

It's YOU...



...our **Leading edge**

A Decade of Performance



December 31

PROFITABILITY

Total income
Interest income
Interest expenditure
Fee, commission and exchange income
Other income
Spread
Operating expenses
Operating profit
Provision against non-performing loans and advances
Profit before taxation
Taxation
Profit after taxation

SHAREHOLDERS' FUNDS

Total shareholders' funds
Share capital
Reserves
Surplus on revaluation of assets

LIABILITIES

Customer deposits
Refinance borrowings
Other liabilities

ASSETS

Advances
Investments
Cash, short term funds and
Statutory deposits with SBP
Operating fixed assets
Other assets
Total assets

BUSINESS TRANSACTED

Imports
Exports
Guarantees

RATIOS

Return on average shareholders' funds (RoE)
Return on average assets (RoA)
Rate of cash dividends
Rate of bonus issue
Price Earning ratio (P/E)
Advances to deposits (CDR)
Operating fixed assets to average
Shareholders' funds
Capital adequacy ratio (MCR)

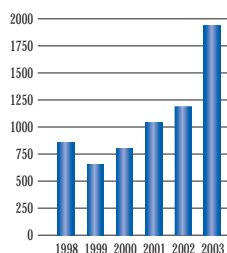
SHARE INFORMATION

Earnings per share (EPS)
Net assets per share

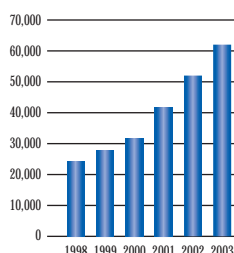
OTHER INFORMATION

Number of employees
Number of branches

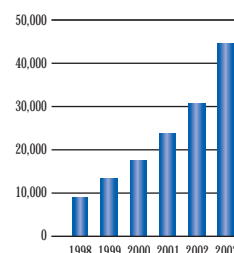
Profit before tax
(Rupees in million)



Deposits
(Rupees in million)



Advances
(Rupees in million)



1994 1995 1996 1997 1998 1999 2000 2001 2002 2003

Rupees in million

1,072	1,606	2,306	3,319	4,035	3,889	3,840	5,047	5,704	5,028
872	1,292	1,820	2,759	3,475	3,350	3,213	4,251	4,858	4,074
490	864	1,212	1,910	2,511	2,486	2,274	2,902	3,017	1,380
172	292	444	520	509	472	506	677	599	638
28	22	42	39	51	67	122	119	247	317
382	428	608	849	965	864	939	1,349	1,841	2,694
192	265	357	461	569	589	680	854	1,093	1,438
390	477	730	940	915	814	886	1,291	1,595	2,210
15	27	148	185	61	102	134	283	351	308
375	450	582	755	854	712	752	1,008	1,244	1,902
230	277	344	444	495	430	436	458	557	799
145	173	238	311	359	282	316	551	687	1,103

720	893	1,581	1,775	1,937	2,046	2,155	2,579	4,173	5,047
450	517	817	939	986	986	986	1,036	1,087	1,142
270	376	764	836	951	1,060	1,229	1,521	1,940	2,760
-	-	-	-	-	-	(60)	22	1,146	1,145

7,051	9,851	14,126	19,482	23,417	24,358	30,360	41,200	51,732	61,657
1,072	1,456	1,529	1,908	2,194	3,145	2,882	3,222	3,392	7,329
291	543	670	906	1,184	1,477	3,058	3,980	11,016	11,354

4,141	6,991	7,115	9,137	9,708	13,056	17,893	23,292	30,035	44,778
2,542	2,473	6,173	11,774	13,888	8,679	8,651	11,706	26,737	22,104

2,286	2,672	3,321	1,822	3,504	7,210	10,056	13,436	10,061	15,099
85	184	288	480	501	536	641	723	1,663	1,980
296	466	812	858	1,130	1,546	1,213	1,824	1,817	1,426
9,350	12,786	17,709	24,071	28,731	31,027	38,454	50,980	70,313	85,387

Rupees in billion

4.9	7.7	6.2	8.7	11.5	17.5	26.2	32.0	40.2	48.7
6.8	10.2	13.1	17.3	20.0	22.8	30.6	38.8	47.3	56.8
2.0	2.8	4.8	4.0	3.2	5.3	4.8	6.2	14.2	14.4

Percent

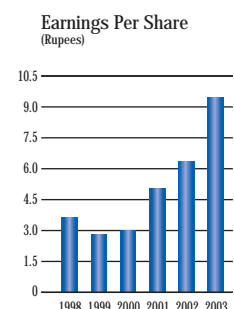
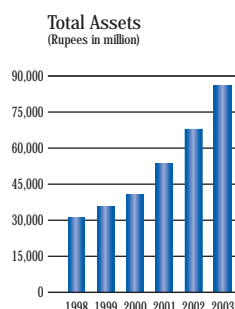
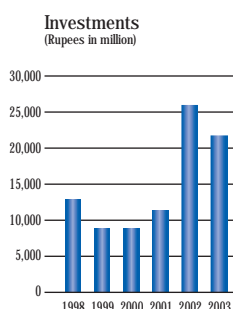
22.4	21.5	19.2	18.5	19.3	14.2	15.0	23.2	20.3	23.9
1.8	1.6	1.6	1.5	1.4	0.9	0.9	1.2	1.1	1.4
-	-	-	12.5	20.0	17.5	15.0	20.0	20.0	20.0
15.0	10.0	15.0	5.0	-	-	5.0	5.0	5.0	10.0
20.70	10.83	8.27	8.84	3.25	5.56	4.69	2.50	4.46	5.33
58.7	71.0	50.4	46.9	41.5	53.6	58.9	56.5	58.1	72.6

13.1	22.8	23.3	28.6	27.0	27.0	30.5	30.5	49.3	43.0
-	-	-	18.43	16.98	13.20	11.95	10.78	12.00	9.95

Rupees

3.2	3.3	2.9	3.3	3.6	2.9	3.0	5.3	6.32	9.66
16.0	17.27	19.35	18.90	19.64	20.75	21.85	24.90	38.38	44.21

465	664	796	946	996	1,001	1,147	1,281	1,456	1,723
13	18	23	26	27	28	29	36	46	58



Corporate Information

Board of Directors

Lt. Gen. Faiz Jilani
Lt. Gen. (R) Masood Parwaiz
Mr. Kalim-ur-Rahman
Brig. (R) Muhammad Shiraz Baig
Brig. (R) Asmat Ullah Khan Niazi
Brig. (R) Muhammad Safdar Ali
Brig. (R) Muhammad Bashir Baz
Mr. Javed Ahmed Noel
Mr. Zafar Alam Khan Sumbal
Mr. Shahid Hafeez Azmi
Mr. Muhammad Afzal Munif, FCA
Mr. Tariq Iqbal Khan, FCA

Chairman
Chairman Executive Committee
President & Chief Executive
Director
Director
Director
Director
Director
Director / Secretary
Director
Director
Director (NIT Nominee)

Audit Committee

Mr. Muhammad Afzal Munif, FCA
Mr. Javed Ahmed Noel
Brig. (R) Asmat Ullah Khan Niazi
Mr. Zafar Alam Khan Sumbal

Chairman
Member
Member
Secretary

Auditors

Taseer Hadi Khalid & Co.
Chartered Accountants

Legal Advisors

Rizvi, Isa, Afridi & Angell

Registered / Head Office

AWT Plaza, The Mall,
P. O. Box No. 1084,
Rawalpindi, Pakistan.
Tel: (92 51) 927 2150-53
Fax: (92 51) 927 2455
E-mail: webmaster@askaribank.com.pk
Website: www.askaribank.com.pk

Registrar & Share Transfer Office

Askari Associates (Private) Limited,
6th Floor, AWT Plaza, The Mall,
P. O. Box No. 678, Rawalpindi.
Tel: (92 51) 927 2442-44
Fax: (92 51) 927 2447
E-mail: askari@isb.compul.com



The Vision

To be the Bank of First Choice in the Region



The Mission

To be the leading private sector bank in Pakistan with an international presence, delivering quality service through innovative technology and effective human resource management in a modern and progressive organizational culture of meritocracy, maintaining high ethical and professional standards, while providing enhanced value to all our stakeholders, and contributing to society.

Objectives

- To achieve sustained growth and profitability in all areas of business.
- To build and sustain a high performance culture, with a continuous improvement focus.
- To develop a customer-service oriented culture with special emphasis on customer care and convenience.
- To build an enabling environment, where employees are motivated to contribute to their full potential.
- To effectively manage and mitigate all kinds of risks inherent in the banking business.
- To maximize use of technology to ensure cost-effective operations, efficient management information system, enhanced delivery capability and high service standards.
- To manage the Bank's portfolio of businesses to achieve strong and sustainable shareholder returns and to continuously build shareholder value.
- To deliver timely solutions that best meet the customers' financial needs.
- To explore new avenues for growth and profitability.

