

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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we're  
expanding horizons,  
reaching out,  
being there,  
bringing something for everyone,

Our vision is that we want to be the pre-eminent financial institution in Pakistan and achieve market recognition both in quality and delivery of service as well as the range of product offering.

Our mission to be recognized in the market place by institutionalizing a merit and performance culture, creating a powerful and distinctive brand identity, achieving top-tier financial performance, and adopting and living out our core values.

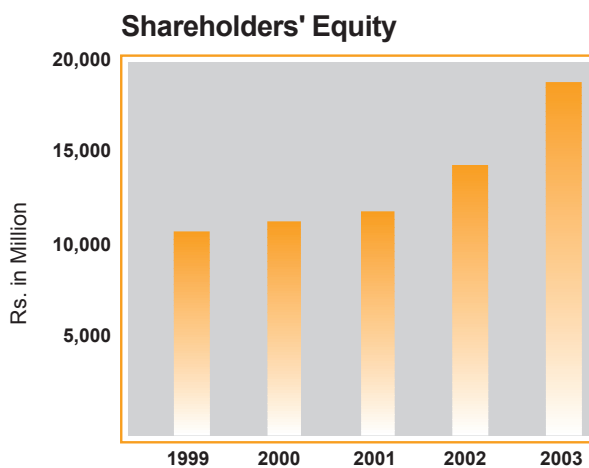
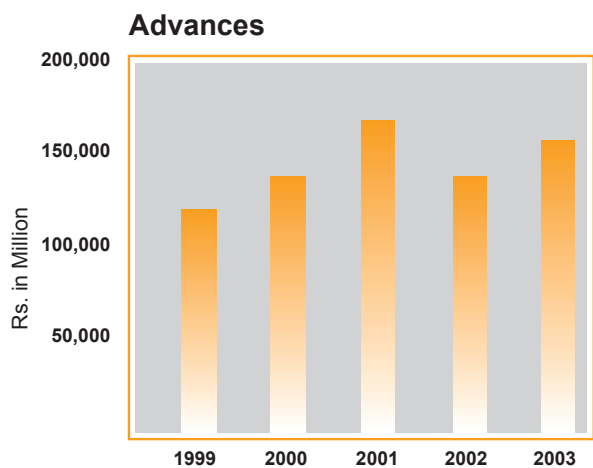
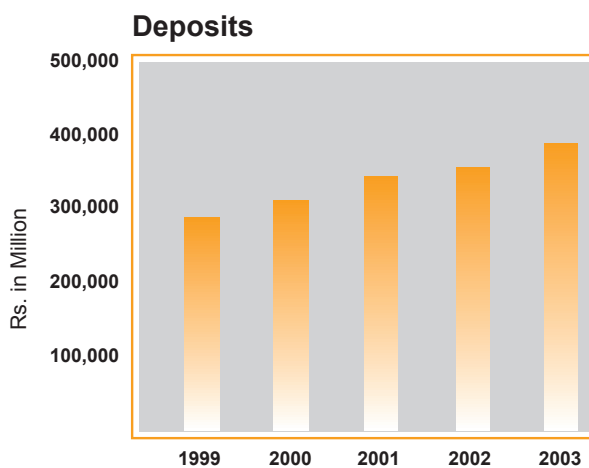
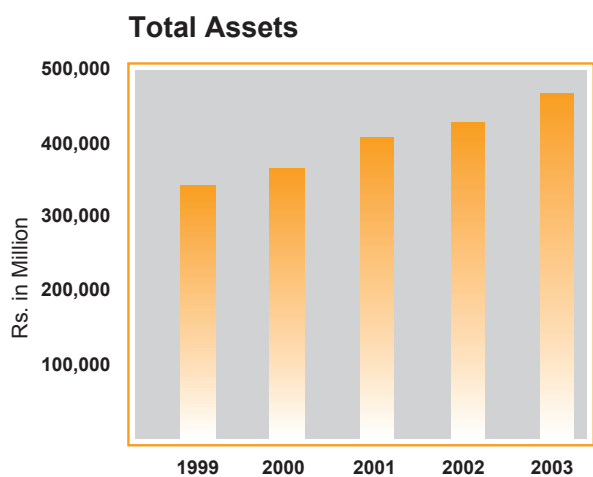


<b>Board of Directors</b>	<p><b>Syed Ali Raza</b> Chairman &amp; President</p> <p><b>Dr. Waqar Masood Khan</b></p> <p><b>Iftikhar Ali Malik</b></p> <p><b>Muhammad Arshad Chaudhry</b></p> <p><b>Syed Shafqat Ali Shah Jamote</b></p> <p><b>M. Zubair Motiwala</b></p> <p><b>Sikandar Hayat Jamali</b></p> <p><b>Muhammad Khalid Malik</b></p>
<b>Audit Committee</b>	<p><b>Muhammad Arshad Chaudhry</b> Chairman</p> <p><b>Syed Shafqat Ali Shah Jamote</b></p> <p><b>M. Zubair Motiwala</b></p>
<b>Auditors</b>	<p><b>M. Yousuf Adil Saleem &amp; Co.</b> Chartered Accountants</p> <p><b>Taseer Hadi Khalid &amp; Co.</b> Chartered Accountants</p>
<b>Legal Advisors</b>	<p><b>Mandviwala &amp; Zafar</b> Advocates &amp; Legal Consultants</p>
<b>Registered &amp; Head Office</b>	<p><b>NBP Building</b> I. I. Chundrigar Road, Karachi, Pakistan</p>
<b>Registrar's &amp; Share Registration Office</b>	<p><b>THK Associates (Pvt.) Ltd.</b> Shares Department, Ground Floor Sheikh Sultan Trust Building No.2 Beaumont Road, Karachi, Pakistan.</p>

	Rs. In million
AUTHORIZED CAPITAL	5,000
PAID-UP CAPITAL	4,103
SHAREHOLDERS' EQUITY AND RESERVES	27,584
DEPOSITS	395,568
ADVANCES-NET	160,990
INVESTMENTS-NET	166,196
TOTAL ASSETS	471,860
PRE-TAX PROFIT	9,009
AFTER-TAX PROFIT	4,198
NO. OF BRANCHES	1199
NO. OF EMPLOYEES	13272

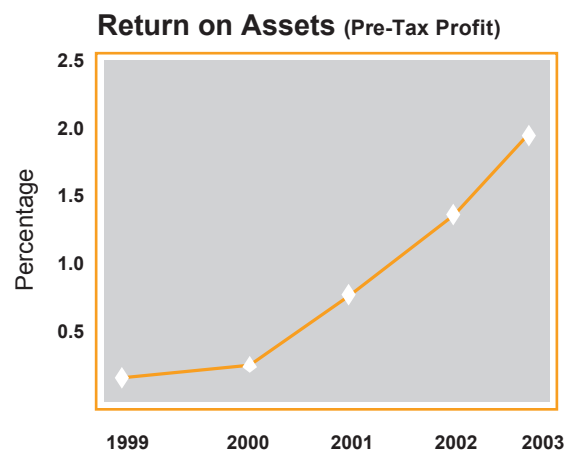
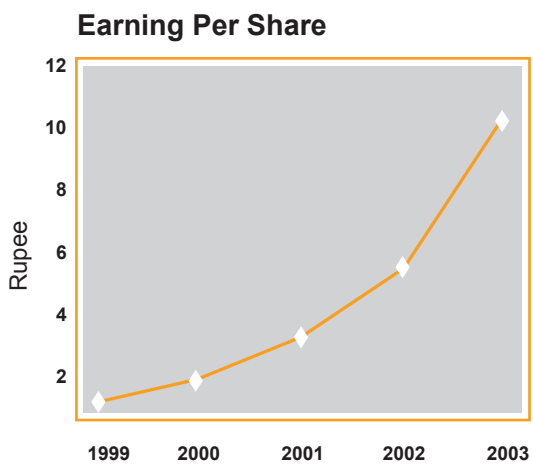
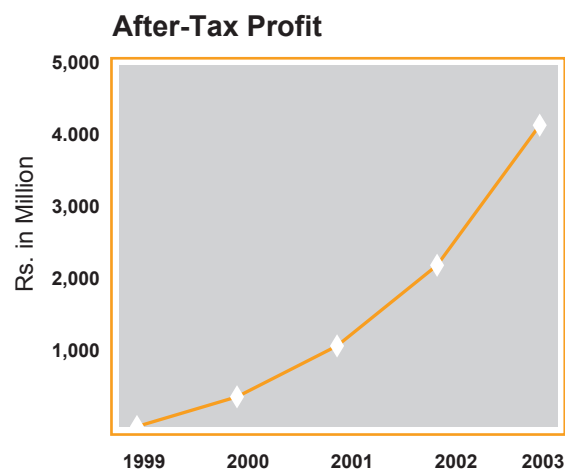
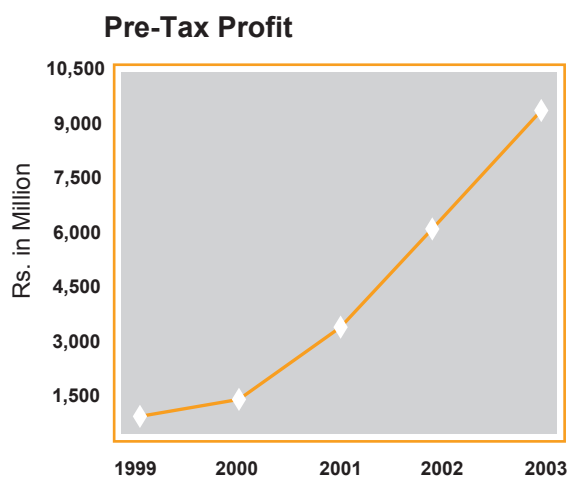
(Rs. in Million)

	Total Assets	Deposits	Advances	Investments	Shareholders' Equity
1999	350,406	294,754	122,559	91,486	10,358
2000	371,636	316,493	140,318	72,609	11,378
2001	415,089	349,617	170,319	71,759	11,959
2002	432,803	362,866	140,547	143,525	14,279
<b>2003</b>	<b>471,860</b>	<b>395,568</b>	<b>160,990</b>	<b>166,196</b>	<b>18,134</b>



(Rs. in Million)

Pre-Tax Profit	After-Tax Profit	Earning Per Share (Rs.)	Return on Assets (Pre-Tax Profit)	Number of Branches	Number of Employees
520	31	0.21	0.2%	1431	15541
1,032	461	1.24	0.3%	1428	15351
3,016	1,149	3.08	0.8%	1245	15163
6,045	2,253	5.49	1.4%	1204	12195
<b>9,009</b>	<b>4,198</b>	<b>10.23</b>	<b>2.0%</b>	<b>1199</b>	<b>13272</b>







S. Ali Raza  
Chairman & President



Dr. Waqar Masood Khan



Iftikhar Ali Malik



Muhammad Arshad Chaudhry



Syed Shafqat Ali Shah Jamote



M. Zubair Motiwala



Sikandar Hayat Jamali



Muhammad Khalid Malik

Masood Karim Shaikh	SEVP & Group Chief, Corporate & Investment Banking Group and CFO
Shahid Anwar Khan	SEVP & Group Chief, Commercial & Retail Banking Group
Dr. Asif A. Brohi	SEVP & Group Chief, Operations Group
Muhammad Sardar Khawaja	SEVP & Group Chief, Audit & Inspection Group
S. M. Rafique	SEVP & Secretary Board of Directors
Imam Bakhsh Baloch	SEVP & Group Chief, Compliance Group
Derick Cyprian	SEVP & Group Chief, Special Assets Management Group
Amim Akhtar	EVP & PSO to the President
Javed Mehmood	EVP & Group Chief, Risk Management Group
Muhammad Nusrat Vohra	EVP & Group Chief, Treasury Management Group
Nadeem A. Dogar	EVP & Group Chief, Information Technology Group
Dr. Mirza Abrar Baig	Group Chief, Human Resources Management & Administration Group
Uzma Bashir	Group Chief, Organization Development & Training Group

**NOTICE OF 55<sup>TH</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that the 55th Annual General Meeting of National Bank of Pakistan, will, Insha - Allah, be held on Friday, the 30th April, 2004, at 3:00 P.M. (PST) in Crystal Ball Room, Karachi Marriott Hotel, Abdullah Haroon Road, Karachi.

The following business will be transacted in the meeting:

**Ordinary business:**

1. To receive and adopt the Audited Accounts of the Bank for the year ended 31st December, 2003, together with the Directors' & Auditors' Reports thereon.
2. To appoint auditors for the year ending 31st December, 2004 and fix their remuneration.
3. To consider and approve Cash Dividend @ Rs. 1.25 per share i.e., 12.5% and 20% Bonus Shares (thereby increasing Paid-up Capital of the Bank from Rs. 4,103,421,850/- to Rs.4,924,106,220/-) as recommended by the Board of Directors for the year ended 31st December, 2003 (subject to GoP / Regulatory approvals).

**Special Business:**

4. To approve / ratify the following donations aggregating Rs. 15,651,148.50, recommended / approved by the Bank's Management / Board:

**Approval for :**

- |   |               |
|---|---------------|
| i) Donation of the sale proceeds of 1414 fractional Bonus shares of 2002 to any charitable trust: | Rs. 82,148.50 |
|---|---------------|

**Ratification for :**

- |  |                   |
|--|-------------------|
| ii) Donation to Prime Minister's Flood Relief Fund-2003  | Rs. 15,009,000.00 |
| iii) One time Grant / Donation to Dr. Muhammad Uzair, an ex-employee of former NDFC (merged into NBP): | Rs. 500,000.00    |
| iv) Donation to Special Olympics Pakistan :  | Rs. 60,000.00     |
|  | 15,569,000.00     |

Total	Rs. <u><u>15,651,148.50</u></u>
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(Statement under Section 160 of The Companies Ordinance, 1984 is enclosed).

5. To transact any other business with the permission of the Chairman.

By Order of the Board

Karachi.  
Dated: April 08, 2004

(S. Ali Raza)  
President

Note:

- i) The Share Transfer Books of the Bank shall remain closed from 21-04-2004 to 30-04-2004 (both days inclusive). Transfers received at Messrs THK Associates (Pvt.) Ltd., Ground Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi, the Bank's Registrar and Share Transfer Agent, at the close of the business on 20-04-2004 will be treated in time for purpose of the entitlement of Cash Dividend / Bonus Shares.
- ii) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his / her behalf. The Government of Pakistan and State Bank of Pakistan and any Corporation(s), being member of the Bank, may nominate any person as its representative to attend the Annual General Meeting under authority of a Power of Attorney or a Board of Directors' Resolution. Proxies or nominations, in order to be effective and valid, must be received at the office of the Bank's Registrar / Transfer Agent, Messrs THK Associates (Pvt.) Limited, Ground Floor, Sheikh Sultan Trust Building No.2, Beaumont Road, Karachi, not less than 48 hours before the time of holding the Annual General Meeting.
- iii) The CDC Account Holders and Sub-Account Holders, whose Registration details are available in the Share Book Detail Report shall be required to produce their respective Original National Identity Cards (NICs) or original Passports at the time of attending the Annual General Meeting to facilitate identification. Such Account Holders and Sub-Account Holders should also bring / know their respective participant I.D. No. and the CDC Account Number. In case of proxy, he/she must enclose an attested copy of his / her NIC or Passport. Representative(s) of corporate member(s) should bring usual documents required for such purpose.
- iv) Members are requested to timely notify any change in their addresses to the Bank's Registrar / Transfer Agent, Messrs THK Associates (Pvt.) Limited.

**Statement Under Section 160 of The Companies Ordinance, 1984**

This statement sets out the material facts concerning the Special Business, given in agenda item No. 4 of the Notice, to be transacted at the 55th Annual General Meeting of National Bank of Pakistan.

- i) Donation of net sale proceeds amounting to Rs. 82,148.50 of 1414 fractional bonus shares-2002 to a charitable trust :

On the basis of operating results for the year ended December 31, 2002, the Board in its meeting held on April 07, 2003, recommended payment of 12.5% cash dividend and 10% Bonus Shares to the Bank's shareholders, which was also approved by the Bank's shareholders in 54th AGM held on May 13, 2003.

Accordingly, Dividend Warrants and Bonus Shares were issued to the shareholders as per their entitlement. In this connection, 1414 Bonus Shares, being fractional shares, could not be distributed to the shareholders. For disposal of these fractional 1414 Bonus Shares a consolidated Share Certificate No. 052348 in the name of "Secretary (Board), NBP", was issued which was sold through a member of KSE, Messrs A. Sattar Motiwalla Securities (Pvt.) Ltd., against net sale proceeds of Rs.82,148.50 .

On account of high cost of computer printing, post printing, distribution / postage and handling charges of the fractional coupons, the NBP Board in its meeting held on March 26, 2004 recommended that the sale proceeds of the fractional Bonus Shares, be donated to a Charitable Trust.

In this connection, approval of shareholders is now being solicited for donating the net sale proceeds amounting to Rs. 82,148.50 of 1414 fractional Bonus Shares – 2002, to a charitable trust, name of which will be approved by the President (NBP).

- ii) Donation of Rs. 15.009 million to Prime Minister's Flood Relief Fund-2003:

Prime Minister's Flood Relief Fund-2003 was established under the directives of SBP to help the flood affected citizens of Pakistan. An appeal was made by GoP to all Pakistan nationals and institutions to contribute generously towards this fund.

NBP has been contributing towards such funds in the past and in response to the aforesaid call made a donation of Rs.15.009 million, with the approval of the Bank's Operations Committee which was subsequently ratified by the Board of Directors in its meeting held on September 13, 2003. The cheque was handed over by the President (NBP) to the Prime Minister to help the flood affected citizens of the country.

The matter is now being placed before the shareholders for ratification in terms of SBP, BPRD Circular No. 4 dated February 02, 2000.

- iii) One time grant / donation of Rs. 500,000/- to Dr. Muhammad Uzair, an ex-employee of former NDFC (merged into NBP):

Dr. Muhammad Uzair is a renowned scholar who served in various public sector / autonomous organizations for about 30 years. He unfortunately could not earn regular pension. He is over 70 years of age and is in dire need of financial assistance.

In recognition of his meritorious services and contributions in the fields of academics, research and economic management, the Prime Minister of Pakistan on the recommendations of Finance Minister sanctioned a one time pensionary grant of Rs.500,000/-. As Dr. Uzair has spent nearly 10 years in the former NDFC (merged into NBP), the Finance Minister requested NBP through GoP, Economic Affairs Division's letter dated September 15, 2003, to make a matching one time pensionary grant / donation of Rs.500,000/- to Dr. Muhammad Uzair.

Accordingly, an amount of Rs.500,000/- was paid to Dr. Muhammad Uzair with the approval of the Bank's Operations Committee which was subsequently ratified by the Board in its meeting held on October 17, 2003.

The matter is now being placed before the shareholders for ratification in terms of SBP, BPRD Circular No. 4 dated February 02, 2000.

iv) Donation of Rs. 60,000/- To Special Olympics Pakistan :

Special Olympics Pakistan is an international organization dedicated to improving individuals with mental disabilities. The organization arranges programmes for children and adults with mental retardation for developing improved physical fitness, greater self-confidence and positive self-image. They organized a fund raising programme which was held on December 31, 2003 and requested NBP for participation in the programme.

National Bank of Pakistan made a donation of Rs.60,000/- for the aforesaid annual fund raising function with the approval of the Operations Committee which was subsequently ratified by the Board of Directors in its meeting held on January 22, 2004.

The matter is now being placed before the shareholders for ratification in terms of SBP, BPRD Circular No. 4 dated February 02, 2000.

In this respect the following resolution is proposed to be passed, as an Ordinary Resolution:

“RESOLVED THAT the donation of Rs.82,148.50, being the net sale proceeds of 1414 fractional Bonus Shares – 2002 to a charitable trust, name of which will be approved by the President (NBP), be and is hereby approved.”

“FURTHER RESOLVED THAT the decisions taken by the Management / Board towards approving donations aggregating Rs.15.569 Million, as mentioned below, be and are hereby ratified:

i)	Donation to Prime Minister's Flood Relief Fund-2003	Rs.	15.009	Million
ii)	One time grant / donation to Dr. Muhammad Uzair an ex-employee of former NDFC (merged into NBP)	Rs.	0.500	Million
iii)	Donation to Special Olympics Pakistan :	Rs.	0.060	Million
<b>Total:</b>		<b>Rs.</b>	<b>15.569</b>	<b>Million</b>

There was no interest, directly or indirectly, of any of the directors of NBP, in the above-mentioned donations.

It gives me great pleasure to present on behalf of the Board of Directors the annual accounts for the year ended December 31, 2003. The year in review saw National Bank post the highest ever profit for Pakistan's financial sector. This can be attributed to the successful strategic and operational repositioning of the bank by management confronted with the dual challenges of appreciably lower spreads and intense competition.

### Financial Performance

NBP has realized a pre-tax profit of Rs. 9 billion, a Rs. 3 Billion increase and a 50% growth over 2002. What is more encouraging is that the boost to profitability is on account of the higher net asset margin achieved from rebalancing of the bank's earning asset mix. This is evident from a 2% pre-tax return on assets, a 40% improvement over last year whereas the pre-tax return on equity at 55% places NBP in the top tier of Pakistan's listed corporates and financial institutions. Earning per share has consequently almost doubled from Rs. 5.49 in 2002 to Rs. 10.23, the highest in the banking sector and serves to justify the faith placed in us by our shareholders.

In spite of the combined effect of soft interest rates and an expansive monetary policy, your bank managed a 2% recovery in net interest income. We prudently realized capital gains on our treasury and equity investment portfolio at market peaks that as a consequence rose four fold to Rs. 2 billion against Rs. 0.4 billion in 2002. Administrative expenses were kept under strict control and consequently the cost to income ratio improved to 0.38, the lowest amongst our peer group and in the top tier by international standards. The bank has proactively adopted the new guidelines for discounting of forced sale values of collateral to enhance our cash provision coverage to 70% from 58% in 2002. This will benefit our shareholders in the long run by protecting them from adverse volatility in earnings and ensure a steady payout stream.

Our tradition of customer focus ensured a healthy Rs. 33 billion or 9% growth in deposits. Taking into



account the prepayment of several large public sector loans, the net overall growth in advances is very impressive. We placed equally strong emphasis on recovery of non-performing portfolio that declined by Rs. 4 billion or 9% during the year under review.

### Corporate & Investment Banking

In a short span of time NBP has transformed into a leading market player in this sector. Our strength lies in offering customer-oriented solutions that are backed by a liquid balance sheet and large per party limit that has served to attract and retain a fast growing blue-chip clientele. On the investment banking front, the bank advised and arranged several landmark Debt and Equity Capital raisings. The Equity portfolio under management of the C&IB group also showed a very impressive performance as the "total return approach" adopted by the bank in a rising stock market proved to be the best strategy.

### Commercial & Retail Banking

NBP's Retail Banking initiative bore fruit in 2003 as several products were launched that have been well received by the market. "NBP Advance Salary" product alone has attracted approximately 300,000 customers. The unprecedented reach offered by our ten million strong depositor network spread throughout the country serves as the driving force behind the bank's emergence as a major player in the retail sector. Strong emphasis has been laid upon training of branch officers to better

equip them for marketing of retail banking products. Initiatives on similar lines are being launched for the SME sector. 2004 will see NBP introduce modern banking services like debit cards, internet banking, call centers and mobile banking to keep pace with the competition and more important our customer needs.

### **Treasury**

NBP boasts the banking sector's largest treasury operation by virtue of being the principal bank for handling the exchequer's business. Facing the current competitive interest rate environment, the bank has felt the need to enhance its asset yield through the use of derivative products. The bank recently executed a Quanto Interest Rate Swap aimed at providing cross currency interest rate hedge for one of its prime clients. This is a watershed, being the first such transaction to have been successfully launched in Pakistan and will serve as the foundation stone for the promotion of derivative products.

### **International Operations**

NBP has traditionally maintained a strong presence in Pakistan's key trading partner countries and plays a key role in promoting the country's economic agenda of export led growth. In this regard NBP was the first Pakistani bank to open a branch in Kabul during 2003 to support Pakistan's efforts towards Afghanistan economic revival. Similarly your bank has consolidated its presence in North America by setting up a representative office in Canada to better service the trade related needs as well as those of a fast growing expatriate Pakistani base.

