



Metropolitan Bank Limited

ANNUAL REPORT 2002





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HEAD OFFICE

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

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

BRANCHES

Karachi:

Main Branch:

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

Cloth Market:

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

Paper Market:

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

Gulshan-e-Iqbal:

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)
Fax : (021) 452 8398
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:

Stock Exchange Building,
Stock Exchange Road,
Karachi.
Phones : (021) 240 1921 (4 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.I/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 (3 Lines)
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)
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 6434
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 2109
Fax : (021) 589 7624

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) 693 4265, 695 7569
Fax : (021) 695 7570



BRANCHES

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
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)
UAN : (061) 111-18-18-18
Fax : (061) 583518
Telex : 42353 BNKMN PK

Faisalabad:

P-36, Kutchery Bazar,
P.O. Box No. 144, 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
Fax : (0731) 74193

Kasur:

Railway Road, Kasur.
Phones : (0492) 4022, 4290
Fax : (0492) 760025

Gujranwala:

B11-65-9/1, Circular Road, Gujranwala.
Phones : (0431) 214772, 214734
Fax : (0431) 210668
Telex : 45264 BNKMN PK



BOARD OF DIRECTORS

CHAIRMAN & CHIEF EXECUTIVE

Kassim Parekh

DIRECTORS

Bashir Ali Mohammad

Dewan Asim Mushfiq Farooqui

Firasat Ali

Anwar H. Japanwala

A. R. Wadiwala

Salim A. Zubairi

R. B. Limbuvalla

AUDIT COMMITTEE

Anwar H. Japanwala Chairman

Kassim Parekh Member

A. R. Wadiwala Member

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

Telephones : (92-21) 263 6740 (20 lines)

UAN : (92-21) 111-18-18-18

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: 20281 BNKMN PK

Cable : METROBANK

SWIFT : MPBLPKKA

URL : www.metrobank.com.pk

E-mail : 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 Eleventh 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 29, 2003 at 8:30 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2002 together with the Directors' and Auditors' Reports thereon.
2. To approve payment of cash dividend @ 20%, i.e., Rs. 2 per share of Rs. 10 each for the year ended December 31, 2002 as recommended by the Directors.
3. To appoint Auditors for the financial year ending December 31, 2003 and fix their remuneration. The present Auditors, Messrs. Hyder Bhimji & Co., Chartered Accountants, being eligible, offer themselves for reappointment.
4. To consider any other business with the permission of the Chair.

SPECIAL BUSINESS

5. To consider and pass the following resolution as a Special Resolution for amending the Articles of Association of the Bank:

"Resolved that in Article 71 of the Articles of Association of the Bank the word "ten" shall be substituted for the word "three"."

By Order of the Board

FUZAIL ABBAS
Company Secretary

Karachi : March 3, 2003

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 24, 2003 to April 6, 2003 (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 Eleventh Annual General Meeting to be held on March 29, 2003.

1. To bring the Articles of Association in conformity with the Companies Ordinance, 1984.



DIRECTORS' REPORT

Dear Shareholders:

I extend you a warm welcome to the Eleventh Annual General Meeting of the Metropolitan Bank Limited and feel privileged to present to you the Bank's Annual Report for the financial year ended December 31, 2002.

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

	Rupees '000
Profit for the year	876,243
Provision for taxation - current	445,000
- deferred	1,574
	(446,574)
Profit after taxation	429,669
Unappropriated profit brought forward	79,574
Profit available for appropriation	509,243
Transfer to	
- Statutory reserve	98,000
- Revenue reserve	200,000
- Cash dividend @ 20%	200,000
	(498,000)
Unappropriated profit carried forward	11,243

The earnings per share after tax amounted to Rs. 4.30

Despite uncertain and challenging circumstances, there were many favourable developments in the Pakistan economy. The landmark achievements of the Government with regard to the country's foreign currency debt restructuring and enhancement of European (export) quota, yielded very positive results.

There was a sharp increase in money supply assisted by substantial increases in inward remittances. The Country's foreign exchange reserves climbed to unprecedented levels and the Pak Rupee registered almost 3% appreciation on a year on year basis against the US dollar. The internationally renowned rating agencies, Moody and Standard & Poors both improved Pakistan's credit rating.

Local manufacturing, especially in the consumer durable sectors, enjoyed strong demand and Pakistan's GDP registered an encouraging 4% growth. The equity markets remained very bullish and the Karachi Stock Exchange was declared the 'best performing equity market in the world.'

Competition within the Banking sector grew fierce. Pricing remained under severe pressure while the State Bank of Pakistan adjusted the Discount Rate, twice during the year and local money markets experienced massive surpluses. The current SBP discount rate of 7.5% is the lowest in 30 years.

The corporate debt market continued to develop and many companies, taking advantage of lower rates, also refinanced existing debts. Local manufacturing, especially the consumer durable sector, was greatly assisted by increasingly competitive & abundantly available financing.



The import / export sector was facilitated by newly available foreign currency financing and banks' foreign exchange dealing margins further eroded, due to competition.

Following international trends, the State Bank of Pakistan (SBP) further strengthened its Due Diligence regulations. SBP continued to encourage development in the sector by further relaxing branch expansion conditions and remained keenly interested in use of technology.

Al-Hamdolillah, during its 10th year, your Bank continued to make consistent progress in all areas of the operations and the year-end results are very encouraging.

During the period, the Bank's branch network was further strengthened. Ten new branches were opened, eight in Karachi and two at Lahore. The Bank plans to open additional branches during the year 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 and tele-info services to our customers.

A training academy has also been established to impart professional training to the increasing staff strength resulting from the expansion of branch network and to keep them updated on matters relating to the changing field of banking.

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.

In order to diversify the Bank's income stream, new products for cash management & services have been introduced. The Bank has signed agreement with Orix Leasing Pakistan Limited to launch Debit Cards and also plans to install ATMs and a Memorandum of Understanding (MOU) has been signed with Muslim Commercial Bank Limited to use their network of ATMs. Subsequent to the year end, your Bank also launched its first open-ended Mutual Fund, Metro Bank - Pakistan Sovereign Fund, in collaboration with the Arif Habib Investment Management Limited as the Management Company to manage the fund while Metro Bank will act as its Trustee. The management plans to introduce additional fee-based products during the current year.

During the year under review, Mr. A. G. Habib resigned from the Board and in his place Mr. R. B. Limbuvalla was coopted as director to fill the casual vacancy. The Board expresses its appreciation for the services rendered by Mr. A. G. Habib.