Strategic Planning

- To comprehensively plan for the future to ensure sustained growth and profitability.
- To facilitate alignment of the Vision, Mission, Corporate Objectives and Corporate Philosophy, with the business goals and objectives.
- To provide strategic initiatives and solutions for projects, products, policies and procedures.
- To provide strategic solutions to mitigate weak areas and to counter threats to profits.
- To identify strategic initiatives and opportunities for profit.
- To create and leverage strategic assets and capabilities for competitive advantage.

Core Values

The intrinsic values, which are the corner stones of our corporate behavior, are:

- Commitment
- Integrity
- Fairness
- Team-work
- Service

Corporate Philosophy

Inspiring Relationships

From knowing our customers requirements to understanding employee needs, from utilizing modern technology to making responsible social contributions, from enhancing stakeholders value to practicing corporate ethics. We are continuously and consistently striving to address newer challenges with a single motivation:

"The power to inspire and be inspired"

inspiring relationships



“The power to inspire and be inspired”



Brief History

Askari Bank was incorporated in Pakistan on October 9, 1991, as a public limited company. It commenced its operations on April 1, 1992, and is principally engaged in the business of banking, as defined in the Banking Companies Ordinance, 1962. The Bank is listed on the Karachi, Lahore & Islamabad Stock Exchanges and its share is currently the highest quoted from among the new private sector banks in Pakistan. Askari Bank has expanded into a nation wide presence of 57 branches, and an Offshore Banking Unit in Bahrain. The delivery channels for customer service are supported by a shared network of over 250 on-line ATMs covering all major cities in Pakistan. As at December 31, 2003, the Bank had an equity of PKR 5.047 billion and total assets of PKR 85.387 billion, with over 350,000 banking customers, serviced by a total staff of 1,723.



Awards and Achievements

Over the years, we have received several awards for the quality of our banking service to individuals and corporates. We were declared The Best Bank in Pakistan by the Global Finance magazine for the years 2001 & 2002. Also, we have been given the Best Consumer Internet Bank award for Pakistan by the same magazine for the years 2002 and 2003. As early as 1994, 1996 and 1997, we received the Euromoney and Asiamoney awards for the Best Domestic Bank in Pakistan. Askari Bank won the first prize in the Best Corporate Report awards for the years 2000, 2001 and 2002 from the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan, for the services sector. For the past five years, we have received ranking prizes from the South Asian Federation of Accountants for The Best Presented Annual Accounts for the financial sector, in the SAARC region. We have also won the 1st prize for The Best Designed Annual Accounts, from the National Council of Culture & Arts for each of the years 1997 to 2002.

Over the years, Askari Bank has proved its strength as a leading banking sector entity, by achieving the following firsts in Pakistani banking:

- i) First Bank to offer on-line real-time banking on a country-wide basis
- ii) First Bank with a nation-wide ATM network
- iii) First Bank to offer Internet banking services
- iv) First Bank to offer e-commerce solutions

Askari has A1+ rating for short-term and its long term rating stands at AA



Annual Report 2002 of Askari Commercial Bank Limited

inspiring relationships



Inspiring 350,000 relationships

Knowing our customers and their needs is the key to our business success. Our products and services are as diverse as our market segments. Our client relationship managers are well equipped and well trained to provide the most efficient and personalized service to the customers. We have structured and syndicated financing arrangements, provided working capital and balancing-modernization-replacement (BMR) facilities, financed international trade, provided small business loans and cash management services, and developed innovative investment and loans products for the individual savers and households. Askari Bank is proud of its pioneering role in providing the most modern and technologically advanced services to its 350,000 relationships.

Inspiring employee relationships

We strongly believe that the interests of the Bank and the employees are inseparable. At Askari we try to create a 'we' culture where there is mutual trust and respect for each other. We encourage ownership behavior so that everyone feels responsible for the performance and reputation of the Bank. We are committed to develop and enhance each employee's skills and capabilities through extensive in-house and external training programs and job rotations. The strong employee-bank relationship is evidenced by the fact that Askari has one of the lowest employee turnover. Most of the top management today have reached their present positions by growing within the organization.

Inspiring technological innovation

Technology has played a pivotal role in meeting customer expectations, particularly with respect to speed and quality of service. We have fully automated transaction-processing systems for back-office support. Our branch network is connected on-line real-time and our customers have access to off-site as well as on-site ATMs, all over Pakistan. Our Phone Banking Service and Internet Banking Facility allows customers to enjoy routine banking services from anywhere anytime in the world. We also pioneered an e-commerce venture in Pakistan through a major retail distributor.



inspiring relationships

Inspiring ethical values

Integrity is the most valued standard in whatever we do. We understand that our commitment to satisfy customers' needs must be fulfilled within a professional and ethical framework. We subscribe to a culture of high ethical standards, based on the development of right attitudes.

Inspiring corporate citizenship

Askari Bank has made generous contributions in the areas of sports, culture, poverty alleviation, women & child care, health & medical sciences, education, human development and scientific research.

We have sponsored international squash tournaments where professionals from all over the world participated. Askari Bank has also sponsored various other sports tournaments, including golf at both amateur and professional levels. The Bank has contributed towards social awareness programs for AIDS, water conservation and blindness, and has promoted the Country's image at the international level by co-sponsoring the first interactive electronic encyclopedia on Pakistan.

Our role as a corporate citizen is as important to us as the products and services we offer.

Inspiring growth

For us the challenge is to build a foundation of strong, consistent financial performance and focus on growing our balance sheet and revenues at low risk. During the year, we opened twelve new fully automated branches, increasing our branch network to 58, including an Offshore Banking Unit at Bahrain. Central to our growth strategy is a focus on specialization and transformation. We are reshaping our portfolio of businesses by investing in higher growth areas, extending and developing our core competencies and moving out of weak and non-core segments.

Inspiring shareholder confidence

We believe that the bottom line of any business is creating shareholder value. To gain their trust and confidence, we believe in providing our shareholders timely, regular and reliable information on our activities, structure, financial situation and performance. At the same time, we try to give them one of the best earnings per share in the banking industry of the country.



inspiring relationships



Organogram

Board of Directors



- Board Members
- Business
- Support

President's Message



Kalim-ur Rahman - President & Chief Executive

By the Grace of Allah,
Two thousand three
 proved to be another record
 year for **Askari Bank!**

We have a history of consistent, stable growth, and we remain poised for more. Our concentration remained on the core business of commercial banking, in which we have performed better than most of our peers.

The strength of our brand name, supported by strategic branch expansion and the depth of our customer relationships, gives us a strong foundation on which to build and continue growing in the times ahead.

In a short span, Askari Bank has emerged as one of the premier financial institutions of the country, and a leader amongst the new private sector banks. Making the best use of available resources, the ability to customize our products and services, backed by our strength in technological advancement, we have been successful in achieving a record performance.

To meet the current challenges and prepare for the future, our strategy focused on the following:

- Increase our market share in most areas of business activity
- Develop Retail Banking Business
- Introduce fresh initiatives for Corporate and Investment Banking activity
- Open an Offshore Banking Unit (OBU) in Bahrain
- Implement various technology initiatives to enhance customer service
- Pursue an acquisition opportunity to achieve a manifold increase in the branch network.

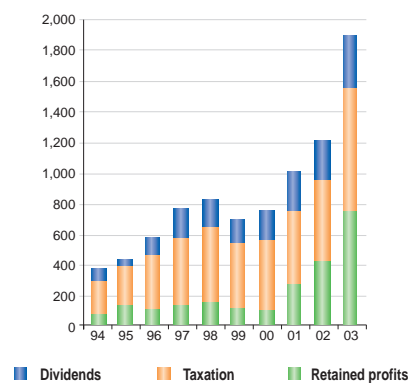
Despite the difficult operating environment, we were able to substantially improve our earnings during 2003 by posting operating profits of Rs. 2.2 billion, 39% over FY 2002. The post-tax profits increased by 61%, to Rs. 1.1 billion. Considering our historically high liquidity, our emphasis during 2003 was more on the expansion of our credit portfolio rather than deposit mobilisation. As such our advances grew by 48% as against a growth of 19% in our deposit base. This helped to rectify our previous imbalance between the advances and deposits.

During the year, we were also able to successfully implement the two important elements of our credit management strategy: (a) well diversified credit expansion; (b) containing non-performing advances. This was achieved despite intense competition for private sector credit in the market. While some banks were able to achieve substantial growth in consumer financing, our credit expansion was primarily commercial based as we remained prudent in identifying opportunities for sound consumer lending. However, we do realise that the potential for growth in the area of Retail Banking is tremendous, and we will be pursuing a more aggressive stance in 2004.

After the initial start-up phase, our Retail Banking Group has now started penetrating into the retail market through a wide range of products and services. In view of the

Distribution of profits

Rupees in thousand



reducing margins, Retail Banking continues to attract our greater focus as it offers better than conventional banking spreads. While new products are being added, the Retail Banking business is also being expanded by an increase in distribution channels and branch network, and by entering into strategic partnerships with organizations for the large-scale marketing of our retail products.