### **Universal banking capability**

Consistent with the bank's objective of becoming a truly universal bank, a wholly owned exchange company of the bank commenced operations in February 2003. NBP maintained its leadership by being the first bank to venture into this highly promising sector in anticipation of the eventual phase out of money changers. The new subsidiary also complements NBP's alliance with Western Union Money Transfer as well as the Government's objective of channeling home remittances through official channels.

### **Information Technology**

NBP has undergone a paradigm shift by synchronizing the adoption of technology with product development as we view it as a tool for optimizing customer satisfaction. Round the clock payment of utility bills in important cities is now in place and branches covering 80% of the bank's business will be fully automated on a real time basis. While the "One-Link" ATM switch sharing arrangement will serve to enhance the 24 hour banking facility available to our customers, NBP is expanding its owned ATM base as well.

### **Human Resource Development**

The ongoing transformation of the bank will not yield the desired results unless it is complemented by a comprehensive training program aimed at inculcating a customer focus approach while developing core competencies. In addition to the regular training programs at the regional staff colleges, several initiatives were undertaken to better orient the bank staff with the recently promulgated State Bank prudential regulations, the retail banking products launched by the bank as well new trends in risk management and derivative instruments.

### **Risk Management**

The growing portfolio of products and services has reinforced the need for a proactive and effective risk management operation. NBP has made great strides in strengthening this area as a comprehensive risk management manual was developed during the year in line with the regulatory guidelines. The manual will ensure timely and accurate identification of bank's exposure and serve to control and mitigate the various risks.

### **Compliance**

At NBP we continually strive to adopt the best corporate governance practices to safeguard the interests of our depositors, customers and shareholders. We have substantially intensified the scope as well as frequency of our internal audit operation while employees are encouraged and rewarded for compliance with the high ethical standards that we have set for ourselves.



## Recognition

NBP's achievements have not gone unnoticed on the global banking front. Your bank was declared number one in Asia and 8<sup>th</sup> in the world in terms of return on capital by "The Banker UK" (a subsidiary of the Financial Times Group), based on our 2002 results. Also, the bank was recognized as "among the top banks in emerging markets" by another prestigious publication, "Global Finance".

## Future Out look

The 2003 results depict the success of the bank's restructuring initiatives that were aimed at streamlining of domestic operations and empowerment of the field to facilitate decision-making, teamwork and communication. We now feel better positioned to pursue our drive for diversification of revenue base to preserve our margins and ensure optimum returns for our stakeholders.

These results have been possible due to the commitment and dedication of our staff. We express our appreciation to the bank's valued customers and the regulators for their confidence as we consolidate our position as the "Nation's Bank".

The Profit for the year 2003 after carry over of accumulated profit of 2002 is proposed to be appropriated as follows:-

	Rupees in million
Profit before taxation for year 2003	9,008.708
Taxation	
-Current year	4,650.000
-Prior year(s)	1,439.444
-Deferred	(1,278.839)
	<u>4,810.605</u>
After Tax Profit	4,198.103
Unappropriated profit brought forward	3,404.593
Transfer from surplus on revaluation of fixed assets – incremental depreciation – net of deferred tax	<u>47.890</u>
Profit available for appropriation	7,650.586

## Appropriations

Transfer to Statutory Reserve (10% of after tax profit)	419.811
Reserve for issue of Bonus Shares (subject to regulatory approvals)	820.684
Proposed Cash Dividend (subject to regulatory approvals)	512.928
	<u>1,753.423</u>
Unappropriated profit carried forward	<u>5,897.163</u>

## Appointment of Board of Directors

During the year 2003, previous Board retired on completion of three year term and new Board of Directors was appointed by the Federal Government vide its notification dated August 29, 2003. The Board wishes to put on record appreciation of the sincere efforts made by the retiring Directors.

## Corporate and financial reporting framework (Code of Corporate Governance)

The Board is fully aware of its responsibilities established by the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP). The Directors are pleased to give the following declaration/statements to comply with the requirements of Code:

- (a) The financial statements (Balance Sheet, Profit & Loss Account, Cash Flow Statement, Statement of Changes in Equity and notes forming parts thereof), prepared by the management of the bank give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the bank's affairs as at December 31, 2003 and of the results of its operations, changes in equity and its cash flows for the year then ended.
- (b) Proper books of accounts have been maintained.
- (c) Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on the reasonable and prudent judgment.
- (d) Approved Accounting Standards have been

followed in preparation of the financial statements and there is no departure from the said standards.

- (e) The system of internal control is sound in design and has been effectively implemented and monitored throughout the year. The Board is responsible for establishing and maintaining the system of internal control in the bank and for its ongoing monitoring. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and provide reasonable but not absolute assurance against material misstatements or loss.

The process used by the Board to review the efficiency and effectiveness of the system of internal control includes, the following:

- The Board has formed an Audit Committee comprising of three non-executive directors. The Audit Committee has written terms of reference in the form, of a charter, which has been approved by the Board of Directors. The Committee is responsible for the oversight of the internal audit function and reviews its approach and methodology from time to time. It also receives and reviews the internal and external audit reports to the internal control, accounts and related matters. The Committee on a continuous basis reviews the material control weaknesses and areas of concern and actions to be taken by executive management to address these issues.
- Internal audit department of the bank conducts the audit of all branches, regions and groups at Head Office level on ongoing basis to evaluate the efficiency and effectiveness of internal control system and proper follow up of irregularities and control weaknesses is carried out.
- The Board receives confirmations/ representations from all Groups and Regional Heads on annual basis confirming effectiveness of the internal control system established and maintained by them within their function.

The principal features of the bank's control

framework include:

- The bank has clearly defined organizational structure which supports clear lines of communications and reporting relationships.
  - There exists properly defined financial and administrative powers of various committees and key management personnel, which supports delegations of authority and accountability.
  - The bank has effective budgeting system in place. Annual budget of the bank is approved by the Board and monthly comparisons of actual results with the budget are prepared and reviewed by the senior management.
  - The bank has a comprehensive framework of written policies and procedures on all major areas of operations such as Credit, Treasury Operations, Finance, Internal audit and Compliance approved by the Board.
- (f) There are no significant doubts about the bank's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of the corporate governance as detailed in the listing regulations.
- (h) Key operating and financial data is available in the annual report.
- (i) The number of Board's meetings held during the year were 15 and attended by the directors as follows:

Syed Ali Raza	15
Dr. Waqar Masood Khan	13
Mr. Iftikhar Ali Malik	5
Mr. Muhammad Arshad Chaudhry	6
Syed Shafqat Ali Shah Jamote	4
Mr. Sikandar Hayat Jamali	3
Mr. Muhammad Khalid Malik	2
Mr. M. Zubair Motiwala	4
Mr. Kamran Y. Mirza (retired during the year)	6
Mr. A. Razzak Tabba (retired during the year)	7
Mr. Rizwan A. Kehar (retired during the year)	8
Mr. Qazi Faez Isa (retired during the year)	5
Mr. Sheikh Humayun Sayeed (retired during the year)	6

- (j) Book value of investments of Employees' Pension Fund as at December 31, 2003 (unaudited) is Rs. 10,145.568 million.
- (k) The pattern of shareholding as required by the code is as follows:

**Associated companies, undertaking and Related parties**

	<b>Total No. of Shares held</b>
Taurus Securities Limited	9,130
NBP Trustee Department – NIT	2,157,824
Investment Corporation of Pakistan	1,577

**Directors, Chief Executive Officer and their spouse and minor children**

	Self	Spouse	Total
S. Ali Raza	1,100	1,100	2,200

**Executives**

S.M. Rafique	1,100	1,100	2,200
Derick Cyprian	1,000	-	1,000
Muhammad Sardar Khawaja	200	-	200

Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds

346,541,707

**Shareholders holding ten percent or more voting interest in the bank**

- State Bank of Pakistan

308,536,637

**Pattern of Shareholding**

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

**Earning per share**

After tax earning per share for the year 2003 is Rs. 10.23.

**Appointment of Auditors**

The Audit Committee has suggested the name of Messers Taseer Hadi Khalid & Co. Chartered Accountants and Ford Rhodes Sidat Hyder & Co. Chartered Accountants as statutory auditors for the year ending December 31, 2004 in place of retiring auditors Messers M. Yousuf Adil Salem & Co. Chartered Accountants and Taseer Hadi Khalid & Co. Chartered Accountants. The Board of Directors on the recommendations of Audit Committee has also recommended the name of Messers Taseer Hadi Khalid & Co. Chartered Accountants and Ford Rhodes Sidat Hyder & Co. Chartered Accountants as statutory auditors for the year ending December 31, 2004. Both the firms being eligible offer themselves for appointment.

On behalf of the Board of Directors

S. ALI RAZA  
Chairman & President

Date : March 26, 2004



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Agriculture forms our economic backbone. NBP's "Kissan Dost Agriculture Finance" Program aims at the grass root level through unmatched customer reach and extensive branch network.

## Statement of Compliance with Code of Corporate Governance For the year ended December 31,2003

This Statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 37, XIII & 36 of Listing Regulations of Karachi, Lahore & Islamabad Stock Exchange (Guarantee) Limited 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 complied with the principles contained in the code in the following manner.

1. The Board of Directors of the bank is appointed by the Government of Pakistan (GoP) as per the provisions of the Banks' (Nationalization) Act, 1974. At present all the Directors (except for the President/Chief Executive who is also the Chairman of the Board) are independent non-executive directors. However, matter of appointment of directors representing minority shareholders as required by the code is being recommended to the Government.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies including the bank.
3. All the Directors of the bank are registered as tax payers and none of them has defaulted in payment of any loan to a Banking Company, a DFI or an NBFIs or being a member of a stock exchange, has been declared a defaulter by that stock exchange.
4. No casual vacancy on the Board occurred during the year.
5. The Directors have confirmed that neither them nor their spouses are engaged in the business of stock brokerage.
6. The bank has prepared "Statement of Ethics and Business Practices" which is already approved by the Board of Directors with the instructions to obtain signatures of every employee of the Bank as an acknowledgment of his understanding and acceptance of the aforesaid code, as required under the Code of Corporate Governance.
7. The Board has approved the Vision, Mission, Core values, Objectives and NBP Strategic plan 2003-2006.
8. The Bank has a comprehensive frame work of written policies and procedures on all major areas of operations such as Credit, Treasury Operations, Finance, Internal audit and Compliance etc. While many of these policies have been approved by the Board and are being constantly reviewed.
9. There exists in the bank a framework defining the limits of the authority of various management levels. All the powers were exercised by the relevant authorities within the materiality thresholds.
10. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
11. The meetings of Board of Directors were presided over by the Chairman. Board met 15 times during the year. Written notices of the board meetings, along with agenda and working papers, were circulated atleast seven days before the meetings. The minutes of the meetings were appropriately recorded.
12. The bank held orientation courses for the Directors in February 2003 and the orientation course for the new board members, after the reconstitution of the Board, is planned within due course of time.

13. The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment are duly approved by the Board.
14. The Directors' Report for the year has been prepared in compliance with the code and fully describes the salient matters described in the Annual Report.
15. The Financial Statements of the bank were duly endorsed by CEO and CFO before approval of the Board.
16. The Directors, CEO and Executives have confirmed that they do not hold any interest in the shares of the Bank except as mentioned in the report.
17. The Bank has complied with all the Corporate and Financial Reporting requirements of the Code.
18. The Board has formed an Audit Committee comprising of three non executive directors.
19. The meetings of audit committee were held 8 times including meetings held prior to the approval of interim and final results as required by the code. The terms of reference of the committee have been framed and advised to the committee for compliance.
20. The Board has setup an effective internal audit function. All the branches, regions and groups are subject to audit. All the internal audit reports are accessible to the audit committee and important points arising out of audit are reviewed by the audit committee and important points requiring Board's attention are brought into their notice.
21. The statutory auditors of the bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of partners of the firms, their spouses and minor children do not hold Shares of the Bank and that the firms and all of their partners are in compliance with International Federation of Accountants (IFAC) on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
22. 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.
23. We confirm that all other material principles contained in the code have been complied with.

On behalf of the Board of Directors

S. ALI RAZA  
Chairman & President

Date : March 26, 2004

## Statement of Compliance with Best Practices of Transfer Pricing

The Stock Exchanges of Pakistan under the directives received from the Securities and Exchange Commission of Pakistan (SECP) have notified the Best Practices on Transfer Pricing.

The Bank has complied with the Best Practices on Transfer Pricing as contained in the Listing Regulations of Stock Exchanges in Pakistan in the following manner:

1. Related parties comprise of subsidiaries of the bank, associated companies, major shareholders of the bank and companies owned by such shareholders, entities owned by the directors of the company, companies where directors of the bank also hold directorship, key employees, entities that have a key management personnel in common, and retirement benefit funds. Transactions with State Bank of Pakistan and Government of Pakistan, although they are major shareholder of the Bank, have not been considered as related party transactions. Accordingly separate records for these were not maintained nor they were placed before the Board of Directors for separate approval.
2. The major transactions of the Bank with related parties, other than those under the terms of employment, comprise of loans and advances, acceptance of deposits, issuance of letters of credit and guarantees etc. These transactions have been carried out at prices similar to third parties under "Comparable Uncontrolled Price Method".
3. The Bank also provides advances for housing and other purposes to staff and executives at reduced rates. These rates are laid down in Staff Rules and are in accordance with the terms of employment.
4. The interest on balances held with the

Bank of Provident Fund is paid at the rate comparable to rate paid by the Government on General Provident Fund. Its impact on the Bank's financial statements has been adequately disclosed in the financial statements.

5. The Transfer Pricing Policy for all related party transactions were approved by the Board in their meeting held on 26<sup>th</sup> March 2004.
6. The Bank has prepared and maintained statements to record the method for determining transfer pricing of various types of transactions with related parties and the transactions were entered into on these basis.
7. Party wise record has been maintained for all transactions entered into with related parties.
8. No intimation has been received from any officer of the bank regarding any transaction, which was proposed to be entered questioning the method and basis of such transaction.
9. The record of all related party transactions was placed before the Audit Committee and Board of Directors in their meetings held on 25<sup>th</sup> and 26<sup>th</sup> March 2004 respectively and all transactions were duly approved by the Board of Directors.

On behalf of the Board of Directors

S. ALI RAZA  
Chairman & President

Date : March 26, 2004

## AUDITORS' REVIEW REPORT TO THE MEMBERS

### Auditors' Review Report to the Members on Statement of Compliance with best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of National Bank of Pakistan to comply with the Prudential Regulation No. XXIX, responsibilities of Board of Directors vide BSD Circular No. 15, dated June 13, 2002, Listing Regulation No. 37 of the Karachi Stock Exchange, and Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Company is listed.

The responsibility for compliance with the Code 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 reflects the status of the Bank's compliance with the provisions of the Code 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 our audit of the 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 does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2003.

M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
Karachi

Taseer Hadi Khalid & Co.  
Chartered Accountants  
Karachi

Date : March 26, 2004



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Bank of Pakistan (the bank) as at December 31, 2003 and the related profit and loss account, statement of changes in equity and cash flow statement, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for sixty three branches which have been audited by us and twelve branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the 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 60% of the total domestic loans and advances of the bank, we report that:

a) in our opinion proper books of account 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 purpose 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 the expenditure incurred during the year were in accordance with the objects of the bank and the transactions of the bank which have come to our notice have been within the powers of the bank;

c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2003 and its true balance of the profit, changes in equity and its cash flows for the year then ended;

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.

M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
Karachi.

Taseer Hadi Khalid & Co.  
Chartered Accountants  
Karachi.

Date : March 26, 2004



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Success is for those who believe in the beauty of their dreams. Here at NBP, we make people's dream come true with our popular "Saiban Home Loan" program.

**BALANCE SHEET**  
as at December 31, 2003

2002 US dollars in '000	2003		Note	2003 Rupees in '000	2002
<b>ASSETS</b>					
966,294	<b>1,033,967</b>	Cash and balances with treasury banks	6	<b>59,420,502</b>	55,531,453
624,309	<b>420,301</b>	Balances with other banks	7	<b>24,154,070</b>	35,878,101
377,891	<b>525,738</b>	Lendings to financial institutions	8	<b>30,213,352</b>	21,716,802
2,497,455	<b>2,891,943</b>	Investments	9	<b>166,195,619</b>	143,524,971
2,445,642	<b>2,801,365</b>	Advances	10	<b>160,990,265</b>	140,547,374
478,332	<b>381,892</b>	Other assets	11	<b>21,946,846</b>	27,489,021
141,210	<b>155,554</b>	Operating fixed assets	12	<b>8,939,483</b>	8,115,131
-	-	Deferred tax assets		-	-
7,531,133	<b>8,210,760</b>			<b>471,860,137</b>	432,802,853
<b>LIABILITIES</b>					
58,567	<b>95,647</b>	Bills payable	14	<b>5,496,738</b>	3,365,744
174,568	<b>287,001</b>	Borrowings from financial institutions	15	<b>16,493,514</b>	10,032,135
6,314,166	<b>6,883,222</b>	Deposits and other accounts	16	<b>395,568,490</b>	362,865,637
-	-	Sub-ordinated loans		-	-
1,289	<b>715</b>	Liabilities against assets subject to finance lease	17	<b>41,117</b>	74,051
516,506	<b>453,821</b>	Other liabilities	18	<b>26,080,400</b>	29,682,837
49,526	<b>10,369</b>	Deferred tax liabilities	13	<b>595,864</b>	2,846,186
7,114,622	<b>7,730,775</b>			<b>444,276,123</b>	408,866,590
416,511	<b>479,985</b>	<b>NET ASSETS</b>		<b>27,584,014</b>	23,936,263
<b>REPRESENTED BY</b>					
64,912	<b>71,403</b>	Share capital	19	<b>4,103,422</b>	3,730,384
124,317	<b>141,526</b>	Reserves		<b>8,133,312</b>	7,144,326
59,243	<b>102,616</b>	Unappropriated profit		<b>5,897,163</b>	3,404,593
248,472	<b>315,545</b>			<b>18,133,897</b>	14,279,303
168,039	<b>164,440</b>	Surplus on revaluation of assets	20	<b>9,450,117</b>	9,656,960
416,511	<b>479,985</b>			<b>27,584,014</b>	23,936,263
		Contingencies and commitments	21		

The annexed notes 1 to 45 form an integral part of these financial statements.

**S. Ali Raza**  
Chairman & President

**Dr. Waqar Masood Khan**  
Director

**Syed Shafqat Ali Shah Jamote**  
Director

**M. Zubair Motiwala**  
Director

PROFIT AND LOSS ACCOUNT  
for the year ended December 31, 2003

2002	2003		Note	2003	2002
US dollars in '000				Rupees in '000	
472,030	<b>338,487</b>	Mark-up/return/interest earned	22	<b>19,452,317</b>	27,126,839
255,766	<b>117,205</b>	Mark-up/return/interest expensed	23	<b>6,735,579</b>	14,698,507
216,264	<b>221,282</b>	Net mark-up/interest income		<b>12,716,738</b>	12,428,332
31,707	<b>29,317</b>	Provision against non-performing advances	10.3	<b>1,684,777</b>	1,822,154
366	<b>7,996</b>	Provision for diminution in the value of investments	9.10	<b>459,523</b>	21,031
1,813	<b>8,261</b>	Provision against off balance sheet obligations	18.1	<b>474,743</b>	104,217
2,824	-	Bad debts written off directly	10.5.1	-	162,276
36,710	<b>45,574</b>			<b>2,619,043</b>	2,109,678
179,554	<b>175,708</b>	Net mark-up/interest income after provisions		<b>10,097,695</b>	10,318,654
<b>NON MARK-UP/INTEREST INCOME</b>					
54,587	<b>56,742</b>	Fee, commission and brokerage income		<b>3,260,863</b>	3,137,007
15,957	<b>19,606</b>	Dividend income		<b>1,126,742</b>	917,020
11,471	<b>12,367</b>	Income from dealing in foreign currencies	24	<b>710,726</b>	659,247
185	<b>2</b>	Share of profit of joint venture	9.5	<b>108</b>	10,609
8,443	<b>37,408</b>	Other income	25	<b>2,149,800</b>	485,209
90,643	<b>126,125</b>	Total non mark-up/interest income		<b>7,248,239</b>	5,209,092
270,197	<b>301,833</b>			<b>17,345,934</b>	15,527,746
<b>NON MARK-UP/INTEREST EXPENSES</b>					
<b>Administrative expenses</b>					
79,406	<b>82,852</b>	Salaries and allowances		<b>4,761,408</b>	4,563,326
28,354	<b>4,883</b>	Charge for defined benefit plans		<b>280,632</b>	1,629,445
8,928	<b>5,109</b>	Provision for voluntary handshake scheme		<b>293,612</b>	513,073
42,318	<b>42,999</b>	Other administrative expenses	26	<b>2,471,083</b>	2,431,935
159,006	<b>135,843</b>			<b>7,806,735</b>	9,137,779
55	<b>582</b>	Other provisions/write offs		<b>33,454</b>	3,134
415	<b>398</b>	Other charges	27	<b>22,894</b>	23,874
159,476	<b>136,823</b>	Total non mark-up/interest expenses		<b>7,863,083</b>	9,164,787
110,721	<b>165,010</b>			<b>9,482,851</b>	6,362,959
5,536	<b>8,250</b>	Staff Welfare Fund		<b>474,143</b>	318,148
-	-	Extra ordinary items		-	-
105,185	<b>156,760</b>	Profit before tax		<b>9,008,708</b>	6,044,811
46,112	<b>80,914</b>	Taxation - Current	28	<b>4,650,000</b>	2,650,000
17,401	<b>25,048</b>	- Prior year(s)		<b>1,439,444</b>	1,000,000
2,461	<b>(22,252)</b>	- Deferred		<b>(1,278,839)</b>	141,426
65,974	<b>83,710</b>			<b>4,810,605</b>	3,791,426
39,211	<b>73,050</b>	Profit after tax		<b>4,198,103</b>	2,253,385
13,089	<b>59,243</b>	Unappropriated profit brought forward		<b>3,404,593</b>	752,226
-	-	Transfer from surplus on revaluation of fixed assets:			
24,592	-	Prior year(s)		-	1,413,246
877	<b>833</b>	Current year		<b>47,890</b>	50,411
38,558	<b>60,076</b>			<b>3,452,483</b>	2,215,883
77,769	<b>133,126</b>	Profit available for appropriation		<b>7,650,586</b>	4,469,268
<b>Appropriations</b>					
Transfer To:					
(3,921)	<b>(7,305)</b>	Statutory reserve		<b>(419,811)</b>	(225,339)
-	-	Capital reserve		-	-
(6,491)	<b>(14,280)</b>	Revenue reserve		-	-
(8,114)	<b>(8,925)</b>	Reserve for issue of bonus shares @ 20% (2002: 10%)		<b>(820,684)</b>	(373,038)
(18,526)	<b>(30,510)</b>	Proposed cash dividend Rs.1.25 per share (2002: Rs 1.25 per share)		<b>(512,928)</b>	(466,298)
59,243	<b>102,616</b>	Unappropriated profit carried forward		<b>(1,753,423)</b>	(1,064,675)
0.09	<b>0.18</b>	Basic/diluted earnings per share (Rupees)	30	<b>10.23</b>	5.49

The annexed notes 1 to 45 form an integral part of these financial statements.