During the year five Board meetings were held and the attendance of the concerned Director during his tenure on the Board was as follows:

Date of Meeting

March 4, 2002

Attended by

Mr. Kassim Parekh
Mr. Bashir Ali Mohammad
Mr. A. G. Habib
Mr. Firasat Ali
Mr. Anwar H. Japanwala
Mr. A. R. Wadiwala
Mr. Salim A. Zubairi



March 30, 2002

Mr. Kassim Parekh
Mr. A. G. Habib
Mr. Firasat Ali
Mr. A. R. Wadiwala

April 25, 2002

Mr. Kassim Parekh
Mr. A. G. Habib
Mr. Firasat Ali
Mr. Anwar H. Japanwala
Mr. A. R. Wadiwala

August 24, 2002

Mr. Kassim Parekh
Mr. Bashir Ali Mohammad
Mr. A. G. Habib
Mr. Firasat Ali
Mr. A. R. Wadiwala

October 28, 2002

Mr. Kassim Parekh
Mr. A. G. Habib
Mr. Firasat Ali
Mr. Anwar H. Japanwala
Mr. A. R. Wadiwala
Mr. Salim A. Zubairi

The pattern of shareholdings as on December 31, 2002 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 to 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 except for deferred taxation which has adequately been disclosed in note no. 5.6.3 to the notes to the accounts and accounting estimates are based on reasonable and prudent judgment.
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					
	2002	2001	2000	1999	1998	1997
Shareholders Equity	2,074	1,845	1,453	1,227	1,030	829
Paid-up Capital	1,000	800	625	500	375	300
Total Assets	41,381	27,118	20,770	17,909	15,526	13,496
Deposits	28,515	17,902	13,136	12,096	10,715	9,608
Advances	19,444	12,988	11,367	8,866	7,190	6,449
Investments	15,013	8,265	2,614	5,005	5,960	5,324
Pre-tax Profit	876	743	568	521	573	475
After-tax Profit	430	335	226	197	201	179
Earnings Per Share (Rupees)	4.30	4.18	3.61	3.94	5.36	5.96
Dividends (%)	20 (C)	25 (B)	28 (B)	25 (B)	33.33 (B)	25 (B)
No. of Staff	763	561	494	450	428	398
No. of Branches	35	25	21	19	18	17

Value of investments of Provident Fund and Gratuity Scheme as at December 31, 2002 are as under.

- Provident Fund Rs. 43,031 thousand
- Gratuity Fund Rs. 16,059 thousand

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
Chairman

Karachi: March 3, 2003



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE YEAR ENDED DECEMBER 31, 2002

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 Company.
3. All the resident directors of the Bank are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI / NBFIs.
4. Casual vacancy occurring in the Board on October 29, 2002 was filled up by the directors within 14 days, thereof.
5. The Bank has prepared a 'Statement of Ethics and Business Practices', which has been signed by the directors and is in the process of being signed by the employees of the Bank.
6. The Board has developed a vision/mission statement and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. 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. The Board arranged a presentation for its directors during the year to apprise them of their duties and responsibilities.
10. The Directors' report for this year has been prepared in compliance with the requirements of the Code and describes the salient matters to be disclosed.
11. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
12. 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.
13. The Bank has complied with all the corporate and financial reporting requirements of the Code.
14. 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.
15. 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.
16. The Board has setup an effective internal audit function.



17. 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.
18. 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.

Kassim Parekh
Chairman

Karachi : March 3, 2003



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, 2002 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 it if 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, 2002.

HYDER BHIMJI & CO.
Chartered Accountants

Karachi : March 3, 2003



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Metropolitan Bank Limited as at December 31, 2002, and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof (hereinafter referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 7 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

- a) In our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984, (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) In our opinion:
 - i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 5.6.3 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) In our opinion and to the best of our information and according to the explanations given to us the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standard as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962, (LVII of 1962), and the Companies Ordinance, 1984, (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2002, 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 : March 3, 2003



BALANCE SHEET

AS AT DECEMBER 31, 2002

	Note	2002	2001 (Restated)
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	2,541,483	1,897,612
Balances with other banks	7	636,649	1,400,283
Lendings to financial institutions	8	2,557,200	1,739,627
Investments	9	15,013,453	8,264,564
Advances	10	19,443,953	12,987,653
Other assets	11	871,737	538,788
Operating fixed assets	12	316,672	289,896
Deferred tax assets		—	—
		41,381,147	27,118,423
LIABILITIES			
Bills payable	13	444,198	318,172
Borrowings from financial institutions	14	7,185,417	5,942,838
Deposits and other accounts	15	28,514,996	17,902,426
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Other liabilities	16	1,272,596	817,776
Deferred tax liabilities	17	857,606	116,711
		38,274,813	25,097,923
NET ASSETS		3,106,334	2,020,500
REPRESENTED BY			
Share capital	18	1,000,000	800,000
Reserves		1,062,951	964,951
Unappropriated profit		11,243	79,574
		2,074,194	1,844,525
Surplus on revaluation of assets	19	1,032,140	175,975
		3,106,334	2,020,500
CONTINGENCIES AND COMMITMENTS	20		

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

KASSIM PAREKH
Chairman and Chief Executive

DEWAN ASIM MUSHFIQ FAROOQUI
Director

FIRASAT ALI
Director

ANWAR H. JAPANWALA
Director



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2002

	Note	2002 Rupees in '000	2001 (Restated)
Mark-up/Return/Interest Earned	21	2,681,188	2,187,456
Mark-up/Return/Interest Expensed	22	(1,768,087)	(1,487,491)
Net Mark-up/ Interest Income		913,101	699,965
Provision against non-performing loans and advances	10.3	69,696	25,645
Provision for diminution in the value of investments		(1,897)	573
Bad debts written off directly		—	48
		(67,799)	(26,266)
Net Mark-up/ Interest Income after provisions		845,302	673,699
Non Mark-up/Interest Income			
Fee, Commission and Brokerage Income		235,171	167,811
Dividend Income		11,472	1,732
Income from dealing in foreign currencies		262,869	260,798
Other Income	23	7,182	7,633
Total non-markup/interest Income		516,694	437,974
		1,361,996	1,111,673
Non Mark-up/Interest Expenses			
Administrative expenses	24	484,855	368,886
Other provisions/write off		—	—
Other charges	25	898	51
Total non-markup/interest expenses		(485,753)	(368,937)
		876,243	742,736
Extra ordinary/unusual items		—	—
Profit before taxation		876,243	742,736
Taxation - Current	26	445,000	386,000
- Prior years		—	24,222
- Deferred		1,574	(2,181)
		(446,574)	(408,041)
Profit after taxation		429,669	334,695
Unappropriated profit brought forward		79,574	62,879
Profit available for appropriation		509,243	397,574
Appropriations:			
Transfer To:			
Statutory reserve		98,000	67,000
Capital reserve		—	—
Revenue reserve		200,000	51,000
Proposed cash dividend Rs. 2 (2001: Rs. Nil) per share		200,000	—
Reserve for issue of bonus shares Nil (2001: 25 shares for every 100 share held)		—	200,000
		(498,000)	(318,000)
Unappropriated/Unremitted profit/(loss) carried forward		11,243	79,574
Basic Earnings per share - Rupees	27	4.30	3.35
Diluted Earnings per share - Rupees	27	4.30	3.35

The annexed notes form an integral part of these accounts.