Our Corporate and Investment Banking team is being considerably strengthened, and is now set to gain momentum. In the area of Corporate Banking, the primary focus remains on relationship management and the servicing of large corporates and multinational companies, while Investment Banking will concentrate on the debt and equity markets, including derivatives, syndicated finance, advisory services and discretionary investor relations. The Investment Banking Division also plans to undertake Asset Management activities to develop and administer money market funds and mutual funds through establishment of a dedicated asset management entity.

Our first Offshore Banking Unit (OBU) in Bahrain became operational during the year. It provides us a platform to benefit from the business opportunities available in the international market.

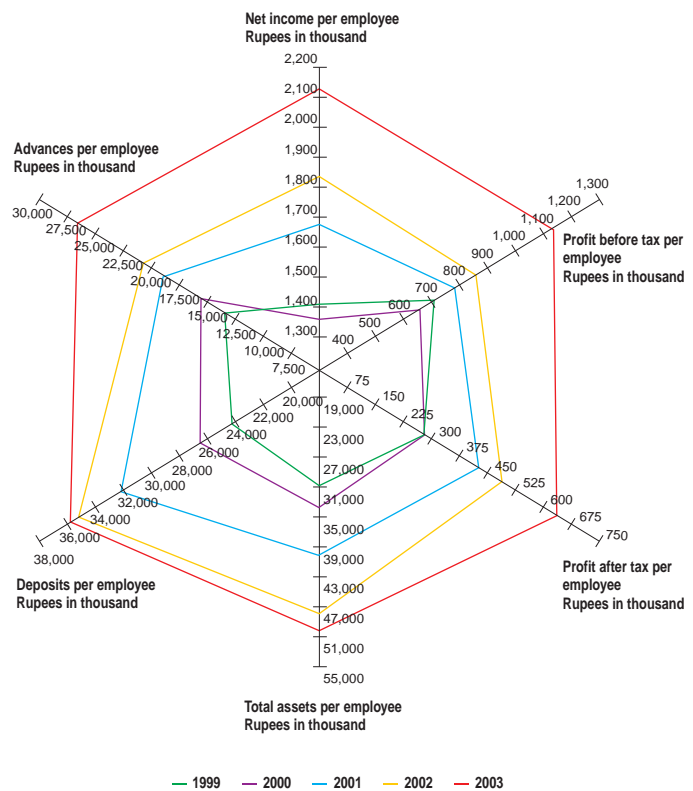
The banking of today is dynamic and demands a lot of innovation and customization. Askari Bank commits itself to seek out new opportunities and make its existing operations more efficient. We continue to strive for the best in offering technology based solutions to our valued customers and maintaining sound control environment. During 2003, a number of initiatives were successfully completed and implemented including payment of utility bills electronically, inter-branch funds transfer, and new IT systems for our Treasury operations.

We, along with a foreign bank, were the original co-founders of the "One-Link" ATM network in Pakistan. Nine other banks have since joined our ATM network, including four of the five largest. Through this, our customers now have round-the-clock access to over 250 ATMs, covering all the major urban centers in Pakistan. Our customers can now pay their telephone bills via the Bank's ATM network, or over the internet. The SWIFT connectivity of the Bank has also been upgraded.

Going forward, a number of initiatives are being worked on to further enhance customer convenience. These include setting-up of a call center, supported by a data warehouse, and upgrading our ATMs to the international CIRRUS network. Other enhancements are also planned for our banking software so that functions like trade finance and credit reviews can be integrated with the core banking system.

Our progress in the field of technology was recognized internationally as the Bank, once again, won the award for the Best Consumer Internet Bank in Pakistan, from the Global Finance magazine, for the year 2003.

Growth in staff & productivity



We recognize our employees as a prime asset and key contributors to the progress of the Bank. The increased staff requirement due to overall business expansion was met by maintaining quality recruitment and accelerated development of staff. While our evaluation system ensures employee development through a process of self-appraisal and superior – subordinate discussions, our dedicated employee training cell continues to focus on creating awareness about the best principles and practices in banking, and enhanced management knowledge. We continue to evaluate our human capital and formulate policies to meet the needs of the business units' strategies, in line with best industry practices.

We demand, and have in our management, a thorough understanding of the respective areas of business and the risks associated with them. We are positioning ourselves strategically for the challenges and opportunities that lie ahead.

The management and the staff worked tirelessly to achieve the remarkable results during 2003. I take this opportunity to thank all members of the management and staff for a job well done.

Whatever we have achieved would not have been possible without the patronage and support of our valuable customers, which we greatly appreciate and acknowledge.

Our Board of Directors took keen interest in the affairs of the Bank and in the formulation of policies. I would like to thank them for the guidance and counsel they extended to the management in conducting the affairs of the Bank.

It is our constant endeavour to continue adding to the shareholder value through prudent and carefully planned business strategies.

Value Added Statement

Value Added	2003	Percent	2002	Percent
	Rupees in thousand		Rupees in thousand	
Income from banking services	4,796,370		5,324,440	
Cost of services	(1,832,885)		(3,152,160)	
Value added by banking services	2,963,485		2,172,280	
Non-banking income	35,314		18,239	
Provision against non-performing advances	(308,528)		(350,826)	
	<u>2,690,271</u>		<u>1,839,693</u>	

Value allocated

to employees

Salaries, allowances & other benefits	620,366	23.06%	484,061	26.31%
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to providers of capital

Cash dividend	228,336		217,463	
Bonus shares	114,168		48,153	
	<u>342,504</u>	12.73%	<u>265,616</u>	14.44%

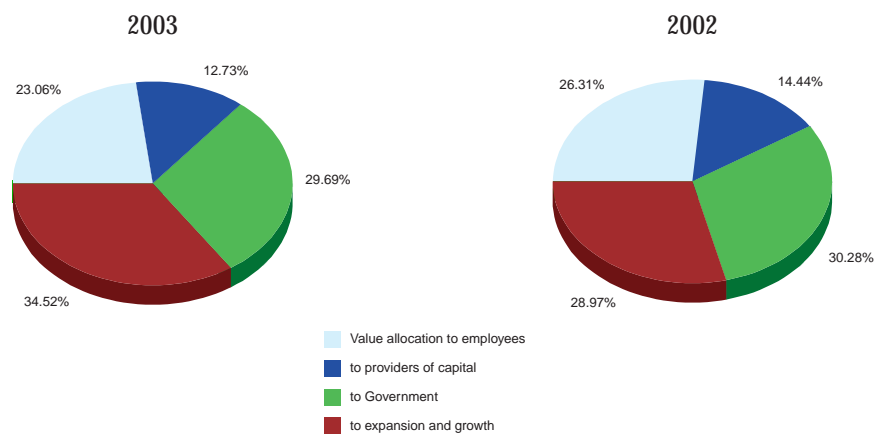
to Government

Income tax	798,735	29.69%	557,028	30.28%
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to expansion and growth

Depreciation	168,105		111,610	
Retained in business	760,561		421,378	
	<u>928,666</u>	34.52%	<u>532,988</u>	28.97%
	<u>2,690,271</u>	100.00%	<u>1,839,693</u>	100.00%

Analysis of value addition



inspiring relationships



“The power to inspire and be inspired”



Operations and Credit Group



From L to R
Hassan Aziz Rana - *Legal*
Muhammad Munir Ahmad - *Electronic Technology*
Tariq Mahmood - *Group Head*
Muhammad Saghir - *Systems and Operations*
Khalid M. Khan - *Compliance and Data Reporting*
Amjad Siddiqui - *Credit*

The Operations and Credit Group is responsible for all operational as well as credit and risk management activities of the Bank. This includes development and implementation of systems, operational policies and procedures, process re-engineering, automation, branch expansion & acquisition of premises, regulatory reporting, compliance management and legal affairs.

The Group comprises of the Credit Division, Electronic Technology Division, Systems and Operations Division, Compliance and Data Division, and Legal Affairs Department.

Credit Division

The Credit Division (CRD) is responsible for ensuring identification, control and management of credit risk through prudent lending policies. Its focus remains on maintaining a well diversified, sound and remunerative credit portfolio.

CRD primarily concentrates on the evaluation and appraisal of the credit proposals through a team of experienced professional bankers, at all levels. The evaluation system comprises of well-designed multi-tier credit appraisal procedures, with extensive guidelines, covering the qualitative and quantitative aspects of credit evaluation. The emphasis is to mitigate credit risk by diversifying the asset portfolio so as to avoid unreasonably large exposures to any one industry or customer group. Most of the advances are trade-related, and are given on a short-term, secure and self-liquidating basis.

The Credit Administration unit of the Division constantly monitors the existing credit portfolio and ensures timely action and constant follow-up, to regularise and mitigate any weak areas which may emerge with the passage of time.

The operating environment for the banking sector in the year 2003 was challenging. This was particularly so in view of the low yield on assets, and intense competition between the banks for the relatively limited good risk business. To offset this, the Bank had to market aggressively for additional business volumes. As a result, the credit portfolio increased by 48% from Rs. 31.34 billion, as at December 31, 2002 to Rs. 46.34 billion, as at December 31, 2003. CRD played a major supportive role in this expansion.

