

Askari Commercial Bank Limited

Annual Report 1998

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Lt. Gen. Amjad Shuaib
Chairman

Lt. Gen. (R) Mohammad Afsar

Mr. Shameem Ahmed
President & Chief Executive

Brig. (R) Sultan Mahmud
Brig. (R) Safdar Ali
Brig. (R) Muhammad Shiraz Baig
Brig. (R) Ikram-ul-Hasan
Dr. Safdar Ali Butt

Mr. Zafar Alam Khan Sumbal
Secretary

Mr. Shahid Hafeez Azmi
Mr. Sultan Ahmed Abbasi
Mr. Razi-ur-Rahman Khan
(NIT Nominee)

AUDITORS

Taseer Hadi Khalid & Co.
Chartered Accountants

LEGAL ADVISORS

Afridi Angell & Khan

REGISTRAR & SHARE

TRANSFER OFFICE

Askari Associates (pvt.) Limited,
6th Floor, AWT Plaza, The Mall,
P.O. Box 678, Rawalpindi.
Tel: (051) 514370-71, 516108
Fax: (051) 516109

REGISTERED OFFICE/

HEAD OFFICE

AWT Plaza, The Mall,

P.O. Box No. 1084,
Rawalpindi-Pakistan.
Tel: (051) 518117
Fax: (051) 563704, 522215
Web Site: www.askaribank.com.pk

**NOTICE OF THE SEVENTH
ANNUAL GENERAL MEETING**

Notice is hereby given that the seventh Annual General Meeting of Askari Commercial Bank Limited will be held on Thursday, March 25, 1999 at 10:00 a.m. at Blue Lagoon Complex, Masood Akhter Road (off The Mail) Rawalpindi Cantt. to transact the following business:-

Ordinary Business:

1. To confirm the minutes of the sixth Annual General Meeting held on March 21, 1998.
2. To receive, consider and adopt the audited accounts together with Directors' and Auditors' Reports thereon for the year ended December 31, 1998.
3. To approve, as recommended by the Board of Directors, the payment of cash dividend at Rs. 2.00 per share i.e. 20% for the year ended December 31, 1998.
4. To appoint Auditors of the Bank for the year ending December 31, 1999 and to fix their remuneration.
5. To elect eleven directors as fixed by the Board in accordance with the provisions of Rule 178(I) of the Companies Ordinance, 1984, for a period of three years commencing March 25, 1999. The retiring directors whose term of office expires on March 24, 1999 are:

1. Lt. Gen. Amjad Shuaib
2. Lt. Gen. (R) Mohammad Afsar
3. Brig. (R) Sultan Mahmud
4. Brig. (R) Safdar Ali
5. Brig. (R) Muhammad Shiraz Baig
6. Brig. (R) Ikram-ul-Hasan
7. Dr. Safdar Ali Butt
8. Mr. Zafar Alam Khan Sumbal
9. Mr. Shahid Hafeez Azmi
10. Mr. Sultan Ahmed Abbasi
11. Mr. Razi-ur-Rahman Khan (NIT Nominee)

Special Business:

6. To consider and approve the remuneration payable to the Chief Executive of the Bank.
7. To transact any other business with the permission of the chair.

By order of the Board

Rawalpindi
February 18, 1999

Zafar Alam Khan Sumbal
Secretary

Notes

1. The Share Transfer Books of the Bank will be closed from March 15, 1999 to March 25, 1999 (both days inclusive) to determine Cash Dividend (DW2). No transfer will be acceptable for registration in the name of transferee during this period.
2. Any person who seeks to contest an election to the office of the director will file with the company not later than 14 days before the date of the meeting, a notice of his/her intention to offer himself/herself for election as Director.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and vote for him / her. Proxies in order to be effective must be received by the Bank at its Registered Office not less than 48 hours before the meeting.

4. Shareholders are requested to promptly notify the change of address, if any, and also for the consolidation of folio numbers, if any member holds more than one folio, to our Registrar, Askari Associates (Private) Limited, 6th Floor, AWT Plaza, EO. Box. 678, The Mall, Rawalpindi Cantt.

5. As statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special Business is being sent to the shareholders with this notice.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement sets out material facts concerning the special business to be transacted at the seventh annual general meeting of Askari Commercial Bank Limited to be held on March 25, 1999.

Remuneration of the Chief Executive

In light of the requirements as contained in Section 200 of the Companies Ordinance, 1984, approval of the shareholders of Askari Commercial Bank Limited is sought for making payment(s), as remuneration, to its Chief Executive in accordance with the terms and conditions of his employment. For this purpose it is proposed that the following resolution be passed as an Ordinary Resolution.

Resolved that:

"The shareholders hereby approve and authorise payments to the Chief Executive of the Bank as remuneration consisting of salary not exceeding Rs. 200,000 per month and allowances, perquisites and other benefits of Rs. 150,000 per month. Bonus, retirement benefits, medical and leave facilities will be in accordance with his terms of employment."

DIRECTORS' REPORT

We take pleasure in presenting to you the seventh Annual Report of Askari Commercial Bank Limited (the Bank) together with audited accounts and Auditors' Report thereon for the year ended December 31, 1998.

By the grace of Almighty Allah, the Bank achieved satisfactory financial results in all key areas of its operation in spite of the prevailing uncertain economic conditions.

State of the Economy

The improved economic performance witnessed during the first half of 1998 was marred by the imposition of economic sanctions in the second half. The industrial growth rate of 6.2 percent registered in the financial year 1997-98 slipped to 2.4 percent in the second half of 1998. The balance of payment situation remained precarious as the trade volume shrank and debt arrears accumulated. The foreign exchange reserves position remained extremely critical.

The subdued economic activity, reduced trade volume meager foreign exchange reserves and reduced spending on development projects had a negative impact on the business of the banking sector during 1998. The freezing of foreign currency accounts and consequent erosion of deposit base added further to the problems of the banking sector as it resulted in intense competition for deposit mobilization thereby raising deposit rates and reducing the spreads.

Askari Commercial Bank Limited in 1998

The year 1998 was a difficult year for the banking sector. The general economic and financial climate affected performance of all financial institutions. However, we are pleased to inform you that Askari Commercial Bank Limited managed to minimize the impact of gloomy operating environment on its performance.

With the blessings of Almighty Allah, the Bank earned a Profit (pre-tax) of Rs. 854 million. an increase of Rs. 99.0 million over 1997. A considerable rise in business volumes enabled the Bank to post this growth while absorbing the adverse impact of increase in cost of deposits and fall in yield on Government Securities.

Total assets reached Rs. 28.7 billion, a rise of about 19% compared with last year. The investment portfolio rose by 18% from Rs. 11.8 billion to Rs. 13.9 billion while advances grew by 7% from Rs. 9.5 billion to Rs. 10.1 billion.

The Bank's deposit portfolio increased by 20%

to Rs. 23.4 billion. In 1998 fierce competition was witnessed in attracting deposits. The State Bank of Pakistan, the country's monetary authority, took several policy decisions to check the growth of dollarization of the economy. In this regard Askari Commercial Bank Limited took effective measures to mobilize local currency deposits. A new product "Askari Faida" was launched to attract foreign currency encashment proceeds. The management's efforts resulted in substantial rise in local currency deposits.

During the year under review, the Bank received AI+ rating for the short term which is the highest in the category and A+ for the long term, from the Pakistan Credit Rating Agency (Pvt) Ltd. (PACRA), an affiliate of IBCA Ltd. UK.

In view of deteriorating operating environment, we slowed down the expansion plan and added one branch in 1998 making the total number of branches 27 as on December 31, 1998.

The Bank has strong equity base of Rs. 1.9 billion. The capital adequacy ratio which is calculated on the basis of risk-weighted assets is more than double of the minimum statutory requirement of 8%. This has a built-in cushion for expansion in core activities of the Bank.