KASSIM PAREKH
Chairman and Chief Executive

DEWAN ASIM MUSHFIQ FAROOQUI
Director

FIRASAT ALI
Director

ANWAR H. JAPANWALA
Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2002

	Share capital	Statutory reserve	Special reserve	Revenue reserve	Reserve for issue of bonus shares	Unappropriated profit (Restated)	Total
	-----Rupees in '000-----						
Opening Balance January 1, 2001	625,000	357,590	240,361	49,000	175,000	5,797	1,452,748
Effect of change in accounting policy due to Deferred Tax	-	-	-	-	-	57,082	57,082
Opening retained earnings as re-stated	625,000	357,590	240,361	49,000	175,000	62,879	1,509,830
Issue of bonus shares	175,000	-	-	-	(175,000)	-	-
Profit after tax as restated	-	-	-	-	-	334,695	334,695
Transfer from profit and loss account	-	67,000	-	51,000	200,000	(318,000)	-
Balance as on December 31, 2001 as re-stated	800,000	424,590	240,361	100,000	200,000	79,574	1,844,525
Balance as on 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 retained earnings 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%	-	-	-	-	-	(200,000)	(200,000)
Balance as on December 31, 2002	1,000,000	522,590	240,361	300,000	-	11,243	2,074,194

KASSIM PAREKH
Chairman and Chief Executive

DEWAN ASIM MUSHFIQ FAROOQUI
Director

FIRASAT ALI
Director

ANWAR H. JAPANWALA
Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2002

	Note	2002	2001
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		876,243	742,736
Less : Dividend income		(11,472)	(1,732)
		<u>864,771</u>	<u>741,004</u>
Adjustment for non-cash charges:			
Depreciation/amortisation		33,334	31,837
Provision against non-performing advances		60,816	25,179
Provision for diminution in the value of investments		(1,897)	573
Gain on sale of fixed assets		(357)	(2,011)
Fixed assets written off		27	-
		<u>91,923</u>	<u>55,578</u>
		<u>956,694</u>	<u>796,582</u>
(Increase)/Decrease in operating assets			
Lendings to financial institutions		(817,573)	1,884,195
Advances		(6,517,116)	(1,645,650)
Other assets		(332,949)	(135,019)
		<u>(7,667,638)</u>	<u>103,526</u>
Increase/(Decrease) in operating liabilities			
Bills Payable		126,026	150,503
Borrowings from financial institutions		1,242,579	685,548
Deposits		10,612,570	4,766,363
Other liabilities (excluding taxation and dividend)		324,042	32,668
		<u>12,305,217</u>	<u>5,635,082</u>
		<u>5,594,273</u>	<u>6,535,190</u>
Income tax paid		(514,222)	(368,326)
Net cash flow from operating activities		<u>5,080,051</u>	<u>6,166,864</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(5,151,506)	(5,311,591)
Dividend income		11,472	1,732
Investments in operating fixed assets		(60,219)	(31,280)
Sale proceeds of property and equipment disposed-off		439	2,343
Net cash flow from investing activities		<u>(5,199,814)</u>	<u>(5,338,796)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		-	(1)
Increase/(Decrease) in cash and cash equivalents		<u>(119,763)</u>	<u>828,067</u>
Cash and cash equivalents at beginning of the year	28	<u>3,297,895</u>	<u>2,469,828</u>
Cash and cash equivalents at end of the year	28	<u><u>3,178,132</u></u>	<u><u>3,297,895</u></u>

KASSIM PAREKH
Chairman and Chief Executive

DEWAN ASIM MUSHFIQ FAROOQUI
Director

FIRASAT ALI
Director

ANWAR H. JAPANWALA
Director



NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 2002

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.

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.

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

Advances 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.

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. Depreciation is computed over the estimated useful lives of the related fixed assets at the rates specified in note 12.2 on straight line method except office premises which is being depreciated on diminishing balance method.

Profit or loss on disposal of fixed assets is charged to income currently.

Capital work-in-progress is stated at cost.

5.6 Taxation

5.6.1 Current :

Provision for taxation is based on the assessable income for the year after taking into account tax credits available, if any, and any under / over provisions in respect of prior years.

5.6.2 Deferred :

Deferred tax is provided on timing differences using the liability method excluding the tax effects of those timing differences which are not likely to reverse in the foreseeable future.

5.6.3 Change in Accounting Policy:

From current year, the Bank has adopted the policy of recognising deferred tax in accordance with the revised International Accounting Standard (IAS) - 12 "Income Taxes" which became applicable to financial statements covering period beginning on or after January 1, 2002. In accordance with the benchmark treatment prescribed in IAS - 8 "Net Profit or Loss for the Period, Fundamental Errors and Change in Accounting Policies", the effect of this change has been recognised retrospectively. The comparative financial statements for 2001 have been restated to conform to the changed policy. The effect of change has resulted in recognising a deferred tax liability of Rs. 1,574 thousand for the current year and deferred tax assets of Rs. 2,181 thousand for the previous year. Hence profit after taxation in the above two years shows change by the above amounts.

Further, deferred tax liability has also been provided on surplus on revaluation of investment securities amounting to Rs. 915,295 thousand in the current year and Rs. 175,974 thousand in the previous year, with a corresponding decrease in surplus in revaluation of assets.

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.



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. Equal monthly 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 dealt with through profit and loss account.

5.9 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	2002	2001
		Rupees in '000	
In hand :			
Local currency		314,967	170,622
Foreign currency		164,350	109,413
With State Bank of Pakistan :			
Local currency current accounts		1,505,896	1,018,243
Local currency deposit accounts - commodity operations		-	73,000
Foreign currency - cash reserve account		137,420	104,426
- special cash reserve account	6.1	412,261	417,706
With National Bank of Pakistan in local currency current account		<u>6,589</u>	<u>4,202</u>
		<u>2,541,483</u>	<u>1,897,612</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 0.94% (2001: 1.14%) p.a.

7. BALANCES WITH OTHER BANKS

In Pakistan :			
Local currency current accounts		127,729	78,487
Local currency deposit accounts		819	7,444
Outside Pakistan :			
Foreign currency current accounts		102,979	124,387
Foreign currency deposit accounts	7.1	<u>405,122</u>	<u>1,189,965</u>
		<u>636,649</u>	<u>1,400,283</u>

7.1 These deposits have been placed at interest rates ranging between 0.94% p.a. to 2.81% (2001: 1.70% to 2.22%) p.a.



	Note	2002	2001
		Rupees in '000	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	535,000	485,000
Repurchase agreement lendings (Reverse Repo)	8.2	2,022,200	1,254,627
		2,557,200	1,739,627

8.1 These are unsecured placements with banks and carry mark-up rates ranging between 3.95% to 12.25% (2001: 10.00% to 13.35%) p.a.