Furthermore, the Bank has made a significant contribution to Pakistan's economy by extending fixed assets financing to the textile sector, in response to the Government's Textile Vision 2005 programme for 'Balancing Modernization Replacement' (BMR).

A Special Asset Management unit, operating as a part of the CRD, closely monitors the problem loans of the Bank. To ensure a low ratio of non-performing loans, it takes necessary remedial measures for timely recoveries. The management continued with its policy of augmenting general and specific provisions coverage. It is worth mentioning that the Bank has more than fully provided against its entire classified portfolio. This has not only eliminated any uncovered exposure, but has also provided a cushion against any unforeseen losses. Prudent lending policies and effective appraisal and monitoring systems have also helped in reducing the impaired loans from 3.97% of the total funded portfolio at the close of 2002 to 2.76% at the close of 2003.

A review of securities held against credit limits, reveals that the Bank's credit portfolio is well collateralised, with about 44% of the exposure being covered by securities of liquid nature, such as deposits, trade documents, equity or debt instruments, guarantees from the government or financial institutions, etc. This demonstrates the Bank's ability to maintain a low-risk asset portfolio, with continuing growth and sustained performance, in an increasingly competitive operating environment.

Going forward, despite low margins, we remain focused on supporting the efforts of the business units to increase the credit portfolio by marketing for quality assets, backed by prudent lending policies.



Electronic Technology Division

The Electronic Technology Division (ETD) is responsible for managing the Bank's technology needs. This includes not just establishing and maintaining technology infrastructure for providing operational support to all units of the Bank, but also encompasses introducing latest state-of-the-art technology-driven products and service delivery systems.

In an age of ever increasing competitive pressures, technology support impacts service delivery standards and customer satisfaction levels. The value addition from this area has made a significant contribution towards successfully expanding and managing the customer base of the Bank.

The Bank has a countrywide communications network utilizing Satellite, Radio and Leased Line links. Through it, the Local Area Network (LAN) in each branch is connected with the Wide Area Network (WAN) of the Bank. This has provided the Bank with on-line country wide ATM / Inter-branch transaction capability. The Bank, along with a foreign partner bank, is the original co-founder of the first inter-bank ATM switch in Pakistan, which is now known as "One-Link". Nine other banks have since joined this successfully expanding network.

During the year, a large number of new technology initiatives were successfully implemented. The twelve new branches opened during the year were operational with on-line Banking from day one. This included our Offshore Banking Unit in Bahrain, which was linked to the Head Office and the Treasury via a Virtual Private Network (VPN).

The Bank's existing systems were also updated. The list covers a wide range from upgrading the SWIFT connectivity of the Bank, to enhancing an Oracle based Human Resource Management Information System. New initiatives include developing an Oracle based application for State Bank of Pakistan reporting, Electronic Bills Payment System via the Bank's ATM network and the internet. The Bank's achievements to date in this area won it the prestigious "Best Consumer Internet Bank in Pakistan" Global Finance Award for 2003.

The technology area has ambitious plans for the future. The list includes Call Centers, Data Mining and Warehousing Project, and enhancement of the ATM network to the international CIRRUS network standards. The range of utility bills presently payable via the internet and the ATM network is to be increased, subject to agreements with the utility companies.

In addition to the above, the Bank will focus on improving customer service standards and products range by focusing on new and emerging e-commerce and internet related technologies.

Systems and Operations Division

The Systems and Operations Division (SOD) is mainly responsible for ensuring smooth and effective systems and operations of the Bank. Its focus is on disseminating and facilitating implementation of the Management's policies and decisions for various operational activities of the Bank.

SOD has been instrumental in developing procedures and manuals for various operating requirements of the Bank. Its recently added manuals include those on "Know Your Customer", with special emphasis on the prevention of money laundering, and the central set-up for monitoring the Internal Controls Policy, as well as the Policy for Safeguards against Frauds and Forgeries.

After carefully mapping the existing process flows, SOD recommends automation and re-engineering requirements to improve transaction efficiencies. It is also responsible for the procurement of equipment for branches, and coordinates the development of new branch premises.

The responsibility for the Bank's 'Annual Branch Expansion Plan', and all aspects from planning to implementation, rests with this Division. It introduces cost cutting measures by improving procedures, and vetting capital and operating expenses budgets.

Eleven local branches were opened during the year 2003. The branch expansion plan for 2004 envisages opening of twenty-four new branches.

The success of the first 'model branch' opened in 2001 has led to the implementation of the front-office / back-office concept for improving our customer service standards and achieving efficiency in resource utilization. This concept has been introduced in all our new branches and, wherever possible, in the existing ones.

Compliance and Data Division

The Compliance and Data Division (CDD) is responsible for ensuring effective compliance with regulatory and data reporting requirements.

In view of its importance and functional synergy, the Compliance function was added to the Bank's Data Reporting Cell, during 2003, and it was elevated to the status of a full fledged Division.

In view of the importance of the laws and regulations on Money Laundering, etc. especially with regard to "Know Your Customer", a manual has been developed to facilitate effective compliance.

In order to strengthen the quality and reporting of data, CDD is in the process of developing a Data Management System to ensure long-term integrity of the database, and to allow its timely analysis and reporting. This will also facilitate the Division in monitoring and ensuring compliance with regulatory requirements.

Legal Affairs Department

The Legal Affairs Department (LAD) is responsible for effectively managing all legal matters pertaining to the Bank, and to protect the Bank's interests in this regard.

In order to achieve the above, the functions performed by LAD cover a wide spectrum: rendering opinions on applicable laws, one-off special assignments, advice on the legal aspects of operational matters, pro-active pre-emptive preventive measures, legal compliance, and remedial and litigation management.

The Bank's operations have grown over the years. LAD has been diligent in providing counsel on all legal matters, and its record of managing litigation matters has been quite satisfactory. This includes recovery suits filed in the Courts of law. LAD has also been advising on more complicated corporate affairs, such as the legal issues pertaining to acquisitions and mergers.



Corporate Banking & Financial Institutions Group



From L to R
Waqar-ul-Islam - Offshore Banking Unit
Suhail Rizvi - International
Rehan Mir - Treasury
Vadiyya Asif Khan - Corporate and Investment Banking
Shaharyar Ahmad - Group Head

This Group is responsible for serving the banking needs of large corporate clients, in the public and private sector, managing correspondent banking relationships, overseas operations and undertaking money market / capital market transactions. The Group is organized in four divisions namely Corporate Banking, Investment Banking, International and Treasury.

Corporate and Investment Banking Divisions

The Corporate and Investment Banking Divisions (CBD & IBD) are strongly positioned across priority markets with a distinct strategy for developing corporate business. Our strategic framework generates sustainable returns based on strong market presence and financial solutions ranging from debt and equity market transactions to syndicate finance, and from transaction banking to corporate finance advisory services.

2003 was a challenging year due to historic lows in interest rates which squeezed margins. The Bank undertook a number of debt pricing swap transactions, aimed at reducing the financial burden of its key client portfolio, and facilitated value-added transactions like commercial paper participations for helping some customers meet their short-term borrowing needs. The Bank has seen its role develop in syndicated consortium finance, from simply being a participant or co-arranger, to increasingly becoming the arranger and lead manager.

CBD has dedicated marketing and support units functioning at Karachi and Lahore. In order to enhance focus on relationship management, and service quality, more dedicated staff is being assigned for this purpose.

IBD is being brought up to full strength and is fast taking shape as an independent strategic business unit. This will provide increased focus on debt / capital markets, advisory services and capital raising, trading (both equities and derivatives) and discretionary portfolio management.

IBD shall also undertake asset management activities (including launch of mutual funds) through a dedicated Asset Management Company.

International Division

The International Division (IND) plays a key role in extending support to the branches undertaking foreign trade and exchange business. While managing business relationships with our valued correspondent banks, IND remains on the look-out for opportunities of extending our operations and presence in the international market.

The increase in overall foreign trade of the Country during 2003 also enabled the Bank to achieve the desired level of growth; the Bank's import business increased to Rs. 48.7 billion, 21% over 2002, and the export business increased by 20% to Rs. 56.8 billion.

In April 2003, our first Offshore Banking Unit (OBU) in Bahrain commenced operations, thus marking the start of an era of expansion overseas. The OBU is a step towards enhancing our capability in terms of offering a wide range of services to our customers as well as to act as a look-out for new business opportunities and relationships in the international market.

Treasury Division

The Treasury Division (TRD) is responsible for managing money market and foreign exchange activities for the Bank.

Conditions in the money and foreign exchange market remained very competitive and challenging during 2003. The increase in the home remittances from abroad resulted in strengthening of the Pak Rupee, and excess liquidity in the money market.

The Rupee Dollar exchange rate opened at USD 1 = PKR 58.30 and closed at PKR 57.40 at year end, after touching a high of PKR 57.20. This was despite the fact that outflows in the shape of coupon payments on Euro-dollar Bonds were made by Pakistan, on time.