S. Ali Raza  
Chairman & President

Dr. Waqar Masood Khan  
Director

Syed Shafqat Ali Shah Jamote  
Director

M. Zubair Motiwala  
Director

## CASH FLOW STATEMENT

for the year ended December 31, 2003

2002	2003		2003	2002
US dollars in '000		Note	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
105,185	<b>156,759</b>		<b>9,008,708</b>	6,044,811
15,957	<b>19,606</b>		<b>1,126,742</b>	917,020
89,228	<b>137,153</b>		<b>7,881,966</b>	5,127,791
<b>Adjustments for non-cash charges</b>				
8,557	<b>6,728</b>		<b>386,662</b>	491,764
31,707	<b>29,317</b>		<b>1,684,777</b>	1,822,154
366	<b>7,996</b>		<b>459,523</b>	21,031
1,813	<b>8,261</b>		<b>474,743</b>	104,217
8,928	<b>5,109</b>		<b>293,612</b>	513,073
(84)	<b>(132)</b>		<b>(7,568)</b>	(4,833)
162	<b>219</b>		<b>12,584</b>	9,361
55	<b>582</b>		<b>33,454</b>	3,134
(185)	<b>(2)</b>		<b>(108)</b>	(10,609)
51,318	<b>58,078</b>		<b>3,337,679</b>	2,949,292
140,546	<b>195,231</b>		<b>11,219,645</b>	8,077,083
<b>(Increase)/decrease in operating assets</b>				
(132,872)	<b>(182,649)</b>		<b>(10,496,550)</b>	(7,635,970)
6,682	<b>(1,762)</b>		<b>(101,263)</b>	383,984
498,950	<b>(385,040)</b>		<b>(22,127,668)</b>	28,673,903
61,339	<b>80,533</b>		<b>4,628,100</b>	3,525,063
434,099	<b>(488,918)</b>		<b>(28,097,381)</b>	24,946,980
<b>Increase/(decrease) in operating liabilities</b>				
19,496	<b>37,081</b>		<b>2,130,994</b>	1,120,395
(25,280)	<b>112,433</b>		<b>6,461,379</b>	(1,452,828)
230,537	<b>569,057</b>		<b>32,702,853</b>	13,248,569
24,887	<b>(74,115)</b>		<b>(4,259,266)</b>	1,430,240
249,640	<b>644,456</b>		<b>37,035,960</b>	14,346,376
23,261	<b>(90,736)</b>		<b>(5,214,439)</b>	1,336,778
(105,044)	<b>(5,172)</b>		<b>(297,239)</b>	(6,036,703)
(162)	<b>(219)</b>		<b>(12,584)</b>	(9,361)
(81,945)	<b>(96,127)</b>		<b>(5,524,262)</b>	(4,709,286)
742,340	<b>254,642</b>		<b>14,633,962</b>	42,661,153
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(1,078,416)	<b>(423,058)</b>		<b>(24,312,528)</b>	(61,974,971)
(55,963)	<b>(1,362)</b>		<b>(78,276)</b>	(3,216,109)
15,957	<b>19,606</b>		<b>1,126,742</b>	917,020
(2,800)	<b>(10,172)</b>		<b>(584,586)</b>	(160,935)
(5,509)	<b>(4,539)</b>		<b>(260,876)</b>	(316,597)
279	<b>275</b>		<b>15,799</b>	16,007
(1,126,452)	<b>(419,250)</b>		<b>(24,093,725)</b>	(64,735,585)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
(8,114)	<b>(8,071)</b>		<b>(463,814)</b>	(466,298)
(517)	<b>(573)</b>		<b>(32,934)</b>	(29,715)
(8,631)	<b>(8,644)</b>		<b>(496,748)</b>	(496,013)
2,696	<b>2,115</b>		<b>121,529</b>	154,959
(390,047)	<b>(171,137)</b>		<b>(9,834,982)</b>	(22,415,486)
2,031,182	<b>1,641,135</b>		<b>94,313,554</b>	116,729,040
1,641,135	<b>1,469,998</b>	31	<b>84,478,572</b>	94,313,554

The annexed notes 1 to 45 form an integral part of these financial statements.

**S. Ali Raza**  
Chairman & President

**Dr. Waqar Masood Khan**  
Director

**Syed Shafqat Ali Shah Jamote**  
Director

**M. Zubair Motiwala**  
Director

STATEMENT OF CHANGES IN EQUITY  
for the year ended December 31, 2003

	Share Capital	Exchange Equalization Reserve	Reserve for issue of Bonus Shares	Statutory Reserve	General Reserve	Unappropriated Profit	Total
..... Rupees in '000 .....							
Balance as at December 31, 2001	3,730,384	3,109,488	-	3,845,237	521,338	752,226	11,958,673
Profit after taxation for the year ended December 31, 2002	-	-	-	-	-	2,253,385	2,253,385
Transfer to statutory reserve	-	-	-	225,339	-	(225,339)	-
Proposed cash dividend	-	-	-	-	-	(466,298)	(466,298)
Transferred to reserve for issue of bonus shares	-	-	373,038	-	-	(373,038)	-
Exchange adjustments on revaluation of capital of foreign branches	-	243,396	-	-	-	-	243,396
Transfer from surplus on revaluation of fixed assets - incremental depreciation	-	-	-	-	-	1,413,246	1,413,246
- prior year(s)	-	-	-	-	-	50,411	50,411
- current year - net of tax	-	-	-	-	-	-	-
Deferred tax liability recognized on exchange equalization reserve	-	(1,173,510)	-	-	-	-	(1,173,510)
<b>Balance as at December 31, 2002</b>	<b>3,730,384</b>	<b>2,179,374</b>	<b>373,038</b>	<b>4,070,576</b>	<b>521,338</b>	<b>3,404,593</b>	<b>14,279,303</b>
Profit after taxation for the year ended December 31, 2003	-	-	-	-	-	4,198,103	4,198,103
Transfer to statutory reserve	-	-	-	419,811	-	(419,811)	-
Issue of bonus shares	373,038	-	(373,038)	-	-	-	-
Proposed cash dividend	-	-	-	-	-	(512,928)	(512,928)
Transferred to reserve for issue of bonus shares	-	-	820,684	-	-	(820,684)	-
Exchange adjustments on revaluation of capital of foreign branches	-	186,968	-	-	-	-	186,968
Transfer from surplus on revaluation of fixed assets- incremental depreciation	-	-	-	-	-	47,890	47,890
Deferred tax liability recognized on exchange equalization reserve	-	(65,439)	-	-	-	-	(65,439)
<b>Balance as at December 31, 2003</b>	<b>4,103,422</b>	<b>2,300,903</b>	<b>820,684</b>	<b>4,490,387</b>	<b>521,338</b>	<b>5,897,163</b>	<b>18,133,897</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

**S. Ali Raza**  
Chairman & President

**Dr. Waqar Masood Khan**  
Director

**Syed Shafqat Ali Shah Jamote**  
Director

**M. Zubair Motiwala**  
Director

**1. STATUS AND NATURE OF BUSINESS**

National Bank of Pakistan (the bank) was established under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and Head Office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,183 (2002: 1,189) branches in Pakistan and 16 (2002: 15) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the bank also provides services as trustee to National Investment Trust (NIT) including safe custody of securities on behalf of NIT .

**2. BASIS OF PRESENTATION**

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

US dollar equivalent

The US dollar amounts shown on the balance sheet, profit and loss account and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs 57.4685 to one US Dollar has been used for both 2003 and 2002 as it was prevalent rate as on December 31, 2003.

**3. STATEMENT OF COMPLIANCE**

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

The SECP has approved the adoption of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property. The requirements of these standards have not been taken into account for the purpose of these financial statements as the implementation of the said standards have been deferred by SBP, vide BSD circular number 10 dated August 26, 2002, for banks in Pakistan till further instructions. However, investments have been classified in these financial statements in accordance with the format of financial statements for banks issued by SBP vide BSD circular No. 36 dated October 10, 2001.

**Consolidation**

The bank accounts for its investments in associates and subsidiaries at cost, except for quoted associates which are valued at market rates prevailing at reporting date. The details of these investments are given in notes 9.4 and 9.6.

The bank considers that the effect of consolidation of subsidiaries' financial statements will not have any material impact on bank's financial position or results and accordingly consolidated financial statements have not been prepared. The SECP has granted exemption to the bank from the requirements of sub section (1) of section 237 of the Companies Ordinance, 1984 vide its letter No. EMD/CO/233/627/2003-1164 dated August 5, 2003.

#### 4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts as indicated in note 12.2, certain investments as indicated in note 5.2, commitments in respect of forward exchange contracts have been marked to market and assets and liabilities denominated in foreign currencies including that of foreign branches are translated at year end rate of exchange.

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 5.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks in current and deposit account and money at call and short notice.

##### 5.2 Investments

In accordance with the requirement of BSD Circular No. 20 dated August 4, 2000, securities for which ready quotes are available on Reuters Page (PKRV) or stock exchange are valued at the market value and the resulting surplus/deficit is kept in separate account and is shown below the shareholders' equity in the balance sheet.

Investments in NIT units are stated at lower of cost and repurchase price as per Letter of Comfort (LoC) issued by the GoP (note 9.8). NIT units acquired from amalgamation of NDFC are valued at market price prevailing at year end.

Investments in subsidiaries, unquoted associates, unquoted shares, debentures, bonds, participation term certificates and term finance certificates are stated at cost. Carrying amount is however reduced for each investment individually where the decline in value is other than temporary. Investment in joint venture is accounted for using the equity method.

Securities issued by the Federal, Provincial and Foreign Governments (except for Treasury Bills, Federal Investment Bonds and Pakistan Investment Bonds) are shown at cost. The difference between cost and face value, if any, is credited or charged to income on straight-line basis over the terms of investment. The resulting carrying amount is then regarded as cost.

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

Where securities are sold subject to a commitment to repurchase them at a pre-determined price, they remain on the balance sheet and a liability is recorded in respect of the consideration received. Conversely, securities purchased under analogous commitments to resell are not recognized on the balance sheet and the consideration paid is recorded as an asset.

##### 5.3 Advances

Advances are stated net of provisions for non-performing advances. Provision is made in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account. During the year, SBP issued revised Prudential Regulations for corporate and commercial banking, which will become effective for the periods beginning January 1, 2004. These regulations among other things require discounting of forced sale value of securities used by the bank against non-performing loans by 20%, 30% and 50% respectively in the first, second and third year. Although revised regulations become effective in ensuing years the bank has adopted these requirements effective from current year and accordingly it has discounted forced sale values used in computing the provision against non-performing loans by 30% resulting in an additional charge of Rs 1,712 million.

Provision in respect of overseas branches are made in accordance with the respective central bank's requirements. Advances are written off where there are no realistic prospects of recovery.



In respect of advances of former Mehran Bank Limited (MBL) amalgamated with bank, the provision is calculated in line with the guiding principles of the amalgamation deed (the Deed), whereby the bank shall not suffer any loss as a direct consequence of amalgamation. Considering the guideline of the Deed, the funded credits are provided on the basis of security shortfall and the provision is made against unfunded credits to the extent of subsequent cash payments made against them on the basis of shortfall in the value of security

#### **5.4 Operating fixed assets and depreciation**

##### **Owned Assets**

Fixed assets are stated at cost or valuation less accumulated depreciation and impairment losses, if any. Depreciation is charged to income applying the diminishing balance method except vehicles, computers and furnishing limit to executives, which are depreciated on straight-line method at the rates stated in note 12.2. A full annual rate of depreciation is applied on the cost of additions before June 30 while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to the profit and loss account as and when incurred. However, major additions and renewals are capitalized.

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

Fixed assets carried at valuation less accumulated depreciation are revalued by professionally qualified valuers with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value.

Surplus on revaluation of fixed assets to the extent of the incremental depreciation charged to the related assets is transferred to retained earning (net of deferred tax).

##### **Leased Assets**

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

##### **Capital Work in Progress**

Capital work in progress is stated at cost.

#### **5.5 Taxation**

##### **Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration tax credits available, if any.

##### **Deferred**

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

## 5.6 Employee benefits

### Pension Scheme

The bank operates defined benefit approved funded pension scheme for its eligible employees. The bank's costs are determined based on actuarial valuation carried out using Projected Unit Credit Method. Net cumulative un-recognized actuarial gains/losses relating to previous reporting period in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated working lives of the employees. Where the fair value of plan assets exceeds the present value of defined benefit's obligation together with unrecognized actuarial gains or losses, the bank measures the resulting asset at the lower of that amount net of any unrecognized actuarial losses & past service cost and present value of any economic benefit in the form of reduction in future contributions to the plan.

### Employees' Compensated Absences

The bank accounts for all accumulating compensated absences when employees render service that increases their entitlement to future compensated absences. The liability is determined based on actuarial valuation carried out using the Projected Unit Credit Method.

### Post retirement medical benefits

The bank operates an un-funded defined benefit-post retirement medical benefits scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains/losses are accounted for in a manner similar to pension scheme.

### Benevolent Scheme

The bank also operates an un-funded defined benefit benevolent scheme for its eligible employees. Provision is made in the financial statements based on the actuarial valuation using the Projected Unit Credit Method.

## 5.7 Revenue recognition

Mark-up/return/interest on advances and return on investments are recognized on time proportion basis except in case of advances classified under the Prudential Regulations on which mark-up is recognized on receipt basis.

Interest/mark-up on rescheduled/restructured advances and investments is recognized in accordance with the directives of SBP.

Fee, commission and brokerage income and remuneration for trustee services is recognized at the time of performance of services.

Dividend income on equity investments is recognized when right to receive is established.

## 5.8 Derivative financial instruments

Derivative financial instruments include forward foreign exchange contracts and interest rate swaps. These are initially recognized at cost and are subsequently remeasured at fair value. Fair value is calculated by reference to quoted market price. In the event of non-availability of market prices, discounted cash flow model is used to determine fair value. Any change in the fair value of derivative instruments is taken to profit and loss account.

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**5.9 Foreign currencies translation**

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Assets and liabilities in foreign currencies including assets/liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the balance sheet date. Forward exchange contracts and foreign bills purchased contracts are valued at rates applicable to their respective maturities. The fair value of forward cover taken from SBP against foreign currency deposits is adjusted from value of such deposits.

Profit and loss account balances of foreign branches are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except net gain arising on translation of net investment in foreign branches, subsidiaries, associates and joint venture, which is credited to an exchange equalization reserve reflected under reserves.

**5.10 Provision for off balance sheet obligations**

Provision for guarantees, claims and other off balance sheet obligations is made when the bank has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit & loss account is stated net of expected recoveries.

**5.11 Off setting**

Financial assets and financial liabilities are only set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the bank intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

**5.12 Related Party Transactions**

Transactions between the bank and its related parties other than staff loans and deposits of provident fund are carried out on an arm's length basis at prices determined under "Comparable Uncontrolled Price Method". Mark-up on advances to the employees is charged at reduced rates in accordance with the terms of employment and mark-up on deposits of Employees' Provident Fund is paid at the rate equivalent to rate paid by GoP on its Employees General Provident Fund.

	Note	2003 Rupees in '000	2002
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		8,483,783	5,448,675
Foreign currency		943,005	890,803
		<b>9,426,788</b>	6,339,478
With State Bank of Pakistan in			
Local currency current account	6.1	15,797,711	16,134,811
Local currency deposit account		29	29
		<b>15,797,740</b>	16,134,840
Foreign currency current account	6.2	1,046,433	665,547
Foreign currency deposit account	6.3	3,139,299	1,996,640
Foreign currency placement account		28,734,250	29,155,850
		<b>32,919,982</b>	31,818,037
With other central banks in			
Foreign currency current account	6.4	298,055	1,208,368
Foreign currency deposit account		977,937	30,730
		<b>1,275,992</b>	1,239,098
		<b>59,420,502</b>	<b>55,531,453</b>

- 6.1 This represents statutory liquidity reserves maintained with SBP under section 22 of the Banking Companies Ordinance, 1962.
- 6.2 Special cash reserves of 5% at nil return are required to be maintained with SBP on deposits held under the new foreign currency account scheme.
- 6.3 Special cash reserve of 15% are required to be maintained with SBP on deposits held under the new foreign currency account scheme at rate of return specified by SBP on monthly basis as required under BSD Circular No.16 dated August 10, 2002 issued by the SBP.
- 6.4 These balances pertain to the foreign branches and are held with central banks of respective countries in accordance with the statutory and central bank regulations.

	Note	2003 Rupees in '000	2002 Rupees in '000
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On deposit account		1,600	1,600
Outside Pakistan			
On current account		4,174,405	7,993,986
On deposit account		19,978,065	27,882,515
		<b>24,152,470</b>	35,876,501
		<b>24,154,070</b>	<b>35,878,101</b>

**8. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	8.1	<b>904,000</b>	2,904,000
Repurchase agreement lendings (Reverse Repo)	8.2	<b>29,309,352</b>	18,812,802
		<b>30,213,352</b>	<b>21,716,802</b>

8.1 These are placed under call money funds with different financial institutions and carry mark-up rates ranging from 2.5% to 5% per annum (2002: 4.1% to 7% per annum).

8.2 These are short-term lendings to different financial institutions secured against Government and other securities as disclosed below which are purchased under resale obligations. The difference between purchase and resale prices is recognized as income over the period of contract. These carry mark-up rates ranging from 1.25% to 6.5% per annum (2002: 3% to 7.62% per annum).

8.2.1 Securities held as collateral against lendings to financial institutions and others

	2003			2002		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	..... Rupees in '000 .....			..... Rupees in '000 .....		
Market Treasury Bills	22,516,857	-	22,516,857	12,877,802	-	12,877,802
Pakistan Investment Bonds	6,417,000	-	6,417,000	4,495,000	-	4,495,000
Federal Investment Bonds	100,000	-	100,000	1,440,000	-	1,440,000
Others *	275,495	-	275,495	-	-	-
	<b>29,309,352</b>	-	<b>29,309,352</b>	18,812,802	-	18,812,802

\* Others represents listed shares held as collateral against finance provided in respect of carry over transactions.

## 9. INVESTMENTS

	2003			2002		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	..... Rupees in '000 .....			..... Rupees in '000 .....		
<b>9.1 Investments by type:</b>						
<b>Held-for-trading securities</b>						
Ordinary shares of listed companies	215,437	-	215,437	114,174	-	114,174
<b>Available- for- sale securities</b>						
Ordinary shares of listed companies	4,600,821	-	4,600,821	4,657,775	-	4,657,775
Ordinary shares of unlisted companies	758,011	-	758,011	678,947	-	678,947
Market Treasury Bills	81,095,162	9,837,012	90,932,174	73,351,866	3,760,383	77,112,249
Preference shares - unlisted	-	-	-	50,000	-	50,000
Pakistan Investment Bonds	21,492,068	-	21,492,068	9,588,447	-	9,588,447
Federal Investment Bonds	5,188,648	2,455,000	7,643,648	8,383,979	2,455,000	10,838,979
National Investment Trust Units	4,899,414	-	4,899,414	4,871,853	-	4,871,853
	118,034,124	12,292,012	130,326,136	101,582,867	6,215,383	107,798,250
<b>Held-to-maturity securities</b>						
Government Compensation Bonds	2,695,050	-	2,695,050	2,912,119	-	2,912,119
Provincial Government Securities	76,565	-	76,565	312,869	-	312,869
GoP Foreign Currency Bonds	7,180,940	-	7,180,940	8,523,788	-	8,523,788
Foreign Government Securities	2,164,843	-	2,164,843	1,231,894	-	1,231,894
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	21,394,901	-	21,394,901	20,318,869	-	20,318,869
Promissory Notes	-	-	-	10,000	-	10,000
Investment outside Pakistan	536,200	-	536,200	544,453	-	544,453
Certificates of Investment	2,050	-	2,050	70,000	-	70,000
	34,050,549	-	34,050,549	33,923,992	-	33,923,992
<b>Investments in associates</b>	972,292	-	972,292	1,005,524	-	1,005,524
<b>Investment in joint venture</b>	1,380,856	-	1,380,856	1,267,267	-	1,267,267
<b>Investments in subsidiaries</b>	1,335,260	-	1,335,260	1,041,152	-	1,041,152
	155,988,518	12,292,012	168,280,530	138,934,976	6,215,383	145,150,359
Less: Provision for diminution in value of investments	2,084,911	-	2,084,911	1,625,388	-	1,625,388
	<b>153,903,607</b>	<b>12,292,012</b>	<b>166,195,619</b>	<b>137,309,588</b>	<b>6,215,383</b>	<b>143,524,971</b>

	Note	2003 Rupees in '000	2002
<b>9.2 Investments by segment</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		90,932,174	77,112,249
Pakistan Investment Bonds		21,492,068	9,588,447
Federal Investment Bonds	9.3	7,643,648	10,838,979
Others			
- Government Compensation Bonds		2,695,050	2,912,119
- GoP Foreign Currency Bonds		7,180,940	8,523,788
		<b>9,875,990</b>	11,435,907
		<b>129,943,880</b>	108,975,582
Provincial Government Securities		<b>76,565</b>	312,869
Foreign Government Securities		<b>2,164,843</b>	1,231,894
Fully Paid up Ordinary Shares			
- Listed Companies		4,816,258	4,771,949
- Unlisted Companies		758,011	678,947
		<b>5,574,269</b>	5,450,896
Investments in Associates			
Investment in Joint Venture	9.4	<b>972,292</b>	1,005,524
Investments in Subsidiaries	9.5	<b>1,380,856</b>	1,267,267
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	9.6	<b>1,335,260</b>	1,041,152
- Listed		273,321	342,677
- Unlisted	9.7	21,121,580	19,976,192
		<b>21,394,901</b>	20,318,869
<b>Other Investments</b>			
National Investment Trust Units	9.8	4,899,414	4,871,853
Preference Shares- unlisted		-	50,000
Promissory Notes		-	10,000
Certificates of Investment		2,050	70,000
Investment outside Pakistan	9.9	536,200	544,453
		<b>5,437,664</b>	5,546,306
		<b>168,280,530</b>	145,150,359
Less : Provision for diminution in value of investments	9.10	<b>2,084,911</b>	1,625,388
		<b>166,195,619</b>	143,524,971

- 9.3 These include Federal Investment Bonds amounting to Rs 1,040 million, Rs 1,340 million and Rs 75 million held by SBP against finances provided for special separation package scheme, to pay off liabilities relating to former MBL and against demand loans & TT/DD discounting facilities respectively.

		2003	2002
		Rupees in '000	
<b>9.4 Investments in associates</b>	<b>Percentage holding</b>		
National Custodian and Vault Services Limited	50.00	20,160	20,160
Pakistan Emerging Venture Limited	25.00	71,415	94,415
First Credit and Discounting Corporation	50.00	157,429	157,429
Information System Associates Limited	28.07	1,719	1,719
International Asset Management Company Limited	24.00	-	1,056
National Finance and Investment Services Limited	30.07	-	-
National Fructose Company Limited	39.50	6,500	6,500
Pakistan Insulation Limited	24.79	695	695
Ali Textile (Jhang) Limited	32.46	9,265	9,265
Venture Capital Fund Management	33.33	333	333
Ashraf Sugar Mills Limited	20.44	-	-
Kamal Enterprises Limited	20.37	-	-
Mehran Industries Limited	32.05	-	-
Qurell Cassettes Limited	30.83	-	-
Tharparkar Sugar Mills Limited	21.50	-	-
Youth Investment Promotion Society	25.00	-	-
Khushhali Bank	23.45	400,000	400,000
Dadabhoy Energy Supply Company Limited (note 9.4.2)	37.70	32,105	32,105
K-Agricole Limited	20.00	-	-
New Pak Limited	20.00	-	-
Prudential Fund Management	20.00	-	-
Asian Leasing Company Limited	27.39	3,866	3,866
Taha Spinning Mills Limited	20.59	2,501	2,501
Kohat Textile Mills Limited	33.03	20,639	18,895
Land Mark Spinning Mills Limited	32.75	7,942	4,368
S.G Fibres Limited	25.03	198,259	198,259
Nina Industries Limited	20.38	39,464	53,958
		<b>972,292</b>	1,005,524
Less: Provision for diminution in value of investments		<b>148,559</b>	131,730
		<b>823,733</b>	<b>873,794</b>



- 9.4.1** Associates with zero carrying amount represent the investment acquired from former NDFC which have negative equity or closed operations.
- 9.4.2** Out of the total holding of 9.9 million shares, 4.365 million shares are not in the possession of the bank.
- 9.4.3** The details of break-up value based on latest available financial statements of investment in associates other than those quoted or where the latest financial statements are not available are as follows:

	Year ended	Break-up Value of bank's share Rs in '000
Pakistan Emerging Venture Limited	June 30, 2003	15,442
First Credit and Discounting Corporation	June 30, 2003	199,960
Information System Associates Limited	June 30, 2003	11,300
Pakistan Insulation Limited	June 30, 2001	2,630
Ali Textile (Jhang) Limited	September 30, 2001	10,049
Venture Capital Fund Management	June 30, 2003	1,226
Ashraf Sugar Mills Limited	September 30, 2002	(34,290)
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Khushhali Bank	December 31, 2002	410,964
Dadabhoy Energy Supply Company Limited	June 30, 2003	60,121

- 9.4.4** Certain investments in listed shares with carrying value of Rs 280.853 million have been re-classified as investment in associates. These were previously included in listed shares classified as available-for-sale investment.