8.2 Securities held as collateral against lendings to financial institutions:

	2002			2001		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
-----Rupees in '000-----						
Market Treasury Bills	94,345	–	94,345	293,327	–	293,327
Pakistan Investment Bonds	795,000	–	795,000	100,000	–	100,000
Federal Investment Bonds	200,000	–	200,000	520,000	–	520,000
Term Finance Certificates	590,430	–	590,430	341,300	–	341,300
Quoted Shares	300,000	–	300,000	–	–	–
Mutual Funds	42,425	–	42,425	–	–	–
	2,022,200	–	2,022,200	1,254,627	–	1,254,627

9. INVESTMENTS

	2002			2001		
	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

Market Treasury Bills	1,423,242	2,518,094	3,941,336	1,949,084	374,739	2,323,823
Pakistan Investment Bonds	5,509,799	1,395,000	6,904,799	1,453,502	1,350,000	2,803,502
Federal Investment Bonds	1,322,929	1,000,000	2,322,929	2,078,000	300,000	2,378,000
Term Finance Certificates	842,346	–	842,346	238,721	–	238,721
Certificates of Investments	595,000	–	595,000	460,000	–	460,000
Unquoted shares	30,680	–	30,680	30,680	–	30,680
National Prize Bond	3,460	–	3,460	2,139	–	2,139
Mutual Funds	348,451	–	348,451	–	–	–
National Investment Unit Trust	5,603	–	5,603	5,012	–	5,012
Provision for diminution in value	–	–	–	(1,897)	–	(1,897)
	5,603	–	5,603	3,115	–	3,115
	10,081,510	4,913,094	14,994,604	6,215,241	2,024,739	8,239,980

Associates

Term Finance Certificates	18,849	–	18,849	24,584	–	24,584
	10,100,359	4,913,094	15,013,453	6,239,825	2,024,739	8,264,564



2002 2001
Rupees in '000

9.2 Investments by segments

Federal Government Securities:

Market Treasury Bills	9.2.1	3,941,336	2,323,823
Pakistan Investment Bonds	9.2.2	6,904,799	2,803,502
Federal Investment Bonds	9.2.3	2,322,929	2,378,000
National Prize Bonds		3,460	2,139
		13,172,524	7,507,464

Fully Paid up Ordinary Shares:

Unquoted shares	9.2.4	30,680	30,680
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Term finance certificates, debentures, bonds and participation term certificates:

Listed term finance certificates	9.2.5	861,195	263,305
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Other Investments

Certificates of Investments	9.2.6	595,000	460,000
Mutual Funds		348,451	-
National Investment Unit Trust - quoted		5,603	5,012
Provision for diminution in value		-	(1,897)
		5,603	3,115
		15,013,453	8,264,564

9.2.1 These securities have maturity periods of 6 and 12 months, with yield ranging between 5.80% to 6.99% (2001: 8.94% to 12.97%) p.a.

9.2.2 These securities have maturity period of 5 to 10 years with interest rates ranging between 9.00% to 14.00% (2001: 13.00% to 14.00%) p.a.

9.2.3 These securities have a maturity period of 10 years and carry interest rate of 15% (2001: 15%) p.a. Also included herein are securities having a book value of Rs. 158,500 (2001: Rs. 158,500) thousand pledged with State Bank of Pakistan as security to facilitate TT discounting facility to branches of the Bank.

9.2.4 This represents 25 (2001: 25) ordinary shares of Rs. 1,000,000 each and 568,000 (2001: 568,000) ordinary shares of Rs. 10 each of paid-up capital of Khushhali Bank and Pakistan Export Finance Guarantee Agency Ltd. The Break-up value per share based on December 31, 2001 audited accounts is Rs. 1,030,468 and Rs. 9.43 respectively. The Chief Executives of the investee companies are Mr. Ghalib Nishter and Mr. S. M. Zaeem respectively.



Company	No. of Certificates	Face Value	Maturity Date	2002	2001
				Rupees in '000	

9.2.5 Term Finance Certificates

Associated companies

Dewan Sugar Mills Limited - unquoted	20	100,000	Jan-05	7,500	9,000
Dewan Salman Fibre Limited - quoted	150	100,000	Apr-04	11,349	15,584
				18,849	24,584

Others - quoted

Atlas Lease Limited	131	5,000 & 100,000	Aug-05	12,520	12,525
Engro Asahi Polymer & Chemicals Limited	8,000	5,000	Jun-06	45,424	39,992
Engro Chemical Pakistan Limited	18,967	5,000	Oct-06	95,761	17,135
First International Investment Bank Ltd.	5,050	5,000 & 100,000	Dec-05 & Sep-04	27,495	28,744
Gatron (Industries) Limited	100	100,000	Jun-03	2,574	7,741
National Development Leasing Corporation	200	100,000	Nov-04	13,322	19,984
Nishat Mills Limited	1,800	5,000	Sep-05	32,289	9,000
Packages Limited	5,000	5,000	Jan-05	25,000	25,000
Pak Arab Refinery Limited	10,000	5,000	Dec-04	199,357	50,000
Paramount Leasing Corporation Ltd.	4,000	5,000	Jun-04	14,600	18,600
Security Leasing Corporation Ltd.	7,000	5,000	Dec-05 & Jun-08	35,326	10,000
Saudi Pak Leasing Company Limited	8,342	5,000	Jun-07	42,569	–
Bank Alfalah Limited	12,700	5,000	Jun-08	63,500	–
WorldCall Communication Limited	7,000	5,000	Oct-07	35,000	–
Muslim Commercial Bank Limited	8,544	5,000	Oct-07	42,891	–
Sui Southern Gas Company Limited	4,130	5,000 & 100,000	Jun-06 & Jun-07	33,480	–
Orix Leasing Pakistan Limited	15,000	5,000	Jun-07	75,000	–
Sitara Chemical Industries Limited	3,150	5,000	Jun-07	16,238	–
Khadim Ali Shah Bukhari Leasing Co. Ltd.	2,000	5,000	Jan-08	10,000	–
D.G. Khan Cement Company Limited	4,000	5,000	Jan-07	20,000	–
				842,346	238,721
				861,195	263,305

These are redeemable in quarterly / half-yearly installments and carry mark-up rates ranging between 10% to 19% (2001: 13% to 19%) p.a.

