure on interest rates and prices of services, competition within the banking is expected to be even more severe.

Al-Hamdolillah, your Bank continued to make consistent progress in all areas of operations and the year-end results are encouraging.



During the period, the Bank's branch network was further strengthened. Five new branches were opened, four in Karachi and one at Rawalpindi bringing the total network to 40 branches in 14 cities. The Bank plans to open additional branches in 2004 and continue its program for upgrading existing branches. All branches provide a full range of banking services including on-line instant funds transfer facilities, SWIFT, tele-info and web-info services to our customers.

With the launch of Debit Card and ATM network, the Bank has taken another step towards satisfying the growing needs of customers.

Our training academy, established last year, continued to impart professional training to junior & middle management staff on a variety of Banking subjects.

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

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

<b>Date of Meeting</b>	<b>Attended by</b>
March 3, 2003	Mr. Anwar H. Japanwala Mr. Kassim Parekh Mr. Bashir Ali Mohammad Dewan Asim Mushfiq Farooqui Mr. Firasat Ali Mr. A. R. Wadiwala Mr. R. B. Limbuvalla
March 29, 2003	Mr. Anwar H. Japanwala Mr. Kassim Parekh Mr. Bashir Ali Mohammad Dewan Asim Mushfiq Farooqui Mr. Firasat Ali Mr. A. R. Wadiwala Mr. Salim A. Zubairi Mr. R. B. Limbuvalla
April 24, 2003	Mr. Anwar H. Japanwala Mr. Kassim Parekh Mr. Bashir Ali Mohammad Dewan Asim Mushfiq Farooqui Mr. Firasat Ali Mr. A. R. Wadiwala Mr. Salim A. Zubairi Mr. R. B. Limbuvalla
August 26, 2003	Mr. A. R. Wadiwala Mr. Kassim Parekh Mr. Firasat Ali Mr. R. B. Limbuvalla



October 25, 2003

Mr. Anwar H. Japanwala  
Mr. Kassim Parekh  
Mr. Bashir Ali Mohammad  
Dewan Asim Mushfiq Farooqui  
Mr. Firasat Ali  
Mr. A. R. Wadiwala  
Mr. R. B. Limbuvalla

The pattern of shareholding as on December 31, 2003 is annexed with the report.

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

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

### Statement on Corporate and Financial Reporting Framework

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

	Rs. in million					
	2003	2002	2001	2000	1999	1998
Shareholders Equity	2,753	2,074	1,845	1,453	1,227	1,030
Paid-up Capital	1,000	1,000	800	625	500	375
Total Assets	58,982	41,381	27,118	20,770	17,909	15,526
Deposits	39,338	28,515	17,902	13,136	12,096	10,715
Advances	32,230	19,444	12,988	11,367	8,866	7,190
Investments	17,959	15,014	8,265	2,614	5,005	5,960
Pre-tax Profit	1,224	876	743	568	521	573
After-tax Profit	678	430	335	226	197	201
Earnings Per Share (Rupees)	6.78	4.30	4.18	3.61	3.94	5.36
Dividends (%)	20 (B)	20 (C)	25 (B)	28 (B)	25 (B)	33.33 (B)
No. of Staff	901	763	561	494	450	428
No. of Branches	40	35	25	21	19	18



Value of investments of Provident Fund and Gratuity Scheme as per latest respective audited accounts are as under:

- Provident Fund                      Rs. 69,622 thousand as at June 30, 2003
- Gratuity Fund                        Rs. 25,955 thousand as at December 31, 2002

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

On behalf of the Board

**Kassim Parekh**  
President & Chief Executive

Karachi: February 19, 2004



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## **STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE YEAR ENDED DECEMBER 31, 2003**

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 seven independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Bank.
3. All the resident directors of the Bank are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI / NBF1.
4. No casual vacancy occurred in the Board during the year.
5. The Bank has prepared a 'Statement of Ethics and Business Practices', which has been signed by the directors and is in the process of being signed by the employees of the Bank.
6. The Board has developed a vision/mission statement and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence by a non-executive director elected by the Board for this purpose. During the year five Board meetings were held and written notices along with the working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, directors attended a course to apprise them of their duties and responsibilities.
10. There was no new appointment of CFO, Company Secretary or Head of Internal Audit after the implementation of Corporate Governance.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.



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

On behalf of the Board

**Kassim Parekh**  
President & Chief Executive

Karachi : February 19, 2004

## **STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING - YEAR ENDED DECEMBER 31, 2003**

The Bank has fully complied with the best practices on transfer pricing as contained in the listing regulations of Karachi, Lahore and Islamabad stock exchanges where the Bank is listed.

On behalf of the Board

**Kassim Parekh**  
President & Chief Executive



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2003 prepared by the Board of Directors of Metropolitan Bank Limited, to comply with the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2003.

**HYDER BHIMJI & CO.**  
Chartered Accountants

Karachi : February 19, 2004



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Metropolitan Bank Limited as at December 31, 2003, and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof (hereinafter referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 7 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

- a) In our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984, (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) In our opinion:
  - i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 ( LVII of 1962 ) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) In our opinion and to the best of our information and according to the explanations given to us the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standard as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962, (LVII of 1962), and the Companies Ordinance, 1984, (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2003, and its true balance of profit, its cash flows and changes in equity for the year then ended; and
- d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants

Karachi : February 19, 2004



## BALANCE SHEET

AS AT DECEMBER 31, 2003

	Note	2003	2002
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	3,294,581	2,541,483
Balances with other banks	7	607,302	636,649
Lendings to financial institutions	8	3,896,284	2,557,200
Investments	9	17,958,901	15,013,512
Advances	10	32,229,583	19,443,953
Other assets	11	652,327	871,678
Operating fixed assets	12	342,898	316,672
Deferred tax assets		—	—
		<b>58,981,876</b>	<b>41,381,147</b>
<b>LIABILITIES</b>			
Bills payable	13	939,780	444,198
Borrowings from financial institutions	14	13,155,136	7,185,417
Deposits and other accounts	15	39,338,050	28,514,996
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Other liabilities	16	983,666	1,272,596
Deferred tax liabilities	17	757,883	857,606
		<b>55,174,515</b>	<b>38,274,813</b>
<b>NET ASSETS</b>		<b>3,807,361</b>	<b>3,106,334</b>
<b>REPRESENTED BY</b>			
Share capital	18	1,000,000	1,000,000
Reserves		1,698,951	1,062,951
Unappropriated profit		53,722	11,243
		<b>2,752,673</b>	<b>2,074,194</b>
Surplus on revaluation of assets	19	1,054,688	1,032,140
		<b>3,807,361</b>	<b>3,106,334</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	20		

The annexed notes 1 to 40 form an integral part of these accounts.