Credit Risk Management

In view of the prevailing market conditions, the Bank has further strengthened its credit appraisal, sanctioning and monitoring systems. A team of highly experienced professional bankers monitors and controls credit risk exposure of the Bank to ensure that advances portfolio is adequately secured and diversified among various industries and geographical centers. The most of advances are trade related, short term and are secured by cash or readily cash-convertible securities and collateral's.

Foreign Trade

Major policy initiatives followed by Government of Pakistan during the year 1998 and imposition of sanctions by USA. European Union and Japan drastically reduced country's ability to undertake foreign trade. Consequently the national imports and exports declined by 19.65% and 12.3% respectively during the 2nd half of 1998. However, as a result of strenuous efforts of its team, Askari Commercial Bank Limited registered a rise of about 33% and 16% in import and export business respectively.

The integration of European Union economies into European Monetary Union and introduction of single currency Euro on January 01, 1999 pose considerable implications for developing countries. The need was felt to educate our staff-handling foreign trade transactions in the branches and in this connection a series of seminars were organized at various locations on Euro currency. Further such seminars on current issues having impact on foreign trade business are planned for 1999 to enhance the professional skills of the employees.

Askari Commercial Bank Limited enjoys worldwide correspondent network. In 1998 we further enhanced our correspondent banking relationship to enable us to serve the customers more efficiently. The success on this front is reflected in enhanced volume of import and export business transacted by the Bank.

Treasury

Our Treasury remained active in money and foreign exchange markets. During 1998, the Bank devised a system through which the latest exchange rates could be flashed on-line to the branches through the latest communication system. This facility not only afforded an opportunity to the customers to buy and sell their foreign exchange at the best possible rates but has also enabled the Bank to capture enhanced foreign exchange business.

The money market operations also showed a significant rise in its portfolio. The Treasury operates under a sophisticated risk management and multiple control system. The communication and information processing systems have further been modernized by adding latest technology in all areas of treasury operations thus enabling Treasury to execute and monitor its operations in a most efficient and effective way.

Information Technology

We at Askari Commercial Bank Limited believe that information technology will play a decisive role in achieving competitive edge in the market. The Bank endures to become the symbol of excellence

by providing better customer services through the use of state of the art technology. It is the consistent policy of the Bank to make maximum use of technology and we are proud to say that in view of this policy, Askari Commercial Bank Limited is fully equipped to provide innovative and highly sophisticated technology based products and services.

In 1998 the Bank further improved its on-line communication system by installing the fault tolerant life keeper to ensure real time communication link. We also formally introduced inter-branch on-line banking system for the benefit and greater convenience of our customers.

The ATM services have also been further expanded by installing more, ATMs. All of our ATMs and major branches are linked through state of the art communication system offering real time 24 hours service. During 1998 the Bank has also introduced deposit services through these ATMs.

We would like to mention here that Askari Commercial Bank Limited has the largest satellite based communication network in the banking industry in Pakistan. This network has greatly helped us in broadening the customer base.

In order to make more intensive use of the existing on-line communication system and to save the expenditure incurred on conventional modes of communication, a project is underway which would soon be implemented after its successful testing. As part of the strategy to make use of current technological developments taking place in the global banking, SWIFT, an electronic inter bank payment settlement mechanism, is being introduced in Pakistan. Considerable work has been done and the Bank is likely to become member of SWIFT in 1999.

Human Resource Development

Human Resource Development and training is an essential ingredient of our corporate policy. In 1998 the Bank organized a number of courses on different subjects of banking. Several senior level seminars, conferences and meetings were also organized on current issues like Euro, Year 2000 compliance, information technology, financial sector reforms, prudential regulations, capital adequacy requirements, new reporting system mandating detailed financial disclosures etc. In addition to this, several executives were sent to courses offered by various specialized training organizations both in Pakistan and abroad to enhance their knowledge of latest banking trends and practices.

The research arm of the Bank prepared several papers on the performance of the economy and its impact on the Bank and published a book on "Issues in Banking and Finance". In 1998 the Bank also started publishing a Newsletter aimed at increasing interaction and exchange of views between staff for better coordination and communication. The employees are encouraged to contribute articles for this newsletter which serves the dual purpose of staff development and evolution of common corporate culture.

Year 2000 Compliance

The Bank embarked on Year 2000 (Y2K) compliance plan in 1995 and has achieved the Y2K compliance of measures to ensure Y2K compliance of all of its hardware and software facilities.

The parent organization of the Bank has also taken necessary steps to ensure Y2K compliance of its computer systems.

The key hardware and software suppliers of the Bank have achieved Y2K compliance and adequate steps have been taken to convey the significance of Y2K compliance to other major suppliers, borrowers and customers.

Acknowledgement

We are grateful to the State Bank of Pakistan for providing their continued guidance in regard to various regulatory and operational issues concerning management of the Bank. We are also thankful to our valued customers and shareholders for their continued support and confidence.

We would like to place on record our deep appreciation for the hard-work and dedication shown

by the staff in achieving the desired objectives of the Bank.

Prospects for 1999

The general economic outlook has improved for 1999 due to an agreement with the IMF. Nevertheless, it is premature to take an optimistic view of the economic situation, as the agreement with IMF involves conditionalities such as removal of subsidies, increase in the general sales tax from 12.5% to 15%, further liberalization of foreign trade regime, reduction in fiscal deficit and tight control over government bank borrowing. However, the rescheduling of multilateral and bilateral debt will give Pakistan a breathing space. It is expected that inflow of funds from International Financial institutions along with rescheduling of external debt will enable the country to undertake development projects.

Askari Commercial Bank Limited is better positioned than most of its peer banks to deal with any adverse market trend. Nevertheless, the Bank cannot be expected to remain immune from the general economic conditions. The liquid asset mix, sound capital adequacy, enhanced technological resources, image of reliability and security it carries and aggressive fund mobilization strategies to be pursued by us will, Inshallah, enable the Bank to achieve the best possible results.

On behalf of the Board

Rawalpindi
February 11, 1999

Lt. Gen. Amjad Shuaib
Chairman

CORRESPONDENT NETWORK

1. Australia

Australia & Newzealand
Banking Group (ANZ Bank)
Bank of America NT&SA
Bank of America Australia Ltd.
Citibank NA
Commonwealth Bank of Australia
Hongkong Bank of Australia
Standard Chartered Bank

2. Austria

American Express Bank ltd.
Citibak NA
Creditanstalt Bankverien
Oberosterreichische Landesbank
Raiffeisen Zentralbank Osterreich
Aktiengesellschaft (RZB)

3. Argentina

ABN AMRO Bank Ltd.
Citibank NA

4. Algeria

Banque de l'Agriculture et du
Developpement Rural

5. Armenia

Midland Armenia Bank Jsc

6. Bangladesh

Al Baraka Bank Bangladesh Ltd.
American Express Bank Ltd.
ANZ Grindlays Bank PIC
Habib Bank Ltd.
Standard Chartered Bank
United Commercial Bank Ltd.

7. Belgium

ABN AMRO Bank (Belgium) NV
Bank of America NT & SA
Banque Bruxelles Lambert SA.
Cera Bank
Citibank NA
Generale Bank
Habib Bank ltd.
KBC Bank NV

8. Bahamas

Bank of America TR Banking Corporation
Citibank NA
Standard Chartered Bank

9. Bahrain

ABN AMRO Bank NV
American Express Bank Ltd.
Citibank NA
Grindlays Bahrain Bank BSC
Habib Bank Ltd.
Standard Chartered Bank

10. Brazil

ABN AMRO Bank NV
American Express Bank Ltd.
Citibank NA
Standard Chartered Bank

11. Brunei Darus Salam

Citibank NA
Standard Chartered Bank

12. Bulgaria

Commercial Bank Biochim

13. Canada

American Express Bank Ltd.
Bank of America NT & SA
Canadian Imperial Bank of Commerce
Citibank NA
National Bank of Canada
Royal Bank of Canada
Standard Chartered Bank
Toronto Dominion Bank (The)

14. Cayman Island

Bank of America NT & SA

15. Channel Islands

ABN AMRO Bank NV
ANZ Bank (Guernsey) Limited
Bank of America NT & SA

16. Chile

American Express Bank Ltd.
Bank of America NT&SA
Citibank NA

17. China

ABN AMRO Bank NV
ANZ Bank
Bank of China
Bank of America NT&SA
China Construction Bank
China Merchants Bank

Hongkong & Shanghai Banking
Corporation Ltd. (The)
Standard Chartered Bank

18. Cook Island

ANZ Banking Group Ltd.