	2003	2002
	Rupees in '000	
<b>9.5 Investment in joint venture company - under equity method</b>		
United National Bank Limited		
Opening Balance	<b>1,267,267</b>	1,168,219
Exchange equalization reserve recognized during the year	<b>113,481</b>	88,439
Share of profit for the year	<b>108</b>	10,609
	<b><u>1,380,856</u></b>	<u>1,267,267</u>

The bank holds 13.5 million ordinary shares (45%) and United Bank Limited (UBL) holds 16.5 million ordinary shares (55%) in the venture. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the bank or UBL as appropriate. Upto December 31, 2003 dividends of amount equivalent to Rs 10.749 million have been earned by the bank. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value. Upto December 31, 2003 no dividends have been received by the bank on these shares.

9.6 Investments in subsidiaries	Percentage holding	2003	2002
		Rupees in '000	
NBP Capital Limited [Formerly National Discounting Services Limited (NDSL)]	100.00	500,000	500,000
CJSC Subsidiary Bank of NBP in Kazakhstan	100.00	402,290	408,182
NBP Exchange Company Limited (note 9.6.1)	100.00	300,000	-
NBP Modaraba Management Company Limited	100.00	105,000	105,000
Taurus Securities Limited	58.32	24,725	24,725
National Agriculture Limited	100.00	2,000	2,000
Cast-N-Link Products Limited	76.51	1,245	1,245
		<b>1,335,260</b>	1,041,152
Less: Provision for diminution in value of investments		<b>3,245</b>	3,245
		<b>1,332,015</b>	<b>1,037,907</b>

9.6.1 During the year, the bank formed NBP Exchange Company Limited under Foreign Exchange Regulation Act, 1947 as ammended by SBP through FE Circular number 9 dated July 30, 2002.

9.6.2 Details of assets, liabilities and equity position of the subsidiaries on the basis of latest audited financial statements are given below:

		Total Assets	Total Liabilities	Net Equity
		..... Rupees in '000 .....		
NBP Capital Limited (Formerly NDSL)	December 31, 2002	629,188	34,080	595,108
Taurus Securities Limited	June 30, 2003	617,969	504,417	113,552
NBP Exchange Company Limited	June 30, 2003	611,105	312,599	298,506
CJSC Subsidiary Bank in Kazakhstan	December 31, 2003	421,365	3,300	418,065
NBP Modaraba Management Company Limited	June 30, 2003	111,273	4,185	107,088
National Agriculture Limited	June 30, 2003	2,949	2,378	571
Cast-N-Link Products Limited	*			

\* This investment was acquired as a result of amalgamation of NDFC with the bank. The latest financial statements of this company are not available and is fully provided for.

9.7 Term Finance Certificates, Debentures, Bonds and Participation Term Certificates include Rs 2,380 million (2002: Rs 2,405 million) which are considered non-performing. Forced sale values of securities used in determining provision requirements have been discounted by 30% (on the same basis as in case of advances- (refer notes 5.3 & 10.2 ) resulting in an additional provision of Rs 226 million against this portfolio.

## 9.8 NIT Units

Government of Pakistan issued a Letter of Comfort (LoC) dated August 8, 2001 stating that on bank's willingness to continue holding the units for five years from the date of LoC, NIT will be facilitated to redeem the units at Rs 13.70 per unit. These units have therefore been valued at lower of cost and price agreed in LoC. Market value of the units as at December 31, 2003 amounted to Rs 9,910 million (2002: Rs 5,717 million). NIT units transferred from NDFC have been valued at market value aggregating Rs 65.731 million (2002: Rs 38.171 million).

**9.9 Bank Al Jazira**

The bank holds 700,000 shares in Bank Al-Jazira incorporated in the Kingdom of Saudi Arabia, being 5.83% (2002: 5.83%) holding in total equity. The investment is recorded at cost of SR 50 per share. The market value of these shares at December 31, 2003 amounted to equivalent of Rs 2,681 million [SR 250 per share (2002: SR 200 per share)].

	2003	2002
	Rupees in '000	
<b>9.10 Particulars of provision for diminution in value of investments</b>		
Opening balance	1,625,388	1,315,101
Charge for the year	674,229	115,919
Reversals	(214,706)	(94,888)
	459,523	21,031
Amount transferred from advances	-	289,256
Closing balance	2,084,911	1,625,388

**9.11** Information relating to investments in shares of listed, unlisted companies, redeemable capital and bonds is given in Annexure "I" and is an integral part of these financial statements.

**10. ADVANCES**

Loans, cash credits, running finances, etc.

	2003	2002
	Rupees in '000	
In Pakistan	154,133,120	134,650,742
Outside Pakistan	24,189,112	23,097,928
	178,322,232	157,748,670

Bills discounted and purchased (excluding Government treasury bills)

Payable in Pakistan	3,960,110	1,997,874
Payable outside Pakistan	6,400,931	6,335,639
	10,361,041	8,333,513

	188,683,273	166,082,183
Less: Provision against non-performing loans	27,693,008	25,534,809
	160,990,265	140,547,374

**10.1 Particulars of advances**

<b>10.1.1</b> In local currency	130,686,823	111,434,706
In foreign currencies	30,303,442	29,112,668
	106,990,265	140,547,374

<b>10.1.2</b> Short-term (for upto one year)	101,423,865	98,750,300
Long-term (for over one year)	59,566,400	41,797,074
	160,990,265	140,547,374

- 10.2 Advances include Rs 39,772 million (2002: Rs. 43,706 million) which have been placed under the non-performing status as detailed below:

Category of Classification	2003				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- Rupees in '000 -----				
Other Assets Especially Mentioned	592,568	13,629	606,197	-	-
Substandard	762,444	25,080	787,524	132,004	132,004
Doubtful	1,594,236	153,770	1,748,006	550,691	550,691
Loss	36,343,414	286,396	36,629,810	26,771,112	26,771,112
	<b>39,292,662</b>	<b>478,875</b>	<b>39,771,537</b>	<b>27,453,807</b>	<b>27,453,807</b>

For determination of required provision against non-performing advances, the management has taken a prudent view and has adopted the requirements of revised prudential regulations effective from current year. Accordingly the forced sale values used have been discounted by 30% resulting in an additional charge of Rs. 1,712 million ( Also refer note 9.7).

10.3 Particulars of provision against non-performing advances

	Note	2003			2002		
		Specific	General	Total	Specific	General	Total
		----- Rupees in '000 -----			----- Rupees in '000 -----		
Opening balance		25,459,083	75,726	25,534,809	25,939,170	78,544	26,017,714
Exchange adjusnents		289	-	289	(7,948)	2,533	(5,415)
Transfer to other assets		(435,080)	-	(435,080)	-	-	-
Transfer from other liabilities		-	136,196	136,196	-	-	-
Transfer to investments		-	-	-	(289,256)	-	(289,256)
Adjustment due to transfer of advances from / (to) CIRC*	10.4	983,303	-	983,303	(572,215)	-	(572,215)
Charge for the year		3,368,048	29,855	3,397,903	3,022,967	8,124	3,031,091
Reversals		(1,710,550)	(2,576)	(1,713,126)	(1,195,462)	(13,475)	(1,208,937)
Net charge for the year		1,657,498	27,279	1,684,777	1,827,505	(5,351)	1,822,154
Other movements		77,430	-	77,430	-	-	-
Amounts written off	10.5.1	(288,716)	-	(288,716)	(1,438,173)	-	(1,438,173)
Closing balance		<b>27,453,807</b>	<b>239,201</b>	<b>27,693,008</b>	25,459,083	75,726	25,534, 809

\* Corporate and Industrial Restructuring Corporation (CIRC)

**10.4 Transfer of non-performing advances from CIRC**

During the year, certain non-performing advances of Rs. 1,175.180 million with carrying value of Rs. 191.877 million were transferred back by CIRC, which has been established by the Federal Government with the specific objective for recovery of non performing loans. These advances were transferred back by CIRC in current year as per Section 2 (I) of CIRC Ordinance, 2000 which allows only the transfer of advances of the banks in which Federal Government holds not less than 85% of total equity at the time of such transfer. The Federal Government was holding only 80% of bank's equity at the time of transfer of these advances.

	Note	2003 Rupees in '000	2002
<b>10.5 Particulars of write offs</b>			
<b>10.5.1</b> Against provisions	10.3	<b>288,716</b>	1,438,173
Directly charged to profit and loss account		-	162,276
		<u><b>288,716</b></u>	<u>1,600,449</u>
<b>10.5.2</b> Write offs of Rs. 500,000 and above		<b>282,040</b>	1,580,944
Write offs of below Rs. 500,000		<b>6,676</b>	19,505
		<u><b>288,716</b></u>	<u>1,600,449</u>
<b>10.6 Details of loans written off Rs 500,000 and above</b>			

In terms of sub-section 3 of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2003 is given in Annexure-II. However, this write off does not affect the bank's right to recover the debts from these borrowers.

<b>10.7 Particulars of loans and advances to directors, associated companies, etc.</b>	<b>Balance as at December 31, 2003</b>	<b>Max. total amt. of advances including temporary advances granted during the year*</b>
		<b>Rupees in '000</b>
Debts due by directors, executives, officers and staff of the bank or any of them either severally or jointly with any other persons	<b>8,247,715</b>	8,247,715
Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members	-	-
Debts due by subsidiary companies, controlled firms, managed modaraba and other related parties	<b>1,596,071</b>	1,854,672

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

	Note	2003 Rupees in '000	2002
<b>11. OTHER ASSETS</b>			
Income/mark-up accrued in local currency		<b>4,668,055</b>	5,217,418
Income/mark-up accrued in foreign currency		<b>494,873</b>	467,633
Commission receivable		<b>782,094</b>	1,045,264
Advances, deposits, advance rent and other prepayments		<b>350,373</b>	566,678
Advance taxation (payments less provisions)		<b>10,343,587</b>	11,218,592
Stationery and stamps on hand		<b>188,807</b>	205,407
Prepaid exchange risk fee		<b>15,614</b>	25,342
Barter trade balances		<b>3,070,318</b>	3,118,382
Receivable from CIRC	11.1	<b>365,163</b>	557,040
Receivable on account of Government transactions	11.2	<b>281,052</b>	169,166
Receivable from Government under VHS scheme	11.3	<b>806,686</b>	4,080,317
Less: amount charged/provision		<b>806,686</b>	513,073
		-	3,567,244
Receivable from pension fund	33.1	<b>1,672,929</b>	1,397,975
Prize bonds on hand		<b>182,946</b>	152,684
Others	11.4	<b>1,077,847</b>	510,329
		<b>23,493,658</b>	28,219,154
Less: Provision held against other assets	11.5		
Income/mark-up accrued in local currency/foreign currencies		<b>579,520</b>	231,375
Stationery and stamps on hand		<b>50,214</b>	50,214
Barter trade balances		<b>153,064</b>	153,064
Others		<b>764,014</b>	295,480
		<b>1,546,812</b>	730,133
		<b>21,946,846</b>	27,489,021

**11.1** According to the terms of agreement with CIRC, the balance is payable at earlier of date of sale or completion of three years from the date these units were transferred to CIRC. The amount is payable in cash to the extent net proceeds are realized by CIRC and the balance is payable in the form of 3 years bonds carrying mark-up on the sharia based system.

**11.2** This represents amount receivable from Government of Pakistan on account of encashment of various instrument handled by the bank for Government of Pakistan as an agent to SBP.

- 11.3** This represents payments made under the Voluntary Handshake Scheme ( VHS), recoverable from Government of Pakistan. Due to uncertainty about its recoverability, although a claim has been lodged, full amount has been provided for.
- 11.4** This includes the net book deficiency of former Eastern Mercantile Bank and Eastern Banking Corporation amounting to Rs. 10.39 million as at November 16, 1973 pursuant to the bank (Transfer of Assets & Liabilities) Ordinance, 1973. The revised net deficiency evaluated as at December 31, 1974 of Rs. 29.11 million has been conveyed to GoP.

	Note	2003 Rupees in '000	2002
<b>11.5 Provision against other assets</b>			
Opening balance		730,133	726,999
Transfer from provision against non-performing advances		435,080	-
Charge for the year		381,599	3,134
Closing balance		<u>1,546,812</u>	<u>730,133</u>

**12. OPERATING FIXED ASSETS**

Capital work-in-progress	12.1	138,379	122,770
Property and equipment	12.2	8,801,104	7,992,361
		<u>8,939,483</u>	<u>8,115,131</u>

**12.1 Capital work-in-progress**

Civil works	132,514	115,708
Equipments	4,270	6,786
Advances to suppliers and contractors	1,595	276
	<u>138,379</u>	<u>122,770</u>

## 12.2 Property and equipment

	Cost/Revalued Amount			Accumulated Depreciation			Book value at December 31, 2003	Rate of depreciation %
	At January 1, 2003	Revaluation Surplus/ (Deficit)	Additions/ (Deletions)/ *Adjustments	At December 31, 2003	At January 1, 2003	Charge for the year/ (Deletions)/ *Adjustments		
..... Rupees in '000 .....								
<b>Owned</b>								
Land								
- freehold	2,088,827	454,910	-	2,748,926	-	-	2,748,926	Nil
			* 205,189					
- leasehold	2,628,720	(23,436)	** 41,415	2,703,841	-	-	2,703,841	Nil
			* 57,142					
Buildings on:								
- freehold land	1,684,569	102,890	** 148,723	1,730,993	222,083	77,141	1,431,769	5% on book value
			* (205,189)					
- leasehold land	1,183,568	12,461	34,660	1,173,547	105,446	53,981	1,014,120	5% on book value
			* (57,142)					
Furniture and fixture	932,664		57,519 (15,898)	974,285	647,054	48,141 (11,045)	290,135	10% to 30% on book value and 20% on straight line on new finishing limit to executives.
Computer & peripheral equipments	423,671	-	232,984	656,655	327,489	95,757	233,409	33% on cost
Electrical & office equipments	837,169	-	72,186 (143)	909,212	599,067	84,008 (94)	226,231	20% book value
Vehicles	130,362	-	69,324 (15,195)	184,491	112,996	5,251 (14,769)	81,013	20% on cost
	9,909,550	546,825	656,811 (31,236)	11,081,950	2,014,135	364,279 (25,908)	8,729,444	
			* -					
<b>Under finance lease</b>								
Vehicles	119,170	-	- (7,257)	111,913	22,224	22,383 (4,354)	71,660	20% on cost
<b>2003</b>	<b>10,028,720</b>	<b>546,825</b>	<b>656,811</b> <b>(38,493)</b>	<b>11,193,863</b>	<b>2,036,359</b>	<b>386,662</b> <b>(30,262)</b>	<b>8,801,104</b>	
			* -					
<b>2002</b>	<b>9,801,099</b>	<b>1,199,625</b>	<b>288,443</b> <b>(31,991)</b> <b>(1,228,456)</b>	<b>10,028,720</b>	<b>2,793,868</b>	<b>491,764</b> <b>(20,817)</b> <b>(1,228,456)</b>	<b>7,992,361</b>	

\* Upto December 31, 2001 due to non availability of breakdown of cost components of land and buildings relating to certain old properties, the entire amount was shown under the head of buildings. During the year 2002 and 2003 these assets have been bifurcated into land and buildings.

\*\* These include transfer of certain properties of former NDFC amounting to Rs 88 million.



**12.3** During the year certain of the bank's domestic properties were revalued by M/s Younus Mirza & Co. and M/s Iqbal A. Nanji & Co. on the basis of market value which resulted in net surplus of Rs. 546.825 million over the book value of the assets as on December 31, 2003.

In the year 2002, the bank's domestic properties were revalued by M/s Younus Mirza & Co. on the basis of market value which resulted in net surplus of Rs. 1,199.625 million over the book value of the assets.

**12.4** Had the revaluation not been carried out, the net book value of the revalued assets at December 31, 2003 would have been as follows:

Land		Buildings on land		Total
Leasehold	Freehold	Leasehold	Freehold	
.....		Rupees in '000		.....
369,986	284,179	132,981	135,700	922,846

**12.5** Movement in surplus on revaluation of properties

	2003	2002
	Rupees in '000	
Surplus on revaluation on January 1	5,515,362	5,806,538
Surplus relating to incremental depreciation charged to the assets in prior years- transferred to unappropriated profit	-	(1,413,246)
Net surplus on revaluation of bank's properties during the year	546,825	1,199,625
Transferred to unappropriated profit in respect of incremental depreciation charged during the year -net of deferred tax	(47,890)	(50,411)
Related deferred tax liability	(25,787)	(27,144)
	(73,677)	(77,555)
	<u>5,988,510</u>	<u>5,515,362</u>
Less: Related deferred tax liability on:		
Revaluation as at January 1	515,738	149,888
Revaluation of bank's properties during the year	40,373	392,994
Incremental depreciation charged during the year transferred to profit and loss account	(25,787)	(27,144)
	530,324	515,738
Surplus on revaluation of fixed assets on December 31	<u>5,458,186</u>	<u>4,999,624</u>

**12.6** Carrying amount of temporarily idle property and equipment as at December 31, 2003 is Rs 562 million (2002: Rs 540 million).

## 12.7 Details of disposals of fixed assets

Details of of assets whose original cost or the book value exceeds rupees one million or two hundred fifty thousand rupees, whichever is lower, are given below:

Particulars of assets	Original cost	Book value	Sale proceeds	Profit/(loss)	Mode of disposal	Particulars of purchaser
	..... Rupees in '000 .....					
Motor Vehicle	865	346	138	(208)	As per service rules on retirement	Malik Muhammad Hameed (Employee)
Motor Vehicle	889	356	139	(217)	As per service rules on retirement	Chaudhry Nazar Ali (Employee)
Motor Vehicle	889	356	142	(214)	As per service rules on retirement	Aftab Ahmad Shaikh (Employee)
Motor Vehicle	889	356	139	(217)	As per service rules on retirement	Mrs. Noorusabah Hashmi (Employee)
Motor Vehicle	739	295	116	(179)	As per service rules on retirement	Zakir Hussain (Employee)
Motor Vehicle	739	296	116	(180)	As per service rules on retirement	Mrs. Nasreen Razi (Employee)
Motor Vehicle	739	295	221	(74)	As per service rules on retirement	Shaukat Ali Malik (Employee)
Motor Vehicle	739	296	118	(178)	As per service rules on retirement	Syed Abbas Ali Hussainy (Employee)
Motor Vehicle	769	307	382	75	As per service rules on retirement	Shahnawaz Jaffery (Employee)
Motor Vehicle	817	401	425	24	Auction	Tamura Martun Barodin Kaya 35
	<u>8,074</u>	<u>3,304</u>	<u>1,936</u>	<u>(1,368)</u>		
Other assets (having book value of less than Rs 250,000 and cost of less than Rs. 1,000,000)	30,419	4,927	13,863	8,936		
	<u><b>38,493</b></u>	<u><b>8,231</b></u>	<u><b>15,799</b></u>	<u><b>7,568</b></u>		

	Note	2003 Rupees in '000	2002
<b>13. DEFERRED TAX LIABILITIES</b>			
<b>Deferred tax (assets) arising in respect of</b>			
Provision for diminution in the value of investments		(677,336)	(467,664)
Provision against advances - due to discounting of FSVs		(599,385)	-
Other provision		(197,826)	(196,730)
Charge against defined benefits plans		(223,336)	-
Excess of accounting book value of leased assets over lease liabilities		(13,904)	(32,583)
Difference between accounting book value of fixed assets and tax base		(159,125)	(87,043)
Provision against off-balance sheet obligation		(166,160)	-
		<u>(2,037,072)</u>	<u>(784,020)</u>
<b>Deferred tax liabilities arising in respect of</b>			
Revaluation of securities	20	863,664	1,940,958
Revaluation of fixed assets	12.5	530,324	515,738
Exchange equalization reserve		1,238,948	1,173,510
		<u>2,632,936</u>	3,630,206
Net deferred tax liabilities		<u>595,864</u>	<u>2,846,186</u>
<b>14. BILLS PAYABLE</b>			
In Pakistan- local currency		5,462,683	3,334,148
Outside Pakistan- foreign currencies		34,055	31,596
		<u>5,496,738</u>	<u>3,365,744</u>
<b>15. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>			
In Pakistan		15,190,521	9,295,411
Outside Pakistan		1,302,993	736,724
		<u>16,493,514</u>	<u>10,032,135</u>
<b>15.1 Particulars of borrowings from financial institutions</b>			
In local currency		15,190,521	9,295,411
In foreign currencies		1,302,993	736,724
		<u>16,493,514</u>	<u>10,032,135</u>

**15.2 Details of borrowings from financial institutions**

<b>Secured</b>	<b>Note</b>	<b>2003</b>	<b>2002</b>
		<b>Rupees in '000</b>	
Borrowings from State Bank of Pakistan against			
Export refinance		<b>1,912,708</b>	1,812,165
Finance to payoff liabilities relating to former MBL	15.2.1	<b>2,540,000</b>	3,340,000
Finance for special separation package scheme		-	223,333
Others		<b>66,907</b>	66,907
		<b>4,519,615</b>	5,442,405
Repurchase agreement borrowings		<b>9,837,012</b>	3,760,383
		<b>14,356,627</b>	9,202,788
<b>Unsecured</b>			
Call borrowings		<b>933,853</b>	99,130
Overdrawn nostro accounts		<b>1,119,140</b>	637,594
Others		<b>83,894</b>	92,623
		<b>2,136,887</b>	829,347
		<b>16,493,514</b>	10,032,135

**15.2.1** This comprises of two loans of Rs. 4,000 million extended in 1995 and Rs. 940 million extended in 1999. Both loans are interest free and are repayable in five equal annual installments after an initial grace period of five years.

**15.2.2 Mark-up/interest rates and other terms are as follows:**

- Export refinance loans from SBP at the rate of 1.5% per annum (2002: 6.5% per annum).
- Secured borrowings "Others" from SBP are interest free.
- Call borrowings carry interest ranges from 2.45% to 7% per annum (2002: 1.7% per annum).
- Overdrawn nostro accounts carry interest at the rate of 1% to 5% per annum (2002: 1% to 5% per annum).
- Repurchase agreement borrowings carry mark-up at the rate of 1.75% to 7% per annum (2002: 4.75% to 6.75% per annum).
- Unsecured borrowings "Others" carry interest at the rate 4.62% to 10% per annum (2002: 5% to 11% per annum).

**2003**      **2002**  
**Rupees in '000**

**16. DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	<b>75,141,568</b>	69,284,431
Savings deposits	<b>139,734,765</b>	117,599,198
Current accounts - remunerative	<b>58,974,188</b>	48,388,556
Current accounts - non-remunerative	<b>72,940,839</b>	60,496,102
	<b>346,791,360</b>	295,768,287

**Financial Institutions**

Remunerative deposits	<b>38,743,915</b>	57,039,648
Non-remunerative deposits	<b>10,033,215</b>	10,057,702
	<b>48,777,130</b>	67,097,350
	<b><u>395,568,490</u></b>	<b><u>362,865,637</u></b>

**16.1 Particulars of deposits**

In local currency	<b>299,843,032</b>	255,079,233
In foreign currencies [including deposits of foreign branches of Rs. 73,646 million (2002: Rs. 75,963 million)]	<b>95,725,458</b>	107,786,404
	<b><u>395,568,490</u></b>	<b><u>362,865,637</u></b>

**17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	2003			2002		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	..... Rupees in '000.....			..... Rupees in '000.....		
Not later than one year	<b>28,510</b>	<b>4,451</b>	<b>24,059</b>	41,741	8,931	32,810
Later than one year and not later than five years	<b>18,435</b>	<b>1,377</b>	<b>17,058</b>	47,075	5,834	41,241
	<b><u>46,945</u></b>	<b><u>5,828</u></b>	<b><u>41,117</u></b>	<b><u>88,816</u></b>	<b><u>14,765</u></b>	<b><u>74,051</u></b>

The bank has entered into lease agreements with various leasing companies for lease of vehicles. Lease rentals are payable in quarterly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 14% to 20%. At the end of lease terms, the bank has the option to acquire the assets subject to adjustment of security deposits.