**ANWAR H. JAPANWALA**  
Chairman

**KASSIM PAREKH**  
President and Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**FIRASAT ALI**  
Director



## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2003

	Note	2003 Rupees in '000	2002
<b>Mark-up/Return/Interest Earned</b>	21	<b>2,684,887</b>	2,679,543
<b>Mark-up/Return/Interest Expended</b>	22	<b>(1,312,054)</b>	(1,768,087)
Net Mark-up/ Interest Income		<b>1,372,833</b>	911,456
Provision against non-performing loans and advances	10.4	<b>134,687</b>	69,696
Provision for diminution in the value of investments		<b>–</b>	(1,897)
Bad debts written off directly		<b>71</b>	–
		<b>(134,758)</b>	(67,799)
Net Mark-up/ Interest Income after provisions		<b>1,238,075</b>	843,657
<b>Non Mark-up/Interest Income</b>			
Fee, Commission and Brokerage Income		<b>323,335</b>	235,171
Dividend Income		<b>29,003</b>	11,472
Income from dealing in foreign currencies		<b>144,723</b>	262,869
Other Income	23	<b>153,811</b>	36,709
Total non-markup/interest Income		<b>650,872</b>	546,221
		<b>1,888,947</b>	1,389,878
<b>Non Mark-up/Interest Expenses</b>			
Administrative expenses	24	<b>661,960</b>	512,737
Other provisions/write off		<b>–</b>	–
Other charges	25	<b>3,068</b>	898
Total non-markup/interest expenses		<b>(665,028)</b>	(513,635)
		<b>1,223,919</b>	876,243
Extra ordinary/unusual items		<b>–</b>	–
<b>Profit before taxation</b>		<b>1,223,919</b>	876,243
Taxation - Current	26	<b>548,000</b>	445,000
- Prior years		<b>1,552</b>	–
- Deferred		<b>(4,112)</b>	1,574
		<b>(545,440)</b>	(446,574)
<b>Profit after taxation</b>		<b>678,479</b>	429,669
Unappropriated profit brought forward		<b>11,243</b>	79,574
Profit available for appropriation		<b>689,722</b>	509,243
<b>Appropriations:</b>			
Transfer To:			
Statutory reserve		<b>136,000</b>	98,000
Capital reserve		<b>–</b>	–
Revenue reserve		<b>300,000</b>	200,000
Proposed cash dividend Rs. Nil (2002: Rs. 2/-) per share		<b>–</b>	200,000
Reserve for issue of bonus shares in the ratio of 20 shares (2002: Nil) for every 100 shares held		<b>200,000</b>	–
		<b>(636,000)</b>	(498,000)
Unappropriated/Unremitted profit/(loss) carried forward		<b>53,722</b>	11,243
<b>Basic/Diluted Earnings per share - Rupees</b>	27	<b>6.78</b>	4.30

The annexed notes 1 to 40 form an integral part of these accounts.

ANWAR H. JAPANWALA  
Chairman

KASSIM PAREKH  
President and Chief Executive

BASHIR ALI MOHAMMAD  
Director

FIRASAT ALI  
Director



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2003

	Share capital	Statutory reserve	Special reserve	Revenue reserve	Reserve for issue of bonus shares	Unappropriated profit	Total
	-----Rupees in '000-----						
Opening Balance January 1, 2002	800,000	424,590	240,361	100,000	200,000	20,311	1,785,262
Effect of change in accounting policy due to Deferred Tax	-	-	-	-	-	59,263	59,263
Opening balance as re-stated	800,000	424,590	240,361	100,000	200,000	79,574	1,844,525
Issue of bonus shares	200,000	-	-	-	(200,000)	-	-
Profit after tax	-	-	-	-	-	429,669	429,669
Transfer from profit and loss account	-	98,000	-	200,000	-	(298,000)	-
Proposed cash dividend @ 20% (Rs. 2/- per share)	-	-	-	-	-	(200,000)	(200,000)
Balance as on December 31, 2002	1,000,000	522,590	240,361	300,000	-	11,243	2,074,194
<b>Balance as on January 1, 2003</b>	<b>1,000,000</b>	<b>522,590</b>	<b>240,361</b>	<b>300,000</b>	<b>-</b>	<b>11,243</b>	<b>2,074,194</b>
<b>Profit after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>678,479</b>	<b>678,479</b>
<b>Transfer from profit and loss account</b>	<b>-</b>	<b>136,000</b>	<b>-</b>	<b>300,000</b>	<b>200,000</b>	<b>(636,000)</b>	<b>-</b>
<b>Balance as on December 31, 2003</b>	<b>1,000,000</b>	<b>658,590</b>	<b>240,361</b>	<b>600,000</b>	<b>200,000</b>	<b>53,722</b>	<b>2,752,673</b>

The annexed notes 1 to 40 form an integral part of these accounts.

**ANWAR H. JAPANWALA**  
Chairman

**KASSIM PAREKH**  
President and Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**FIRASAT ALI**  
Director



## CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2003

	Note	2003	2002
		Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		1,223,919	876,243
Less : Dividend income		<u>(29,003)</u>	<u>(11,472)</u>
		1,194,916	864,771
Adjustment for non-cash charges:			
Depreciation		35,287	33,334
Provision against non-performing advances - net		128,493	60,816
Provision for diminution in the value of investments		-	(1,897)
Gain on sale of fixed assets		(3,177)	(357)
Fixed assets written off		492	27
		<u>161,095</u>	<u>91,923</u>
		1,356,011	956,694
(Increase)/Decrease in operating assets			
Lendings to financial institutions		(1,339,084)	(817,573)
Advances		(12,914,123)	(6,517,116)
Other assets (excluding advance taxation)		219,351	(332,949)
		<u>(14,033,856)</u>	<u>(7,667,638)</u>
Increase/(Decrease) in operating liabilities			
Bills Payable		495,582	126,026
Borrowings from financial institutions		5,969,719	1,242,579
Deposits		10,823,054	10,612,570
Other liabilities (excluding taxation and dividend)		(113,616)	324,042
		<u>17,174,739</u>	<u>12,305,217</u>
		4,496,894	5,594,273
Income tax paid		(525,737)	(514,222)
Net cash flow from operating activities		<u>3,971,157</u>	<u>5,080,051</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(3,018,452)	(5,151,506)
Dividend income		29,003	11,472
Investments in operating fixed assets		(62,741)	(60,219)
Sale proceeds of property and equipment disposed-off		3,913	439
Net cash flow from investing activities		<u>(3,048,277)</u>	<u>(5,199,814)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid		(199,129)	-
<b>Increase/(Decrease) in cash and cash equivalents</b>		<u>723,751</u>	<u>(119,763)</u>
Cash and cash equivalents at beginning of the year	28	3,178,132	3,297,895
Cash and cash equivalents at end of the year	28	<u>3,901,883</u>	<u>3,178,132</u>

The annexed notes 1 to 40 form an integral part of these accounts.

**ANWAR H. JAPANWALA**  
Chairman

**KASSIM PAREKH**  
President and Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**FIRASAT ALI**  
Director



## **NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED DECEMBER 31, 2003

### **1. STATUS AND NATURE OF BUSINESS**

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

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

The objects for which the bank is established are to carry on the business of "Banking Companies" as defined by the Banking Companies Ordinance, 1962. It operates 40 branches (2002: 35 branches) in Pakistan.

### **2. BASIS OF PRESENTATION**

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

### **3. STATEMENT OF COMPLIANCE**

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

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

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

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

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

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

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

#### **5.2 Revenue recognition**

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

#### **5.3 Advances including net investment in finance lease**

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

When assets are held subject to finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value



of the receivable is recognised as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

#### **5.4 Investment**

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

Investment securities which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Investments in government and quoted securities are marked to market and the difference between the carrying value, (representing cost adjusted for amortisation of premium or accretion of discount), and the revalued amount is recognised in the surplus / deficit on revaluation account.

Investments in unquoted securities are accounted for at cost.

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

##### **Repurchase and resale agreements**

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

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

#### **5.5 Operating fixed assets**

##### **Property and equipment**

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

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

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

#### **5.6 Taxation**

##### **5.6.1 Current :**

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

##### **5.6.2 Deferred :**

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



## **5.7 Staff retirement benefits**

### **5.7.1 Defined benefit plan**

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

### **5.7.2 Defined contribution plan**

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

## **5.8 Foreign currencies**

Foreign currency balances are translated into Pakistani rupees at the rates of exchange prevailing at the balance sheet date or where appropriate, at the contractual rate. Forward exchange fees are charged in the year in which the contracts are entered into by the bank. Gains or losses on translation are accounted for through profit and loss account.