Dollar premiums in forward remained in the negative for the entire year, thereby creating arbitrage opportunities which were utilized positively.

Money market rates in the primary, as well as secondary markets remained generally depressed. The 6-month Treasury Bill touched a low of 1.2715% p.a. whereas the ten-year Pakistan Investment Bond witnessed a low of 4.03% p.a. in March, 2003, and later gradually rose to close at 6.23% p.a. on the announcement of the Jumbo issue of Rs. 50 billion for the proposed 15-20 year Bonds. This movement gave room for trading in the bond market which resulted in useful capital gains.

The continuous erosion of conventional banking spreads has placed TRD in a demanding position and it is now getting more innovative in undertaking arbitrage and derivative transactions to increase its share in the overall earnings of the Bank.



Retail Banking Group



From L to R
Agha Ali Imam - Group Head
Saleem Nawaz - Assets Products
Shahid Alam Siddiqui - Investment Products

The Retail Banking Group is responsible for serving the banking needs of the retail market comprising of individual consumers and small and medium sized enterprises. These market segments are gaining increasing importance since the margins in the corporate and commercial banking segments have reduced to unprecedented levels, while margins in retail banking, though considerably reduced, are still much better than the former.

The Group is managed in two separate business divisions i.e. Asset Products Division and Investment Products Division.

Assets Products Division

The Asset Products Division (APD) is responsible for the development and managing of retail credit schemes, and is presently offering several innovative consumer credit products. In order to cater for the increasing demand for retail credit, APD, during 2003, started five more retail asset units, taking the total number to ten, country-wide.

While improving its service quality, APD has gained extensive knowledge and understanding of the differing needs of the various client segments. This collective experience is reflected in the development of a comprehensive range of products and services to meet the spectrum of requirements in retail banking.

APD currently offers six products: Personal Finance, Business Finance, Mortgage Finance, Revolving Credit Line, Car Financing and Consumer Durables Financing – in association with major suppliers of consumer products. All these products have been well received and volumes have been building steadily.

APD's new product line includes SmartCash – a personal finance facility with mark-up much lower than for credit cards as well as the balance transfer facility offered by some other banks. The Back To Original (BTO) facility reinstates the original credit limit of customers with a sound repayment history. 'Umrah' financing is also being offered against easy monthly installments.

APD continues to focus on growth, by innovating new products, creating strategic alliances, enhancing marketing and sales efforts, and improving our customer service through greater customer care and operational efficiency.

Investment Products Division

The Investment Products Division (IPD) is responsible for the development and managing of brands that serve the investment needs of the retail market. It focuses on deposit mobilization and provision of value added services and products based on modern technology.

IPD offers a range of products designed to cater for diverse customer needs, such as: ASKCARD (Debit Card), Cash Management Services, Rupee Travellers Cheques and customer deposit products such as Askari Bank's Value Plus.

New products introduced during 2003 include:

ASKPOWER (Prepaid Card) which enables the making of secure payments without the need to carry cash or a debit or credit card. It allows cash withdrawals from ATMs, transfer of balance to another card, and the refill option, as well as payment of utility bills through ATMs and internet. Its special features are likely to make it popular with our customers.

Askari Bank's Electronic Bill Payment System allows the customers of Pakistan Telecommunication Company Limited (PTCL) to pay their monthly telephone bills from Askari Bank's ATMs, Point of Sale (POS) Terminals, through the Internet and also at the Bank's branches – through direct debit to their personal accounts. Arrangements are underway to facilitate electronic payment of electricity and gas utility bills as well.

Askari Bank's Investment Certificates, are profit-bearing, negotiable and transferable instruments, available in three convenient denominations, with a maturity of up to three months.





Mehriyar Pataudi

Credit Cards Division

The Credit Cards Division (CCD) is responsible for managing the Credit Cards business of the Bank. CCD is headquartered in Karachi, as a separate strategic business unit (SBU) of the Bank, with all internal functions including credit, operations, marketing, sales, finance and audit, performed independently.

Its present focus is on managing the 'Askari MasterCard' brand, accepted worldwide and at over 4000 locations in Pakistan. This product was successfully re-launched in 2001, with a new fully automated transaction processing system, supported by a focused marketing campaign, achieving monthly profitability in record time for the local market.

2003 was a significant year for CCD, as it registered a three-fold profit increase over the preceding year, despite tough competition and decreasing margins. This was achieved through prudent risk management and effective control over operating expenses. CCD strategically planned the augmentation of the card member base and concentrated on sustained growth, with a minimal impact on revenue drainage. It crossed the 65,000 cards mark during the year – a significant achievement by any standards.



Going forward, CCD plans to launch Co-Branded credit cards with major multinational and national financial institutions, and to introduce other products and services, to further enhance the brand image and customer base of Askari MasterCard.

Planning & Corporate Affairs Division

The Planning & Corporate Affairs Division (PCD) is a relatively new Division, set up in September 2002. It has been established to provide strategic direction to the Bank and developing a futuristic outlook. It plans to identify new opportunities for growth and increased profitability, and to counter any emerging threats. For this purpose, it remains in constant touch with the market and assimilates information, both formal and informal. PCD plans to engage in extensive research to keep abreast of latest developments in thinking, concepts, products and technologies.

During 2003, in line with its strategic plans, the Division devoted its full attention to the possible acquisition of Allied Bank. It would, however, be premature to predict the outcome since a bidding process is involved.

A number of other initiatives are also under consideration of the PCD including setting up of an Islamic Banking unit.

The Division remains on the look out for new market opportunities, developing new products and services, and improving operational efficiencies. The aim remains to constantly move towards a learning organization and a dynamic culture.



Adnan Afaq

Human Resource Division

The Human Resource Division (HRD) is responsible for managing and facilitating the most important strategic resource of any organization. Its focus is on harnessing the potential and energy of a professional workforce to ensure effective attainment of goals set by the Bank.

Recruiting the best, creating an environment that values merit across the entire organization, improving human resource policies, enhancing monetary benefits, organizing social events, providing training and development opportunities, and initiating human resource planning, including career and succession planning, are the major objectives of HRD.

The enlargement in the network of the branches and aggressive expansion in the credit cards and retail banking business necessitated new hiring. HRD continued its support to these vital organs of the organization by way of timely meeting their manpower needs. The staff in regular service as at December 31, 2003 totaled 1723, an increase of 267 employees over the previous year.


During the year, HRD implemented an extensive in-house training program to further enhance its staff's professional capabilities. A total of 1313 employees participated in these courses.

These training programmes ensured that the employees understand the policies and procedures of the Bank and are able to meet the challenges of their job through greater knowledge and skills.

In addition to in-house training, the Bank nominated 200 officers and executives to training programmes offered by specialized training institutions.

In today's highly volatile environment, employees' turnover is a key concern for every organization. At Askari, we are well within the acceptable limits for staff turnover. However, with a view to further foster organizational loyalty among the staff, we are planning several new staff motivational schemes in the future. Promotions and placements from within the organization for vacant management positions is a key strategy of the Bank.

HRD is fully geared to meet the challenges of the future. Our aim is to retain the existing manpower, as well as to attract new high potential professionals.



Zahid Mahmood



Finance Division

The Finance Division (FND) is the hub of all financial information for maintaining statutory accounts and measuring the performance of the Bank. While ensuring overall financial management, financial control, financial reporting and accounting function, FND is responsible for maintaining the accounting records and systems in accordance with internal policies, regulatory requirements, corporate governance and international accounting standards. It also establishes policies and procedures relating to finance function, monitors returns / spreads and reports on various performance indicators including asset / liability mismatch. FND watches for external factors and economic indicators to protect and enhance stakeholders' value. The Division directs control of the budgeting process in accordance with the annual plans, policies, management directives and strategy. It ensures that quality budgets and forecasts are drawn up and consolidated for approval.

FND exercises budgetary control on all expense and income items, ensuring that effective monitoring arrangements are in place. It continually reviews the accounting and control systems, ensures that they are appropriate to the requirements of the business and that they generate financial information necessary for effective decision making.

It monitors capital adequacy in accordance with regulatory directives. It liaises with auditors, tax consultants and SBP inspectors, and facilitates their duties. The Division maintains financial databank and carries out industry financial analysis vis-à-vis Bank's strength and opportunities.

The Division derives strength from its well-trained, experienced and qualified human resource, automation of processes and effective communication with all operating units.

In this age of information and technology, the premium on timely financial information is enormous. FND, therefore, continues to focus on optimum automation of financial information to enhance its quality and effectiveness.



Saleem Anwar





Abdul Jamil Mubbashar

Internal Audit Division

The Internal Audit Division (IAD) reports to the Audit Committee of the Board of Directors and as part of good governance practice, primarily performs its functions independent of the management. Its focus remains on monitoring and promoting internal controls, risk management and governance.

In this age, the call for stronger internal audit is of immense importance and value. Therefore, in order to bring the desired results, the audit methodology throughout the year remained risk-based, ensuring adequacy of policies and practices that respond to changes in the Bank's risk profile. It entailed detailed annual audit planning process clearly identifying audit objectives and scope of work.