19. Cyprus

Cyprus Popular Bank Ltd.
HSBC Investment Bank Cyprus

20. Czech Republic

ABN AMRO Bank NV
Ceskoslovenska Obchodni Banka AS
Citibank NA
Creditanstalt AS
Raifeisenbank

21. Denmark

ABN AMRO Bank NV
Citibank NA
Den Danske Bank A/S
Sparekassen Nordjylland A/S, (SBN)
Unibank A/S

22. Egypt

American Express Bank
Bank of Alexandria
Bank of America NT&SA
Citibank NA
National Bank of Pakistan

23. El Salvador

Citibank NA

24. Finland

Leonia Bank Pic, Helsinki

25. Fiji

ANZ Bank

26. France

ABC International Bank Plc
ABN AMRO Bank NV
American Express Bank (France) SA
ANZ Banking Group Ltd
Bank of America NT&SA
Banque Nationale De Paris
Caisse Central Des Banques Popular
Citibank NA
Credit Lyonnais SA
Habib Bank Ltd.
National Bank of Pakistan
Societe Generale
Standard Chartered Bank
Union de Banques Arabes et
Francaises (UBAF)

27. Germany

American Express Bank Gmbh
ANZ Banking Group Ltd.
Bank of America NT&SA
Bayerische Landesbank
Citibank NA
Commerzbank AG
Deutsche Bank AG

DG Bank
Dresdner Bank AG
Sparkasse Aachen
Standard Chartered Bank
SGZ Bank
Vereins Und Westbank
WGZ Bank

28. Greece

ABN AMRO Bank NV
Alpha Credit Bank
American Express Bank Ltd.
ANZ Grindlays Bank PIC
Bank of America NT&SA
Bank of Crete SA
Citibank NA

29. Honduras

Citibank NA

30. Hongkong

ABN AMRO Bank NV
American Express Bank Ltd.
ANZ Banking Group Ltd.
Bank of America NT&SA
Bank of East Asia Ltd. (The)
Citibank NA
Heng Seng Bank Ltd.
HBZ Finance Company
Hongkong & Shanghai Banking
Corporation Ltd. (The)
Meespierson NV
National Bank of Pakistan
Standard Chartered Bank
UBAF (Hongkong) Limited

31. Hungary

ABN AMRO Bank NV
Budapest Bank Rt.
Citibank NA
Creditanstalt Rt
Unicbank Rt

32. India

ABN AMRO Bank NV
American Express Bank Ltd.
ANZ Grindlays Bank PIC
Bank of America NT&SA
Citibank NA
Standard Chartered Bank
State Bank of India

33. Indonesia

ABN AMRO Bank NV
American Express Bank Ltd.
Bank of America NT&SA
Citibank NA
Hongkong & Shanghai Banking
Corporation Ltd. (The)
Lippo Bank PT
Standard Chartered Bank

34. Iran

Bank Saderat Iran

35. Ireland

ABN AMRO Bank NV
Bank of America NT&SA
Bank of Ireland
Citibank NA

36. Italy

American Express Bank Ltd.
Banca Nazionale del Lavoro SpA
Banca Di Roma
Banca Commerciale Iraliana
Banca Nazional Dell' Agricoltura SpA
Banca Intesa SpA
Bank of America NT&SA
Cariverona Banca SpA
Cassa Di Risparmio Di Torino
Credito Italiano SpA
Citibank NA
Deutsche Bank AG
UBAE Arab Italian Bank

37. Ivory Coast

Citibank NA

38. Jamaica

Citibank NA

39. Japan

American Express Bank Ltd.
ANZ Banking Group Ltd.
Asahi Bank Ltd.
Bank of America NT&SA
Bank of New York (The)
Bank of Tokyo-Mitsubishi Ltd. (The)
Citibank NA
Hongkong & Shanghai Banking
Corporation Ltd. (The)
Lloyds Bank Plc.
National Bank of Pakistan
Sanwa Bank
Sakura Bank (The)
Standard Chartered Bank
Tokai Bank (The)
Union de Banques Arabes et
de Francaises

40. Jordan

ANZ Grindlays Bank plc
Citibank NA
Jordan National Bank Plc

41. Kenya

African Banking Corporation Ltd
Citibank NA
Habib Bank AG Zurich
Kenya Commercial Bank Limited
Standard Chartered Bank

42. Korea (South)

American Express Bank Ltd.
ANZ Banking Group Ltd.
Bank of America NT&SA
Boram Bank
Citibank NA
Daegu Bank ltd
Hongkong & Shanghai Banking
Corporation Ltd. (The)

KorAm Bank
Korea Long Term Credit Bank
Korea Exchange Bank
Shinhah Bank
Siandard Chartered Bank
UBAF Seoul

43. Luxembourg

Banque de Commerce et de Placement
Banque Generale du Luxembourg SA
SGZ Bank

44. Macao

Standard Chartered Bank

45. Malaysia

ABN AMRO Bank NV
Bank of America NT & SA
Citibank NA
Hongkong & Shanghai Banking
Corporation Ltd. (The)
Public Bank Berhad
Standard Chartered Bank
Sime Bank Berhad

46. Mauritius

Mauritius Commercial Bank Ltd. (The)

47. Mexico

ABN AMRO Bank NV
Citibank NA

48. Morocco

Banque Marocaine du
Commerce Exterieur SA
Citibank NA

49. Nepal

Nepal Grindlays Bank Ltd.
Standard Chartered Bank

50. Netherlands

ABN AMRO Bank NV
American Express Bank Ltd.
Citibank NA
Commercial Bank Nederland NV
F Van Lanschot Banklets NV
Generale Bank Nederland NV
Habib Bank Ltd.
ING Bank
MeesPierson NV

51. New Zealand

ANZ Banking Group (Newzealand) Ltd.
Bank of Newzealand
Citibank NA
National Bank of New Zealand Ltd. The
Standard Chartered Bank

52. Norway

Christiana Bank OG Kreditkasse

53. Oman (Sultanate of)

ANZ Grindlays Bank PIC
Citibank NA
Habib Bank AG Zurich
Oman International Bank SAOG

Standard Chartered Bank

54. Pakistan

Allied Bank of Pakistan
Muslim Commercial Bank Ltd.
Oman International Bank SAOG

55. Panama

ABN AMRO Bank NV
Citibank NA

56. Papua New Guinea

ANZ Banking Group (PNG) Ltd.

57. Philippines

American Express Bank Ltd.
ANZ Grindlays Bank Plc
Bank of America NT&Sa
Citibank NA
Far East Bank & Trust Company
Metropolitan Bank & Trust Co.
PCI Bank
Rizal Commercial Banking Corporation
Security Bank Corporation
Standard Chartered Bank

58. Poland

Bank for Food Economy
Bank Polska Kasa Opieki SA
Bank Handlowy Warszawie SA
Bank Rozwoju Eksportu SA
Citibank NA
ING Bank NV
Raiffeisen Centrobank SA

59. Portugal

ABN AMRO Bank NV
Banca de Fomento e Exterior SA
Banco Nacional Ultramarino SA
Banco Totta & Acores SA
Citibank NA

60. Qatar

ANZ Grindlays Bank Plc
Commercial Bank of Qatar (QSC) (The)
Doha Bank Ltd.
Standard Chartered Bank

61. Romania

ABN AMRO Bank NV
Banca Romana de Cornerr Exterior SA
Banca Turco-Romana SA
Romanian Commercial Bank

62. Russia

ABN AMRO Bank NV
United Export Import (UNEXIM) Bank

63. Saudi Arabia

Citibank NA
Saudi British Bank (The)
Saudi Hollandi Bank
National Commercial Bank (The)

64. Senegal

Citibank NA

65. Singapore

American Express Bank Ltd.
ANZ Banking Group Ltd.
Bank of America NT&SA
Citibank NA
Dresdner Bank AG
Habib Bank Ltd.
Hongkong & Shanghai Banking
Corporation Ltd. (The)
ING Bank NV
Meespierson NV
Overseas Union Bank Ltd.
Standard Chartered Bank
Tat Lee Bank
United Overseas Bank Limited
UBAF (Singapore)

66. Slovakia

Ceskoslovenska Obchodni Banka
Postova Banka AS

67. Slovenia

SKB Banka DD

68. Solomon Island

ANZ Banking Group Ltd.