## **5.9 Employees' compensated absences**

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

## **5.10 Provision**

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

## **5.11 Impairment of assets**

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

## **5.12 Provision for contingencies**

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

## **5.13 Transactions with related parties**

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

## **5.14 Offsetting**

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



## 6. CASH AND BALANCES WITH TREASURY BANKS

	Note	2003	2002
		Rupees in '000	
In hand :			
Local currency		501,397	314,967
Foreign currency		110,532	164,350
With State Bank of Pakistan :			
Local currency current accounts		2,181,436	1,505,896
Foreign currency - cash reserve account		122,830	137,420
- special cash reserve account	6.1	368,490	412,261
With National Bank of Pakistan in local currency current account		9,896	6,589
		<u>3,294,581</u>	<u>2,541,483</u>

6.1 This represents funds placed with State Bank of Pakistan pursuant to the requirements of BSD Circular No. 18 dated March 31, 2001 and carry mark-up rate of 0.67% (2002: 0.94%) p.a.

## 7. BALANCES WITH OTHER BANKS

In Pakistan :			
Local currency current accounts		127,193	127,729
Local currency deposit accounts	7.1	420	819
Outside Pakistan :			
Foreign currency current accounts		285,022	102,979
Foreign currency deposit accounts	7.1	194,667	405,122
		<u>607,302</u>	<u>636,649</u>

7.1 These deposits have been placed at interest rates ranging between 0.95% p.a. to 3.70% (2002: 0.94% to 2.81%) p.a.

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.1	235,000	535,000
Repurchase agreement lendings (Reverse Repo)	8.2	3,661,284	2,022,200
		<u>3,896,284</u>	<u>2,557,200</u>

8.1 These are unsecured placements with banks and carry mark-up rates ranging between 1.85% to 12.25% (2002: 3.95% to 12.25%) p.a., with maturities upto January 2005.



## 8.2 Securities held as collateral against lendings to financial institutions:

	2003			2002		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
-----Rupees in '000-----						
Market Treasury Bills	891,234	–	891,234	94,345	–	94,345
Pakistan Investment Bonds	1,740,000	–	1,740,000	795,000	–	795,000
Federal Investment Bonds	100,000	–	100,000	200,000	–	200,000
Term Finance Certificates	793,110	–	793,110	590,430	–	590,430
Quoted Shares	100,000	–	100,000	300,000	–	300,000
Mutual Funds	36,940	–	36,940	42,425	–	42,425
	<b>3,661,284</b>	<b>–</b>	<b>3,661,284</b>	<b>2,022,200</b>	<b>–</b>	<b>2,022,200</b>

## 9. INVESTMENTS

	2003			2002		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000-----						

### 9.1 Investments by types

#### Available-for-sale securities

	2003	2002
Associate - Term Finance Certificate	66,363	18,849
Others	13,180,594	14,994,663
	<b>13,246,957</b>	<b>15,013,512</b>

### 9.2 Investments by segments

#### Federal Government Securities:

	2003	2002
- Market Treasury Bills	4,028,817	3,941,336
- Pakistan Investment Bonds	8,617,740	6,904,799
- Federal Investment Bonds	2,558,690	2,322,929
- National Prize Bonds	536	3,460
	<b>15,205,783</b>	<b>13,172,524</b>

#### Fully Paid up Ordinary Shares:

- Listed companies	83,730	–
- Unlisted companies	30,680	30,680

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

- Listed term finance certificates	844,975	833,695
- Unlisted term finance certificate	410,000	27,500
- WAPDA Bonds	200,000	–

#### Other Investments

- Certificates of Investments	375,000	595,000
- Mutual Funds	806,993	348,451
- National Investment Unit Trust - quoted	–	5,603
- Society for Worldwide Interbank Financial Telecommunication (SWIFT)	1,740	59
	<b>17,958,901</b>	<b>15,013,512</b>



**9.2.1** These securities have maturity periods of 6 and 12 months, with yield ranging between 0.92% to 3.15% (2002: 5.80% to 6.99%) p.a.

**9.2.2** These securities have maturity period of 5 to 10 years with interest rates ranging between 8.00% to 14.00% (2002: 9.00% to 14.00%) p.a. Also included herein securities having a book value of Rs. 158,500 thousand (2002: Rs. Nil) pledged with State Bank of Pakistan and National Bank of Pakistan as security to facilitate TT discounting facility to branches of the Bank.

**9.2.3** These securities have a maturity period of 10 years and carry interest rate of 15% (2002: 15%) p.a. Also included herein securities having a book value of Rs. Nil (2002: Rs. 158,500 thousand) pledged with State Bank of Pakistan and National Bank of Pakistan as security to facilitate TT discounting facility to branches of the Bank.

**9.2.4 Fully paid-up ordinary shares - listed**

	Number of shares		Rupees in '000	
	2003	2002	2003	2002
Pakistan Telecommunication Company Limited	1,178,000	—	43,586	—
Nishat Mills Limited	17,500	—	562	—
Pakistan Oil Field Limited	6,400	—	1,522	—
Oil & Gas Development Company Limited	706,127	—	38,060	—
			<u>83,730</u>	<u>—</u>
Ordinary shares of Rs. 10 each				

**9.2.5 Fully paid-up ordinary shares - unlisted**

Kushhali Bank Limited Ordinary shares of Rs. 1,000,000 each Chief Executive - Mr. Ghalib Nishtar Break-up value per share Rs. 1,027,409 based on audited accounts for the year ended December 31, 2002	25	25	25,000	25,000
Pakistan Export Finance Guarantee Agency Limited Ordinary shares of Rs. 10 each Chief Executive - Mr. S. M. Zaeem Break-up value per share Rs. 9.14 based on audited accounts for the year ended December 31, 2002	568,000	568,000	5,680	5,680
			<u>30,680</u>	<u>30,680</u>