9.2.6 This represent Certificates of Investments of various financial institutions carrying profit rates ranging between 6.25% to 9.10% (2001: 12.00% to 14.75%) p.a. maturing on various dates in year 2003.



10. ADVANCES

Loans, cash credits, running finances, etc.,

		2002	2001
		Rupees in '000	
In Pakistan		15,905,559	9,836,284
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		150,216	89,915
Payable outside Pakistan		3,667,193	3,279,653
		3,817,409	3,369,568
		19,722,968	13,205,852
Provision for non-performing advances	10.3	(279,015)	(218,199)
		19,443,953	12,987,653

10.1 Particulars of advances

10.1.1	In local currency	15,474,767	11,174,765
	In foreign currencies	3,969,186	1,812,888
		19,443,953	12,987,653
10.1.2	Short Term (for upto one year)	16,984,534	12,076,488
	Long Term (for over one year)	2,459,419	911,165
		19,443,953	12,987,653

10.2 Advances include Rs. 114,302 thousand (2001: 132,159 thousand) which have been placed under non-performing status as detailed below:

Category of Classification	2002		
	Domestic	Provision Required	Provision Held
-----Rupees in '000-----			
Other assets especially mentioned	-	-	-
Substandard	13,120	2,624	2,624
Doubtful	21,200	10,407	10,407
Loss	79,982	65,410	65,410
	114,302	78,441	78,441

10.3 Particulars of provision against non-performing advances:

	2002			2001		
	Specific	General	Total	Specific	General	Total
-----Rupees in '000-----						
Opening balance	86,199	132,000	218,199	78,020	115,000	193,020
Charge for the year	15,742	68,574	84,316	11,436	17,000	28,436
Reversals	(14,620)	-	(14,620)	(2,791)	-	(2,791)
Net charge for the year	1,122	68,574	69,696	8,645	17,000	25,645
Amount written off	(8,880)	-	(8,880)	(466)	-	(466)
Closing balance	78,441	200,574	279,015	86,199	132,000	218,199



	2002	2001
	Rupees in '000	
10.4 Particulars of write off :		
10.4.1 Against provisions	8,880	466
Directly charged to profit and loss account	—	48
	<u>8,880</u>	<u>514</u>
10.4.2 Write off of Rs. 500,000 and above	8,814	—
Write off of below Rs. 500,000	66	514
	<u>8,880</u>	<u>514</u>

10.5 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, 2002 is enclosed as Annexure - I.

	Balance as at December 31, 2002	Maximum total amount of advances including temporary advances granted during the year
	Rupees in '000	
10.6 Particulars of loans and advances to directors, associated companies, etc.		
Debts due by executives of the Bank either severally or jointly with any other persons	<u>8,887</u>	<u>10,221</u>
	2002	2001
	Rupees in '000	

11. OTHER ASSETS

Income/ mark-up accrued in local currency	572,548	466,470
Income/ mark-up accrued in foreign currency	11,456	1,444
Advances, deposits, advance rent and other prepayments	80,121	34,452
Encashment of government securities	23,805	14,362
Stationery and stamps on hand	5,533	4,274
Branch Adjustments	5,762	—
Receivable against sale of investments	157,222	—
Others	15,290	17,786
	<u>871,737</u>	<u>538,788</u>

12. OPERATING FIXED ASSETS

Capital work-in-progress	12.1 7,488	—
Property and equipment	12.2 309,184	289,896
	<u>316,672</u>	<u>289,896</u>
12.1 Capital work-in-progress		
Advance payment for purchase of property	<u>7,488</u>	—



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, 2002	Rate of depreciation %
	Opening Balance January 1, 2002	Additions/ (deletions)	Closing Balance December 31, 2002	Opening Balance January 1, 2002	Charge for the year	Closing Balance December 31, 2002		
----- (Rupees in '000s)-----								
Building on leasehold land	344,520	48,176	392,696	75,391	26,913	102,304	290,392	10
Furniture, fixture, office and computer equipments	56,073	4,025 (531)	59,567	39,042	5,118 (474)	43,686	15,881	10 & 20
Vehicles	3,114	530 (82)	3,562	1,495	615 (30)	2,080	1,482	20
Leasehold improvement	7,644	—	7,644	5,527	688	6,215	1,429	10
2 0 0 2:	411,351	52,731 (613)	463,469	121,455	33,334 (504)	154,285	309,184	
2 0 0 1:	348,831	63,556 (1,036)	411,351	90,322	31,837 (704)	121,455	289,896	

12.2.1 Details of fixed assets sold and written off during the year have not been shown, as their cost/book value is not over one million / two hundred fifty thousand rupees.

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. 31,701 thousand (2001:Rs. 22,833 thousand).

12.3 Intangible assets

Gross carrying amount of fully amortised intangible assets (computer software) still in use is Rs. 27,875 thousand (2001: Rs. 27,875 thousand).

13. BILLS PAYABLE

	2002	2001
	Rupees in '000	
In Pakistan	444,198	318,172

14. BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan	6,976,608	5,683,289
Outside Pakistan	208,809	259,549
	7,185,417	5,942,838

14.1 Particulars of borrowings from financial institutions

In local currency	6,735,608	5,683,289
In foreign currencies	449,809	259,549
	7,185,417	5,942,838



		2002	2001
		Rupees in '000	
14.2 Details of borrowings from financial institutions			
Secured			
Borrowings from State Bank of Pakistan under export refinance scheme	14.2.1	1,730,104	3,658,550
Repurchase agreement borrowings	14.2.2	4,913,094	2,024,739
		6,643,198	5,683,289
Unsecured			
Call borrowings		100,000	-
Overdrawn nostro accounts		208,809	259,549
Other - short term borrowings	14.2.3	233,410	-
		542,219	259,549
		7,185,417	5,942,838

14.2.1 These are secured against promissory notes, undertaking of the Bank and export documents. Mark-up rate ranges between 7.00% to 8.00% (2001: 8.50% and 11.50%) p.a. which is payable quarterly or upon maturity of loans, whichever is earlier.

14.2.2 These have been borrowed from financial institutions and are secured against government securities and carry mark-up rates ranging between 3.25% to 7.45% (2001: 7.50% to 10.00%) p.a.

14.2.3 These have been borrowed from commercial banks carries mark-up rate ranging between 2.40% to 2.81% (2001: Nil) p.a.

15. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	10,725,885	5,499,975
Savings deposits	10,536,503	7,514,215
Current Accounts - Non-remunerative	6,531,988	3,907,606
Others	188,441	163,436
	27,982,817	17,085,232

Financial Institutions

Remunerative deposits	502,530	797,169
Non-remunerative deposits	29,649	20,025
	28,514,996	17,902,426

15.1 Particulars of deposits

In local currency	25,484,421	15,129,051
In foreign currencies	3,030,575	2,773,375
	28,514,996	17,902,426

16. OTHER LIABILITIES

Mark-up/Return/Interest payable in local currency	809,061	576,578
Mark-up/Return/Interest payable in foreign currency	35,193	43,988
Unearned commission and income on bills discounted	6,913	3,492
Accrued expenses	30,548	25,849
Current taxation (provisions less payments)	73,527	142,749
Unclaimed dividends	68	68
Proposed dividend	200,000	-
Special exporters accounts	-	14,908
Encashment of government securities	85,605	-
Locker Deposits	19,972	5,769
Others	11,709	4,375
	1,272,596	817,776



	2002	2001 (Restated)
	Rupees in '000	
17. DEFERRED TAX LIABILITY		
Deferred tax credits arising due to:		
Surplus on revaluation of securities	915,295	175,974
Deferred tax debits arising in respect of difference between carrying amount tax base of:		
Property and equipment	(20,822)	(16,164)
Provision for non-performing advances	(36,867)	(43,099)
	(57,689)	(59,263)
	<u>857,606</u>	<u>116,711</u>
18. SHARE CAPITAL		
18.1 Authorized Capital		
2002	2001	
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>
18.2 Issued, subscribed and paid up		
2002	2001	
Number		
<u>30,000,000</u>	<u>30,000,000</u>	Ordinary shares
<u>70,000,000</u>	<u>50,000,000</u>	Fully paid in cash
<u>100,000,000</u>	<u>80,000,000</u>	Issued as bonus shares
		<u>300,000</u>
		<u>700,000</u>
		<u>1,000,000</u>
		<u>800,000</u>
19. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS		
19.1 Surplus on revaluation of Securities		
i) Federal and Provincial Government securities	1,940,295	351,100
ii) Other securities	7,140	849
	1,947,435	351,949
Less: related deferred tax liability	(915,295)	(175,974)
	<u>1,032,140</u>	<u>175,975</u>
20. CONTINGENCIES AND COMMITMENTS		
20.1 Direct Credit Substitutes		
Includes general guarantees of indebtedness, bank acceptances guarantees and standby letters of credit serving as financial guarantees for loans and securities - Others	<u>6,062</u>	<u>6,062</u>
20.2 Transaction-related Contingent Liabilities		
Including performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees related to particular transactions.		
Government	935,762	796,763
Financial institutions	126,461	5,603
Others	373,082	193,014
	<u>1,435,305</u>	<u>995,380</u>
20.3 Trade-related Contingent Liabilities		
Letters of credits	5,817,365	4,902,419
Acceptances	1,919,487	620,384



2002 2001
Rupees in '000

20.4 Commitments in respect of forward exchange contracts

Purchase	4,851,988	1,847,635
Sale	6,515,518	2,559,170

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	26,601	5,016
Later than one year and not later than five years	87,939	61,978
	114,540	66,994

The Bank has entered into 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.

20.6 Commitments for the acquisition of operating fixed assets

	-	4,420
	-	4,420

21. MARK-UP/RETURN/INTEREST EARNED

a) On loans and advances to:		
i) Customers	1,109,706	1,032,633
ii) Financial institutions	22,862	5,598
b) On investments in:		
i) Available for sale securities	1,369,839	576,478
ii) Associates and subsidiaries	5,256	4,578
c) On deposits with financial institutions	60,265	192,968
d) On securities purchased under resale agreements	113,260	375,201
	2,681,188	2,187,456

22. MARK-UP/RETURN/INTEREST EXPENSED

Deposits	1,649,257	1,304,282
Securities sold under repurchase agreements	103,415	174,972
Other short term borrowings	15,415	8,237
	1,768,087	1,487,491

23. OTHER INCOME

Rent for lockers	423	1,304
Net profit on sale of fixed assets	357	2,011
Others	6,402	4,318
	7,182	7,633



	2002	2001
	Rupees in '000	
24. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	135,325	97,360
Charge for defined benefit plan	3,225	3,039
Contribution to defined contribution plan	5,329	4,154
Brokerage and commissions	26,321	20,988
Rent, taxes, insurance, electricity etc.	51,404	41,112
Legal and professional charges	8,564	7,438
Communications	6,239	8,243
Repairs and maintenance	43,836	36,715
Rentals of operating leases	44,988	26,937
Stationery and printing	14,353	10,167
Advertisement and publicity	10,322	6,895
Donations	24.1 9,979	8,195
Auditors' remuneration	24.2 508	400
Depreciation	12.2 33,334	31,837
Security charges	9,447	6,834
Travelling and conveyance	5,251	4,434
Motor car running	18,012	13,682
Computer software, maintenance etc.	13,610	7,025
Others	44,808	33,431
	<u>484,855</u>	<u>368,886</u>

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

Al-Sayyeda Benevolent Trust	1,520	960
Al-Umeed Rehabilitation Association	100	120
Children Foundation Trust	500	750
Habib Education Trust	-	840
Habib Medical Trust	720	960
Habib Poor Fund	660	960
Lahore University of Management Sciences	200	150
Pakistan Memon Educational & Welfare Society	500	400
Rahmat Bai Habib Food & Clothing Trust	1,170	960
Rahmat Bai Habib Widow & Orphan Trust	1,420	720
Mohammadali Habib Welfare Trust	1,100	75
Memon Education Board	200	100
Pakistan Memon Women Educational Society	200	100
The Citizens Foundation	-	120

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	108	-
	<u>508</u>	<u>400</u>



	2002	2001
	Rupees in '000	
25. OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	<u>898</u>	<u>51</u>
26. TAXATION		
For the year - current	445,000	386,000
- deferred	1,574	(2,181)
For prior years - current	-	24,222
	<u>446,574</u>	<u>408,041</u>
26.1 Income-tax assessments have been finalised upto and including assessment year 2001-2002 (corresponding to the accounting year ended December 31, 2000).		
26.2 Relationship between tax expense and accounting profit		
Profit before taxation	<u>876,243</u>	<u>742,736</u>
Tax at the applicable rate of 47% (2001: 50%)	411,834	371,368
Tax effect of expenses (net) that are not deductible in determining taxable income	38,757	19,156
Tax effect of income (net) not subject to tax	(773)	(4,437)
Tax effect of income taxed at reduced rate	<u>(4,818)</u>	<u>(87)</u>
	<u>445,000</u>	<u>386,000</u>
The Federal Government has, through the Finance Ordinance, 2002 reduced the rate of tax applicable on banking companies from 50% to 47% for the assessment year 2003-2004.		
27. BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the year	<u>429,669</u>	<u>334,695</u>
Weighted average number of ordinary shares	<u>100,000</u>	<u>100,000</u>
Basic and diluted earnings per share	<u>4.30</u>	<u>3.35</u>
28. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	2,541,483	1,897,612
Balances with other banks	636,649	1,400,283
	<u>3,178,132</u>	<u>3,297,895</u>
29. STAFF STRENGTH		
Number of employees at the end of the year	<u>763</u>	<u>561</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 basic salary drawn 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, 2002 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for actuarial valuation were as follows:

Discounted rate	10 percent per annum
Expected rate of increase in salaries	10 percent per annum
Expected rate of return on investments	10 percent per annum

	2002	2001
	Rupees in '000	
30.3 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligations	28,550	23,807
Net actuarial gains or losses not recognized	(875)	(2,160)
Fair value of any plan assets	(27,675)	(21,647)
	<u> -</u>	<u> -</u>
30.4 Movement in payable to defined benefit plan		
Opening balance	-	-
Charge for the year	3,225	3,039
Contribution to fund made during the year	(3,225)	(3,039)
Closing balance	<u> -</u>	<u> -</u>
30.4.1 Included herein is a sum of Rs. 6,856 thousand (2001: Rs. 3,588 thousand) placed under Bank's PLS fixed deposits and savings account.		
30.5 Charge for defined benefit plan		
Current service cost	3,009	2,918
Interest cost	2,381	2,267
Expected return on plan assets	(2,165)	(2,146)
Actuarial gains and losses	-	-
	<u> 3,225</u>	<u> 3,039</u>
30.6 Actual return on plan assets	<u> 3,139</u>	<u> 2,191</u>

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>	
	2002	2001	2002	2001
	-----Rupees in '000-----			
Managerial remuneration	1,106	804	8,439	4,025
Charge for defined benefit plan	83	60	541	232
Contribution to defined contribution plan	111	78	699	251
Rent and house maintenance	640	285	2,647	915
Utilities	96	92	844	416
Bonus	369	193	3,264	1,006
Others	793	1,123	1,151	996
	<u>3,198</u>	<u>2,635</u>	<u>17,585</u>	<u>7,841</u>
Number of persons	<u>1</u>	<u>1</u>	<u>14</u>	<u>7</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

	2 0 0 2				
	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five years
	-----Rupees in '000-----				
Assets					
Cash and balances with treasury banks	2,541,483	2,541,483	–	–	–
Balances with other banks	636,649	636,649	–	–	–
Lendings to financial institutions	2,557,200	2,372,200	100,000	85,000	–
Investments	15,013,453	2,868,406	2,515,888	4,972,173	4,656,986
Advances	19,443,953	3,149,644	13,834,890	2,295,936	163,483
Other assets	871,737	794,057	18,725	15,617	43,338
Operating fixed assets	316,672	2,778	14,360	149,543	149,991
	<u>41,381,147</u>	<u>12,365,217</u>	<u>16,483,863</u>	<u>7,518,269</u>	<u>5,013,798</u>
Liabilities					
Bills payable	444,198	444,198	–	–	–
Borrowings from financial institutions	7,185,417	6,123,693	1,061,724	–	–
Deposits and other accounts	28,514,996	11,377,163	10,948,057	3,526,407	2,663,369
Other liabilities	1,272,596	451,561	728,852	84,103	8,080
Deferred tax liabilities	857,606	12,336	28,506	233,123	583,641
	<u>38,274,813</u>	<u>18,408,951</u>	<u>12,767,139</u>	<u>3,843,633</u>	<u>3,255,090</u>
Net assets	<u>3,106,334</u>	<u>(6,043,734)</u>	<u>3,716,724</u>	<u>3,674,636</u>	<u>1,758,708</u>
Share capital	1,000,000				
Reserves	1,062,951				
Unappropriated profit	11,243				
Surplus on revaluation of assets	1,032,140				
	<u>3,106,334</u>				



34. YIELD/INTEREST RATE RISK

		2002					
Effective Yield/Interest rate %	Total	Exposed to Yield/ Interest risk				Not exposed to Yield/ Interest Risk	
		Upto three months	Over 3 months to one year	Over one year to five years	Over five years		
-----Rupees in '000-----							
On-balance sheet financial instruments							
Assets							
Cash and balances with treasury banks	0.94	2,541,483	412,261	-	-	-	2,129,222
Balances with other banks	0.94 to 3.75	636,649	405,941	-	-	-	230,708
Lendings to financial institutions	3.95 to 12.25	2,557,200	2,372,200	100,000	85,000	-	-
Investments	5.80 to 19.00	15,013,453	2,864,946	2,515,888	4,972,173	4,626,306	34,140
Advances	2.67 to 21.00	19,443,953	3,149,644	13,834,890	2,295,936	45,958	117,525
Other assets		760,179	-	-	-	-	760,179
		40,952,917	9,204,992	16,450,778	7,353,109	4,672,264	3,271,774
Liabilities							
Bills payable		444,198	-	-	-	-	444,198
Borrowings from financial institutions	2.81 to 5.25	7,185,417	6,123,693	1,061,724	-	-	-
Deposits and other accounts	0.50 to 16.80	28,514,996	9,352,140	8,248,026	2,513,896	1,650,856	6,750,078
Other liabilities		1,065,615	-	-	-	-	1,265,615
		37,210,226	15,475,833	9,309,750	2,513,896	1,650,856	8,459,891
On-balance sheet gap		3,742,691	(6,270,841)	7,141,028	4,839,213	3,021,408	(5,188,117)
Off-balance sheet financial instruments							
Forward lendings		-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(6,270,841)	7,141,028	4,839,213	3,021,408	
Cumulative Yield/Interest Risk Sensitivity Gap			(6,270,841)	870,187	5,709,400	8,730,808	

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	36,189,828	37,900,763	1,663,530	(47,405)
United States Dollar	4,921,190	3,011,706	(1,633,417)	276,067
Great Britain Pound	69,710	332,738	33,228	(229,800)
Japanese Yen	27,259	48	(25,351)	1,860
Euro	150,098	135,188	(21,644)	(6,734)
Other currencies	23,062	704	(16,346)	6,012
	41,381,147	41,381,147	-	-

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 of such assets and liabilities and reliable date 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.