69. Spain

ABN AMRO Bank NV
American Express Bank Ltd.
Banca de Sabadell
Banco Totta & Acores
Banco Bilbao Vizcaya
Banco Central Hispano
Banco Atlantico SA
Banco Popular Espanol
Banco Popular Espanol
Banco Espanol de Credito
Banco Exterior de Espana
Banco Santarider
Bank of America NT&SA
Citibank NA

70. South Africa

ABSA Bank Ltd.
Standard Bank of South Africa
Standard Corporate and Merchant Bank

71. Sri Lanka

American Express Bank Ltd.
ANZ Grindlays Bank Pie
Bank of Ceylon
Citibank NA
Habib Bank Ltd.
Habib Bank AG Zurich
Hatton National Bank
Standard Chartered Bank

72. Sudan

Citibank NA
Habib Bank Ltd.

73. Swaziland

Standard Chartered Bank

74. Sweden

ABN AMRO Bank NV
Citibank NA
Foreningsbanken AB
Merita-Nordbanken
Sparbanken Sverige AB (SWEDBANK)
Svenska Handelsbanken
Skandinaviska Enskilda Banken

75. Switzerland

American Express Bank Ltd,
ANZ Grindlays Bank Pie
Banca Commercial Lugano
Bank Fuer Handel Und Effekten
Bank of America NT&SA
Banque de Commerce et de
Placements, SA
Citibank NA
Credit Suisse
Habib Bank AG Zurich
Habibsons Bank Ltd.
Standard Chartered Bank
Union Bank of Switzerland AG

76. Taiwan

ABN AMRO Bank NV
American Express Bank Ltd.
ANZ Banking Group Ltd.
Bank of America NT&SA
Citibank NA
Farmers Bank of China (The)
Standard Chartered Bank
Union Bank of Taiwan

77. Thailand

ABN AMRO Bank NV
Bangkok Bank Public Company Ltd.
Bank of America NT&SA
Citibank NA
First Bangkok City Bank Public
Company Ltd.
Hongkong & Shanghai Banking
Corporation Ltd. (The)
Siam Commercial Bank Public
Company Ltd. (The)
Standard Chartered Bank
Thai Farmers Bank Public
Company Limited

78. Tonga

ANZ Banking Group Ltd.

79. Tunisia

Citibank NA
Societe Tunisienne De Banque
Tunis International Bank

80. Turkey

ABN AMRO Bank NV
American Express Bank Ltd.
Citibank NA
Egebank AS
EGS Bank
Finansbank AS
Habib Bank Ltd.
KOC Bank

81. United Arab Emirates

ABN AMRO Bank NV
American Express Bank Ltd.
ANZ Grindlays Bank Pie
Citibank NA
Habib Bank AG Zurich
Mashreq Bank PSC
Standard Chartered Bank
Union National Bank

82. United Kingdom

ABC International Bank Plc
ABN AMRO Bank NV
ANZ Bank
Allied Bank of Pakistan Ltd.
American Express Bank Ltd.
Bank of America NT&SA
Citibank NA
Habibsons Bank Ltd.
Habib Bank AG Zurich
Hongkong & Shanghai Banking
Corporation Ltd.
HSBCE Investment Bank Ltd.
Lloyds Bank Plc
Midland Bank Plc
National Westminster Bank Plc
National Bank of Pakistan
Standard Chartered Bank

83. Uruguay

ABN AMRO Bank NV
American Express Bank Ltd.
Citibank NA

84. USA

ABN AMRO Bank NV
American Express Bank Ltd.
ANZ Banking Group Ltd.
Bank of America NT&SA
Bank of New York
Boatmen's First National Bank of
Oklahoma
Chase Manhattan Bank NA (The)
Citibank NA
Habib American Bank
Habib Bank AG Zurich
Habib Bank Ltd.
HSBC and Marine Midland Bank
National Bank of Pakistan
Standard Chartered Bank

85. Vanuatu

ABN AMRO Bank NV
ANZ Banking Group Ltd

86. Vietnam

ANZ Banking Group Ltd.

87. Venezuela

ABN AMRO Bank NV
Citibank NA

88. Yemen Arab Republic

International Bank of Yemen YSC

89. Zaire

Citibank NA

90. Zambia

Standard Chartered Bank

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Askari Commercial Bank Limited ("the Bank") as at 31 December 1998 and the related profit and loss account and the statement of changes in financial position, together with the notes forming part thereof for the year then ended, in which are incorporated the unaudited certified returns from the branches except for seven branches which have been audited by us and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, found them satisfactory, and we report that:

a) in our opinion proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Ordinance, 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 and the profit and loss account and the statement of changes in financial position together with the notes forming part thereof give the information required by the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 1998 and its true balance of the profit and the changes in financial position for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

ISLAMABAD

February 11, 1999

TASEER HADI KHALID & CO.

CHARTERED ACCOUNTANTS

Balance Sheet as at December 31, 1998

	Note	1998 (Rupees in '000)	1997
Assets			
Cash	4	2,302,964	1,326,513
Balances with other banks	5	226,160	95,082
Money at call and short notice		975,000	400,000
Investments	6	13,888,475	11,774,256
Advances	7	9,708,350	9,136,387
Operating fixed assets	8	340,965	360,594
Capital work in progress	9	159,622	119,356
Other assets	10	1,129,567	858,025
		-----	-----
		28,731,103	24,070,213

Liabilities

Deposits and other accounts	11	23,417,342	19,481,902
Borrowings from other banks, agents etc.	12	2,316,400	1,958,225
Bills payable		213,839	281,555
Other liabilities	13	721,225	501,353
Liabilities against assets subject to finance lease	14	55,732	72,503
Deferred liability for taxation		70,000	-

26,794,538 22,295,538

Net assets 1,936,565 1,774,675
=====

Represented by:

Share capital	15	986,226	9,392,624
Reserve fund & other reserves	16	949,775	834,738
Un-appropriated profit		564	675

1,936,565 1,774,675
=====

Memorandum items:

Bills for collection	17	4,594,316	3,071,333
Acceptances, endorsements and other obligations		1,906,859	2,163,808
Contingent liabilities and commitments	18		

The annexed notes form an integral part of these accounts.

Dr. Safdar Ali Butt

Director

Shameem Ahmed

President & Chief Executive

Lt. Gen. (R) Mohammad Afsar

Director

Lt. Gen. Amjad Shuaib

Chairman

Rawalpindi

February 11, 1999

Profit and Loss Account for the year ended December 31, 1998

	Note	1998 (Rupees in '000)	1997
Mark up/interest and discount and/or return earned		3,475,421	2,758,955
Less: Cost/return on deposits, borrowing etc.		2,510,671	1,909,821
		-----	-----
		964,750	849,134
Fees, commission & brokerage		288,371	336,198
Profit/loss from investment securities		4,289	723
Dividend income		5,634	-
Other operating income	19	257,815	212,286
		-----	-----
		556,109	549,207
		-----	-----
		1,520,859	1,398,341
Operating expenses			
Administrative expenses	20	569,061	460,692
Provisions against non-performing advances	7.2	60,600	185,476
Provision for diminution in value of investments		40,600	8,000
Debts written off directly		20	-
		-----	-----
		670,281	654,168
		-----	-----
		850,578	744,173

Other income	21	3,556	10,497
		-----	-----
Profit before taxation		854,134	754,670
Taxation		425,000	444,000
- Current		70,000	-
- Deferred		-----	-----
		495,000	444,000
Profit after taxation		359,134	310,670
Un-appropriated profit brought forward		675	1,413
		-----	-----
Profit available for appropriation		359,809	312,083
Appropriations			
Transfer to:			
Reserve for contingencies		90,000	-
General reserve		-	131,000
Statutory reserve		72,000	63,000
Proposed dividend		197,245	117,408
		-----	-----
		359,245	311,408
		-----	-----
Un-appropriated profit carried forward		564	675
		=====	=====

The annexed notes form an integral part of these accounts.