	No. of certificates		Face Value	Maturity Date	2003	2002
	2003	2002			Rupees in '000	
<b>9.2.6 Term Finance Certificates - listed</b>						
<b>Associated companies</b>						
Dewan Salman Fibre Limited	150	150	100,000	Apr-04	9,863	11,349
<b>Others</b>						
Atlas Lease Limited	131	131	5,000 & 100,000	Aug-05	12,530	12,520
Engro Asahi Polymer & Chemicals Limited	9,000	9,000	5,000	Jun-06	45,455	45,424
Engro Chemical Pakistan Limited	18,967	18,967	5,000	Oct-06	97,202	95,761
First International Investment Bank Limited	5,050	5,050	5,000 & 100,000	Dec-03 & Sep-04	23,750	27,495
Gatron Industries Limited	-	100	100,000	Jun-03	-	2,574
National Development Leasing Corporation Limited	200	200	100,000	Dec-04	20,000	13,322
Nishat Mills Limited	6,465	6,465	5,000	Sep-05	32,325	32,289
Packages Limited	5,000	5,000	5,000	Jan-05	25,966	25,000
Pak Arab Refinery Limited	40,000	40,000	5,000	Dec-04	200,000	199,357
Paramount Leasing Limited	6,367	4,000	5,000	Jun-04	23,223	14,600
Security Leasing Corporation Limited	-	7,000	5,000	Dec-05 & Jun-08	-	35,326
Saudi Pak Leasing Company Limited	8,342	8,342	5,000	Jun-07	43,066	42,569
Bank Alfalah Limited	-	12,700	5,000	Jun-08	-	63,500
WorldCall Communication Limited	7,000	7,000	5,000	Oct-07	37,590	35,000
Muslim Commercial Bank Limited	-	8,544	5,000	Oct-07	-	42,891
Sui Southern Gas Company Limited	4,130	4,130	5,000 & 1000	Jun-06 & Jun-07	35,442	33,480
Orix Leasing Pakistan Limited	15,000	15,000	5,000	Jun-07	78,464	75,000
Sitara Chemical Industries Limited	3,150	3,150	5,000	Jun-07	16,081	16,238
KASB Leasing Company Limited	-	2,000	5,000	Jan-08	-	10,000
Gulshan Spinning Mills Limited	2,868	-	5,000	Jan-08	15,057	-
Jehangir Siddiqui & Company Limited	5,182	-	5,000	Apr-08	25,910	-
Securitel (SPV) Limited	9,600	-	5,000	Mar-06	48,000	-
Pakistan Services Limited	2,987	-	5,000	Nov-08	15,682	-
Trust Leasing Company Limited	5,857	-	5,000	Jun-08	30,456	-
Ittehad Chemicals Limited	1,714	-	5,000	Jun-08	8,913	-
					835,112	822,346
					<b>844,975</b>	<b>833,695</b>
<b>9.2.7 Term Finance Certificates - unlisted</b>						
<b>Associated companies</b>						
Dewan Sugar Mills Limited	20	20	500,000	Jan-05	6,500	7,500
Dewan Mushtaq Textile Mills Limited	10,000	-	5,000	Jun-07	50,000	-
					56,500	7,500
<b>Others</b>						
D.G. Khan Cement Company Limited	4,000	4,000	5,000	Jan-07	20,000	20,000
Pakistan Mobile Communication Limited	20,000	-	5,000	Sep-08	100,000	-
Fidelity Investment Bank Limited	8,000	-	5,000	Oct-06	40,000	-
Pakistan International Airlines Corp. Limited	38,700	-	5,000	Feb-11	193,500	-
					353,500	20,000
					<b>410,000</b>	<b>27,500</b>

The term finance certificates are redeemable in quarterly / half-yearly installments and carry mark-up rates ranging between 6.00% to 19% (2002: 10% to 19%) p.a.

**9.2.8** This represents investment in Certificate of Investments of various financial institutions carrying profit rate ranging between 2.35% to 5.75% (2002: 6.25% to 9.10%) p.a. maturing on various dates in year 2004.

**9.2.9** Society for Worldwide Interbank Financial Telecommunication (SWIFT) allocates shares based on the financial contribution from network-based services. In February 2003, SWIFT re-allocated 13 shares at Euro 1,950 per share to the Bank. As on December 31, 2003, 14 shares were held by the bank (2002: 1 share).



		2003	2002
		Rupees in '000	
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc.,			
In Pakistan		<b>27,058,265</b>	15,905,559
Net investment in finance lease			
In Pakistan	10.2	<b>60,076</b>	-
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		<b>1,295,486</b>	220,457
Payable outside Pakistan		<b>4,223,264</b>	3,596,952
		<b>5,518,750</b>	3,817,409
		<b>32,637,091</b>	19,722,968
Provision for non-performing advances	10.4	<b>(407,508)</b>	(279,015)
		<b>32,229,583</b>	19,443,953
<b>10.1 Particulars of advances</b>			
<b>10.1.1</b> In local currency		<b>29,078,975</b>	15,474,767
In foreign currencies		<b>3,150,608</b>	3,969,186
		<b>32,229,583</b>	19,443,953
<b>10.1.2</b> Short Term (for upto one year)		<b>32,049,572</b>	16,984,534
Long Term (for over one year)		<b>180,011</b>	2,459,419
		<b>32,229,583</b>	19,443,953

**10.2 Net Investment in Finance Lease:**

	2003				2002			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	-----Rupees in '000-----							
Lease rental receivable	18,687	47,191	-	65,878	-	-	-	-
Residual value	-	1,276	-	1,276	-	-	-	-
Minimum lease payments	18,687	48,467	-	67,154	-	-	-	-
Financial charges for future periods	(3,942)	(3,136)	-	(7,078)	-	-	-	-
Present value of minimum lease payments	<u>14,745</u>	<u>45,331</u>	<u>-</u>	<u>60,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**10.3** Advances include Rs. 115,833 thousand (2002: 114,302 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	2003		
	Domestic	Provision Required	Provision Held
	-----Rupees in '000-----		
Other assets especially mentioned	-	-	-
Substandard	11,568	1,862	1,862
Doubtful	26,412	12,907	12,907
Loss	77,853	65,939	65,939
	<u>115,833</u>	<u>80,708</u>	<u>80,708</u>



#### 10.4 Particulars of provision against non-performing advances:

	2003			2002		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	78,441	200,574	279,015	86,199	132,000	218,199
Charge for the year	22,883	126,226	149,109	15,742	68,574	84,316
Reversals	(14,422)	—	(14,422)	(14,620)	—	(14,620)
Net charge for the year	8,461	126,226	134,687	1,122	68,574	69,696
Amount written off	(6,194)	—	(6,194)	(8,880)	—	(8,880)
Closing balance	80,708	326,800	407,508	78,441	200,574	279,015

	2003	2002
	Rupees in '000	
<b>10.5 Particulars of write off :</b>		
<b>10.5.1 Against provisions</b>	6,194	8,880
Directly charged to profit and loss account	71	—
	<u>6,265</u>	<u>8,880</u>
<b>10.5.2 Write off of Rs. 500,000 and above</b>	6,194	8,814
Write off of below Rs. 500,000	71	66
	<u>6,265</u>	<u>8,880</u>

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

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to the persons during the year ended December 31, 2003 is enclosed as Annexure - I.

	Balance as at	Maximum total amount
	December 31, 2003	of advances including temporary advances granted during the year
<b>10.7 Particulars of loans and advances to directors, associated companies, etc.</b>		
Debts due by executives of the Bank either severally or jointly with any other persons	10,025	12,513

	2003	2002
	Rupees in '000	
<b>11. OTHER ASSETS</b>		
Income/ mark-up accrued in local currency	530,845	572,548
Income/ mark-up accrued in foreign currencies	5,564	11,456
Advances, deposits, advance rent and other prepayments	85,766	80,062
Encashment of government securities	19,355	23,805
Stationery and stamps on hand	6,559	5,533
Branch Adjustments	—	5,762
Receivable against sale of investments	2,996	157,222
Others	1,242	15,290
	<u>652,327</u>	<u>871,678</u>

11.1 This is stated net off mark-up suspense account of Rs. 18,503 thousand (2002: Rs. 26,719 thousand).



		2003	2002
		Rupees in '000	
<b>12. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	12.1	1,100	7,488
Property and equipment	12.2	<u>341,798</u>	<u>309,184</u>
		<u><b>342,898</b></u>	<u><b>316,672</b></u>