	Note	2003 Rupees in '000	2002
<b>18. OTHER LIABILITIES</b>			
Mark-up/ Return/ Interest payable in local currency		1,927,379	4,675,596
Mark-up/ Return/ Interest payable in foreign currencies		351,665	145,239
Unearned commission and income on bills discounted		107,108	158,580
Accrued expenses		712,057	588,410
Advance payments		93,068	11,928
Unclaimed dividends		2,766	282
Proposed dividend		512,928	466,298
Unrealized loss on forward foreign exchange contracts		2,697	307,064
Branch Adjustment account		1,534,228	2,022,617
Liabilities relating to:			
Bangladesh (former East Pakistan)		227,089	227,089
Barter trade agreements		11,124,341	11,235,592
Special separation package		86,821	90,448
Post retirement medical benefits		1,579,904	1,420,338
Compensated absences		1,281,741	1,196,698
Benevolent fund		638,103	832,015
Payable to GoP for NDFC amalgamation		57,351	57,351
Staff welfare fund		859,457	538,269
Provision against off balance sheet obligations	18.1	990,850	516,107
Others [including provision of Rs. 178 million (2002: Rs 416 million) for contingencies]		3,990,847	5,192,916
		<u>26,080,400</u>	<u>29,682,837</u>
<b>18.1 Provision against off balance sheet obligations</b>			
Opening balance		516,107	411,890
Charge for the year		474,743	104,217
Closing balance		<u>990,850</u>	<u>516,107</u>
<b>19. SHARE CAPITAL</b>			
<b>19.1 Authorized Capital</b>			
	2002	2003	
	Number of shares		
	<u>500,000,000</u>	<u>500,000,000</u>	Ordinary shares of Rs. 10 each
			<u>5,000,000</u> 5,000,000
<b>19.2 Issued, subscribed and paid-up</b>			
			Ordinary shares of Rs. 10 each
	140,388,000	140,388,000	Fully paid in cash
	232,650,350	269,954,185	Issued as bonus shares
	<u>373,038,350</u>	<u>410,342,185</u>	<u>4,103,422</u> 3,730,384

	Note	2003 Rupees in '000	2002
<b>20. SURPLUS ON REVALUATION OF ASSETS</b>			
20.1 Surplus on revaluation of fixed assets - net of tax	12.5	<b>5,458,186</b>	4,999,624
20.2 Surplus on revaluation of securities - net of tax			
Federal Government securities		<b>2,106,499</b>	4,411,268
Quoted shares		<b>2,749,096</b>	2,187,026
		<b>4,855,595</b>	6,598,294
Deferred tax liability recognized		<b>(863,664)</b>	(1,940,958)
		<b>9,450,117</b>	<b>9,656,960</b>
<b>21. CONTINGENCIES AND COMMITMENTS</b>			
21.1 <b>Direct credit substitutes</b>			
Guarantees in favour of banks and financial institutions		<b>24,974,771</b>	13,688,610
21.2 <b>Transaction-related contingent liabilities</b>			
Performance bonds, bid bonds, warranties, etc.		<b>6,746,691</b>	13,768,019
21.3 <b>Trade-related contingent liabilities</b>			
Letters of credit including acceptances		<b>52,466,944</b>	58,761,651
21.4 <b>Other contingencies</b>			
21.4.1 Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 152 million (2002: Rs. 149 million) and claims relating to former MBL amounting to Rs 1,287 million (2002: Rs. 2,055 million)].		<b>15,712,857</b>	14,341,988
21.4.2 <b>Taxation</b>			

The income tax assessments of the bank have been finalized upto tax year 2003 (accounting year ended December 31, 2002). Appeals filed by the bank and tax department for certain assessment years including tax year 2003 are pending before various appellate forum/court of law. The major issues involved include taxability of interest credited to suspense account and disallowances of cost incurred in respect of employees' special separation scheme. In the event the appeals are decided against the bank, a further tax liability of Rs. 7,780 million may arise in addition to amount already provided.

No provision has been made in these accounts for the above as the management, based on the opinion of tax lawyers and consultants, considers that provision is not necessary because the bank is subjected to tax exceeding its normal tax liability and will get relief in the appeals process.

**21.4.3 Provident Fund**

In 1977, in accordance with the GoP policy, the bank's employees benefits were changed from the Provident Fund to an enhanced Pension Scheme and an option was given to the employees either to opt for the new scheme or retain the existing benefits. Almost all employees opted for the new scheme. The bank considered that in accordance with the policy decision of the Banking Council and Finance Division of GoP, the balance of bank's contribution lying in the members' account in the Provident Fund upto that date should have been transferred to the Pension Fund to partially cover the additional cost of the enhanced benefits.

Subsequently, three employees filed a writ petition in 1980 before a Single Bench of Lahore High Court claiming the balance lying in their Provident Fund Account. This petition was dismissed by the Single Bench in July, 1982. Against this petition of the Single Bench, the aggrieved employees filed Intra Court Appeal before the High Court which was heard by a Division Bench of the Lahore High Court on a number of dates, extending over 16 years. Appeal against the Order of Single Bench was finally dismissed by the Division Bench vide Order dated July 31, 1998. One employee filed an appeal in the Supreme Court against the judgment of the Lahore High Court. During the year, such appeals were finally decided by the Supreme Court of Pakistan against the bank. The Supreme Court directed the bank that the employees shall be paid contribution made by the bank together with the interest upto the date of payment. The bank in accordance with the legal opinion obtained, has commenced settlement of dues of eligible employees who had joined service of the bank prior to 1977. For the purpose of settlement, interest has been calculated in accordance with Rule 12 of the Provident Fund Rules at average redemption yield throughout the year of Central Government Rupee Loans of twenty years maturity or thereabout and such interest has been calculated in accordance with Rule 19 i.e. to ex-employees upto the date of retirement or death and to date in case of serving employees.

Subsequent to year end, certain employees have filed a contempt of court application before the Supreme Court, pointing out the issue of rate of interest and date of payment. Pending outcome of the said application, the bank has decided not to claim excess fund lying in the Provident Fund account although the management is confident that the payments being made are in accordance with the Supreme Court's decision. The additional liability which may arise in case of different interpretation of the Supreme Court's decision can not be estimated until such interpretation is made.

		2003	2002
		Rupees in '000	
<b>21.5</b>	<b>Commitments in respect of forward exchange contracts</b>		
	Purchase	29,952,862	32,137,277
	Sale	10,618,838	12,921,707
<b>21.6</b>	<b>Commitments in respect of trading of government securities</b>		
	Purchase	-	50,000
	Sale	500,000	250,000
	Reverse repo forward deals against market treasury bills	987,441	-
<b>21.7</b>	<b>Commitments for the acquisition of operating fixed assets</b>	124,952	128,955
<b>21.8</b>	<b>Other commitments</b>		
	Commitment to subscribe in units of South Asian Regional Funds (SARF)	-	79,359
<b>22.</b>	<b>MARK-UP/RETURN/INTEREST EARNED</b>		
	On Loans and advances to:		
	Customers and financial institutions	9,288,019	15,367,823
	On Investments in:		
	Available-for-sale securities	4,895,647	4,883,531
	Held-to-maturity securities	3,458,498	4,058,331
		<b>8,354,145</b>	8,941,862
	On deposits with financial institutions	1,365,992	1,894,624
	On securities purchased under resale agreements	444,161	922,530
		<b>19,452,317</b>	27,126,839



		2003	2002
		Rupees in '000	
<b>23. MARK-UP/RETURN/INTEREST EXPENSED</b>			
Deposits		6,612,334	14,179,620
Securities sold under repurchase agreements		51,217	315,936
Short-term borrowings		71,265	170,544
Long-term borrowings		763	32,407
		<u>6,735,579</u>	<u>14,698,507</u>
<b>24. INCOME FROM DEALING IN FOREIGN CURRENCIES</b>			
Income from dealing in foreign currencies		729,002	772,323
Revaluation of barter trade balances		101,803	214,389
Revaluation of placements with foreign branches		(120,079)	(327,465)
		<u>710,726</u>	<u>659,247</u>
<b>25. OTHER INCOME</b>			
Rent on property		15,530	13,904
Net profit on sale of property and equipment and other assets		7,568	4,833
Capital gain on sale of securities		2,067,008	392,089
Others		59,694	74,383
		<u>2,149,800</u>	<u>485,209</u>
<b>25.1</b>	Capital gain on sale of securities has been reclassified as "Other income". Previously these were shown under "Mark-up/return/interest earned".		
<b>26. OTHER ADMINISTRATIVE EXPENSES</b>		<b>Note</b>	<b>2003</b>
			<b>2002</b>
			Rupees in '000
Non-executive directors' fee, allowances and other expenses	34	230	136
Rent, taxes, insurance, electricity etc.		514,939	508,847
Legal and professional charges		73,261	57,501
Communications		203,346	205,151
Repairs and maintenance		122,635	94,491
Financial charges on leased assets		12,584	9,361
Stationery and printing		239,066	230,960
Advertisement and publicity		44,644	21,519
Donations	26.1	15,569	604
Auditors' remuneration	26.2	50,150	46,007
Depreciation	12.2	386,662	491,764
Conveyance		89,593	85,662
Entertainment		17,819	14,667
Travelling		116,116	116,119
Security services		353,168	308,134
Others		231,301	241,012
		<u>2,471,083</u>	<u>2,431,935</u>

**26.1 Donations include following amounts exceeding Rs 0.1 million.**

Rs in '000

Prime Minister Flood Relief Fund	15,009
Dr. Muhammad Uzair	500

None of the directors/executives or their spouses have any interest in the donee.

**26.2 Auditors' remuneration**

	M. Yousuf Adil Saleem & Co.	Taseer Hadi Khalid & Co.	2003 Total	2002 Total
	Rupees in '000			
Audit fee - Annual	1,553	1,553	3,106	2,824
- Interim	1,200	1,200	2,400	2,000
Fee for audit of 60 branches (2002: 60)	2,059	2,059	4,118	3,744
Fee for Special certifications and sundry advisory services	2,548	875	3,423	6,586
Out-of-pocket expenses	980	884	1,864	1,600
Fee for audit of overseas branches including advisory services and out of pocket expenses	-	-	35,239	29,253
	<b>8,340</b>	<b>6,571</b>	<b>50,150</b>	<b>46,007</b>

2003  
Rupees in '000

2002

Rupees in '000

**27. OTHER CHARGES**

Penalties imposed by SBP

- Current year	11,009	9,388
- Prior year(s)	11,885	14,486
	<b>22,894</b>	<b>23,874</b>

**28. TAXATION**

For the year

- Current	4,650,000	2,650,000
- Deferred	(1,278,839)	141,426
	<b>3,371,161</b>	<b>2,791,426</b>
For the prior year(s)	1,439,444	1,000,000
	<b>4,810,605</b>	<b>3,791,426</b>

Current taxation includes Rs 510.869 million (2002: Rs 499.767 million) of overseas branches.

The tax provisions for 2000, 2001, 2002 and 2003 have been made on estimated taxable income after charging provision against non-performing advances for which certificates from SBP, as required by the taxation authorities, are yet to be received.

Prior year taxation includes Rs 839.536 million in respect of bank's share of income of Bank Al-Jazira for period upto December 31, 2003. The tax liability is to be settled from dividends accruing to the bank .

		2003	2002
		Rupees in '000	
<b>29.</b>	<b>RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT</b>		
	Accounting profit before tax	<u>9,008,708</u>	<u>6,044,811</u>
	Income tax at statutory rate	<b>3,963,832</b>	2,841,061
	Increase/(decrease) in taxes resulting from:		
	Inadmissible differences	<b>335,434</b>	241,486
	Charge of deferred tax due to increase/reduction of tax rate	-	285,039
	Azad Kashmir taxation	<b>831</b>	6,833
	Income taxed at reduced rate	<b>(463,720)</b>	(170,701)
	Income exempt from tax	<b>(439,429)</b>	(385,148)
	Reversal of deferred tax liability on incremental depreciation	<b>(25,787)</b>	(27,144)
	Tax charge for current year	<u><b>3,371,161</b></u>	<u>2,791,426</u>
<b>30.</b>	<b>BASIC/DILUTED EARNINGS PER SHARE</b>		
	Profit for the year	Rupees in '000 <b>4,198,103</b>	<u>2,253,385</u>
	Weighted average number of ordinary shares	Numbers in '000 <b>410,342</b>	<u>410,342</u>
	Basic/diluted earnings per share	Rupees <b>10.23</b>	<u>5.49</u>
<b>31.</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>2003</b>	<b>2002</b>
		Rupees in '000	
	Cash and balance with treasury banks	<b>59,420,502</b>	55,531,453
	Balance with other banks	<b>24,154,070</b>	35,878,101
	Money at call and short notice	<b>904,000</b>	2,904,000
		<u><b>84,478,572</b></u>	<u>94,313,554</u>
<b>32.</b>	<b>STAFF STRENGTH</b>		
	Total number of employees at end of the year	<u><b>13,272</b></u>	<u>12,195</u>

**33. DEFINED BENEFIT PLANS**

The financial assumptions used in actuarial valuation at December 31, 2003 of pension fund, post retirement medical benefits, non-encashable leaves, leave encashment and benevolent fund schemes are as follows:

Salary increase	7% per annum
Discount rate	7% per annum
Expected rate of return on plan assets	7% per annum
Pension Indexation Rate	5% per annum
Rate of Inflation in the cost of medical benefits	6% per annum
Inflation rate	6% per annum

	2003	2002
	Rupees in '000	
<b>33.1 Reconciliation of (recoverable from) pension fund</b>		
Present value of defined benefit obligations	7,721,627	5,923,230
Fair value of plan assets	(10,900,651)	(7,779,927)
Net actuarial gains not recognized	1,506,095	458,722
	<u>(1,672,929)</u>	<u>(1,397,975)</u>
<b>Movement in (recoverable from) pension fund</b>		
Opening net asset	(1,397,975)	(1,297,651)
Charge for the year	110,515	165,272
Contribution to fund made during the year	(385,469)	(265,596)
	<u>(1,672,929)</u>	<u>(1,397,975)</u>
<b>Charge for pension fund</b>		
Current service cost	240,484	275,280
Interest cost	414,626	670,115
Expected return on plan assets	(544,595)	(780,123)
	<u>110,515</u>	<u>165,272</u>
Actual return on plan assets	<u>1,050,754</u>	<u>844,559</u>
<b>33.2 Charge for post retirement medical benefits</b>		
Current Service Cost	60,142	38,452
Interest Cost	99,424	140,568
	<u>159,566</u>	<u>179,020</u>
<b>33.3 Benevolent fund and Employees' Compensated absences</b>		

During the year, actuarial valuations of benevolent fund and employees' compensated absences have been carried out as at December 31, 2003 using Project Unit Credit Method. Amount of Rs. 135.435 million has been reversed for benevolent fund liability, while Rs. 85.043 million has been charged for compensated absences in the current year.

**34. REMUNERATION OF DIRECTORS AND EXECUTIVES**

	President		Directors		Executives	
	2003	2002	2003	2002	2003	2002
	.....Rupees in '000.....					
Fees	-	-	230	136	-	-
Managerial remuneration	1,920	1,920	-	-	48,500	36,510
Charge for defined benefit plan	-	-	-	-	4,685	2,592
Rent and house maintenance	2,496	2,512	-	-	21,825	16,430
Utilities	518	508	-	-	4,850	3,651
Medical	458	437	-	-	1,871	2,513
Conveyance	-	-	-	-	8,882	6,085
Leave fare assistance	1,500	1,500	-	-	-	-
Others	2,466	1,133	-	-	-	-
	<b>9,358</b>	<b>8,010</b>	<b>230</b>	<b>136</b>	<b>90,613</b>	<b>67,781</b>
Number of persons	<b>1</b>	<b>1</b>	<b>6</b>	<b>6</b>	<b>59</b>	<b>39</b>

The President and certain executives are also provided with free use of the bank's cars, household equipments and free membership of clubs.

Executives mean officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

**35. MATURITIES OF ASSETS AND LIABILITIES**

	2003				
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
	.....Rupees in '000.....				
<b>Assets</b>					
Cash and balances with treasury banks	59,420,502	26,568,987	32,851,486	29	-
Balances with other banks	24,154,070	23,416,211	737,859	-	-
Lendings to financial institutions	30,213,352	30,213,352	-	-	-
Investments	166,195,619	20,220,927	80,440,708	35,167,028	30,366,956
Advances	160,990,265	77,275,325	24,148,540	32,198,054	27,368,346
Other assets	21,946,846	5,778,225	1,171,448	12,079,919	2,917,254
Operating fixed assets	8,939,483	26,230	78,691	797,527	8,037,035
	<b>471,860,137</b>	<b>183,499,257</b>	<b>139,428,732</b>	<b>80,242,557</b>	<b>68,689,591</b>
<b>Liabilities</b>					
Bills payable	5,496,738	4,947,064	549,674	-	-
Borrowings from financial institutions	16,493,514	11,945,032	2,628,152	1,849,530	70,800
Deposits and other accounts	395,568,490	349,090,024	18,296,872	25,933,120	2,248,474
Liabilities against assets subject to finance lease	41,117	-	24,059	17,058	-
Other liabilities	26,080,400	6,612,267	3,262,749	2,548,192	13,657,192
Deferred tax liabilities	595,864	-	-	595,864	-
	<b>444,276,123</b>	<b>372,594,387</b>	<b>24,761,506</b>	<b>30,943,764</b>	<b>15,976,466</b>
	<b>27,584,014</b>	<b>(189,095,130)</b>	<b>114,667,226</b>	<b>49,298,793</b>	<b>52,713,125</b>
<b>Net assets</b>					
Share capital	4,103,422				
Reserves	8,133,312				
Unappropriated profit	5,897,163				
Surplus on revaluation of assets	9,450,117				
	<b>27,584,014</b>				

Savings and current deposits have been classified as due upto three months as they do not have any fixed contractual maturity. However, the bank does not expect these deposits to fall below their current level.

**36. YIELD/INTEREST RATE RISK**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The bank is exposed to interest/mark-up rate risk as a result of mismatches or gaps in the amount of interest/mark-up based assets and liabilities that mature or re-price in a given period. The bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest/mark-up rate risk as its assets and liabilities are re-priced frequently. The Assets and Liabilities Committee (ALCO) of the bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the bank.

Yield/interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual re-pricing or maturity date is as follows:

	Effective yield/ interest rate	Total	2003				Not exposed to yield/ interest risk
			Exposed to Yield/ Interest risk				
			Upto three months	Over three 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	1.32	59,420,502	-	32,851,486	29	-	26,568,987
Balances with other banks	2.09	24,154,070	19,241,806	737,859	-	-	4,174,405
Lendings to financial institutions	1.75	30,213,352	30,213,352	-	-	-	-
Investments	5.86	166,195,619	20,220,927	80,440,708	35,167,028	30,366,956	-
Advances	5.72	160,990,265	77,275,325	24,148,540	32,198,054	27,368,346	-
Other assets		11,135,219	-	-	-	-	11,135,219
		452,109,027	146,951,410	138,178,593	67,365,111	57,735,302	41,878,611
<b>Liabilities</b>							
Bills payable		5,496,738	-	-	-	-	5,496,738
Borrowings from financial institutions	1.39	16,493,514	11,945,032	1,761,245	109,530	70,800	2,606,907
Deposits and other accounts	1.77	395,568,490	266,115,970	18,296,872	25,933,120	2,248,474	82,974,054
Liabilities against assets subject to finance	17.10	41,117	-	24,059	17,058	-	-
Other liabilities		19,361,602	-	-	-	-	19,361,602
		436,961,461	278,061,002	20,082,176	26,059,708	2,319,274	110,439,301
<b>On-balance sheet gap</b>		<b>15,147,566</b>	<b>(131,109,592)</b>	<b>118,096,417</b>	<b>41,305,403</b>	<b>55,416,028</b>	<b>(68,560,690)</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>			<b>(131,109,592)</b>	<b>118,096,417</b>	<b>41,305,403</b>	<b>55,416,028</b>	
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>			<b>(131,109,592)</b>	<b>(13,013,175)</b>	<b>28,292,228</b>	<b>83,708,256</b>	

**37. CURRENCY RISK**

	2003			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	..... Rupees in '000 .....			
Pakistan Rupee	347,213,045	328,829,657	(18,299,712)	83,676
United States Dollar	90,157,142	93,186,222	14,866,901	11,837,821
Great Britain pound	1,413,154	1,867,289	1,993,424	1,539,289
Euro	3,129,233	3,046,678	1,165,055	1,247,610
Japanese Yen	2,590,504	4,874,230	1,568,433	(715,293)
Other currencies	7,605,949	5,157,385	(1,294,101)	1,154,463
	<b>452,109,027</b>	<b>436,961,461</b>	<b>-</b>	<b>15,147,566</b>

Currency risk arises where the value of financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the bank enters into ready, spot, forward and swap transactions with the SBP and in the inter bank market.

The bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with banks abroad, foreign placements with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by SBP. Counter-parties limits are also fixed to limit risk concentration. Appropriate segregation of duties exist between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

The liabilities in foreign currencies include a sum of Rs.2,781 million (2002: Rs. 3,539 million) being deposits in foreign currencies of local branches against which the bank has obtained forward cover through SBP.

### 38. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 38.1 On-balance sheet financial instruments

	2003		2002	
	Book Value	Fair Value	Book Value	Fair Value
..... Rupees in '000 .....				
<b>Assets</b>				
Cash and balances with treasury banks	59,420,502	59,420,502	55,531,453	55,531,453
Balances with other banks	24,154,070	24,154,070	35,878,101	35,878,101
Lendings to financial institutions	30,213,352	30,213,352	21,716,802	21,716,802
Investments	166,195,619	168,340,419	143,524,971	143,524,971
Advances	160,990,265	160,990,265	140,547,374	140,547,374
Other assets	11,135,219	11,135,219	15,308,366	15,308,366
	<u>452,109,027</u>	<u>454,253,827</u>	<u>412,507,067</u>	<u>412,507,067</u>
<b>Liabilities</b>				
Bills payable	5,496,738	5,496,738	3,365,744	3,365,744
Borrowings from financial institutions	16,493,514	16,493,514	10,032,135	10,032,135
Deposits and other accounts	395,568,490	395,568,490	362,865,637	362,865,637
Liabilities against assets subject to finance lease	41,117	41,117	74,051	74,051
Other liabilities	19,361,602	19,361,602	19,906,641	19,906,641
	<u>436,961,461</u>	<u>436,961,461</u>	<u>396,244,208</u>	<u>396,244,208</u>

#### 38.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	<u>29,952,862</u>	<u>29,952,862</u>	<u>32,137,277</u>	<u>31,783,809</u>
Forward sale of foreign exchange	<u>10,618,838</u>	<u>10,618,838</u>	<u>12,921,707</u>	<u>12,884,506</u>
Coupon Swap & Quanto Interest Rate Swaps	<u>4,400,000</u>	<u>4,400,000</u>	-	-

Investments in quoted shares, Treasury Bills, Federal Investment Bonds and Pakistan Investment Bonds are valued at market prices taken from stock exchange quotations and Reuters (PKRV) Page except investment in NIT units, other than relating to former NDFC, which has been valued on the basis of LoC provided by GoP. The fair value of Investments in unquoted shares have been estimated using the equity method based on the latest available financial statements. All other investments have been stated at cost less provision for diminution as the carrying value, which in management's opinion, approximates their fair value.

Fair value of long term loans and advances can not be determined with reasonable accuracy due to absence of current and active market. Loans and advances are repriced frequently on market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations as detailed in note 10.2.

Fair value of all other assets and liabilities including long-term deposits can not be calculated with sufficient accuracy as active market does not exist for these instruments. In the opinion of the management, fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of deposits are frequently repriced.

### Coupon Swap & Quanto Interest Rate Swaps

During the year the bank entered into coupon swap transaction for a notional amount of Rs 4,400 million to provide cross currency interest rate hedge to one of its clients. To hedge the foreign currency leg of the transaction, the bank entered into Quanto Interest Rate Swap with another bank. The bank is only exposed to PKR interest rate movements. The tenor of both the transactions is 4-1/2 years beginning from December 31, 2003. Fair value of the Swap is the present value of the future cash flows, which will keep changing depending on the interest rate movements.

The degree to which the bank is active in swap transactions is shown by notional amount. The notional amount, however, gives no indication of the size of the cash flows and the risk attaching to derivative transactions. Fair value of arrangement is considered to be equivalent to the carrying value.