Dr. Safdar Ali Butt	Shameem Ahmed	Lt. Gen. (R) Mohammad Afsar	Lt. Gen. Amjad Shuaib
Director	President & Chief Executive	Director	Chairman

Rawalpindi
February 11, 1999

Statement of changes in financial position for the year ended December 31, 1998

	1998	1997
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	854,134	754,670
Less: Profit/loss from investment securities	(4,289)	(723)
Dividend income	(5,634)	-
	-----	-----
	844,211	753,947
Adjustments:		
Depreciation	63,224	56,976
Provision for diminution in value of investments	40,600	8,000
Provisions against non-performing advances	60,600	185,476
Net profit on sale of fixed assets	(127)	(7,488)
Finance charge on leased assets	13,469	9,474
	-----	-----
	177,766	252,438
(Increase)/decrease in operating assets		
Government securities	(1,785,429)	(5,575,500)
Advances	(632,563)	(2,016,484)
Other assets	(77,075)	(89,771)
	-----	-----
	(2,495,067)	(7,681,755)
Increase/(decrease) in operating liabilities		
Deposits and other accounts	3,935,440	5,355,572
Bills payable	(67,716)	173,018
Other liabilities	140,035	(29,376)

	4,007,759	5,499,214
Cash flow before tax	2,534,669	(176,156)
Income tax paid	(619,467)	(507,573)
Net cash flow from operating activities	1,915,202	(1,683,729)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments other than government securities	(396,017)	(40,140)
Net proceeds from sale of investments/redemption of term finance certificates	30,917	15,496
Dividend income	5,634	-
Fixed capital expenditure	(84,442)	(253,069)
Sale proceeds of fixed assets	708	12,049
Net cash flow from investing activities	(443,200)	(265,664)
carried forward	1,472,002	(1,949,393)

Statement of changes in financial position for the year ended December 31, 1998

	1998	1997
	(Rupees in '000)	
brought forward	1,472,002	(1,949,393)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in borrowings from other banks, agents etc.	358,175	428,886
Payment of lease obligations	{41,554}	(29,631)
Leases during the year	11,314	51,952
Dividend paid	(117,408)	-
Net cash flow from financing activities	210,527	451,207
Net increase/(decrease)in cash and cash equivalents for the year	1,682,529	(1,498,186)
Cash and cash equivalents at the beginning of the year	1,821,595	3,319,781
Cash and cash equivalents at the end of the year	3,504,124	1,821,595
	=====	=====
Cash and cash equivalents		
Cash	2,302,964	1,326,513
Balances with other banks	226,160	95,082
Money at call and short notice	975,000	400,000
	-----	-----
	3,504,124	1,821,595
	=====	=====

The annexed notes form an integral part of these accounts.

Dr. Safdar Ali Butt
Director

Shameem Ahmed
President & Chief Executive

Lt. Gen. (R) Mohammad Afsar
Director

Lt. Gen. Amjad Shuaib
Chairman

Rawalpindi
February 11, 1999

Notes to the Accounts for the year ended December 31, 1998

1. STATUS AND NATURE OF BUSINESS

Askari Commercial Bank Limited was incorporated on October 09, 1991 as a Public Limited Company, and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank obtained business commencement certificate on February 26, 1992 and started operations from April 01, 1992.

Askari Commercial Bank Limited is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. One permissible form of trade related mode of financing comprises of purchase of goods by the banks from their customers and 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 facilities actually utilized and the appropriate portion of mark up thereon.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

These accounts have been prepared using the historical cost convention in conformity with the accepted practice of banking institutions in Pakistan.

3.2 Fixed Assets

a) Owned

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the related assets at varying rates and methods depending on the nature of the assets.

The cost of the assets is depreciated on the diminishing balance method, except for vehicles, carpets and renovation costs which are depreciated on a straight line basis. Depreciation is charged for the full month on purchase / acquisition of an asset while no depreciation is charged in the month of disposal of an asset.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of fixed assets are taken to the profit and loss account.

b) Leased

Assets held under finance leases are accounted for by recording the assets and the related liabilities at the amounts determined on the basis of lower of fair value of the assets and the present value of minimum lease payments. Finance charge is allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on the basis similar to that of owned assets.

3.3 Investments

Investments are stated at cost, net off provisions for diminution in value.

Profits and losses on sale of investments are dealt with through the profit and loss account in the year in which they arise. The Bank enters into transactions of re-purchase and re-sale of registered Government Securities at contracted rates for specified periods of time with other financial institutions. These are recorded as follows:

a) In case of sale under re-purchase obligations, the securities are deleted from the books and charges arising from the differential in sale and re-purchase values are accrued on prorata basis and recorded under 'cost/return on deposits, borrowings etc'. Upon re-purchase the securities are re-instated at their respective original cost.

b) In the case of purchases under re-sale obligations, the securities are booked at the contracted purchase price and the differential of the contracted purchase price and re-sale prices is amortised over the period of their contract and recorded under 'mark-up/interest and discount and/or return earned'.

3.4 Advances

Advances are stated net off provisions for non-performing advances. The provision for non-performing advances is determined by the management keeping in view the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

3.5 Foreign Currencies

Assets and liabilities in foreign currencies have been translated into Pak Rupees at the rates of exchange approximating those ruling at the Balance Sheet date except those covered by forward exchange contracts which are converted at contracted rates. Exchange gains and losses are included in income currently.

3.6 Taxation

Provision for tax is based on applicable rates of tax after taking into account tax credits available, if any.

The Bank accounts for deferred tax on all significant timing differences using the liability method.

3.7 Staff Retirement Benefits

The Bank operates a funded gratuity scheme for its employees who complete a qualifying service period. Annual contribution to the gratuity fund is charged to income for the year.

The Bank also has an approved contributory provident fund for its employees.

3.8 Revenue Recognition

Income is recognized on accrual basis except for income which is required to be carried forward in compliance with the Prudential Regulations issued by the State Bank of Pakistan.

	1998	1997
	(Rupees in '000)	
4. CASH		
In hand - local currency	297,515	174,427
- foreign currencies	128,887	211,092
	-----	-----
	426,402	385,519
With State Bank of Pakistan in current account	1,855,495	902,917
With National Bank of Pakistan in current account	21,067	38,077
	-----	-----
	2,302,964	1,326,513
	=====	=====

5. BALANCES WITH OTHER BANKS

Current Accounts:

In Pakistan	19,869	12,412
Outside Pakistan	61,485	44,028
	-----	-----
	81,354	56,440

Deposit Accounts:

In Pakistan	-	-
Outside Pakistan	144,806	38,642
	-----	-----
	144,806	38,642
	-----	-----
	226,160	95,082
	=====	=====

	1998	1997
	(Rupees in '000)	

6. INVESTMENTS (at cost less provisions)

Investment Securities:

Federal and Provincial Governments Securities

Federal Investment Bonds	2,348,485	2,213,985
Short Term Federal Bonds	-	9,400,000
Government of Pakistan Market Treasury Bills	11,050,929	-
	-----	-----
	13,399,414	11,613,985

Investments in subsidiary companies and associated undertakings	7,500	7,500
---	-------	-------

Fully paid up ordinary shares

Listed companies	88,233	88,233
Unlisted companies	-	-
	-----	-----
	88,233	88,233

Debentures, Bonds, Participation Term Certificates and Term Finance Certificates

	246,830	78,458
--	---------	--------

Other investments

National Investment Trust units	200,007	-
---------------------------------	---------	---

National Prize Bonds	2,091	1,080
	-----	-----
	202,098	1,080
	-----	-----
	13,944,075	11,789,256
	-----	-----
Less: Provision for diminution in the value of investments	55,600	15,000
Market value of quoted investments Rs. 295,724 thousands (1997: Rs. 157,652 thousands) and book value of unquoted investments Rs. 13,518,044 thousands (1997: Rs. 11,615,065 thous	13,888,475	11,774,256
	=====	=====

6.1 Provision has not been made where diminution is not considered to be permanent.

7. ADVANCES

Loans, cash credits, overdrafts, etc.