**12.1** This represents advance payment made against purchase of property.

**12.2 Property and equipment**

	C O S T			D E P R E C I A T I O N			Book value as at December 31, 2003	Rate of depreciation %
	Opening Balance January 1, 2003	Additions/ (deletions)	Closing Balance December 31, 2003	Opening Balance January 1, 2003	Charge for the year	Closing Balance December 31, 2003		
	----- (Rupees in '000s) -----							
Leasehold land	-	7,488	7,488	-	-	-	7,488	-
Building on leasehold land	392,696	59,312	452,008	102,304	30,020	132,324	319,684	10
Furniture, fixture, office and computer equipments	59,567	1,488 (2,484)	58,571	43,686	4,427 (2,351)	45,762	12,809	10 & 20
Vehicles	3,562	841 (1,107)	3,296	2,080	562 (386)	2,256	1,040	20
Leasehold improvement	7,644	- (1,473)	6,171	6,215	278 (1,099)	5,394	777	10
<b>2003:</b>	<b>463,469</b>	<b>69,129 (5,064)</b>	<b>527,534</b>	<b>154,285</b>	<b>35,287 (3,836)</b>	<b>185,736</b>	<b>341,798</b>	
<b>2002:</b>	<b>411,351</b>	<b>52,731 (613)</b>	<b>463,469</b>	<b>121,455</b>	<b>3,334 (504)</b>	<b>154,285</b>	<b>309,184</b>	

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

Particulars	Cost	Book Value	Sale proceeds	Mode of disposal	Particulars of Purchaser
	-----Rupees in '000-----				
Vehicle	441	440	700	Insurance Claim	Adamjee Insurance Company Limited Adamjee House, I.I. Chundrigar Road, Karachi.

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

**12.2.3** Gross carrying amount of fully depreciated assets still in use is Rs. 35,199 thousand (2002:Rs. 31,701 thousand).

**12.3 Intangible assets**

Gross carrying amount of fully amortised intangible assets (computer software) still in use is Rs. 27,875 thousand (2002: Rs. 27,875 thousand).

	2003	2002
	Rupees in '000	
<b>13. BILLS PAYABLE - in Pakistan</b>	<u><b>939,780</b></u>	<u><b>444,198</b></u>
<b>14. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>		
In Pakistan	<b>12,822,466</b>	6,976,608
Outside Pakistan	<u><b>332,670</b></u>	<u>208,809</u>
	<u><b>13,155,136</b></u>	<u><b>7,185,417</b></u>



	2003	2002
	Rupees in '000	
<b>14.1 Particulars of borrowings from financial institutions</b>		
In local currency	12,822,466	6,735,608
In foreign currencies	<u>332,670</u>	<u>449,809</u>
	<u>13,155,136</u>	<u>7,185,417</u>
<b>14.2 Details of borrowings from financial institutions</b>		
<b>Secured</b>		
Borrowings from State Bank of Pakistan under export refinance scheme	14.2.1 <u>7,587,052</u>	<u>1,730,104</u>
Repurchase agreement borrowings	14.2.2 <u>4,711,944</u>	<u>4,913,094</u>
	<u>12,298,996</u>	<u>6,643,198</u>
<b>Unsecured</b>		
Call borrowings	14.2.3 <u>500,000</u>	<u>100,000</u>
Overdrawn nostro accounts	<u>332,670</u>	<u>208,809</u>
Overdrawn local bank account	<u>23,470</u>	<u>—</u>
Other - short term borrowings	<u>—</u>	<u>233,410</u>
	<u>856,140</u>	<u>542,219</u>
	<u>13,155,136</u>	<u>7,185,417</u>
<b>14.2.1</b>	These are secured against promissory notes, undertaking of the bank and export documents with maturities upto June 2004. Mark-up rate ranges between 1.50% to 2.00% (2002: 7.00% and 8.00%) p.a. which is payable quarterly or upon maturity of loans, whichever is earlier.	
<b>14.2.2</b>	These have been borrowed from financial institutions and are secured against government securities and carries mark-up rates ranging between 0.85% to 6.00% (2002: 3.25% to 7.45%) p.a. with maturities upto March 2004.	
<b>14.2.3</b>	These have been borrowed from commercial banks and carries mark-up rate ranging between 1.00% to 5.50% (2002: 4.25% to 5.25%) p.a. with maturities upto February 2004.	
<b>15. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	<u>10,448,805</u>	<u>10,725,885</u>
Savings deposits	<u>14,590,435</u>	<u>10,536,503</u>
Current Accounts - Non-remunerative	<u>12,608,453</u>	<u>6,531,988</u>
Others	<u>191,493</u>	<u>188,441</u>
	<u>37,839,186</u>	<u>27,982,817</u>
<b>Financial Institutions</b>		
Remunerative deposits	<u>1,423,166</u>	<u>502,530</u>
Non-remunerative deposits	<u>75,698</u>	<u>29,649</u>
	<u>39,338,050</u>	<u>28,514,996</u>
<b>15.1 Particulars of deposits</b>		
In local currency	<u>36,666,884</u>	<u>25,484,421</u>
In foreign currencies	<u>2,671,166</u>	<u>3,030,575</u>
	<u>39,338,050</u>	<u>28,514,996</u>
<b>16. OTHER LIABILITIES</b>		
Mark-up/Return/Interest payable in local currency	716,025	809,061
Mark-up/Return/Interest payable in foreign currencies	31,742	35,193
Unearned commission and income on bills discounted	31,194	6,913
Accrued expenses	53,272	30,548
Current taxation (provisions less payments)	97,342	73,527
Unclaimed dividends	939	68
Proposed dividend	—	200,000
Encashment of government securities	—	85,605
Locker Deposits	39,032	19,972
Security Deposit - finance lease	1,276	—
Others	<u>12,844</u>	<u>11,709</u>
	<u>983,666</u>	<u>1,272,596</u>



		2003	2002
		Rupees in '000	
<b>17. DEFERRED TAX LIABILITY</b>			
Deferred tax credits arising due to:			
Surplus on revaluation of securities		819,684	915,295
Deferred tax debits arising in respect of:			
Property and equipment		<u>(26,289)</u>	<u>(20,822)</u>
Provision for non-performing advances		<u>(35,512)</u>	<u>(36,867)</u>
		<u>(61,801)</u>	<u>(57,689)</u>
		<u>757,883</u>	<u>857,606</u>
<b>18. SHARE CAPITAL</b>			
<b>18.1 Authorized Capital</b>			
2003	2002		
Number			
<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs.10/- each	<u>1,000,000</u>
			<u>1,000,000</u>
<b>18.2 Issued, subscribed and paid up</b>			
2003	2002		
Number		<b>Ordinary shares</b>	
<u>30,000,000</u>	<u>30,000,000</u>	Fully paid in cash	<u>300,000</u>
<u>70,000,000</u>	<u>70,000,000</u>	Issued as bonus shares	<u>700,000</u>
<u>100,000,000</u>	<u>100,000,000</u>		<u>1,000,000</u>
			<u>1,000,000</u>
<b>19. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS</b>			
<b>19.1 Surplus on revaluation of Securities</b>			
i) Federal and Provincial Government securities		1,789,439	1,940,295
ii) Other securities		<u>84,933</u>	<u>7,140</u>
		<u>1,874,372</u>	<u>1,947,435</u>
Less: related deferred tax liability		<u>(819,684)</u>	<u>(915,295)</u>
		<u>1,054,688</u>	<u>1,032,140</u>
<b>20. CONTINGENCIES AND COMMITMENTS</b>			
<b>20.1 Direct Credit Substitutes</b>			
Includes general guarantees of indebtedness, bank acceptances guarantees and standby letters of credit serving as financial guarantees for loans and securities - Others		<u>17,571</u>	<u>6,062</u>
<b>20.2 Transaction-related Contingent Liabilities</b>			
Including performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees related to particular transactions.			
Government		1,363,209	935,762
Financial institutions		87,397	126,461
Others		<u>412,679</u>	<u>373,082</u>
		<u>1,863,285</u>	<u>1,435,305</u>
<b>20.3 Trade-related Contingent Liabilities</b>			
Letters of credits		10,312,221	5,817,365
Acceptances		<u>3,370,447</u>	<u>1,919,487</u>