	Advances		Deposits		* Contingencies and Commitments	
	Rupees	%	Rupees	%	Rupees	%
	in '000		in '000		in '000	
37.1 Segment by class of business						
Chemicals and Pharmaceuticals	246,362	1.27	499,287	1.75	893,869	9.62
Agribusiness	475,127	2.44	86,586	0.30	3,821	0.04
Textile **	9,703,528	49.91	3,035,928	10.65	2,557,875	27.53
Cement	298,014	1.53	20,647	0.07	40,098	0.43
Sugar	285,386	1.47	2,799	0.01	10,193	0.11
Shoes and leather garments	153,094	0.79	301,183	1.06	1,243	0.01
Automobile and transportation equipment	88,760	0.46	1,754,978	6.15	45,896	0.49
Financial	270,515	1.39	532,179	1.87	114,540	1.23
Insurance	–	–	75,405	0.26	–	–
Transportation	–	–	377,046	1.32	44,626	0.48
Electronics and electrical appliances	601,854	3.10	412,025	1.45	127,772	1.37
Production and transmission energy	99,899	0.51	41,183	0.15	60,790	0.66
Individuals	364,506	1.87	10,311,182	36.16	17,511	0.19
Others	6,856,908	35.26	11,064,568	38.80	5,374,525	57.84
	<u>19,443,953</u>	<u>100.00</u>	<u>28,514,996</u>	<u>100.00</u>	<u>9,292,759</u>	<u>100.00</u>

*Excludes commitments in respect of forward exchange contracts.

**The management has ensured diversification within the sector.

37.2 Segment by sector

Public/ Government	559,527	2.88	81,705	0.29	–	–
Private	18,884,426	97.12	28,433,291	99.71	9,292,759	100.00
	<u>19,443,953</u>	<u>100.00</u>	<u>28,514,996</u>	<u>100.00</u>	<u>9,292,759</u>	<u>100.00</u>

37.3 Geographical segment analysis

	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	-----Rupees in '000-----			
Pakistan	<u>876,243</u>	<u>41,381,147</u>	<u>3,106,344</u>	<u>9,292,759</u>

38. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	2002	2001
	Rupees in '000	
Deposits (at year end)	16,803	93,284
Profit paid on deposits	7,806	6,905
Investment in Term Finance Certificates	18,849	24,584
Profit earned on Term Finance Certificates	5,256	4,578

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 3, 2003 by the Board of Directors of the Bank.

40. GENERAL

- Figures in the financial statements have been rounded off to the nearest thousand rupees.
- Corresponding previous year's figures have been rearranged for comparison purpose.

KASSIM PAREKH
Chairman and Chief Executive

DEWAN ASIM MUSHFIQ FAROOQUI
Director

FIRASAT ALI
Director

ANWAR H. JAPANWALA
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, 2002

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.	Mehmood (Private) Limited Sehr Mansion, Plot ST-5, Block I, Metrovilla, Karachi.	Nayar NIC 505-90-179695 Yasmin NIC 270-55-348801	s/o Mehmood w/o Mahmood	22,455	1,451	-	23,906	7,870	1,451	-	9,321
2.	Mianoor Brothers (Private) Limited C-1, 421-422, Sector 16-B, North Karachi, Karachi.	Mohammad Iqbal NIC 501-54-372212 Mohammad Amin NIC 501-44-372213 Zubaida NIC - Amina NIC -	s/o Abdul Ghaffar s/o Abdul Ghaffar w/o M. Amin w/o M. Iqbal	1,694	623	-	2,317	944	623	-	1,567
Total				24,149	2,074	-	26,223	8,814	2,074	-	10,888



Pattern of Shareholdings as at December 31, 2002

Number of Shareholders	Size of Shareholding Rs. 10 each	Total Shares Held		
98	1	—	100	4,598
354	101	—	500	104,414
204	501	—	1000	159,488
1,074	1001	—	5000	2,136,700
123	5001	—	10000	910,976
38	10001	—	15000	499,807
26	15001	—	20000	454,333
20	20001	—	25000	456,485
2	25001	—	30000	54,995
11	30001	—	35000	357,891
8	35001	—	40000	312,845
5	40001	—	45000	211,855
9	45001	—	50000	439,030
2	50001	—	55000	100,700
1	55001	—	60000	60,000
2	60001	—	65000	128,325
4	65001	—	70000	265,870
1	70001	—	75000	75,000
1	75001	—	80000	78,330
8	80001	—	85000	662,048
1	90001	—	95000	92,790
5	95001	—	100000	498,330
4	100001	—	105000	416,650
1	105001	—	110000	109,746
7	110001	—	115000	785,000
2	115001	—	120000	235,665
6	130001	—	135000	798,647
5	140001	—	145000	713,995
1	155001	—	160000	159,927
1	160001	—	165000	165,000
5	165001	—	170000	833,323
2	195001	—	200000	400,000
2	205001	—	210000	416,662
2	210001	—	215000	428,660
2	220001	—	225000	444,995
2	265001	—	270000	533,322
1	270001	—	275000	275,000
3	285001	—	290000	857,330
1	290001	—	295000	295,000
5	330001	—	335000	1,666,650
8	370001	—	375000	3,000,000
1	480001	—	485000	484,330
1	560001	—	565000	563,000
1	665001	—	670000	666,665
2	760001	—	765000	1,524,660
1	780001	—	785000	781,565
1	895001	—	900000	900,000
1	990001	—	995000	991,322
1	1000001	—	1005000	1,001,665
1	1120001	—	1125000	1,123,012
1	1135001	—	1140000	1,140,000
1	1355001	—	1360000	1,356,000
1	1740001	—	1745000	1,742,665
1	1940001	—	1945000	1,941,972



Number of Shareholders	Size of Shareholding Rs. 10 each	Total Shares Held
1	2105001	—
1	2130001	—
1	2355001	—
1	2365001	—
1	2370001	—
1	2385001	—
1	2400001	—
1	2425001	—
3	2445001	—
1	2455001	—
2	2460001	—
1	2475001	—
1	2665001	—
1	3330001	—
1	3665001	—
1	19740001	—
<u>2,090</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		1,986	28,562,612	28.56
Investment Companies		4	342,045	0.34
Joint Stock Companies		42	549,638	0.55
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	425,803	0.43
NIT / ICP		2	19,753,153	19.75
National Bank of Pakistan, Trustee Department *	19,747,480			
Investment Corporation of Pakistan	5,673			
Associated Companies, Undertakings and related parties		—	—	—
Public Sector Companies and Corporations		—	—	—
Banks, DFIs, Insurance Companies, Modarabas & Mutual Funds		18	7,967,304	7.97
Foreign Investors		18	36,555,720	36.56
Co-operative Societies		1	1,001,665	1.00
Charitable Trusts				
Others		6	133,240	0.13
Totals		2,090	100,000,000	100.00

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



PROXY FORM

I/We _____

of _____

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

ordinary shares, as per Register folio _____

hereby appoint _____ Folio No. _____

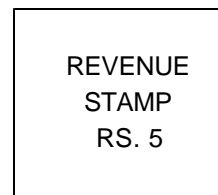
of _____

or failing him _____ Folio No. _____

of _____

another member of the Bank to vote for me/us and on my/our behalf at the 11th Annual General Meeting of the Bank to be held on March 29, 2003 and at any adjournment thereof.

As Witness my/our hand this _____ day of March 2003.



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.