IAD serves as a front line when it comes to monitoring and promoting internal controls, risk management and governance. As an on going professional development of the staff at the branches, it also arranges workshops on anti-money laundering & KYC to create comprehensive understanding on the concepts.

IAD emphasizes on doing more with less, looking at new ways to improve efficiency. It maintains an appropriate internal audit infrastructure and tailors audit approaches to each level of business within the Bank. For this purpose it uses electronic platforms and focuses on collaboration with senior management creating value additions.

The foremost asset of the Division is its staff. It is groomed through continuing professional development to possess tangible skills in the areas of corporate finance, risk assessment, quantitative methods and the vision to see where the things may go wrong.

In auditing the branches it is ensured that modern methodology is adopted. A risk matrix is assigned to each level of business. The branches are rated according to their performance on compliance with the policies, laws and regulations. Each branch is awarded separate rating on operations, credit administration and credit quality.

IAD ensures that it is abreast with the knowledge to meet challenges of modern-day banking.

inspiring relationships



“The power to inspire and be inspired”

Regional Heads with the President

From L to R
Shaukat Ali - Lahore
Saif-ul-Islam - Rawalpindi/Islamabad
Mir Mujahid Ali Khan - South I
Kalim-ur-Rahman - President and Chief Executive
Ejaz Ahmed Khan - East
Israr Ahmed - North
Nazimuddin A. Chaturbhai - South II
Hafeez R. Quraishy - West

Regional Distribution of Business and Earnings

Rawalpindi / Islamabad

This Region operates with ten branches - seven in Rawalpindi and three in Islamabad. During 2003, the Region was expanded by the addition of two new branches, namely, Haider Road, Rawalpindi and I-9 industrial area Islamabad, primarily to target the banking needs of households and SMEs in these localities.

This Region's strength continues to be its largest contribution to the Bank's deposit base which at the close of December 31, 2003 was over 50% of the total deposits. Despite limited potential for investment opportunities, this Region has been able to substantially increase its asset base and foreign trade business. During 2003, the Region also earned the distinction of booking the largest amount of the Bank's guarantees business, for the second consecutive year.

Due to the concerted efforts of the entire team, the Region enjoyed good growth in all areas of business activity and a tremendous 62% increase in profits during the year.

	Rs. in Million		Growth
	2002	2003	
Operating Profit	346	560	62%
Deposits	24,539	31,012	26%
Advances	3,748	4,211	12%
Foreign Trade	3,813	4,829	27%

From L to R
 Sher Afgan Khanzada - GHQ
 Tariq Javed Ghumman - Raja Bazar
 Syed Hassan Sajjad - Haider Road
 Afzal Mujtaba - Satellite Town
 S. M. Ibrar Ali - Chaklala Scheme-III
 Shahid Amir - Peshawar Road
 Shahid A. Ouddusi - F-10 Markaz
 Haseeb Saulat - Jinnah Avenue
 Qaiser Iqbal Khan - AWT Plaza
 Saif-ul-Islam - Regional Manager

North

North Region operates with five branches - four in NWFP and one in Azad Kashmir. With major concentration of banking activity in the province of NWFP, the Region's performance continues to be adversely affected due to the developments in Afghanistan. The repatriation of Afghan refugees, who were a major source of economic activity in the Region, the relocation of various western NGO operations from NWFP to Afghanistan, which were a major source of deposits and allied business, are the main factors that have resulted in a loss of business in the Region. Keeping in view these factors and the fact that an unusually high profit (130% growth) was achieved in the previous year, the Region could not sustain its profitability, which declined by 15% during 2003.

In other areas of business, particularly advances, the Region achieved significant growth attributable to the untiring efforts of the Region's team.

While we remain hopeful of the revival of economic activity in the Region, and improvement in trading relations with Afghanistan, we also plan to expand the operations that will enable generation of low cost deposits and trading business in the Region.

	Rs. in Million		Growth
	2002	2003	
Operating Profit	53	45	-15%
Deposits	2,943	3,134	6%
Advances	501	832	66%
Foreign Trade	2,428	2,133	-12%

From L to R
 Israr Ahmed - Regional Manager
 Mian Shamim Ahmed - Peshawar Cantt
 Tanveer Afzal Khan - Abbottabad
 Shakeel M. Paracha - Peshawar City
 Waqar Hameed - Mardan
 Inamullah Khan Niazi - Mirpur

Lahore

This Region covers eight branches located in Lahore city with one opened during 2003. It serves both households and business community in and around the city of Lahore.

The Region carries good potential for generating deposits, lending and foreign trade and achieved all-round growth in all areas of business, particularly advances, which increased by 37% over the previous year. However, since the advances increased mostly towards the end of the year and the declining rates have squeezed margins, the YoY growth in advances did not commensurate with the growth in profitability, which otherwise increased by 18%.

With four new branches planned in Lahore, primarily to cater to the business houses and to achieve greater access to retail business, Lahore Region will continue its focus on maintaining consistent growth in all areas of business.

	Rs. in Million		Growth
	2002	2003	
Operating Profit	348	410	18%
Deposits	8,627	8,909	3%
Advances	8,560	11,721	37%
Foreign Trade	17,702	19,496	10%



From L to R

Saulat Hameed - Badami Bagh
 Shaukat Nazir - The Mall
 Ejaz Musarrat Siddiqui - DHA
 Kh. Shaukat Iqbal - Aihwan-e-Tijarat
 Liaqat Mehmood Butt - Circular Road
 Sajjad Ahmed Quareshi - Gulberg
 Tahir Yaqoob Bhatti - Tufail Road
 Shaukat Ali - Regional Manager

East

One of the largest regions, the East Region covers twelve branches spread all across the Punjab province stretching from Gujrat in the north to Rahim Yar Khan in the south. During the year, two branches were added to this Region, one in Faisalabad and the other in Jalalpur Bhattian.

The Region's strength for lending is more than generating deposits, as is evident from the tremendous increase of 55% in the advances during 2003, attributable to the dedicated efforts of the entire team. However, the impact was not reflected in profits for reasons almost similar to Lahore Region. In other areas of business as well, the Region was able to achieve appreciable growth.

East Region continues to consolidate existing relationships and target new prospective clients to increase its market share. The main focus of the branches in this Region is on textiles, edible oil, sports goods, surgical products, consumer durables and agricultural products.

With four new branches planned for 2004, East Region is poised for further growth.

	Rs. in Million		Growth
	2002	2003	
Operating Profit	303	366	21%
Deposits	5,610	6,614	18%
Advances	9,119	14,107	55%
Foreign Trade	21,228	28,369	34%



From L to R

Amjad Yaqoob Kiyani - Sialkot
 Muhammad Tauseef Asim - Bahawalpur
 Kh. Safdar Hussain - Sargodha
 Qamar-uz-Zaman - Phool Nagar
 Sajjad Ali Sheikh - Peoples Colony, Faisalabad
 Zubair Ahmed Sheikh - Rahim Yar Khan
 Ejaz Ahmed Khan - Regional Manager
 S. Ahsan Raza Zaidi - Sahiwal
 Afzal H. Bokhari - University Road, Faisalabad (since resigned)
 Khalid Mahmood Rana - Gujranwala
 Abid Mukhtar - Jalalpur Bhattian
 Javed Iqbal - Gujrat
 Muhammad Ehsan Qadir - Multan



From L to R
 Iqbal Abdullah - North Napier Road
 Faheemuddin Sufi - Gullistan-e-Jauhar
 Ghiasuddin K. Hakim - Sarafa Bazar, Sukkur
 Muhammad Jaffer Khanani - Jodia Bazar
 Mir Mujahid Ali Khan - Regional Manager
 Arshadullah Khan - Saima Trade Tower
 Sohail A. Siddiqui - Saddar
 Nasrullah - Hydri North Nazimabad
 Yakooob Ismail - Cloth Market
 Muhammad Anwar Baloch - Gawadar (since resigned)

South I

This Region also comprises of twelve branches, ten in Karachi and one each in Gawadar and Sukkur. During the year, five branches were opened in the Region, namely Saddar, North Napier, New Challi, S.I.T.E. and Gabol Town, all in Karachi. With a major presence in Karachi, being the hub of business activity, this Region carries substantial potential for growth in all areas of banking activity.

The Region's ability to successfully enhance customer relationships in a very competitive environment coupled with improved efficiency and response time, translated into strong all-round growth and a remarkable contribution to the bottom line by achieving a record 72% growth in profit during 2003.

During 2004, the Region's operations are planned for expansion and at least four new branches will be added to further expand the business, with good potential for deposit, advances and foreign trade growth.