2003                      2002  
Rupees in '000

**20.4 Commitments in respect of forward exchange contracts**

Purchase	5,852,889	4,851,988
Sale	7,092,437	6,515,518

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

**20.5 Commitments in respect of operating leases**

Not later than one year	58,638	66,745
Later than one year and not later than five years	56,654	47,795
	115,292	114,540

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

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

**21. MARK-UP/RETURN/INTEREST EARNED**

a) On loans and advances to:		
i) Customers	1,148,991	1,109,706
ii) Financial institutions	27,880	22,862
b) On investments in:		
i) Available for sale securities	1,417,606	1,368,194
ii) Associates and subsidiaries	4,986	5,256
c) On deposits with financial institutions	29,397	60,265
d) On securities purchased under resale agreements	56,027	113,260
	2,684,887	2,679,543

**22. MARK-UP/RETURN/INTEREST EXPENSED**

Deposits	1,228,075	1,649,257
Securities sold under repurchase agreements	73,787	103,415
Other short term borrowings	10,192	15,415
	1,312,054	1,768,087

**23. OTHER INCOME**

Net profit on sale of fixed assets	3,177	357
Net gain on sale of securities	102,096	1,645
Recovery of expenses from customers	38,388	27,882
Others	10,150	6,825
	153,811	36,709



	2003	2002
	Rupees in '000	
<b>24. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	172,546	135,325
Charge for defined benefit plan	4,030	3,225
Contribution to defined contribution plan	7,119	5,329
Brokerage and commissions	24,525	26,321
Rent, taxes, insurance, electricity etc.	70,980	51,404
Legal and professional charges	5,741	8,564
Communications	42,638	34,121
Repairs and maintenance	70,235	43,836
Rentals of operating leases	69,533	44,988
Stationery and printing	19,467	14,353
Advertisement and publicity	11,055	10,322
Donations	24.1 11,748	9,979
Auditors' remuneration	24.2 492	508
Depreciation	12.2 35,287	33,334
Security charges	11,674	9,447
Travelling and conveyance	7,113	5,251
Motor car running	21,908	18,012
Computer software, maintenance etc.	18,780	13,610
Others	57,089	44,808
	<b>661,960</b>	<b>512,737</b>

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

Ahmed Abdullah Foundation	150	100
Al-Sayyeda Benevolent Trust	1,120	1,520
Habib Medical Trust	720	720
Habib Poor Fund	690	660
Habib Public School	157	-
IDA Rieu Poor Welfare Association	150	100
Lahore University of Management Sciences	200	200
Memon Education Board	200	200
Memon Hospital	150	-
Mohammadali Habib Welfare Trust	250	1,100
Pakistan Memon Educational & Welfare Society	500	500
Pakistan Memon Jamat	200	-
Pakistan Memon Women Educational Society	200	200
Rahmat Bai Food & Clothing Trust	945	1,170
Rahmat Bai Habib Widow & Orphan Trust	1,070	1,420
Shaukat Khanum Memorial Trust	250	-
Society for Welfare of Patient of SIUT	250	100
The Citizens Foundation	2,400	-
The Kidney Centre	250	50
The Layton Rehmatulla Benevolent Trust	250	50
Children Foundation Trust	-	500

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

**24.2 Auditors' remuneration**

Audit fee	400	400
Special certifications and sundry advisory services	77	108
Out of pocket expenses	15	-
	<b>492</b>	<b>508</b>



		2003	2002
		Rupees in '000	
<b>25. OTHER CHARGES</b>			
	Penalties imposed by State Bank of Pakistan	<u>3,068</u>	<u>898</u>
<b>26. TAXATION</b>			
	For the year - current	548,000	445,000
	- deferred	(4,112)	1,574
	For prior years - current	<u>1,552</u>	-
		<u>545,440</u>	<u>446,574</u>
<b>26.1</b>	Income-tax assessments have been finalised upto the assessment year 2002-2003 (corresponding to the accounting year ended December 31, 2001). The bank filed return of income for the tax year 2003, (corresponding to the accounting year ended December 31, 2002) where the same is deemed to be an assessment order in terms of section 120 of the Income Tax Ordinance, 2001.		
<b>26.2</b>	<b>Relationship between tax expense and accounting profit</b>		
	Profit before taxation	<u>1,223,919</u>	<u>876,243</u>
	Tax at the applicable rate of 44% (2002: 47%)	538,524	411,834
	Tax effect of expenses (net) that are not deductible in determining taxable income	65,709	38,757
	Tax effect of income (net) not subject to tax	(44,922)	(773)
	Tax effect of income taxed at reduced rate	<u>(11,311)</u>	<u>(4,818)</u>
		<u>548,000</u>	<u>445,000</u>
	The Federal Government has, through the Finance Ordinance, 2002 reduced the rate of tax applicable on banking companies from 47% to 44% for the Tax Year 2004.		
<b>27. BASIC AND DILUTED EARNINGS PER SHARE</b>			
	Profit for the year	<u>678,479</u>	<u>429,669</u>
	Weighted average number of ordinary shares	<u>100,000</u>	<u>100,000</u>
	Basic and diluted earnings per share	<u>6.78</u>	<u>4.30</u>
<b>28. CASH AND CASH EQUIVALENTS</b>			
	Cash and balances with treasury banks	3,294,581	2,541,483
	Balances with other banks	<u>607,302</u>	<u>636,649</u>
		<u>3,901,883</u>	<u>3,178,132</u>
<b>29. STAFF STRENGTH</b>			
	Number of employees at the end of the year	<u>901</u>	<u>763</u>



### 30. DEFINED BENEFIT PLAN

**30.1** The benefits under the funded gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service. The benefit is equal to one month's last drawn basic salary for each year of eligible service subject to a maximum of 24 months last drawn basic salary. The minimum qualifying period for eligibility under the plan is five years of continuous service.

**30.2** The actuarial valuation was carried out on December 31, 2003 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for actuarial valuation were as follows:

Discounted rate is	7 percent per annum
Expected rate of increase in salaries is	7 percent per annum
Expected rate of return on investments is	11.68 percent per annum

	2003	2002
	Rupees in '000	
<b>30.3 Reconciliation of payable to defined benefit plan</b>		
Present value of defined benefit obligations	39,101	28,550
Net actuarial gains or losses not recognized	(5,170)	(875)
Fair value of any plan assets	<u>(33,931)</u>	<u>(27,675)</u>
	<u>—</u>	<u>—</u>

Included herein is a sum of Rs. 10,110 thousand (2002: Rs. 6,856 thousand) placed under Bank's PLS fixed deposits and savings account.