In Pakistan	6,865,565	6,431,372
Outside Pakistan	-	-
	-----	-----
	6,865,565	6,431,372
Bills discounted and purchased		
Payable in Pakistan	916,524	685,781
Payable outside Pakistan	2,362,337	2,394,710
	-----	-----
	3,278,861	3,080,491
	-----	-----
	10,144,426	9,511,863
Less: General and specific provision for non-performing advances	436,076	375,476
	-----	-----
	9,708,350	9,136,387
	=====	=====

Advances include Rs. 798,153 thousands (1997: Rs. 419,802 thousands) which have been placed on non-performing status as per Prudential Regulations of the State Bank of Pakistan.

1998 1997
(Rupees in '000)

7.1 Particulars of advances

In local currency	7,782,089	7,117,153
In foreign currencies - Note 7.1.1	2,362,337	2,394,710
	-----	-----
	10,144,426	9,511,863
	=====	=====
Debts considered good in respect of which the bank is fully secured	10,140,328	9,508,357
Debts considered good for which the bank holds no other security than the debtors' personal security	4,098	3,506
Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of debtors	-	-
Debts considered doubtful or bad not provided for	-	-
	-----	-----
	10,144,426	9,511,863
	=====	=====
	Balance	Maximum*
	as at Dec	During the
	31, 1998	year
	(Rupees in '000)	

Debts due by directors or executives of the bank or any of

them either severally or jointly with any other persons	2,106	2,777
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 modarabas and other associated undertakings	-	-

This represents the maximum aggregate amount of advances outstanding during the year 1998. The maximum amount has been calculated by reference to month end balances.

7.1.1 These represent foreign bills purchased and finance against foreign bills.

7.2 Particulars of provisions against non-performing advances

(Rupees in '000)

	Specific	General	Total 1998	1997
Opening balances	238,346	137,130	375,476	190,000
Requirement for the year				
Additions	234,557	1,200	235,757	266,373
Reversals	(94,250)	-	(94,250)	(80,897)
	140,307	1,200	141,507	185,476
Charge for the year	59,400	1,200	60,600	185,476
Transfer from general pr	80,907	(80,907)	-	-
Closing, balances	378,653	57,423	436,076	375,476
Provisions against:				
Advances to banks	-	-	-	-
Advances to others	378,653	57,423	436,076	375,476
	378,653	57,423	436,076	375,476

8. OPERATING FIXED ASSETS

(Rupees in '000)

	Cost				Depreciation							
	At Jan 1, 1998	Additions	(Deletions)	Transfers In/(Out)	At Dec 31 1998	At Jan 1, 1998	Charge for the year	Accumulated Dep on Disposals	Transfers In/(Out)	At Dec 31, 1998	Book value at Dec 31, 1998	Rate of Depreciation
Owned												
Land-freehold	25,131	-	-	-	25,131	-	-	-	-	-	25,131	-
Buildings on freehold land	96,709	-	-	-	96,709	10,186	4,326	-	-	14,512	82,197	5%
Renovation of leased premises	92,495	9,776	-	-	102,271	52,517	13,728	-	-	66,245	36,026	20%
Furniture, fixtures & office equipment	42,657	5,095	(221)	-	47,531	9,771	3,596	(85)	-	13,282	34,249	10%
Carpets	7,097	684	(127)	-	7,654	3,968	1,158	(94)	-	5,032	2,622	20%
Machines & equipment	77,884	10,993	(579)	-	88,298	28,611	10,930	(281)	-	39,260	49,038	20%
Vehicles	18,198	386	(225)	3,866	22,225	9,669	3,786	(225)	2,351	15,581	6,644	20%
Computer equipment	40,719	16,027	-	-	56,746	16,389	5,607	-	-	21,996	34,750	20%
	400,890	42,961	(1,152)	3,866	446,565	131,111	43,131	(685)	2,351	175,908	270,657	
Held under finance lease												
Machines & equipment	18,348	-	-	-	18,348	1,228	3,424	-	-	4,652	13,696	20%
Vehicles	52,916	711	(286)	(3,866)	49,475	14,757	9,884	(172)	(2,351)	22,118	27,357	20%
Computer equipment	39,874	504	-	-	40,378	4,338	6,785	-	-	11,123	29,255	20%
	111,138	1,215	(286)	(3,866)	108,201	20,323	20,093	(172)	(2,351)	37,893	70,308	

1998	512,028	44,176	(1,438)	-	554,766	151,434	63,224	(857)	-	213,801	340,965
=====											
1997	390,299	133,713	(11,984)	-	512,028	101,882	56,976	(7,424)	-	151,434	360,594
=====											

1998 1997
(Rupees in '000)

9. CAPITAL WORK IN PROGRESS

Building under construction:

- Gulberg, Lahore	48,284	24,249
- Saima Trade Tower, Karachi	111,338	95,107
	-----	-----
	159,622	119,356
	=====	=====

10. OTHER ASSETS

Stationery and stamps on hand	8,802	7,857
Income/mark up accrued on advances and investments	750,446	703,239
Commission & other income receivable	5,389	9,038
Prepaid exchange risk fee	106,602	101,979
Other advances, deposits, advance rent and other prepayments	60,099	41,789
Taxation (advance payments less provision)	151,532	(42,936)
Suspense account	24,806	14,243
Excise duty recoverable	4,589	5,549
Fund management account	14,500	14,500
Others	2,802	2,767
	-----	-----
	1,129,567	858,025
	=====	=====

11. DEPOSITS AND OTHER ACCOUNTS

Term deposits - Note 11.2	6,918,638	6,424,474
Saving deposits	13,596,498	9,510,413
Current accounts - Note 11.3	2,316,813	3,304,278
Others (Margin on LCs., LGs., Acceptances, etc.)	557,515	224,728
Deposits and other accounts of banks	27,878	18,009
	-----	-----
	23,417,342	19,481,902
	=====	=====

1998 1997
(Rupees in '000)

11. Particulars of deposits and other accounts

In local currency	13,653,650	7,407,557
In foreign currencies	9,763,692	12,074,345
	-----	-----
	23,417,342	19,481,902
	=====	=====

11.2 These include Rupee counterpart of special U.S. Dollar bonds of Rs. 216,865 thousands (1997: Nil) payable to Government of Pakistan

11.3 These include an amount of Rs. 54,209 thousands (1997: Nil) in respect of Special Exporters' Account.

12. BORROWINGS FROM OTHER BANKS, AGENTS ETC.

In Pakistan	2,193,564	1,908,072
Outside Pakistan	122,836	50,153
	-----	-----
	2,316,400	1,958,225
	=====	=====

12.1 Particulars of borrowings from other banks, agents etc.

In local currency	2,193,564	1,908,072
In foreign currencies	122,836	50,153
	-----	-----
	2,316,400	1,958,225
	=====	=====

12.2 Secured

Loans from banks and other financial institutions	-	-
Loans from subsidiary companies, managed modarabas and associated undertakings	-	-
Loans from directors (including chief executive) of the Bank	-	-
Loans from State Bank of Pakistan under export refinance [Carrying mark up of 6% (1997: 9%) and adjustable within a maximum period of 150 days to 180 days]	2,193,564	1,908,072
Un-secured		
Nostro account credit balances	122,836	50,153
	-----	-----
	2,316,400	1,958,225
	=====	=====