Rs. in Million			
	2002	2003	Growth
Operating Profit	205	352	72%
Deposits	4,844	5,719	18%
Advances	6,354	10,534	66%
Foreign Trade	26,779	33,617	26%



From L to R
 Nazimuddin A. Chaturbhai - Regional Manager
 Syed Shahid Raza - Bahadurabad
 Qazi A. M. Khalid - DHA
 Muhammad Atzal - Shahr-e-Faisal
 Mansoor Ahmed - Dar-ul-Aman
 Niaz Muhammad - Hyderabad
 Saif ur Rehman - Clifton
 Nasim Ahmed - Badar Commercial Area

South II

This Region covers seven branches, six in Karachi and one in Hyderabad. During 2003, a new branch was opened in Badar Commercial Area, DHA, Karachi. Similar to South I, the Region's major concentration in Karachi provides good potential for deposits, advances and foreign trade. The primary focus of the Region remains corporates and SMEs, supported by personal banking.

The Region was able to maintain a healthy growth during 2003 in all areas of business and its contribution to the profits increased by 22%.

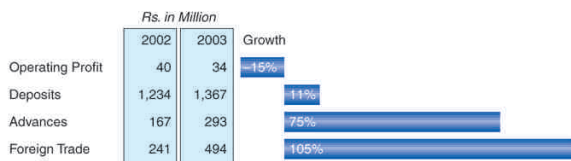
Rs. in Million			
	2002	2003	Growth
Operating Profit	147	179	22%
Deposits	4,141	4,843	17%
Advances	1,757	2,777	58%
Foreign Trade	15,278	16,540	8%

West

The West Region operates with three branches in the comparatively less developed province of Baluchistan. In the absence of major business activity, the Region relies heavily on deposit mobilization and retail lending. Some large construction companies make a useful contribution to the revenues through their bonding business.

Despite substantial increase in advances and foreign trade during 2003, the profit of the Region declined by 15% primarily due to squeezed margins.

The operations of this Region are also planned for expansion during 2004 to expand market reach and explore new business opportunities.



From L to R
 Javed Iqbal Bhatti - Chaman
 Hafeez R. Quraishy - Regional Manager
 Tariq Siddique Ghauri - M. A. Jinnah Road
 Tahir H. Malik - Quetta Cantt.

Financial Review

Return on Equity (RoE)

RoE measures the overall efficiency of a company in managing its total investments in assets and return to its shareholders. It is the primary measure of how well management is running the company. By relating the earnings generated to the shareholders' equity, we can see how much cash is created from the existing assets.

In addition to strong earnings growth, we seek consistently high returns on equity while maintaining a strong financial position. Achieving this objective relies on efficient deployment of capital and other resources; effective risk management; and sound liquidity, funding, and equity management.

Askari Bank' return on average equity for 2003 was 23.9%.

Shareholders Returns

Askari Bank seeks to deliver returns to shareholders through appreciation in the share price and regular dividend stream. While in the short term Askari Bank share price is subject to market conditions, we believe that over the longer term, profitable growth governs price performance.

Askari Bank share posted a handsome gain as the average for high and low share price during the year increased by a remarkable 70% closing at Rs. 51.5 as at December 31, 2003.

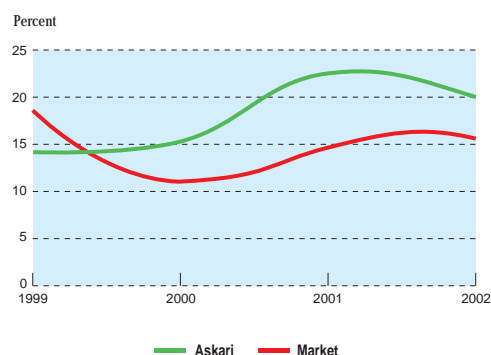
Dividend Payout	1999	2000	2001	2002	2003
Cash	17.5%	15%	20%	20%	20%
Bonus	-	5%	5%	5%	10%
Total	17.5%	20%	25%	25%	30%

Liquidity and Funding

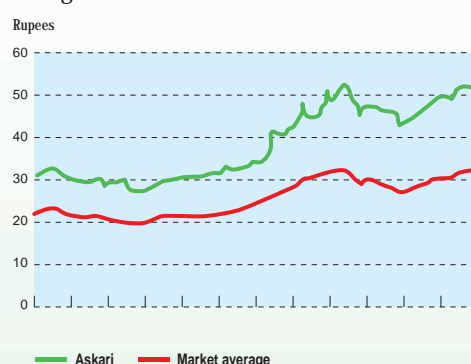
The principal objective of our funding policy is to assure liquidity at all times across market cycles and through periods of financial stress. We manage the interest rate and currency exposures of our assets and liabilities, and we diversify our deposit sources, to attain a stable deposit base. The Bank maintains a minimum of 5% of its demand and time liabilities with the State Bank of Pakistan (SBP), in current account. This is in addition to balances with other banks and cash in till to meet its immediate liquidity requirements and contingencies.

In addition, the Bank maintains a large portfolio of gilt-edge securities, which mainly comprise of Treasury Bills and Pakistan Investment Bonds, as liquidity reserves. These securities can be readily sold to raise liquidity if the need arises. As at December 31, 2003, of the total assets, 40.64% were in risk free form and readily encashable.

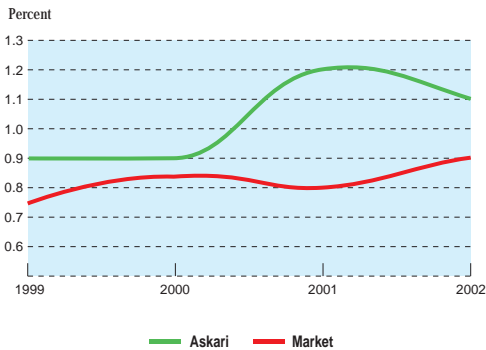
Return on average Equity



Movement in average share price during 2003



Return on average Assets



Returns on Assets (RoA)

RoA shows the after tax earnings on assets. This is an indicator of the profitability of a company. This ratio also compares a business' performance to the industry norms: the higher the ratio the greater the return on assets. However, this has to be balanced against such factors as risk, sustainability and reinvestment in the business through development costs. Askari Bank with its long-term credit rating of AA had an average Return on average Assets of 1.4% for the year ending December 31, 2003. Askari has maintained its RoA well above the industry average.

Shareholders' Equity

Shareholder's equity (before distribution of dividend) at December 31, 2003 increased 27% to Rs. 4.129 billion. This increase primarily resulted from net earnings. At December 31, 2003, total shares outstanding, were 114,167,943.

Earnings per share



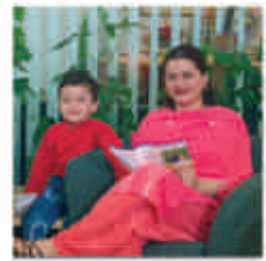
Earnings Per Share (EPS)

EPS is the amount of net income (earnings) per share. This is computed by dividing net income after tax by the weighted average number of shares. Askari Bank's EPS for the year ended December 31, 2003 was Rs. 9.66 which increased by 53% over the last year's Rs. 6.32. Askari has been able to obtain a higher than market EPS YoY.

Capital Adequacy

At December 31, 2003, Askari Bank's equity capital was comprised of shareholders' contributed equity and reserves built over the years by retaining profits. Askari Bank continuously reviews overall equity capital needs to ensure that its equity capital base can support the estimated risks and needs of its businesses, as well as the regulatory and legal capital requirements.

Askari Bank is required by law to maintain a minimum of 8% of its risk-weighted assets as capital. Askari Bank's current capital adequacy stands at 9.95%, almost 2% higher than the required ratio.



Notice of the 12th Annual General Meeting

Notice is hereby given that the 12th Annual General Meeting of the Shareholders of Askari Commercial Bank Limited ("the Bank") will be held on Saturday, March 27, 2004 at 1000 hours in Blue Lagoon Complex opposite, outward gate of Pearl Continental Hotel, Rawalpindi to transact the following business:

Ordinary Business

1. To confirm the minutes of the 11th Annual General Meeting held on March 27, 2003.
2. To receive, consider and adopt the Audited Accounts of Bank together with Auditors' and Directors' Reports for the year ended December 31, 2003.
3. To consider and approve dividend as recommended by the Directors of the Bank for the year ended December 31, 2003, as follows:
 - a. Cash dividend at Rs.2.00 per share i.e. @ 20%.
 - b. Ten bonus shares for every hundred shares held i.e. @ 10%.
4. To appoint Auditors of the Bank for the year 2004 and to fix their remuneration.
5. Any other business with the permission of the Chair.

Special business

6. To approve capitalization of a sum of Rs. 114,168 thousand for the issuance of 10 bonus shares for every 100 shares held i.e. @ 10%, and to consider and if thought fit pass with or without modification the following resolution as an Ordinary Resolution.

RESOLVED THAT:

- a. "the sum of Rs. 114,168 thousand out of the profit available for appropriation as at December 31, 2003 be capitalized and applied to the issue of 11,416,794 Ordinary Shares of Rs. 10/- each allotted as fully paid bonus shares to the members of the Bank whose names appear on the Register of Members as at close of business on March 17, 2004 in the proportion of 10 shares for every 100 shares held;
- b. The bonus shares (B-8) shall rank pari passu in all respects with the existing shares;
- c. The members entitled to a fraction of a share shall be given sale proceeds of their fractional entitlement, for which purpose the fractions shall be consolidated into whole shares and sold in the stock market; and
- d. The Directors be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of bonus shares (B-8)."