#### 30.4 Movement in payable to defined benefit plan

Opening balance	—	—
Charge for the year	4,030	3,225
Contribution to fund made during the year	<u>(4,030)</u>	<u>(3,225)</u>
Closing balance	<u>—</u>	<u>—</u>

#### 30.5 Charge for defined benefit plan

Current service cost	3,943	3,009
Interest cost	2,855	2,381
Expected return on plan assets	<u>(2,768)</u>	<u>(2,165)</u>
Actuarial gains and losses	—	—
	<u>4,030</u>	<u>3,225</u>

#### 30.6 Actual return on plan assets

	<u>3,027</u>	<u>3,139</u>
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### 31. DEFINED CONTRIBUTION PLAN

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



### 32. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	<u>Chief Executive</u>		<u>Executives</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	-----Rupees in '000-----			
Managerial remuneration	<b>1,308</b>	1,106	<b>10,535</b>	8,439
Charge for defined benefit plan	<b>83</b>	83	<b>747</b>	541
Contribution to defined contribution plan	<b>131</b>	111	<b>916</b>	699
Rent and house maintenance	<b>823</b>	640	<b>4,741</b>	2,647
Utilities	<b>95</b>	96	<b>1,053</b>	844
Bonus	<b>224</b>	369	<b>2,634</b>	3,264
Others	<b>1,101</b>	793	–	1,151
	<b><u>3,765</u></b>	<u>3,198</u>	<b><u>20,626</u></b>	<u>17,585</u>
Number of persons	<b><u>1</u></b>	<u>1</u>	<b><u>16</u></b>	<u>14</u>

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

### 33. MATURITIES OF ASSETS AND LIABILITIES

	<b>2 0 0 3</b>				
	<u>Total</u>	<u>Upto three months</u>	<u>Over 3 months to one year</u>	<u>Over one year to five years</u>	<u>Over five years</u>
	-----Rupees in '000-----				
<b>Assets</b>					
Cash and balances with treasury banks	<b>3,294,581</b>	3,294,581	–	–	–
Balances with other banks	<b>607,302</b>	607,302	–	–	–
Lendings to financial institutions	<b>3,896,284</b>	3,476,409	334,875	85,000	–
Investments	<b>17,958,901</b>	3,880,881	2,722,937	4,752,571	6,602,512
Advances	<b>32,229,583</b>	5,044,996	27,004,576	80,701	99,310
Other assets	<b>652,327</b>	583,336	9,962	49,565	9,464
Operating fixed assets	<b>342,898</b>	11,346	38,577	178,908	114,067
	<b><u>58,981,876</u></b>	<u>16,898,851</u>	<u>30,110,927</u>	<u>5,146,745</u>	<u>6,825,353</u>
<b>Liabilities</b>					
Bills payable	<b>939,780</b>	939,780	–	–	–
Borrowings from financial institutions	<b>13,155,136</b>	7,035,663	6,119,473	–	–
Deposits and other accounts	<b>39,338,050</b>	13,751,852	15,991,504	5,277,779	4,316,915
Other liabilities	<b>983,666</b>	609,367	333,991	1,276	39,032
Deferred tax liabilities	<b>757,883</b>	11,187	49,460	148,188	549,048
	<b><u>55,174,515</u></b>	<u>22,347,849</u>	<u>22,494,428</u>	<u>5,427,243</u>	<u>4,904,995</u>
<b>Net assets</b>	<b><u>3,807,361</u></b>	<u>(5,448,998)</u>	<u>7,616,499</u>	<u>(280,498)</u>	<u>1,920,358</u>
Share capital	<b>1,000,000</b>				
Reserves	<b>1,698,951</b>				
Unappropriated profit	<b>53,722</b>				
Surplus on revaluation of assets	<b>1,054,688</b>				
	<b><u>3,807,361</u></b>				



### 34. YIELD/INTEREST RATE RISK

Effective Yield/ Interest rate %	Total	2003				Not exposed to Yield/ Interest Risk	
		Exposed to Yield/ Interest risk					
		Upto three months	Over 3 months to one year	Over one year to five years	Over five years		
-----Rupees in '000-----							
<b>On-balance sheet financial instruments</b>							
<b>Assets</b>							
Cash and balances with treasury banks	0.67	3,294,581	368,490	-	-	-	2,926,091
Balances with other banks	0.95 to 3.70	607,302	195,087	-	-	-	412,215
Lendings to financial institutions	1.85 to 12.25	3,896,284	3,476,409	334,875	85,000	-	-
Investments	0.92 to 19.00	17,958,901	3,880,881	2,722,937	4,752,571	6,570,092	32,420
Advances	1.50 to 18.00	32,229,583	5,044,996	27,004,576	80,701	64,185	35,125
Other assets		560,002	-	-	-	-	560,002
		<b>58,546,653</b>	<b>12,965,863</b>	<b>30,062,388</b>	<b>4,918,272</b>	<b>6,634,277</b>	<b>3,965,853</b>
<b>Liabilities</b>							
Bills payable		939,780	-	-	-	-	939,780
Borrowings from financial institutions	0.85 to 6.00	13,155,136	7,035,663	6,119,473	-	-	-
Deposits and other accounts	0.50 to 16.80	39,338,050	9,889,159	10,841,247	3,346,432	2,385,568	12,875,644
Other liabilities		913,442	-	-	-	-	913,442
		<b>54,346,408</b>	<b>16,924,822</b>	<b>16,960,720</b>	<b>3,346,432</b>	<b>2,385,568</b>	<b>14,728,866</b>
<b>On-balance sheet gap</b>		<b>4,200,245</b>	<b>(3,958,959)</b>	<b>13,101,668</b>	<b>1,571,840</b>	<b>4,248,709</b>	<b>(10,763,013)</b>
<b>Off-balance sheet financial instruments</b>							
Forward lendings		-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>			<b>(3,958,959)</b>	<b>13,101,668</b>	<b>1,571,840</b>	<b>4,248,709</b>	
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>			<b>(3,958,959)</b>	<b>9,142,709</b>	<b>10,714,549</b>	<b>14,963,258</b>	

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

### 35. CURRENCY RISK

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
-----Rupees in '000-----				
Pakistan Rupee	54,749,742	55,978,040	1,239,628	11,330
United States Dollar	3,651,262	2,779,136	(902,558)	(30,432)
Great Britain Pound	88,734	112,909	25,420	1,245
Japanese Yen	13,738	567	(9,769)	3,402
Euro	426,513	105,731	(337,065)	(16,283)
Other currencies	51,887	5,493	(15,656)	30,738
	<b>58,981,876</b>	<b>58,981,876</b>	<b>-</b>	<b>-</b>

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

### 36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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



### 37. CONCENTRATION OF CREDITS AND DEPOSITS

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

	2 0 0 3					
	Advances		Deposits		* Contingencies and Commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
<b>37.1 Segment by class of business</b>						
Chemicals and Pharmaceuticals	668,698	2.05	1,425,601	3.62	1,380,256	8.87
Agribusiness	76,965	0.24	226,292	0.58	6,946	0.04
Textile **	18,730,973	57.39	2,719,624	6.91	4,748,909	30.51
Cement	—	—	270,788	0.69	122,081	0.79
Sugar	86,716	0.27	46,940	0.12	—	—
Shoes and leather garments	339,936	1.04	498,602	1.27	6,341	0.04
Automobile and transportation equipment	311,292	0.95	5,381,755	13.68	445,146	2.86
Financial	304,984	0.93	1,498,864	3.81	2,910	0.02
Insurance	57,629	0.18	38,473	0.10	482	—
Transportation	21,472	0.07	374,864	0.95	447,773	2.88
Electronics and electrical appliances	466,111	1.43	521,410	1.33	380,471	2.44
Production and transmission energy	10,797	0.03	71,949	0.18	77,901	0.50
Individuals	468,064	1.43	13,974,817	35.52	13,836	0.09
Others	11,093,454	33.99	12,288,071	31.24	7,930,475	50.96
	<b>32,637,091</b>	<b>100.00</b>	<b>39,338,050</b>	<b>100.00</b>	<b>15,563,527</b>	<b>100.00</b>

\*Excludes commitments in respect of forward exchange contracts.

\*\*The management has ensured diversification within the sector.