13. OTHER LIABILITIES

Mark up/interest on loans/borrowings	11,326	15,647
Profit payable on PLS deposits and other accounts	111,237	76,261
Interest on foreign currency deposits	51,229	40,291
Branch adjustment account	23,173	22,729
Unearned commission	17,577	20,963
Accrued expenses	17,523	14,251
Mark up on non-performing advances	168,870	88,407
Due to subsidiary companies, managed modarabas and associated undertakings	-	-
Due to directors	-	-
Proposed dividend	197,245	117,408
Fund management account	14,500	14,500
Others (Excise duty payable, Zakat payable, etc.)	108,545	90,896
	-----	-----
	721,225	501,353
	=====	=====

1998 **1997**
(Rupees in '000)

14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of future payments and the period in which they become due are as follows:

Year		
1998	-	39,489
1999	40,770	35,906
2000	22,674	18,595
2001	4,433	-
2002	231	-
	-----	-----
	68,108	93,990
Less: Finance charge allocated to future periods	12,376	21,487
	-----	-----
	55,732	72,503

	=====	=====
i) Rate of interest implicit in the leases	19.25% to 21%	
ii) Term of leases	3 years to 5 years	
iii) Installment intervals	Quarterly	
iv) Other particulars:		

- The leases are acquired from ORIX Leasing Pakistan Limited, First Habib Modaraba, Saudi Pak Leasing Company Limited, Pak Gulf Leasing Co. Ltd., First International Investment Bank Ltd., National Development Leasing Corporation Limited and Atlas Lease Limited.

- The Bank enjoys purchase option at the end of lease terms.

1.5. SHARE CAPITAL

Authorized capital

150,000,000 (1997:150,000,000) ordinary shares of Rs. 10/- each	500,000	1,500,000
	=====	=====

Issued, subscribed and paid-up capital

67,500,000 ordinary shares of Rs. 10/- each issued for cash	675,000	675,000
31,122,562 (1997: 26,426,250) ordinary shares of Rs. 10/- each issued as fully paid bonus shares	311,226	264,262
	-----	-----
	986,226	939,262
	=====	=====

16. RESERVE FUND & OTHER RESERVES

							(Rupees in '000)	
	Capital Reserve		Revenue Reserves			Total		
	Share Premium account	General Reserve	Statutory Reserve	Reserve for issue of Bonus Shares	Reserves for Contingencies*	Total Revenue Reserve	1998	1997
Balance as at Jan 1, 1998	55,525	334,000	398,250	46,963	-	779,213	834,738	763,250
Transfer from profit and loss account	-	-	72,000	-	90,000	162,000	162,000	194,000
Other movements	-	-	-	(46,963)	-	(46,963)	(46,963)	(122,512)

Balance as at Dec 31, 1998	55,525	334,000	470,250	-	90,000	894,250	949,775	834,738
	=====							

Reserve for contingencies has been created for risk assets comprising advances and investments excluding government securities. The management has, as a matter of prudence, created the reserve exclusively to provide sufficient cushion for any future losses in its risk assets portfolio.

1998 1997
(Rupees in '000)

17. BILLS FOR COLLECTION

Payable in Pakistan	79,710	101,857
Payable outside Pakistan	4,514,606	2,969,476
	-----	-----
	4,594,316	3,071,333
	=====	=====

18. CONTINGENT LIABILITIES AND COMMITMENTS

Contingencies

Money for which the bank is continentally liable:

a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	-	-
--	---	---

b) Contingent liability in respect of guarantees given favouring:		
i) Government	3,872,598	4,398,368
ii) Banks and other financial institutions	1,200,201	857,114
iii) Others	1,596,023	1,442,835
	-----	-----
	6,668,822	6,698,317

Commitments

Commitments in respect of forward exchange contracts		
Sale	638,829	1,278,366
Purchase	896,290	389,082
Commitments in respect of 'Repo' transactions		
Purchase and re-sale agreements	5,168,250	505,000
	-----	-----
Sale and re-purchase agreements	435,454	615,000
	=====	=====

19. OTHER OPERATING INCOME

Income from dealing in foreign currencies	220,455	184,122
Miscellaneous income (Recoveries of telephone, fax, telex, couri	37,360	28,164
	-----	-----
	257,815	212,286
	=====	=====

20. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.	227,186	178,834
Staff retirement benefits	21,195	15,413
Non executive directors' fees and allowances	25	25
Brokerage and commission	6,129	3,168
Rent, taxes, insurance, electricity etc.	66,092	57,170
Legal and professional charges	5,875	7,138
Communications	53,786	39,616
Repairs and maintenance	22,467	18,729
Finance charge on leased assets	13,469	9,474
Stationery and printing	21,278	12,038
Advertisement and publicity	13,742	16,992
Donations	-	-
Auditors' remuneration - Note 20.1	688	506
Depreciation	63,224	56,976
Other expenditure (Travelling, security services, vehicles runni	53,905	44,613
	-----	-----
	569,061	460,692
	=====	=====

1998 1997
(Rupees in '000)

20.1 Auditors' remuneration

Audit fee	247	225
Fee for audit of provident fund and gratuity fund	30	10
Special certifications/examinations and sundry advisory services	228	96
Tax services	125	125
Actual out of pocket expenses	58	50
	-----	-----
	688	506

21. OTHER INCOME

Lockers' rent	3,429	3,009
Net profit on sale of fixed assets	127	7,488
	-----	-----
	3,556	10,497
	=====	=====

22. REMUNERATION OF DIRECTORS AND EXECUTIVES

	(Rupees in '000)					
	Chief Executive		Directors		Executives	
	1998	1997	1998	1997	1998	1997
Fees	2	2	25	25	-	-
Managerial remuneration	1,224	1,044	-	-	4,103	1,220
Retirement benefits	295	250	-	-	1,256	222
House rent allowance			-	-	1,790	549
Utilities allowance			-	-	410	122
Medical reimbursements	140	236	-	-	263	68
Leave fare assistance	102	87	-	-	138	95
Bonus	306	348	-	-	1146	377
	2,069	1,967	25	25	9,106	2,653
Number of persons	1	1	11	11	7	2

Chief Executive/Executives are also provided Bank maintained cars. The Bank is also providing furnished accommodation to the Chief Executive.

Executive means an officer, other than Chief Executive/Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

23. MATURITIES OF ASSETS AND LIABILITIES

	(Rupees in '000)				
	Total	Upto one month	Over one month to one year	Over one year to five years	Over five years
Assets					
Cash	2,302,964	2,302,964	-	-	-
Balances with other banks	226,160	226,160	-	-	-
Money at call and short notice	975,000	775,000	200,000	-	-
Investments	13,888,475	1,935,775	9,984,179	1,593,521	375,000
Advances	9,708,350	329,339	8,714,403	273,537	391,071
Operating fixed assets	340,965	4,586	50,450	172,997	112,932
Capital work in progress	159,622	-	159,622	-	-
Other assets	1,129,567	358,423	771,144	-	-
	28,731,103	5,932,247	19,879,798	2,040,055	879,003
Liabilities					
Deposits & other accounts	23,417,342	20,169,972	2,224,403	1,022,967	-
Borrowings from other banks, agents, etc.	2,316,400	365,594	1,950,806	-	-
Bills payable	213,839	213,839	-	-	-
Other liabilities	721,225	141,140	566,328	13,757	-
Liability against assets subject to finance lease	55,732	2,592	29,304	23,836	-
Deferred liability for taxation	70,000	-	-	70,000	-
	26,794,538	20,893,137	4,770,841	1,130,560	-
Net balance	1,936,565 (14,960,890)	15,108,957	909,495	879,003	-
Shareholders' equity	1,936,565	-	-	-	-

The saving and notice deposits amounting to Rs. 16,988,121 thousands have been reported under one month maturity. However,

they are not expected to be payable within one month period.