### 39. SEGMENT BY CLASS OF BUSINESS

	Advances		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and Pharmaceuticals	4,298,115	2.67	816,132	0.21	3,743,497	4.45
Agribusiness	4,803,459	2.98	11,289,712	2.85	282,619	0.34
Textile	26,598,079	16.52	1,381,585	0.35	4,795,116	5.70
Cement	5,178,404	3.22	118,382	0.03	1,683,167	2.00
Sugar	3,262,624	2.03	68,494	0.02	618,252	0.73
Shoes & Leather Garments	1,258,761	0.78	228,317	0.06	5,177	0.01
Automobile & transportation equipment	875,024	0.54	549,528	0.14	100,256	0.12
Financial	5,185,291	3.22	48,777,130	12.33	4,612,270	5.48
Insurance	12,557	0.01	919,130	0.23	-	-
Transportation	4,624,508	2.87	1,384,166	0.35	1,094,344	1.30
Electronics and electrical appliances	4,755,221	2.95	1,993,257	0.50	1,652,464	1.96
Production and transmission of energy	430,628	0.27	4,602,443	1.16	6,035,165	7.17
Food & Tobacco	3,378,284	2.10	575,950	0.15	13,820	0.02
Metal Products	5,916,974	3.68	555,275	0.14	625,711	0.74
Oil, Gas, Petroleum and Energy	16,859,300	10.47	17,274,538	4.37	8,900,290	10.57
Telecommunication	3,376,283	2.10	5,707,276	1.44	5,986,050	7.11
Public Sector Commodity Operations	14,231,547	8.84	16,884,110	4.27	743,472	0.88
Individuals	18,393,341	11.43	133,684,695	33.80	1,190,496	1.41
General Traders	10,104,993	6.28	10,537,377	2.66	498,302	0.59
Others	27,446,872	17.05	138,220,993	34.94	41,607,938	49.42
	<b>160,990,265</b>	<b>100</b>	<b>395,568,490</b>	<b>100</b>	<b>84,188,406</b>	<b>100</b>



**39.1 Segment by sector**

	Advances		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Public/Government	47,379,017	29.43	163,184,458	41.25	50,213,943	65.55
Private	113,611,248	70.57	232,384,032	58.75	33,974,463	34.45
	<b>160,990,265</b>	<b>100</b>	<b>395,568,490</b>	<b>100</b>	<b>84,188,406</b>	<b>100</b>

**40. CREDIT RISK AND CONCENTRATION OF CREDIT RISK**

Credit risk exposure in respect of earning assets and off-balance sheet financial instruments represents carrying values of assets and contingencies which could be impacted as a result of failure by the bank's counter-parties to discharge their obligations under financial instruments and cause the bank to incur financial loss.

Concentration of credit risk arises from exposures to customers having similar characteristics in terms of industry in which they are engaged, geographical location in which they operate such that their ability to discharge contractual obligations may be similarly affected by change in political, economical and other conditions. Significant concentrations of bank's risk assets by industrial and geographical sectors are set out in note 39 and 41.

Credit risk is managed in terms of lending policy, approved by the board of directors and other laid down procedures outlined in the Standard Procedures Manual and related circulars. Credit limits are established for all counter parties after careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents has been established and managed by Risk Management Group (RMG) at Head Office. Where possible, all loans and advances are secured by acceptable form of collateral to mitigate credit risk. The RMG is also responsible for continuing review and monitoring of borrowers' accounts and effective compliance of Prudential Regulations.

The bank maintains a sound advances portfolio diversified in nature to counter the risk of credit concentration and further limits risk through diversification of its assets by geographical and industrial sector.

Cross border exposures are controlled by the bank by considering country/sovereign risk and these are updated on regular basis.

Special Assets Management Group (SAMG) of the bank is responsible for monitoring the stuck up advances. It negotiates with the borrowers and takes legal actions against the delinquent borrowers.

**41. GEOGRAPHICAL SEGMENT ANALYSIS**

	Profit before Taxation	Total assets Employed	Net assets Employed	Contingencies & Commitments
..... Rupees in '000 .....				
Pakistan	7,847,640	383,196,199	21,137,043	76,440,269
Asia Pacific (including South Asia)	210,440	12,132,553	2,189,446	2,041,318
Europe	(47,841)	3,171,723	1,371,816	1,483,527
United States of America and Canada	236,731	9,915,723	1,199,310	4,223,292
Middle East	766,902	63,373,768	824,371	-
Africa	(5,164)	70,171	862,028	-
	<b>9,008,708</b>	<b>471,860,137</b>	<b>27,584,014</b>	<b>84,188,406</b>

**42. TRUST ACTIVITIES****42.1 National Investment Trust (NIT)**

Under a trust deed, the bank provides services, as a trustee to NIT and is performing functions of sale/purchase of NIT units, safe custody and maintaining unit holders accounts. The bank is keeping approximately one billion shares with market value of Rs. 42,941 million (2002: Rs 28,034 million) in safe custody/Central Depository Company on behalf of NIT.

**42.2 Long-term Credit Fund (LTCF)**

Consequent upon the NDFC amalgamation, the bank manages on behalf of the GoP, LTCF established from the proceeds of loans disbursed by various international funding agencies for financing private sector energy development projects. Fund assets are accounted for separately from those of the bank and amounted to Rs. 48 billion on December 31, 2003 (2002: Rs 48 billion). Administrative fee relating to the management of LTCF is accounted for on receipt basis. However, the bank is in process of negotiating the charge of fee in consideration of administrative services to the LTCF.

**42.3 Qarz-e-Hasna Fund**

The work relating to Qarz-e-Hasna Scheme was attended by Pakistan Banking Council (PBC) since inception. PBC was dissolved in January 1997. In order to fill the void created by the dissolution of PBC and in order to continue the scheme, SBP decided to entrust all funds and transfer all records relating to Qarz-e-Hasna scheme for education to the bank with the instructions to perform all work relating to the Fund.

Till December 31, 2003 SBP had transferred Rs. 244 million (2002 : Rs. 244 million) to the bank. Assets and liabilities relating to the Fund have been treated as off-balance sheet item in the financial statements.

**43. RELATED PARTY TRANSACTIONS**

Related parties include bank's subsidiaries, associates, joint venture, directors & the companies under common directorship, key management personnel and employees' retirement benefit funds.

	2003	2002
	Rupees in '000	
<b>Balance outstanding at year end</b>		
<b>Advances to :</b>		
Subsidiaries	132,255	-
Associates	1,463,816	1,379,839
Key management executives *	9,894	12,100
<b>Placements with :</b>		
Subsidiaries	150,935	-
Joint venture	203,440	2,053,255
Investments with associates	27,595	35,301
<b>Deposits from :</b>		
Subsidiaries	3,089	129,150
Pension fund	755,083	2,494,729
Provident fund	4,371,962	3,694,261

\* This includes loans extended to certain key management executives in accordance with the terms of employment.

	2003	2002
	Rupees in '000	
<b>Income for the year</b>		
<b>On advances/placements to :</b>		
Susidiaries	5,418	-
Associates	64,343	53,298
On placements with joint venture	10,910	11,520
Dividend from subsidiaries	-	30,000
<b>Expenses for the year</b>		
<b>On deposits of :</b>		
Subsidiaries	1,132	10,002
Provident fund **	549,029	450,369
Commission paid to Subsidiaries	3,361	2,913
Loan written off of Associates	137,138	-

\*\* Had the interest on deposits from provident fund paid at the average rate of twenty years Government paper, interest would have been lower by Rs. 198 million.

43.1 Although Federal Government and SBP held about 75.48% shares of the bank (2002: 78.36%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

#### 44. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 26, 2004 by the Board of Directors of the Bank.

#### 45. GENERAL

45.1 These accounts have been prepared in accordance with the revised format of the financial statements of the banks issued by the State bank of Pakistan through its BSD Circular No. 36 dated October 10, 2001.

45.2 Figures have been re-arranged and reclassified wherever necessary for comparison purpose and are disclosed in the notes No. 9.4.4 and 25.1 to the financial statements.

45.3 Figures have been rounded off to the nearest thousand rupees.

**S. Ali Raza**  
Chairman & President

**Dr. Waqar Masood Khan**  
Director

**Syed Shafqat Ali Shah Jamote**  
Director

**M. Zubair Motiwala**  
Director

Details of Investments  
as at December 31, 2003

Annexure 'I'  
as referred to in note 9.11 to  
the financial statements

1.1 Government Compensation Bonds

Investee	Terms of Redemption Principal	Interest	Rate of Interest	Cost Rupees in '000
Govt. Bond (Public Sector Enterprises)	On maturity	On maturity	6%	755,859
Govt. Bond (Heavy Mechanical Complex)	On maturity	On maturity	6%	385,996
Govt. Bond (Shahnawaz Bhutto Sugar Mills)	On maturity	On maturity	6%	56,364
Govt. Bond (Public Sector Enterprises)	On maturity	On maturity	9%	1,132,963
Govt. Bond (Pakistan Engineering Company)	Regular	Regular	5%	232,060
Govt. Bond (Pakistan Engineering Company)	Regular	Regular	5%	131,808
				2,695,050

1.2 Particulars of Investments held in listed companies and Modarabas

1.2.1 Ordinary shares

Investee	No. of shares/ certificates held	Paid - up value per share/certificate Rupees	Paid-up value ..... Rupees in '000 .....	Market Value
Accord Textile Mills Limited	312,000	10	3,120	530
Al-Ameen Textile Mills Limited	32,800	10	328	-
Al-Ghazi Tractors Limited	30,000	10	300	6,000
Allied Motors Limited.	1,301,333	10	13,013	-
Al-Noor Sugar Mills Limited	378,300	10	3,783	1,305
Askari Commercial Bank Limited	782,500	10	7,825	40,299
Askari Leasing Limited	42,000	10	420	796
Atlas Income Fund Limited	50,000	10	500	25,000
Baig Spinning Mills Limited	662,050	10	6,621	5,296
Bolan Castings Limited	714,500	10	7,145	45,657
British Oxygen (BOC) Pakistan Limited	45,786	10	458	7,784
BSJS Balanced Fund	1,000,000	10	10,000	12,450
Cherat Cement Company Limited	68,250	10	683	3,484
Cherat Paper sack Limited	132,500	10	1,325	11,793
Clariant Pakistan Limited	154,470	10	1,545	21,317
Cynamid (wyeth Pakistan) Limited	1,684	100	168	2,694
Dandot Cement Company Limited	160,000	10	1,600	-
Dewan Salman Fibre Limited	8,923	10	89	173
DG Khan Cement Company Limited	428,000	10	4,280	19,560
Escort Investment Bank Limited	1,000,000	10	10,000	11,100
Faran Sugar Mills Limited	326,500	10	3,265	1,959
Fauji Fertilizer Company Limited	4,800,013	10	48,000	458,401
Faysal Bank Limited	11,500	10	115	414
Fecto Cement Limited	955,441	10	9,554	9,316
Frontier Ceramics Limited	1,370,600	10	13,706	4,386
First Grindlays Modaraba	1,204,664	10	12,047	46,982
General Leasing Modaraba	281,250	10	2,813	534
Glaxo Wellcome (Pakistan) Limited	130,680	10	1,307	24,966

Investee	No. of shares/ certificates held	Paid - up value per share/certificate Rupees	Paid-up value ..... Rupees in '000 .....	Market Value
Guardian Leasing Modaraba	631,300	10	6,313	5,208
Habib Bank Modaraba 1st	697,920	10	6,979	11,306
Haji Mohammad Ismail Mills Limited	1,683,150	10	16,832	13,465
Hala Spinning Mills Limited	1,639,500	10	16,395	-
Hub Power Company Limited	14,127,000	10	141,270	543,183
ICI Pakistan Limited	875	10	9	74
Inter Asia Leasing Company Limited	50,000	10	500	70
Investment Corporation of Pakistan -SEMF	11,560,800	10	115,608	553,762
Junaid Cotton Mills Limited	32,800	10	328	-
Kaisar Art & Craft Limited	850,000	10	8,500	850
Kaytex Mills Limited	377,800	10	3,778	-
Khairpur Sugar Mills Limited	3,088,000	10	30,880	-
Kohinoor Energy Limited	153,500	10	1,535	5,373
Kohinoor Weaving Mills Limited	296,002	10	2,960	10,345
Libaas Textiles Limited	250,000	10	2,500	-
Lucky Cement Limited	80,000	10	800	-
Maple Leaf Cement Factory Limited	28,125	10	281	880
Mehran Modaraba 1st	130,460	10	1,305	339
Mehran Sugar Mills Limited	126,500	10	1,265	1,139
Meezan Islamic Fund	1,000,400	10	10,004	53,902
Millat Tractors Limited	174,000	10	1,740	41,856
Mirza Sugar Mills Limited	900,000	10	9,000	2,205
Modaraba Al-Mali	277,504	10	2,775	2,761
Mohib Exports Limited	425,600	10	4,256	-
Muslim Ghee Mills Limited	181,000	10	1,810	-
National Development Leasing Corporation Limited	174,373	5	872	2,703
National Refinery Limited	1,024,717	10	10,247	152,170
Nayab Spinning & Weaving Mills Limited	138,000	10	1,380	-
Orix Leasing Pakistan Limited	159,900	10	1,599	5,421
Oil & Gas Development Corporation Ltd.	940,418	10	9,404	30,103
Packages Limited	153,168	10	1,532	25,717
Pak Elektron Limited	13,750	10	138	413
Pak Apex Leasing Limited	49,000	10	490	502
Pakistan Engineering Company Limited	135,240	10	1,352	1,941
Pakistan Income Fund	575,595	10	5,756	30,040
Pakistan Industrial Leasing Corporation Limited	100	10	1	1
Pakistan International Airlines Corporation A-Class	20,260,813	10	202,608	416,360
Pakistan National Shipping Corporation	386,236	10	3,862	10,834
Pakistan Oil Fields Limited	297,580	10	2,976	7,800
Pakistan State Oil Company Limited	1,868,969	10	18,690	539,274
Pakistan Telecommunication Corporation Limited	12,634,800	10	126,348	463,065
Pakland Cement Limited	1,000	10	10	14
Parke Davis Company Limited	1,600	10	16	1,360
Platinum Commercial Bank Limited	760	10	8	9
Punjab Oil Mills Limited	307,850	10	3,079	5,818
Ravi Rayon Limited	73,800	10	738	-
Reckitt Benckiser Pakistan Limited	34,045	10	340	2,962

Investee	No. of shares/ certificates held	Paid - up value per share/certificate Rupees	Paid-up value ..... Rupees in '000 .....	Market Value
Redco Textiles Mills Limited	98,300	10	983	-
Refrigerators Manufacturing Company Pakistan Ltd.	45,738	10	457	167
Saadi Cement Limited	2,724,500	10	27,245	23,703
Saif Textile Mills Limited	7,308	10	73	117
Sakrand Sugar Mills Limited	3,801,600	10	38,016	8,554
Saudi Pak Commercial Bank Limited	850,000	10	8,500	10,625
Searle Pakistan Limited	175,699	10	1,757	5,974
Shahmurad Sugar Mills Limited	319,800	10	3,198	1,135
Shell Pakistan Limited	279,250	10	2,793	115,079
Siemens (Pakistan) Engineering Company Limited	200,000	10	2,000	81,910
Sitara Chemicals Industries Limited	118,894	10	1,189	8,204
Soneri Bank Limited	26,250	10	263	685
Sui Northern Gas Pipeline Company Limited	6,020,209	10	60,202	250,916
Sui Southern Gas Company Limited	5,239,800	10	52,398	149,072
Sunshine Cotton Mills Limited	431,250	10	4,313	-
Taj Textile Mills Limited	11,375	10	114	39
TRG Pakistan Limited	7,500,000	10	75,000	118,421
Tawakkal Garments Industries Limited	112,500	10	1,125	-
Unilever (Pakistan) Limited	140,000	50	7,000	202,720
Unit Trust of Pakistan (ABAMCO)	15,000	5,000	75,000	115,710
Unity Modaraba	1,000,000	10	10,000	-
22nd ICP Mutual fund	907,925	10	9,079	11,394
23rd ICP Mutual fund	224,900	10	2,249	1,664
24th ICP Mutual fund	477,200	10	4,772	4,748
Zafar Textile Mills Limited	24,610	10	246	-
				<b>4,816,258</b>

### 1.2.2 Term Finance Certificates - Listed

Investee	No. of certificates held	Paid -up value per certificate Rupees	Paid-up value ..... Rupees in '000 .....	Cost
Gulistan Textile Mills Limited.	9,996	5,000	49,980	49,960
Dawood Leasing Company Limited	5,000	5,000	25,000	25,000
Sui Southern Gas Company Limited	27,450	5,000	137,250	113,493
Dewan Salman Fibre Limited	28,000	5,000	140,000	84,868
				<b>273,321</b>

## 1.2.3 Term Finance Certificates - Unlisted

Investee	No. of certificates held	Paid -up value per certificate Rupees	Cost Rupees in '000
Ados Pakistan Limited	14	50,459	706
Agro Dairies Limited	20	211,850	4,237
Al-Azhar Textile Mills Limited	14	432,804	6,059
Al-Barkat Industries Limited	1	1,060,000	1,060
Al-Fahm Textile Mills Limited	14	205,714	2,880
Al-Qaim Textile Mills Limited	16	80,977	1,296
Anwar-Zaib Cement Industries Limited	1	3,446,000	3,446
Apex Fabrics Limited	16	165,000	2,640
Aqma Textile Mills Limited	14	391,786	5,485
Aruj Textile Mills Limited	5	493,100	1,479
Aswan Tentage & Canvas Mills Limited	1	3,643,000	3,643
Azeem Tapes (Pvt) Limited	34	130,275	4,429
Bachani Sugar Mills Limited	28	1,282,005	35,896
Baluchistan Cotres Limited	22	139,273	3,064
Bankers Equity Limited	10	10,444,900	104,449
Bela Chemical Limited	24	1,024,792	24,595
Bentonite Pak Limited	31	110,235	3,417
Blue Star Spinning Mills Limited	17	253,647	4,312
Brother Steel Limited	17	181,990	3,094
Cast-N-Link Product Limited	16	159,313	2,549
Chaudhry Wire Rope Industries Limited	14	111,812	1,565
Chiniot Textile Mills Limited	6	846,667	5,080
Chiragh Sun Engg Limited	6	578,333	3,470
Dadabhoy Cement Limited	16	504,808	8,077
Danneman Fabrics Limited	14	327,429	4,584
Diamond Industries Limited	6	518,750	346
Elec Inf & Energy System Limited	19	278,737	5,296
Faruki Pulp Mills Limited	14	1,253,571	17,550
Frontier Ceramics Limited	46	105,614	4,858
Frontier Dextrose Limited	24	47,083	1,130
General Diaries & Food Limited	6	312,500	1,875
Glorex Textile Mills Limited	1	5,640,000	5,640
Gypsum Corporation Limited	10	90,000	900
Haral Textile Mills Limited	14	195,929	2,743
Hospitex International Limited	16	31,938	511
Hub Textile Mills Limited	14	277,643	3,887
Hussain Beverage Industries Limited	18	328,111	5,906
Indus Sugar Mills	-	-	11,699
Inayat Textile Mills Limited	13	170,000	2,210
Kamal Ghee & Allied Industries Limited	14	302,714	4,238
Kashmir Polytex Limited	16	137,344	2,198
Khairpur Sugar Mills Limited	28	299,781	8,394
Kiran Sugar Mills Limited	24	483,333	11,600
Karachi Electric Supply Corporation	160	22,250,001	900,001
Kohinoor Fabrics Limited	22	29,148	641
Larr Sugar Mills Limited	14	1,300,841	14,901
Latif Bawany Textile Mills Limited	38	62,627	2,380
MTM International	6	296,833	1,781
Malik Food Industries Limited	11	224,727	2,472
Minaco Fabrics Limited	14	525,000	7,350

Investee	No. of certificates held	Paid -up value per certificate Rupees	Cost Rupees in '000
Mumtaz Shahbaz Textile Mills Limited	14	279,141	3,908
Munalisa Fruit Juices	14	107,143	1,500
Munawar Engineering Company Limited	28	78,332	2,193
Munro & Millar Mills Limited	20	55,650	1,113
National Fructose Company Limited	14	122,429	1,714
National Tiles & Ceramics Limited	16	154,285	2,469
Nishat Mills Limited	-	-	750,000
Novelty Fabric Processing Limited	38	454,086	17,255
Pacific Pharmaceutical Limited	16	102,853	718
Pak German Pre-Fabs Limited	24	251,923	6,046
Pak Pattan Dairies Limited	14	236,143	3,306
Pak Punjab Carpet Limited	1	857,143	857
Pakistan Industrial Leasing Corporation Limited	75	833,334	12,500
Pakistan Laminates Limited	1	94,950	95
Pakistan Services Limited	-	-	167,000
Pangrio Sugar Mills Limited:	16	128,585	2,057
Peshawar Pipe Mills Limited	40	25,525	1,021
Phalia Sugar Mills Limited	17	1,152,941	19,600
Pak Arab Refinery Company Limited	49,840	5,000	148,611
Pirjee Weaving Mills Limited	16	53,563	857
Pakland Cement Limited	13	42,030	364,933
Pakistan International Airlines Corp. Limited	-	-	3,499,965
Prometals Limited	20	119,913	2,398
Qand Ghar (Pvt) Limited	2	10,982,500	21,966
Qand Ghar Sugar Mills Limited	14	565,357	7,915
Rai Textile Mills Limited	6	425,000	1,530
Raja Weaving Mills Limited	14	273,643	3,831
Regency Textile Mills Limited	24	253,390	6,081
Rehman Sharif Textile Mills Limited	14	69,500	973
Sarela Cement Limited	32	320,582	10,259
Scan Recycling (Pak) Limited	17	48,059	817
Seri Sugar Mills Limited	24	253,950	6,095
Shah Jewana Textile Mills Limited	26	29,847	776
Saadi Cement Company Limited	13	137,467	1,111,562
Shazeb Industries Limited	14	157,266	2,202
Sialkot Dairies	13	178,462	2,320
Silverland Textile Mills Limited	6	275,000	1,650
Sind Textile Industries	15	1,010,867	15,163
Sinsas Enterprises Limited	2	3,023,000	6,046
Solve Tech Limited	14	243,786	3,413
Star Silica International	16	112,438	1,799
Sunflo Juices Limited	28	274,500	7,686
Taj Syringes (Pvt) Limited	36	183,750	6,615
Tanocraft Limited	22	59,768	1,315
Tawakkal Garments Industries Limited	16	47,461	759
Tharparkar Sugar Mills Limited	5	4,748,000	23,332
Trubo Tubes Limited	2	60,838	122
Ultra Engineering Industries Limited	16	75,688	1,211
Waleed Leather Industries Limited	38	61,678	2,344
Zamir Textile Mills Limited	14	920,780	12,891