#### 37.2 Segment by sector

Public/ Government	—	—	2,092,370	5.32	600,000	3.86
Private	32,637,091	100.00	37,245,680	94.68	14,963,527	96.14
	<b>32,637,091</b>	<b>100.00</b>	<b>39,338,050</b>	<b>100.00</b>	<b>15,563,527</b>	<b>100.00</b>

#### 37.3 Geographical segment analysis

	2 0 0 3			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	-----Rupees in '000-----			
Pakistan	<b>1,223,919</b>	<b>58,981,876</b>	<b>3,807,361</b>	<b>15,563,527</b>

### 38. TRANSACTIONS WITH RELATED PARTIES

	2003	2002
	Rupees in '000	
Deposits (at year end)	<b>4,139</b>	16,803
Profit paid on deposits	<b>15</b>	7,806
Investments in Term Finance Certificates (at year end)	<b>66,363</b>	18,849
Profit earned on Term Finance Certificates	<b>5113</b>	5,256

### 39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 19, 2004 by the Board of Directors of the Bank.

### 40. GENERAL

- Figures in the financial statements have been rounded off to the nearest thousand rupees.
- Prior year figures have been rearranged in note nos. 21, 23 and 24 to facilitate comparison and better presentation.

**ANWAR H. JAPANWALA**  
Chairman

**KASSIM PAREKH**  
President and Chief Executive

**BASHIR ALI MOHAMMAD**  
Director

**FIRASAT ALI**  
Director

## ANNEXURE-I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2003**

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 the year			Total	Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others					
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1.	Precold Engineering Industries 30. Darul Aman Society, Block 7/8, Shahr-e-Faisal, Karachi.	Mr. Raza Jaffar NIC 501-65-234083	Mr. Jaffar Ali	3,018	953	-	3,971	1,810	953	-	2,763
2.	Crescent Knitwear Limited PAAF Building, 5th Floor, 7-D, Egerton Road, Lahore.	Mr. Khurram Mazhar NIC 244-65-101256 Mr. Humayun Mazhar NIC 244-88-101255 Mr. Shams Rafi NIC 517-91-040189 Mr. Ahsan Bashir NIC 248-87-008414 Mr. Nasir Shafi NIC 144-49-023947	Mr. Mazhar Karim Mr. Mazhar Karim Mr. Mohd. Rafi Mr. Khalid Bashir Mr. Haji Mohammad Shafi Mr. Maqbool Ahmad	7,100	1,656	-	8,756	3,100	1,656	-	4,756
3.	T.J. Enterprises N.P. 11/2, Khillion Street, Jodia Bazar, Karachi.	Mst. Zohra Begum NIC 517-44-196771	Mohammad Younus	1,284	380	-	1,664	1,284	380	-	1,664
			Total	11,402	2,989	-	14,391	6,194	2,989	-	9,183





### Pattern of Shareholdings as at December 31, 2003

Number of Shareholders	Size of Shareholding Rs. 10 each	Total Shares Held
111	1	4,835
351	101	104,954
191	501	152,499
987	1001	1,962,112
113	5001	848,323
27	10001	354,425
24	15001	409,930
19	20001	437,747
5	25001	142,076
10	30001	323,311
8	35001	310,553
5	40001	212,158
7	45001	343,770
1	50001	50,200
5	65001	331,370
1	70001	75,000
1	75001	78,000
8	80001	666,645
2	85001	176,800
5	95001	498,330
4	100001	416,650
7	110001	785,000
2	115001	235,665
6	130001	798,647
5	140001	713,995
1	160001	164,000
6	165001	1,002,113
1	180001	184,674
2	195001	400,000
2	205001	416,662
2	210001	428,660
2	220001	444,995
2	265001	533,322
3	285001	857,330
1	290001	295,000
5	330001	1,666,650
8	370001	3,000,000
1	485001	485,396
1	560001	563,000
1	665001	666,665
1	680001	683,925
2	760001	1,524,660
1	805001	808,565
1	1000001	1,001,665
1	1135001	1,140,000
1	1355001	1,356,000
1	1740001	1,742,665
1	1985001	1,985,962
1	2355001	2,360,000
1	2365001	2,370,000
1	2370001	2,373,043
1	2385001	2,389,000
1	2400001	2,404,332
1	2425001	2,430,000



Number of Shareholders	Size of Shareholding Rs. 10 each			Total Shares Held
3	2445001	—	2450000	7,342,330
1	2455001	—	2460000	2,459,330
2	2460001	—	2465000	4,926,660
1	2475001	—	2480000	2,479,130
1	2665001	—	2670000	2,666,665
1	3255001	—	3260000	3,256,512
1	3330001	—	3335000	3,333,330
1	3665001	—	3670000	3,666,497
1	4020001	—	4025000	4,023,987
1	19730001	—	19735000	19,734,280
<u>1,971</u>				<u>100,000,000</u>

Categories of Share holders	Number of Shares held	Category wise No. of Share holders	Category wise Shares held	Percentage %
Individuals		1,870	27,745,499	27.75
Investment Companies		3	341,715	0.34
Joint Stock Companies		41	640,162	0.64
Directors, Chief Executive Officer and their spouses and minor children		7	4,708,820	4.71
Mr. Kassim Parekh	333,330			
Mr. Bashir Ali Mohammad	2,666,665			
Dewan Asim Mushfiq Farooqui	375,000			
Mr. Anwar H. Japanwala	666,665			
Mr. A. R. Wadiwala	333,330			
Mr. Salim A. Zubairi	333,330			
Mr. R. B. Limbuvalla	500			
Executives		5	261,220	0.26
NIT / ICP		2	19,745,153	19.75
National Bank of Pakistan, Trustee Department *	19,739,480			
Investment Corporation of Pakistan	5,673			
Associated Companies, Undertakings and related parties		—	—	—
Public Sector Companies and Corporations		—	—	—
Banks, DFIs, Insurance Companies, Modarabas & Mutual Funds		16	8,762,806	8.76
Foreign Investors		19	36,660,720	36.66
Co-operative Societies		1	1,001,665	1.00
Charitable Trusts		1	7,000	0.01
Others		6	125,240	0.12
<b>Total</b>		<b>1,971</b>	<b>100,000,000</b>	<b>100.00</b>

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



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## PROXY FORM

I/We \_\_\_\_\_

of \_\_\_\_\_

being member (s) of Metropolitan Bank Limited and holding \_\_\_\_\_

ordinary shares, as per Register folio \_\_\_\_\_

hereby appoint \_\_\_\_\_ Folio No. \_\_\_\_\_

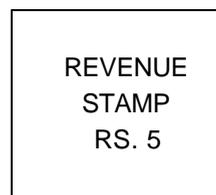
of \_\_\_\_\_

or failing him \_\_\_\_\_ Folio No. \_\_\_\_\_

of \_\_\_\_\_

another member of the Bank to vote for me/us and on my/our behalf at the 12th Annual General Meeting of the Bank to be held on March 27, 2004 and at any adjournment thereof.

As Witness my/our hand this \_\_\_\_\_ day of March 2004.



SIGNATURE OF MEMBER(S)

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

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

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

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**METROPOLITAN BANK LIMITED**  
**ADDENDUM TO THE ANNUAL ACCOUNTS**  
**FOR THE YEAR ENDED DECEMBER 31,2003**

The Bank has fully complied with the best practices on transfer pricing as contained in the listing regulations of Karachi, Lahore and Islamabad stock exchanges where the Bank is listed.

On behalf of the Board

**Kassim Parekh**  
President & Chief Executive