24. SEGMENT ANALYSIS

24.1 Geographic segment

(Rupees in '000)

	Profit before taxation	Total assets employed	Net assets employed	Bills for collection	Acceptances, endorsements & other
Pakistan	854,134	28,731,103	1,936,565	4,594,316	1,906,859
Asia Pacific (including South Africa)	-	-	-	-	-
Europe	-	-	-	-	-
United States of America and Canada	-	-	-	-	-
Middle East	-	-	-	-	-
Others	-	-	-	-	-
	-----	-----	-----	-----	-----
	854,134	28,731,103	1,936,565	4,594,316	1,906,859
	=====	=====	=====	=====	=====

24.2 Segment by class of business

	Deposits		Advances	
	Rupees in '000	Percentage	Rupees in '000	Percentage
1. Agriculture/Agribusiness	75,863	0.32	269,787	2.66
2. Automobiles and allied	352,374	1.50	55,572	0.55
3. Cables/Electronics	205,199	0.88	253,061	2.49
4. Carpets	43,486	0.19	97,357	0.96
5. Cement	169,377	0.72	198,073	1.95
6. Chemicals/Pharmaceuticals	255,471	1.09	316,388	3.12
7. Engineering	65,171	0.28	137,185	1.35
8. Fertilizer	140,733	0.60	206,454	2.04
9. Food and allied	35,078	0.15	464,511	4.58
10. Fuel/Energy	111,063	0.47	380,112	3.75
11. Ghee and edible oil	149,630	0.64	367,484	3.62
12. Glass and ceramics	5,855	0.03	-	-
13. Hotels/Restaurants	61,895	0.26	5,663	0.06
14. Individuals	9,368,904	40.01	299,941	2.96
15. Insurance	36,044	0.15	-	-
16. Investment banks/Scheduled banks	91,940	0.39	-	-
17. Leasing	379,783	1.62	148,014	1.46
18. Leather products and shoes	61,706	0.26	576,574	5.68
19. Modarabas	37,390	0.16	-	-
20. Paper and board	54,897	0.23	303,150	2.99
21. Plastic products	56,370	0.24	104,334	1.03
22. Ready-made garments	193,963	0.83	264,354	2.61
23. Real estate/Construction	619,054	2.64	414,288	4.08
24. Rice processing and trading	19,316	0.08	56,038	0.55
25. Rubber products	221,724	0.95	3,082	0.03
26. Services (other than financial, hoteling & travelling)	1,307,503	5.58	214,192	2.11
27. Sports goods	97,674	0.42	74,110	0.73
28. Sugar	42,501	0.18	-	-
29. Surgical equipment/Metal products	10,821	0.05	167,880	1.65
30. Synthetic and rayon	23,772	0.10	-	-
31. Textile				
31.1 Export	796,663	3.40	1,830,006	18.04
31.2 Manufacturing	480,246	2.05	2,187,191	21.56
32. Tobacco/Cigarette manufacturing	7,069	0.03	20,458	0.20
33. Transport and communications	927,916	3.96	32,000	0.32

34. Travel agencies	87,642	0.37	4,909	0.05
35. Woollen	131,617	0.56	-	-
36. Others	6,691,632	28.61	692,258	6.82
	-----		-----	
	23,417,342	100.00	10,144,426	100.00
	=====		=====	

24.3 Segment by sector

Public/Government	324,862	1.39	340,571	3.36
Private	23,092,480	98.61	9,803,855	96.64
	-----		-----	
	23,417,342	100.00	10,144,426	100.00
	=====		=====	

25. CURRENCY BREAKDOWN OF ASSETS AND LIABILITIES

	Assets		Liabilities	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Pak rupees	26,033,588	90.61	18,793,345	65.41
U.S. dollars	2,435,728	8.48	9,467,218	32.95
Pound sterling	13,571.40	0.47	342,677	1.19
Deutsche mark	71,909	0.25	18,564	0.07
Japanese yen	7,502	0.03	109,299	0.38
Other European currencies	37,439	0.13	-	-
Other currencies	9.22	0.03	-	-
	-----		-----	
	28,731,103	100.00	28,731,103	100.00
	=====		=====	

1998 1997
(Rupees in '000)

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

i) Advances given during the year	-	-
ii) Advances repaid during the year	-	-
iii) Deposits at year end	270,856	204,369
iv) Mark up/interest expensed	11,695	9,415
v) Mark up/interest earned on advances	-	-
vi) Provision for non-performing advances charged against income during the year	-	-
vii) Provision for non-performing advances at year end	-	-
viii) Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	-	-
ix) Rent for property	19,066	16,630
x) Encumbrance of STFBs for a period of six months against lien on Foreign Currency Deposit of third party	-	1,500,000
xi) Share registrar fee	2,400	2,300
xii) Insurance premium	2,807	2,366
xiii) Insurance claim received	467	1,438

27. GENERAL

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

27.2 Corresponding figures have been rearranged, where necessary, for the purpose of comparison.

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 1998

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
1276	1	100	65554

2507	101	500	679109
2992	501	1000	2010257
6269	1001	5000	10522359
316	5001	10000	2111862
259	10001	110000	6263763
10	110001	210000	1516679
6	210001	310000	1592766
4	310001	410000	1318996
1	410001	510000	464887
4	510001	610000	2276349
1	1210001	1310000	1260383
1	1310001	1410000	1357000
1	1510001	1610000	1586849
1	1610001	1710000	1613916
1	3310001	3410000	3319976
1	4510001	4610000	4602386
1	4810001	4910000	4845065
7	4910001	5010000	34517889
1	16610001	16710000	16696518

13659			98622563
=====			

Categories of Shareholders

Particulars	Number of Shareholders	Shares Held	Percentage %
Individuals	13515	64906993	65.80
Investment Companies	15	1040866	1.06
Insurance Companies	16	1770629	1.80
Joint Stock Companies	44	17766978	18.01
Financial Institutions	18	7658054	7.77
Modaraba Companies	16	316242	0.32
Foreign Companies	33	284863	0.29
Charitable Trusts	2	4877938	4.95

Totals	13659	98622563	100.00
=====			

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 24-D, Rasheed Plaza, Jinnah Avenue,
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 Fax: (051) 271797, Tlx: 54683 ASKARI PK

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 Block 5-C,
 P.O. Box 1324,
 Islamabad.
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 Fax: (051) 212080

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 AWT Plaza, The Mall,
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Gujranwala

Trust Plaza, G.T. Road, Gujranwala.

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Multan

Abdali Road, Multan.

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Fax: (061) 580715, Tlx: 42338 ASKRI PK

Bhawalpur

Noor Mahal Road,

Bhawalpur.

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Fax: (0621) 882509

Phoolnagar (Bhai Pheru)

AWT Pharmaceutical Complex,

Baloki Road, Phool Nagar (Bhai Pheru).

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Fax: (04943) 3587

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2631180, 2634827, 2635109

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332-333, Saddar Bazar, Hyderabad.

P.O. Box No. 470

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Fax: (0221) 783617, Tlx: 22054 ACBL PK

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Tel: PABX: (081) 821436, 820508, 821428, 820511

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Chaman

Trunch Road, Off Mall Road, Chaman,

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Fax: (0826) 613331, Cable: ASKARI BANK

Peshawar

3-7, Cantt Plaza, P.O. Box No. 606,

Fakhar-e-Alam Road, Peshawar Cantt.

Tel: PABX: (091) 279437-8, 273829

279683, 271653

Fax: (091) 276391, Tlx: 52314 ACBL PK

Chowk Yadgar, Bank Square,

Peshawar City.

Tel: PABX: (091) 2561246-7, 2560156

Fax: (091) 2561245, Tlx: 52500 ACBL PK

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Abbottabad,

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Mirpur (AK)

Hanif Building, 121 C/I, Sector C-2,

Chowk Shaheedan, Mirpur (AK),

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