**7,532,808**



#### 1.2.4 Debentures

Investee	Terms of Redemption		Rate of Interest	Cost Rupees in '000
	Principal	Interest		
Aaj Textile Mills Limited	Overdue	Overdue	14%	1,005
Aaj Textile Mills Limited	Overdue	Overdue	12.5%	270
Ajax Industries Limited	Overdue	Overdue	11%	1,397
Ajax Industries Limited	Overdue	Overdue	14%	269
Ali Asbestose Industries Limited	Overdue	Overdue	14%	930
Ali Asbestose Industries Limited	Overdue	Overdue	11%	1,510
Alleey Hosiery Mills Limited	Overdue	Overdue	14%	200
Allied Ghee Industries Limited	Overdue	Overdue	14%	1,141
Allied Ghee Industries Limited	Overdue	Overdue	Interest free	572
Allied Marbles Industries	Overdue	Overdue	14%	23
Allied Marbles Industries	Overdue	Overdue	Interest free	15
Aslo Electrical Industries	Overdue	Overdue	11%	2,270
Aslo Electrical Industries	Overdue	Overdue	14%	281
Attock Textile Mills Limited	Overdue	Overdue	14%	863
Avari Hotels Limited	Regular	Regular	14%	2
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12%	3,286
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	14%	1,998
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12.5%	2,336
Carbon Dioxide Limited	Overdue	Overdue	11%	495
Carbon Dioxide Limited	Overdue	Overdue	14%	95
Central Associated Limited	Overdue	Overdue	14%	680
Chillya Corrugated Board	Overdue	Overdue	14%	549
Chillya Corrugated Board	Overdue	Overdue	Interest free	453
Colony Textile Mills Limited	Overdue	Overdue	Interest free	184
Consolidated Spinning & Textile Mills Limited	Overdue	Overdue	14%	180
Consolidated Sugar Mills	Overdue	Overdue	14%	1,875
Daaman Oil Mills	Overdue	Overdue	11%	170
Daaman Oil Mills	Overdue	Overdue	14%	580
Effef Industries Limited	Overdue	Overdue	14%	1,799
Effef Industries Limited	Overdue	Not Applicable	Interest free	3,828
Electric Lamp Manufacturing.	Overdue	Overdue	11%	75
Electric Lamp Manufacturing.	Overdue	Overdue	14%	150
Hassan Tanneries Limited	Overdue	Overdue	14%	437
Hassan Tanneries Limited	Overdue	Overdue	12.5%	58
Hazara Woolen Mills.	Overdue	Overdue	14%	1,148
Hydri Gas Limited	Overdue	Overdue	11%	47
Hydri Gas Limited	Overdue	Overdue	14%	50
Junaid Cotton Mills Limited	Overdue	Overdue	12.5%	165
Junaid Cotton Mills Limited	Overdue	Overdue	14%	990
Karachi Development Authority.	Overdue	Overdue	12.5%	156,034
K.J. Vegetable Oil Mills.	Overdue	Overdue	4%	27
Karachi Properties Inv.Co. (1974)	Overdue	Overdue	14%	15,000
Khyber Textile Mills Limited	Overdue	Overdue	14%	1,000
Lahore Dyeing & Printing Mill	Overdue	Overdue	11%	1,013
Lahore Engineering Foundry Works	Lumpsum	Lumpsum	5%	2,408
Mansoor Textile Mills	Overdue	Overdue	14%	510
Mehr Text. Mills Limited	Overdue	Overdue	11%	700
Mehr Text. Mills Limited	Overdue	Overdue	14%	750
Milly Leather Ind.Limited.	Overdue	Overdue	14%	1,244
Morgah Valley Limited.	Overdue	Overdue	11%	400
Morgah Valley Limited	Overdue	Overdue	14%	160
National Woolen Mills	Overdue	Overdue	14%	134

Investee	Terms of Redemption		Rate of Interest	Cost Rupees in '000
	Principal	Interest		
Pakistan Machine Tool Factory	Overdue	Overdue	12.5%	13,306
Pakistan Paper Corporation	Overdue	Overdue	11%	506
Pakistan Polypropylene Packages Limited	Overdue	Overdue	14%	240
Printing Corporation Of Frontier	Overdue	Overdue	11%	12
Printing Corporation Of Frontier	Overdue	Overdue	14%	23
Progressive Tobacco Co.	Overdue	Overdue	14%	175
Qadri Textile Mills Limited.	Overdue	Overdue	14%	489
Regal Ceramics Limited.	Overdue	Overdue	14%	105
Rising Sun Knitwear Industries	Overdue	Overdue	14%	57
Rose Textile Mills Limited.	Overdue	Overdue	14%	740
Saleem Tanneries Project 1	Overdue	Overdue	12.5%	1,366
Saleem Tanneries Project 2	Overdue	Overdue	12%	712
Sarhad Bricks Limited.	Overdue	Overdue	11%	543
Sarhad Bricks Limited.	Overdue	Overdue	14%	102
SDA-A/C Cold Storage Haripur -1	Overdue	Overdue	12%	955
SDA-A/C Cold Storage Haripur -2	Overdue	Overdue	12.5%	1,170
SDA-A/C Cold Storage Mardan -1	Overdue	Overdue	12%	1,278
SDA-A/C Cold Storage Mardan -2	Overdue	Overdue	12.5%	878
SDA-A/C Cold Storage Peshawar -1	Overdue	Overdue	12%	1,341
SDA-A/C Cold Storage Peshawar -2	Overdue	Overdue	12.5%	1,102
Shafaq Lamp Manufacturing Corporation	Overdue	Overdue	11%	368
Shafaq Lamp Manufacturing Corporation	Overdue	Overdue	14%	83
Shahdin Limited.	Overdue	Overdue	14%	634
Shahyar Textile Mills Limited	Overdue	Overdue	14%	280
Spinzer Towel Industries Limited	Overdue	Overdue	12.5%	200
Spinzer Towel Industries Limited	Overdue	Overdue	14%	175
Sun Publications Limited	Overdue	Overdue	13.5%	178
Sun Shine Jute Mills	Overdue	Overdue	11%	3,010
Sun Shine Jute Mills	Overdue	Overdue	14%	990
United Sugar Mills	Overdue	Regular	14.23%	41,480
Zulsham Engineering Works Limited	Overdue	Overdue	14%	239
				<b><u>284,493</u></b>

## 1.3 Particulars of Investments held in un-listed companies

### 1.3.1 Ordinary Shares - Holding 10% and above

Investee	Percentage of holding	No. of Shares held	Paid up value per share Rupees	Total paid-up value	Cost of Investment	Break-up value of investment	Based on accounts as at	Name of Chief Executive
				..... Rupees	Rupees in '000	.....		
Avani Hotel Limited	12.7%	9,459,200	10	94,592	94,592	(6,359)	June 30,2000	Mr. Byram D Avani
Digri Sugar Mills Limited	19.1%	2,000,000	10	20,000	4,063	8,122	Sep 30,1999	Mr. Naveed Ahmad Javeri
Engine System	16.5%	788,500	10	7,885	-	(10,132)	June 30,1998	Mr. Javed Burki
First Women Bank Limited	10.6%	2,110,000	10	21,100	21,100	25,242	Dec. 31, 2002	Ms. Zareen Aziz
Gelcaps Pakistan Limited	14.6%	2,000,000	10	20,000	4,665	20,851	June 30,2003	Mr. Sadruddin Hashwani
Intech International	18.6%	275,000	10	2,750	-	..... Not Available.....		Mr. Hassan Zaidi
Investment Corporation of Pakistan	19.9%	398,000	100	39,800	36,337	169,716	June 30,2003	Mr. Tariq Iqbal Khan
Pakistan Agriculture Storage Service Corporation	18.3%	5,500	1,000	5,500	5,500	(138)	March 31,2001	Mr. Chaudhry Manzoor Shah
Precision Engineering	16.8%	15,110	-	-	-	..... Not Available.....		Mr. Zaheer Hussain
Resources and Engineering Management Corporation	10.0%	66,125	10	661	-	(485)	June 30,2000	Mr. Shafaat Ahmed
SAFA Rice Mills Limited	15.8%	450,000	-	-	-	..... Not Available.....		Mr. Pervaiz Alam
Sigma Knitting Mills	14.1%	500,000	10	5,000	-	(6,793)	June 30,1999	Mr. Nasir Sadruddin
Pakistan Export Finance	11.00%	1,152,938	10	11,529	11,529	10,541	Dec. 31, 2001	Mr. S.M.Zaem
SME Bank Limited	12.58%	4,590,936	10	45,909	26,950	50,225	Dec 31,2002	Mr. Mansur Khan
					<u>204,736</u>			

### 1.3.2 Ordinary Shares - Holding below 10%

Investee	No. of Shares held	Paid up value per share Rupees	Total paid-up value	Cost of Investment	Break-up value of investment	Based on accounts as at	Name of Chief Executive	
			..... Rupees	Rupees in '000	.....			
Arabian Sea Country Club	650,000	10	6,500	-	4,067	June 30, 2002	Mr. Aslam Mohsin Ali	
Attock Textile Mills Limited	100,000	10	1,000	1,000	(1,412)	Sept. 30, 1998	Mr. Arshad Ali Chaudhry	
Brikks Pvt Limited	39,050	10	391	-	..... Not Available.....		.....	
Equity Participation Fund	40,000	100	4,000	4,000	17,440	June 30, 2003	Mr. Jawaid Sadiq	
F.T.C. Management	50,000	10	500	250	500	June 30,2002	Mr.Rehan-ul Ambia Riaz	
Fauji Oil Terminals	1,088,600	10	10,886	10,886	27,759	June 30,2003	Col ( R ) Ali Abbas	
Fortune Securities Limited	500,000	10	5,000	5,000	4,449	June 30,2002	Mr. Kamran Ahmed Khalili	
Frontier Textile Mills Limited	50,000	10	500	500	272	Sep 30,2002	Not available	
Gulistan Power Generation Limited	220,000	10	2,200	2,200	8,096	June 30,2000	Mr. Abdul Shakoor	
Hazara Woolen Mills Limited	20,000	10	200	200	..... Not Available.....		.....	
Insecta Pakistan Limited	50,000	10	500	-	315	June 30,1997	Mr. Syed Tauqeer Haider	
Indus Sugar	594,807	10	5,948	5,948	(4,829)	Sep 30,2003	Not available	
Kashmir Textile	165,000	10	1,650	1,650	..... Not Available.....		.....	
Kronos Corporation	169,100	10	1,691	577	..... Not Available.....		.....	
National Construction Limited	99,999	10	1,000	500	(1,947)	June 30, 2000	Mr. Ali Mohammad Shaikh	
National institute of Banking and Finance	2,000,000	10	20,000	20,000	20,000	June 30, 2003	Mr. Kazi Abdul Mukhtar	
National Film Development Corporation Limited	10,000	10	100	-	(1,827)	June 30, 2000	Mr. Sajjad Haider	
National Institution of Facilitation Technology (Pvt) Limited	238,688	10	2,387	1,526	8,332	June 30, 2002	Mr. M. M. Khan	
National Investment Trust	26,400	100	2,640	100	33,817	June 30, 2003	Mr. Tariq Iqbal Khan	
National Woolen Mills Limited	18,300	10	183	183	..... Not Available.....		.....	
NewYork Poly Clinic of Karachi	220,133	10	2,201	-	(241)	June 30,1998	Mr. Akhter Aziz Khan	
Pakistan Paper Corporation Limited	37,250	10	373	373	..... Not Available.....		.....	
Pakistan Tourism Development Corporation	10,000	10	100	100	24,98	June 30,1996	Not available	
People Steel Mills Limited	1,076,880	10	10,769	3,276	..... Not Available.....		.....	
Phalia Sugar Mills Limited	1,087,949	10	10,879	44,031	3,111	Sept. 30, 2002	Ch. Manzoor Ellahi	
Professional Management Modaraba	100,000	10	1,000	1,000	762	June 30,2001	Mr. SAQ Haqqani	
Qadri Textile Mills Limited	50,000	10	500	500	..... Not Available.....		.....	
Rousch Power Pakistan Limited	39,729,000	10	397,290	132,888	150,511	June 30,2003	Mr. Abdul Lateef Galadari	
Ruby Rice and General Mills Limited	75,000	10	750	750	..... Not Available.....		.....	
Sapphire Power Generation Limited	150,000	10	1,500	1,500	4,147	June 30,2003	Mr. Mohammad Abdullah	
Sardarpur Textile Mills Limited	94,000	10	940	940	..... Not Available.....		.....	
Shoaib Capital	100,000	10	1,000	272	544	June 30,2000	Not available	
South Asia Regional Fund	6,961	\$1	7	312,528	128,595	Dec 31,2002	Mr. Kandiah Balendra	
Star Salica Industries Limited	26,650	10	267	267	..... Not Available.....		.....	
Transmobile Limited	644,508	10	6,445	-	(44)	June 30,1997	Mr. Javed Burki	
Zulsham Engineering Works Limited	33,000	10	330	330	..... Not Available.....		.....	
				<u>553,275</u>				
				<u>758,011</u>				

## 1.3.3 Participation Term Certificate

Investee	No. of certificates held	Rate of interest	Paid - up value per certificate Rupees	Cost Rupees in '000
Ali Paper Industries Limited	13	17%	261,000	3,393
Alipure Jute Mills Limited	53	17%	172,113	9,122
American Marbles Limited	12	17%	104,167	1,250
Azmat Oil Industries Limited	1	17%	226,000	226
Annis Garments Limited	12	17%	32,917	395
Bhawalpur Board Mills Limited	14	17%	137,000	1,918
Balochistan Clay Products.	17	17%	227,176	3,862
Bela Chemicals limited	1	17%	10,500,000	10,500
Bela Ghee Mills Limited	14	17%	191,214	2,677
Calcium Limited	1	17%	300,000	300
Cotex Industries Limited	14	17%	16,357	229
Crystal Chemicals Limited	15	17%	259,800	3,897
Dadabhoy Cement Limited	1	17%	11,601,000	11,601
Delta Tyre & Rubber Co.	7	17%	268,714	1,881
Farooq Compost Fertilizer	15	17%	125,867	1,888
Frontier Ceramics Limited	10	17%	226,200	2,262
Gem Industries Limited	12	17%	126,417	1,517
Gypsum Corporation Limited	32	17%	32,594	1,043
Ittehad Industries Limited	1	17%	600,000	600
Jubilee Paper Board Mills	16	17%	431,938	6,911
Kamal Enterprises Limited	17	17%	64,294	1,093
Khalil Jute Mills Limited	16	17%	138,875	2,222
Khattak Edible Oil Limited	15	17%	82,467	1,237
Leatherite Limited	14	17%	69,643	975
Mass Dairies Limited	11	17%	229,364	2,523
Meditex International Limited	15	17%	87,800	1,317
Morgah Valley Limited	16	17%	29,250	468
National Fructose Limited	11	17%	550,818	6,059
Pak Belt Industries Limited	13	17%	94,692	1,231
Pangrio Sugar Mills Limited	29	17%	442,586	12,835
Punjab Building Products	12	17%	121,500	1,458
Punjab Cables Mills Limited	12	17%	388,667	4,664
Rainbow Packages Limited	23	17%	122,174	2,810
Sampak Paper Board Mills	11	17%	14,909	164
Sarela Cement Limited	35	17%	406,629	14,232
Sethi Industries Limited	15	17%	240,667	3,610
Shafi Woolen Industries Limited.	11	17%	89,455	984
Sindh Glass Industries Limited	17	17%	598,765	10,179
Star Silica Industries Limited	15	17%	137,467	2,062
Suhail Jute Mills Limited	13	17%	80,769	1,050
Sunshine Jute Mills Limited	13	17%	54,077	703
United Wood (Veener) Limited	15	17%	51,000	765
Waziristan Oil Industries Limited	13	17%	88,385	1,149
Zafar Oil Industries Limited	11	17%	65,455	720

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**139,982**

## 1.3.4 Government of Pakistan-Guaranteed bonds

Investee	Terms of Redemption		Rate of Interest	Cost Rupees in '000
	Principal	Interest		
WAPDA Bonds (8th issue)	Bi-annual	Bi-annual	12.5%	3,333,317
WAPDA Bonds (9th issue)	Bi-annual	Bi-annual	12%	1,423,995
WAPDA Bonds	Bi-annual	Bi-annual	12.5%	416,665
Rice Export Corporation of Pakistan - Bonds	Repayable in full on maturity	Annual	14%	2,850,000
Rice Export Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates	1,517,653
Cotton Export Corporation of Pakistan - Bonds	Repayable in full on maturity	Annual	14%	584,760
Cotton Export Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months STB rates	49,297
Ghee Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates	1,000,156
Trading Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates	768,639
Saindak Metals Limited - Bonds	Annual	Bi-annual	15%	1,017,937
Ghee Corporation of Pakistan - Bonds	Annual	Bi-annual	14%	43,902
Government of Pakistan - Bonds (former NDFC)	Annual	Annual	11%	71,938
Shahdadt Textile Mills Limited	Lumpsum	Lumpsum	9%	57,221
Shahnawaz Bhutto Sugar Mills	Lumpsum	Lumpsum	6%	12,017
EM Oil Mills (GCP)	Bi-annual	Bi-annual	14%	16,800
				<b><u>13,164,297</u></b>

**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**

Annexure - II  
as referred to  
in note no. 10.6

(Rs. in million)

Sr. No.	Name & 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/ Waiver Provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Press Foundation Raziabad Lehtar Road, Islamabad	Jahangir Anwar Khan 101-27-020753	Muhammad Atta Ullah Khan	0.785	5.649	0.025	6.459	-	-	4.759	4.759
2	Munawar Hussain Shop No.3-4,Plot 36, I & T Centre, G-8/4 Islamabad	Munawar Hussain ( Since expired)	Maqbool Hussain	0.345	0.254	-	0.599	0.345	0.078	0.176	0.599
3	New Kamran Industries 54-A, S.I.E.Gujrat	Muhammad Anwar 224-42-140533	Muhammad Hussain	0.902	5.972	0.084	6.958	-	1.693	3.663	5.356
4	Khushi Muhammad & Co. Depari Pur Road Khudian Khas, Distt. Kasur.	Khushi Muhammad 281-90-337219 Muhammad Shafi 281-44-380657 Munir Ahmad 281-93-287587	Muhammad Mousa  Muhammad Mousa  Ahmed Din	0.485	0.592	0.080	1.157	-	0.582	0.090	0.672
5	Punjab Printing Mills (Pvt) Ltd 16-K.M Sheikhpura Road, Lahore.	Mujahid Ali Sheikh 270-50-137748 Narijs Khatoon 270-60-364926 Muteeh Mehdi 270-78-437287 Ammar Yasir 270-81-570371 Nusrat Begum 270-47-137750 Khalil Hashmat 270-64-137211	Noor Muhammad  Mujahid Ali  Mujahid Ali  Hashmat Ali  Hashmat Ali	4.654	4.350	-	9.004	-	-	1.737	1.737
6	New English Biscuit Factory Adda Jamber Khurd Near Bhai Pheru Distt. Kasur.	Syed Talib Hussain Shah 279-46-375410 Syed Akhtar Hussain Shah 279-62-375416 Syed Shoukat Hussain Shah 279-54-021649 Arshad Ali Khan 286-48-344332 Javed Iqbal 288-58-079663	Not available  -do-  -do-  -do-	0.734	2.002	0.140	2.876	-	0.590	1.376	1.966
7	Qadir Brothers 309-A3 Gulberg III, Lahore.	Mushtaq Ali 270-58-137111	Fazal Din	0.376	0.559	0.005	0.940	-	0.065	0.464	0.529
8	Ch. Shahadat Ali LDA Flat No.104 Allama Iqbal Town, Lahore.	Ch. Shahadat Ali 279-50-413019	Noor Muhammad	0.292	0.655	0.047	0.994	-	0.202	0.472	0.674
9	Rubberx Tyre & Tube Company 218-Ferozepur Road, Lahore	Mian Mehmood Ahmad 271-42-227547 Mrs. Nusrat Rashid (Late) 272-42-262204 Mrs. Zahidar Maqsood 279-49-262199 Mr. Nadeem Ahmad 270-88-262200	Abdul Ghafoor  Abdul Rashid  Maqsood Ahmad  Maqsood Ahmad	6.086	14.072	0.160	20.318	3.998	2.438	11.795	18.231
10	Life Line Enterprises	Khalid A Rehman 274-49-108067 Dr.Shahid Nawaz 210-48330328	Kh.Abdul Rehman  Sh.M.Haq Nawaz	-	1.598	0.726	2.324	-	0.871	0.222	1.093
11	Teefau International Pvt.Ltd. 22-Jinnah Colony Thokhar Niaz Baig Multan Road Lhr.	Teepu Sheikh 274-59-078419 Fauzi Sheikh 274-92-0782516 Huma Sheikh 274-88-078417	Aizat Bux  Aizat Bux  Aizat Bux	6.000	5.785	0.300	12.085	-	-	5.385	5.385
12	M.M.Corp. 148 Ravi Rd.Lahore	Maqsood Ahmed 265-42-181110	Sh. Muhammad Siddique	1.198	2.356	0.034	3.588	-	0.157	1.760	1.917

(Rs. in million)

Sr. No.	Name & 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/ Waiver Provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
13	Footcare Pvt. Ltd	Mr. Sang Yoon Park Mrs. Kyung Ok Park Mr. Babar Bashir 274-89-379827 Mian Abdul Rashid 267-48-280517 Mr. Rashad Rashid 267-52-280519 Mrs. Nusrat Rashid 274-89-379827	Walsu Park Sang Yoon Park  Mian Muhammad Bashir  Haji Allah Ditta  Mian Abdul Rashid  Mian Abdul Rashid	38.829	22.112	0.550	61.491	18.815	22.113	0.550	41.478
14	Tariq Glass Industries Ltd1	Mr. Tariq Baig 38-91-030198 Mr. Omar Baig 138-93-030201 Mrs. Najma Tariq 138-91-030199 Mr. Mansoor Irfani 220-26-273387 Mr. Ehsan ul Haq 414-93-156576 Mr. Khurram Baig 514-93-156576 Mr. Zulfiqar Jaffar 267-92-350386	Iqbal Mirza  Tariq Baig  Tariq Baig  A. Hameed Irfani  M. Umer Uddin  A- Abdi Baig  Muhammad Jaffar	-	10.641	-	10.641	-	-	10.641	10.641
15	A.H.Furance Pvt.Ltd.	M.Yar Gondal 227-90-133364 M.Arif Gondal 227-64-324519 Ahmed Yar 227-36-133362 Hassan Mehmood 300-87-258202 Tahir Mehmood 300-65-58201 Nighat Shaheen 227-91-324520	Ahmed Yar  Ahmed Yar  Sakhi Muhammad  Sultan Mehmood  Sultan Mehmood  Ahmed Yar	1.879	2.513	0.021	4.413	-	-	2.240	2.240
16	Sun Bright Textile (Pvt) Ltd. Babar Road Nowshera Virkan Distt. Gujranwala	Muhammad Iqbal 287-56-204899 Malik Qamar Abbas 287-54-045655 Nasir Jamil 287-63-175106 Mst. Shamshad Bano 287-59-075879	Not available  -do-  -do-  -do-	9.028	8.370	0.016	17.414	6.778	0.121	8.265	15.164
17	Muhammad Saleem Khan Green Town, Industrial Estate Road Multan Cantt.	Muhammad Saleem Khan 323-89-703909	Muhammad Yousaf Khan	0.364	0.412	0.289	1.065	0.029	0.110	0.545	0.684
18	Arif Cotton Ginning Pressing Factory, Trakhin Road Arifwala.	Muhammad Aslam Muhammad Sarwar Abdul Waqar	Ali Muhammad Ali Muhammad Abdul Majeed	0.979	0.619	1.974	3.572	0.171	-	1.772	1.943
19	Shabnum Cotton Inds. 184-Jinnah Town Jail Road Multan.	Shams-ul-Haq Bhutta Mrs. Shabnum	Abdul Haq Bhutta w/o Shams-ul-Haq.	2.269	1.214	3.498	6.981	0.298	0.035	3.749	4.082
20	Noomi Cotton Inds. 184-Jinnah Town Jail Road Multan.	Malik Shams-ul-Haq Shabnam Haleed	Abdul Haq Bhutta. w/o Shams-ul-Haq.	1.846	1.211	3.407	6.464	0.533	1.048	3.571	5.152

(Rs. in million)

Sr. No.	Name & 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/ Waiver Provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
21	Pak Gases (Pvt) Ltd. Near Pak Arab Fertilizer Khanewal Road Multan.	Sh.Imam Bux 322-88-470527 Sh.Shaukat Ali 344-46-134240 Sh.Javaid Sultan 322-53-212941	Sh.Sultan Bux.  Sh.Sultan Bux.  Sh.Sultan Bux.	13.249	7.213	0.648	21.110	0.567	2.057	2.367	4.991
22	Waseem Industry Shahbazpur, R.Y. Khan	Waseem Shahzad 358-91-241194 Mohammed Ibrahim 358-89-225323	Muhammed Shafi  Muhammed Shafi	0.265	0.682	0.072	1.019	-	0.055	0.699	0.754
23	Dadabhoy Sack Ltd.	Mohammad Hussain Dadabhoy 517-45-174895 Mrs. Razia Hussain Dadabhoy 517-47-228759 Mohammad Amin Dadabhoy 517-89-228761 Mrs. Humaira Dadabhoy 517-88-228760 Fazal Karim Dadabhoy 517-94-396898 Yasmeen Dadabhoy 517-91-453214	Abdul Ghani Dadabhoy  Mohammad Hussain Dadabhoy  Mohammad Hussain Dadabhoy  Mohammad Hussain Dadabhoy  Mohammad Hussain Dadabhoy	12.986	-	7.432	20.418	1.486	-	8.500	9.986
24	Insecta Pakistan Private Limited	Syed Tauqueer Haider 501-61-024388 S.I.H. Rizvi 502-23-499141 Syed Ikram Haider NIC not available Muzzafar Iqbal 502-36-323649 Syed Ehtisham Haider 532-50-434499 Syed Tanveer Haider 502-59-024387	Syed Altaf Hussain  Riaz Haider  Syed Altaf Hussain  Ghulam Rasool  Syed Altaf Hussain  Syed Altaf Hussain	4.557	5.211	2.864	12.632	2.447	-	7.881	10.328
25	Metropolitan Steel 1st Floor H.E-1, Landhi Industrial Area	Sikandar Ali Jatoi NIC not available Mazhar Ali Jatoi NIC not available Jamal Hassan NIC not available S.M. Masood	Dur Mohammed Jatoi  Dur Mohammed Jatoi	388.894	-	553.280	942.174	214.255	-	533.376	747.631
26	Brothers Cotton Industries (Pvt)Ltd Depalpur Road Pakpattan	Muhammad Hanif 337-49-250909 Muhammad Shafique NO 337-53-250910 Muhammad Rafique 337-90-250911 Shakeel Ahmed 337-90-230652 Muhammad Aamar Masood .337-92-250915 Shahnaz Akhtar 337-53-250912 Mumtaz Akhtar 337-58-25	Muhammad Saleem  Muhammad Saleem  Muhammad Saleem  Muhammad Hanif  Muhammad Hanif  w/o Muhammad Hanif  Muhammad Shafiq	0.567	0.574	-	1.141	-	0.167	0.574	0.741
27	Al-Noor Cotton Ginning Pressing & Rice Mills Chak No.39/3-R Okara	Muhammad Ashraf 340-75-100545 Muhammad Anwar 340-50-366960 Muhammad Sarwar 340-55-011801	Ali Muhammad	-	3.325	0.250	3.576	-	0.230	1.311	1.541
28	Eid Muhammad Co.	Eid Muhammad 427-55-012947 Dr. Ali Gauhar Ahmed Ali	Haji Mehboob Chandio  Gul Muhammad Tunio Ghulam Rasool Mastoi	-	1.706	-	1.706	-	-	1.706	1.706
29	Gul Bahar Const. Co.	Gul Bahar NIC not available	Mir Muhammad	0.669	0.804	0.015	1.488	0.464	0.193	0.626	1.283



(Rs. in million)

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				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
30	Khairpur Textile Mills	Khuda Buksh Nizamani (MD) Shair Muhammad Allah Bachayo Ali Akbar Ali Hussain	Haji Allah Buksh	-	146.841	-	146.841	-	4.248	142.593	146.841
31	Aqual Drill Sole	Madad Khan	Mula Bux	-	0.552	-	0.552	-	-	0.552	0.552
32	Khalid Hussain Rind	Ali Muhammad	Wali Muhammad	-	0.573	-	0.573	-	-	0.573	0.573
33	Imam Bux	Manzoor Ahmed Mohammed Yaqoob Mohammed Hanif Jameela Akhter Sardar Begum	Noor Mohammed Kamran Din Umer Din Manzoor Ahmed Mohammed Ibrahim	-	0.613	-	0.613	-	-	0.613	0.613
34	En Em Industries Ltd. 10 K.M Sargodha Road, Faisalabad	Surriya Khanum Mohammed Fazil Shaikh Mohammed Akber Shaikh Mohammed Anwar Shaikh Mohammed Abu Bakar Shahid Afzal Shaikh	Mohammed Ibrahim Afzal Shaikh Afzal Shaikh Afzal Shaikh Afzal Shaikh Afzal Shaikh	92.976	42.214	27.148	162.338	-	-	16.000	16.000
35	North Star Textile	Tahir Talib	Talib Hussain	54.580	3.215	3.909	61.704	-	-	3.760	3.760
36	Spinning Machinery Co. of Pakistan	Public Sector Project Guarantee State Engineering Corp.		133.968	362.805	1,050.822	1,547.595	-	-	1,387.595	1,387.595
37	M. A. Industry LS-14, Sector 5, Orangi Town, Karachi	Muzaffar Abid Ali	Moazam Ali	0.946	0.309	1.841	3.096	0.606	0.523	1.797	2.926
38	Abe Hayat Engg. Works 233 Block-11, PECHS, Karachi	Tariq Samad 501-35-411885	S.A. Samad	0.295	0.819	1.405	2.519	-	0.832	1.372	2.204
39	Haji Hajjan Haji Soomar Zamindar Colton Punjab Oil	Haji Hajjan Haji Soomar	Not available	0.306	1.565	-	1.871	0.306	0.077	1.488	1.871
40	Tahir Younus 13-A, Al-Hilal Society, Karachi		Not available	0.280	0.461	0.008	0.749	0.280	0.461	0.008	0.749
41	Junaid Jouzy	Sh. Muhammad Ahmed Miss Rehana Rasheed Surriya Junaid Najma Khursheed	Not available -do- -do- -do-	0.850	3.515	1.549	5.914	-	0.280	4.640	4.920
42	Habib Ahmed 48 Street, Khayaban-e-Momin, Phase-V, DHA, Karachi	Habib Ahmed 056-81-019226	Not available	-	1.656	0.107	1.763	-	0.848	0.034	0.882
43	Famous Body Builder A-278, Block-I, N.Nazimabad, Karachi	Haji Rahim Shah 502-30-486807	Not available	0.796	0.929	0.024	1.749	-	0.179	0.562	0.741
44	Lal Bux H.No.1731/127, Mirza Adam Khan Rd., Mangopir, Karachi	Lal Bux 532-56-16400	Not available	0.361	0.529	0.083	0.973	-	0.224	0.388	0.612
45	Amir Begum H.No.13-E, Jahangir Rd., Karachi	Amir Begum	Not available	0.207	0.323	0.042	0.572	0.207	0.161	0.204	0.572

(Rs. in million)

Sr. No.	Name & 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/ Waiver Provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
46	Fazal Soup Factory 11/3, Korangi Indus. Area, Karachi	S.H.M. Zaidi 504-94-499717	Not available	0.266	0.572	0.031	0.869	-	0.078	0.455	0.533
47	Shah Mohammed Faisal, A-508, Bl-5, Gulshan-e-Iqbal, Karachi	Shah Mohammed Faisal 516-88-201061	Not available	0.226	0.484	0.032	0.742	-	0.484	0.032	0.516
48	Mehboob Cotton Mills & Oil Mills 18-Valika Chamber New Challi, Karachi. 22-B, M.Ali Housing Society Karachi.	Haji Ahmed Bukhsh Haji Amin Bukhsh Haji Muhammad Bukhsh Haji Maula Bukhsh	Not available -do- -do- -do-	0.208	1.466	0.014	1.688	0.048	0.113	1.367	1.528
49	Ulritch 's Pakistan	Iqbal Hussain Iqbal (Rifat Fatima)	Mr.M.Saleem Siddiqui Amiala	50.474	59.662	-	110.136	29.474	59.662	-	89.136
50	Sohail Traders, Virjee Street, Jodia Bazar, Karachi.	M. Sohail	Not available	0.485	1.356	0.021	1.862	0.285	0.186	1.191	1.662
51	Abdul Rauf Tar Mohd. Virjee Street, Jodia Bazar, Karachi.	Abdul Rauf Tar Mohammad	Not available	0.282	1.536	0.042	1.860	-	0.345	1.233	1.578
52	Liberty Color, Shop # 18, Chemical Chamber Adamjee Daoow Road, Karachi.	M. Nazir Jaliwala	Not available	-	1.195	0.409	1.604	-	0.385	1.119	1.504
53	Saira Electronics, K-33 Hashoo Centre, Abdullah Haroon Road, Karachi.	Siddiq Kalia	Not available	0.210	1.065	0.023	1.298	-	0.323	0.765	1.088
54	Continental Trading, Co. 35- Chemical Chamber 3rd Floor, Adamjee Daood Rd. Karachi	Mrs. Zainab A. Shakoor	Not available	1.348	6.702	0.605	8.655	0.648	1.967	5.340	7.955
55	Peejays Enterprises, Verjee Street Jodia Bazar, . Karachi	Pervez A. Rauf	Not available	0.338	0.890	0.017	1.245	-	0.151	0.756	0.907
<b>Total:</b>				<b>837.640</b>	<b>752.298</b>	<b>1,664.050</b>	<b>3,253.988</b>	<b>282.040</b>	<b>104.332</b>	<b>2,194.709</b>	<b>2,581.081</b>



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We, at NBP, promote entrepreneurship and employment opportunities through financing of small and medium sized projects. Nurtured by our vast experience of this sector, our SME products are geared to realize a good idea into a thriving business.



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NBP provides one window facilities for all the financial needs of their clients. Whether it be Debt or Equity; Project or Working Capital financing, we are here to focus on your needs. We also offer advisory and syndication services for our corporate clients.

**Pattern of Shareholding  
as at December 31, 2003**

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
627	1	100	41701	.0102
1919	101	500	849394	.2070
667	501	1000	538634	.1313
5959	1001	5000	8921136	2.1741
312	5001	10000	2306236	.5620
93	10001	15000	1170954	.2854
46	15001	20000	801305	.1953
30	20001	25000	714065	.1740
22	25001	30000	621305	.1514
19	30001	35000	616256	.1502
10	35001	40000	392561	.0957
10	40001	45000	430403	.1049
19	45001	50000	941859	.2295
8	50001	55000	415670	.1013
6	55001	60000	351200	.0856
7	60001	65000	445238	.1085
2	65001	70000	140000	.0341
7	70001	75000	519255	.1265
4	75001	80000	314468	.0766
1	80001	85000	82100	.0200
2	85001	90000	176676	.0431
2	90001	95000	187600	.0457
20	95001	100000	1989000	.4847
2	100001	105000	201532	.0491
5	105001	110000	540859	.1318
7	110001	115000	788473	.1922
1	115001	120000	119000	.0290
3	120001	125000	367978	.0897
2	125001	130000	255400	.0622
1	130001	135000	131045	.0319
2	135001	140000	278960	.0680
2	140001	145000	285936	.0697
3	145001	150000	450000	.1097
1	165001	170000	166000	.0405
1	175001	180000	180000	.0439
1	180001	185000	182500	.0445
1	190001	195000	194154	.0473
5	195001	200000	1000000	.2437
1	205001	210000	210000	.0512
1	220001	225000	225000	.0548
1	240001	245000	243744	.0594
1	270001	275000	275000	.0670
2	275001	280000	556115	.1355
1	285001	290000	288103	.0702
3	295001	300000	900000	.2193
1	310001	315000	311500	.0759

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
1	320001	325000	325000	.0792
1	375001	380000	375050	.0914
1	390001	395000	391037	.0953
1	430001	435000	431857	.1052
1	480001	485000	482199	.1175
1	495001	500000	500000	.1218
1	510001	515000	514800	.1255
1	515001	520000	519500	.1266
1	560001	565000	563000	.1372
1	570001	575000	575000	.1401
1	585001	590000	585500	.1427
1	690001	695000	692901	.1689
1	695001	700000	700000	.1706
1	730001	735000	733715	.1788
1	755001	760000	755700	.1842
1	775001	780000	778500	.1897
1	795001	800000	800000	.1950
2	895001	900000	1800000	.4387
1	985001	990000	985583	.2402
1	1005001	1010000	1010000	.2461
1	1045001	1050000	1050000	.2559
1	1055001	1060000	1056500	.2575
1	1115001	1120000	1116000	.2720
1	1120001	1125000	1125000	.2742
1	1180001	1185000	1182500	.2882
1	1200001	1205000	1203327	.2932
1	1375001	1380000	1377516	.3357
1	1405001	1410000	1405008	.3424
1	1485001	1490000	1489000	.3629
1	1565001	1570000	1570000	.3826
1	1650001	1655000	1653695	.4030
1	1800001	1805000	1800397	.4388
1	1995001	2000000	1999511	.4873
1	2000001	2005000	2000558	.4875
1	2040001	2045000	2044310	.4982
1	2200001	2205000	2200926	.5364
1	2570001	2575000	2575000	.6275
1	2990001	2995000	2992200	.7292
1	3265001	3270000	3266000	.7959
1	3610001	3615000	3613000	.8805
1	5455001	5460000	5456673	1.3298
1	6855001	6860000	6857803	1.6712
1	8130001	8135000	8132967	1.9820
1	308535001	308540000	308536637	75.1901
<b>9885</b>			<b>410342185</b>	<b>100.0000</b>

**Categories Of Shareholders  
as at December 31, 2003**

<b>PARTICULARS</b>	<b>SHAREHOLDERS</b>	<b>SHAREHOLDING</b>	<b>PERCENTAGE</b>
GOVERNMENT OF PAKISTAN	1	1203327	.2932
THE PRESIDENT OF PAKISTAN THROUGH PRIVATIZATION COMMISSION	2	319554	.0779
STATE BANK OF PAKISTAN	1	308536637	75.1901
DIRECTORS, CEO & CHILDREN	2	2200	.0005
ASSOCIATED COMPANIES	2	9130	.0022
NIT & ICP	5	2159401	.5262
BANKS, DFI & NBF1	41	21374555	5.2090
INSURANCE COMPANIES	12	5575629	1.3588
MODARABAS & MUTUAL FUNDS	30	11054886	2.6941
GENERAL PUBLIC (LOCAL)	9291	35451030	8.6394
GENERAL PUBLIC (FOREIGN)	339	863835	.2105
OTHERS	159	23792001	5.7981
<b>COMPANY TOTAL</b>	<b>9885</b>	<b>410342185</b>	<b>100.0000</b>





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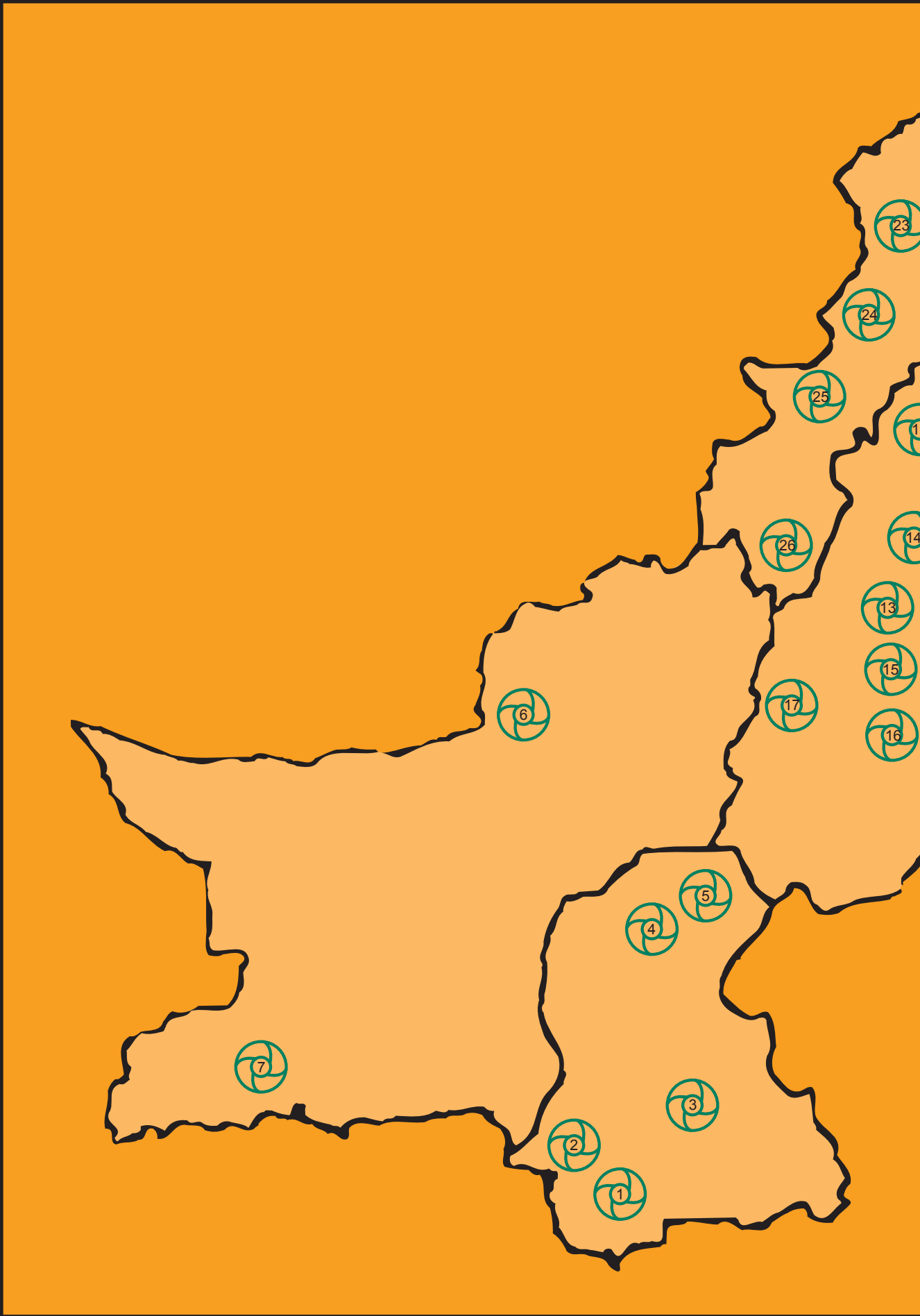
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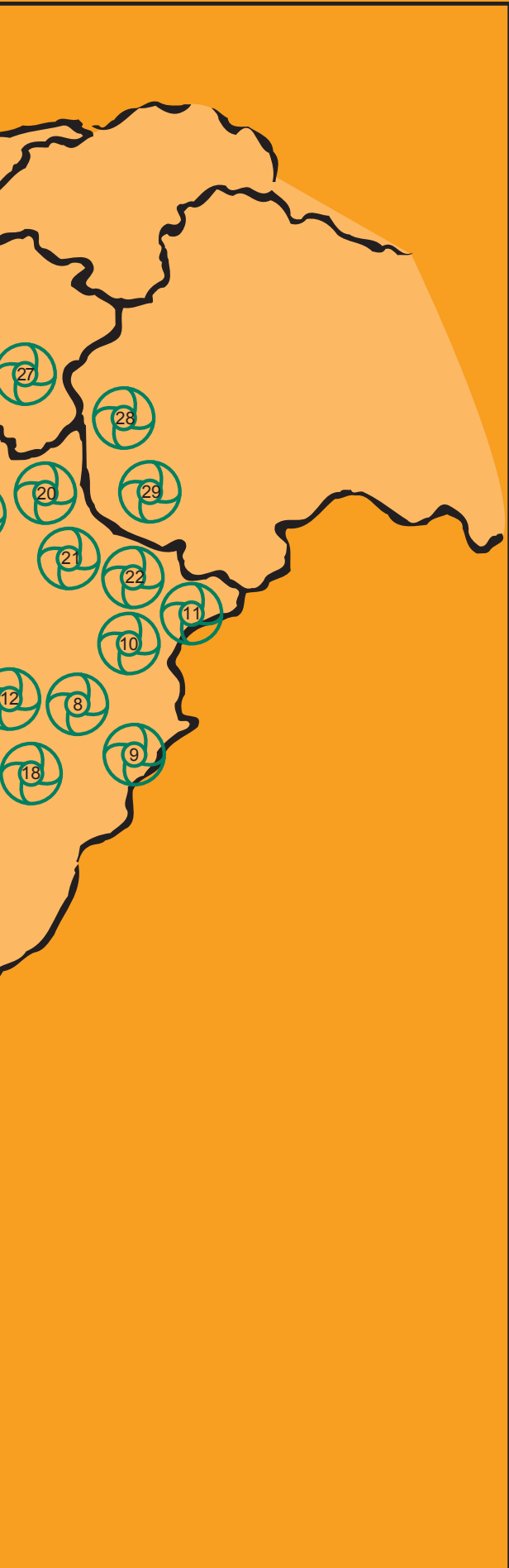


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Mir Abdullah  
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**Regional Office, Dera Ismail Khan**

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Ghazanfar H. K. Tareen  
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Sharif Gul Bangash  
A.V.P. / Regional Risk Management Chief  
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Fax: (0961) 9280436

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Muhammad Attiq Khan  
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Shaheryar Qaisrani  
S.V.P. / Regional Operations Chief  
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V.P. / Regional Risk Management Chief  
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Liaquat Hussain  
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A.V.P./ General Manager (HRD)  
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**Regional Office, Mirpur (A.K.)**

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Mushtaq Ahmed Awan  
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16 Overseas Branches

USA	2
Germany	1
France	1
Hong Kong	2
Japan	2
South Korea	1
Bahrain	1

Egypt	1
Bangladesh	1
Kyrgyzstan	1
Turkmenistan	1
Afghanistan	1
Pakistan EPZ	1

Representative Office

- Canada
- USA (Chicago)
- China
- Uzbekistan
- Azerbaijan

Subsidiary

- NBP Almatay

Joint Venture

- United National Bank (UK)



NBP is the only Pakistani bank to have representative offices in Canada, China, Uzbekistan and Azerbaijan. The economic potential of these locations is enormous. NBP was the first international bank to open its branch in Kabul in October 2003.

R. A. Kaleemi	SEVP / Chief Representative, Canada Office.
M. Rafique Bengali	SEVP & Regional Chief Executive, America & Europe Region
Asif Hassan	SEVP & Regional Chief Executive, Far East Region
Ziaullah Khan	SEVP & G.M., Japan Operation.
M. Farooq Saleem	EVP & Regional Chief Executive, Central Asian Republics Region
Zubair Ahmed	EVP & Regional Chief Executive, Middle East, Africa & South Asia Region

**CANADA****Representative Office, Toronto (Canada)**

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### FAR EAST REGION

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#### Kowloon Branch

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### Osaka Branch (Japan)

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### Beijing Representative Office (China)

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### CENTRAL ASIAN REGION

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#### NBP - Subsidiary Almaty

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### Representative Office, Tashkent (Uzbekistan)

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### Representative Office, Baku (Azerbaijan)

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#### **Subsidiaries'Accounts**

Copies of the audited accounts of the subsidiaries can be inspected by the shareholders of the bank during business hours at the registered office of the bank.





55<sup>TH</sup> ANNUAL GENERAL MEETING OF NATIONAL BANK OF PAKISTAN

FORM OF PROXY

Folio No. \_\_\_\_\_ or CDC participant identity No. \_\_\_\_\_ CDC A/C No. \_\_\_\_\_
I / we \_\_\_\_\_
of \_\_\_\_\_
being a member(s) of the National Bank of Pakistan holding shares No. \_\_\_\_\_
HEREBY APPOINT \_\_\_\_\_ of \_\_\_\_\_
also a member of the National Bank of Pakistan (Folio No. \_\_\_\_\_) or failing him/ her \_\_\_\_\_
\_\_\_\_\_ of \_\_\_\_\_ also a member of National Bank of Pakistan (Folio No. \_\_\_\_\_) as my/our
proxy to vote for me / us and on my / our behalf at the 55th Annual General Meeting of National Bank of Pakistan, to
be held at 3:00 p.m. on Friday, the 30th day of April 2004 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2004.

Witnesses:

1. Name: \_\_\_\_\_
Address: \_\_\_\_\_
N.I.C. No. \_\_\_\_\_

Affix Revenue Stamp
of Five Rupees

2. Name: \_\_\_\_\_
Address: \_\_\_\_\_
N.I.C. No: \_\_\_\_\_

Signature \_\_\_\_\_
(Signature should agree with
the specimen signature
registered with the Bank).

NOTES

A. General:

- 1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him/ her. No person shall act as a proxy, who is not a member of the bank except that Government of Pakistan/ State Bank of Pakistan / Corporation may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/ her attorney duly authorized in writing. If the member is a corporation (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with our Registrars / Transfer Agents, Messrs THK Associates (Pvt.) Ltd. Ground Floor, Shaikh Sultan Trust building No. 2, Beaumont Road, Karachi, not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the bank, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders:

- 1. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
2. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
3. The proxy shall produce his/ her original NIC or original passport at the time of the meeting.
4. In case of Government of Pakistan / State Bank of Pakistan / Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the bank.