By order of the Board



February 11, 2004
Rawalpindi

Statement Under Section 160(1)(b) & (c) of the Companies Ordinance, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Bank to be held on March 27, 2004.
Issue of Bonus Shares

The Directors are of the view that the reserves and profits of the Bank are adequate for the capitalization of a sum of Rs. 114,168 thousand for the proposed issue of 10% bonus shares.

The Directors have no interest directly or indirectly except that they are members of the Bank.

Notes

1. The Share Transfer Books of the Bank will remain closed from March 18 to March 27, 2004 (both days inclusive). Transfers received at M/s Askari Associates (Private) Limited, 6th Floor, AWT Plaza, The Mall, Rawalpindi, the Registrar and Share Transfer Office of the Bank, at the close of the business on March 17, 2004 will be treated in time for purpose of the entitlement of cash dividend and bonus shares (DW & B-8) to the transferees.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote for him/her. Vote(s) may be given either personally or by proxy or in case of a company / corporation by a representative duly authorized. A proxy must be a member of the Bank. In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the Registered Office of the Bank, AWT Plaza, The Mall, Rawalpindi, not less than 48 hours before the time of the meeting.
3. CDC shareholders entitled to attend and vote at this meeting must bring his/her original NIC or Passport alongwith the participants' ID numbers and account numbers to prove his/her identity. In case of proxy, must enclose an attested copy of his/her NIC or Passport. Representative of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to promptly notify the change of address, if any, to our Registrar, M/s Askari Associates (Private) Limited.

Zafar Alam Khan Sumbal

Secretary

Directors' Report

to the Shareholders

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the 12th Annual Report of Askari Commercial Bank Limited along with the audited accounts and the Auditors' Report thereon for the year ended December 31, 2003.

The Economy

While the global economic recovery faltered during fiscal 2003, Pakistan's economy demonstrated a broad based growth, further strengthening of the macroeconomic stability and a near elimination of external account vulnerability.

Pakistan's GDP grew by a healthy 5.1% on the back of 7.7% growth in manufacturing and 5.3% in the services sector. Even agriculture recorded a robust recovery from a slightly negative growth last year to a positive of 4.1% during fiscal 2003. All major economic indicators achieved the respective targets, and in some cases exceeded them by wide margins.

During fiscal 2003, the monetary policy remained stable despite the massive inflow of foreign remittances, which led to an increase in the foreign exchange reserves. This resulted in a stronger Pak Rupee and the State Bank of Pakistan (SBP) had to intervene to prevent a substantial appreciation in its value, which would have rendered the Country's exports uncompetitive in the world market. Even so, the Pak Rupee appreciated by almost 4% against the U.S. Dollar (USD). Thus the economic managers were faced with the difficult task of striking the right balance between the imperatives of controlling inflation, avoiding an abrupt appreciation in the value of the currency, and ensuring a healthy economic growth. The SBP and the Government performed the balancing act admirably, resulting in a real GDP growth of 5.1% while containing inflation at under 3%.

Despite 28.9% increase in Government borrowing from the banking sector and a stunning 284.9% increase in the expansion of credit to the private sector during fiscal 2003, money market remained flush with liquidity, maintaining constant downward pressure on the interest rates, for the

second consecutive year. The 6 months Treasury Bill (TB) rate continued its slide during 2003 and dropped to 1.64% in December 2003. This further widened the gap between the TB rates and SBP's discount rate of 7.5% – which thus became more an indicator of the monetary policy's stance than a reasonable benchmark for pricing commercial lending. As a result, during fiscal 2003, the weighted average lending rates of banks saw a steep slide of 454 bps, to 7.6% and the weighted average deposit rates to 1.9%; narrowing banks' traditionally high spreads by 227 bps. The apparent spread of 570 bps on the loans was diluted by virtually no spread on the investment in TBs and the negative impact of substantial non-performing loans in the overall banking sector, thereby narrowing the net spread on total assets to below 300 bps – barely enough to cover the overheads at some of the larger banks. However, some banks made a killing on the equity and bond markets through substantial capital gains, thereby creating a misleading impression about the core profitability of the banking sector, where spreads declined to unprecedented levels.

The phenomenal growth in credit to the private sector continued during the 2nd half of 2003, which traditionally is the retirement season, and net credit expansion jumped by 72% when compared with the 1st half, and by 140% when compared with the corresponding period last year.

Pakistan's external sector, that had already gained upward momentum, further improved during fiscal 2003 with a record balance of payment surplus of USD 4.6 billion, 70% above fiscal 2002. This was primarily attributable to foreign remittances; fall in interest payments due to retirement of expensive debt as well as substitution with soft loans, non-structural inflows, and an appreciable increase in export earnings. During fiscal 2003, both imports and exports registered significant growth: imports grew by 18.2%, to USD 12.2 billion, and exports grew by 22.2% to USD 11.2 billion, despite subdued global economic activity, sluggish world trade and geopolitical uncertainties.

Pakistan's stock market was rated as one of the best performing equity markets in the world during 2003. The stock market reflected an improvement in Country's economic fundamentals based on a stable exchange rate, low interest rates, political stability and, more recently, an improvement in relations with India.

The improvement in most of the macroeconomic indicators is a firm indication that Pakistan's economy has turned the corner, and is beginning to recover from its difficult past. The current 'positives' need to be capitalized on through implementation of policies and actions which would ensure that the benefits also filter down to the lower income strata of the society.

Operating Results of the Bank

Your Bank ended the year under review with the highest-ever Operating Profit (before provisions and tax) of Rs. 2,210 million, an increase of 39% over 2002. The post-tax profit increased to Rs. 1,103 million, up by 61% from the previous year. This remarkable financial performance is attributable to focused management of assets and liabilities, strategic expansion of network and effective control over operating expenses.

During the year, the highlight of Bank's performance was the tremendous growth in advances that increased by 48%, from Rs. 31,342 million to Rs. 46,341 million by the close of December 2003, with most of the increase coming in the 2nd half of the year. The increase in advances was partly funded by Deposits that grew by 19%, from Rs. 51,732 million to Rs. 61,657 million and partly by liquidation of low yielding investments – mainly TBs. Total assets grew by 21%, to Rs. 85,387 million as at December 31, 2003. The sizeable credit expansion was part of a planned strategy and we remained prudent in identifying the opportunities for sound lending with well diversified exposures.

Despite this positive development, the revenues from earning assets remained under pressure due to falling rates, and the Bank had to resort to re-aligning the returns offered on various deposit schemes to maintain its spreads. As a result of the substantial increase in the advances and the reduction in the average cost of deposits, the net mark-up income increased by 46%.

Non-fund based income increased by 13%, from Rs. 846 million to Rs. 954 million mainly due to an overall increase in business volumes in the areas of imports, exports and guarantees. However, the income from dealing in foreign exchange dropped from last year due to increased competition and a corresponding erosion of the exchange spreads.

During the year, the operating expenses increased by 32%, from Rs. 1,093 million to Rs. 1,438 million. However, the operating cost to net-income ratio improved to 39.4% from previous year's 40.6%. The increase in operating expenses is mainly due to new branches, expansion in Credit Cards and Retail Banking areas and continued investment in Information Technology to support our position as leaders in electronic banking in the Country.

Your Bank continues to follow the prudent approach of building-up reserves to safeguard against future non-performing assets, and an amount of Rs. 309 million has been appropriated from 2003 earnings as provision against non-performing advances, taking the cumulative provision to Rs. 1,564 million, of which Rs. 685 million were in the form of general provisions. The specific provision, amounting to Rs. 879 million as at December 31, 2003 provided 69% coverage against the non-performing advances, and was made in accordance with the relevant Prudential Regulations.

Non-performing advances as a percentage of aggregate advances were 2.76%, an improvement from 3.97% at the close of the previous year.

The profit after tax has also benefited from the 3% reduction in income tax rates announced by the Government to bring parity with the corporate sector.

Earnings per Share

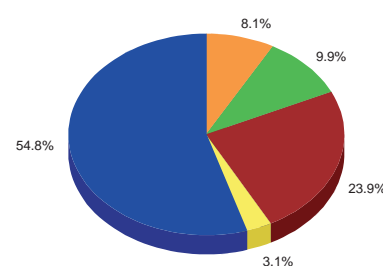
The earnings per share increased by 60% to Rs. 9.66 per share.

Appropriations

The Board of Directors recommends the following appropriations of the profits for the year ended December 31, 2003:

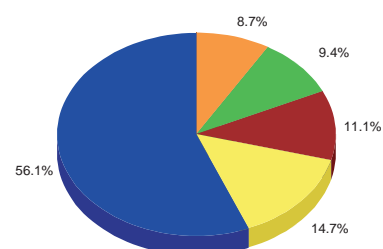
	Rupees in thousand
Unappropriated profit brought forward	-
Profit after tax for the year 2003	1,103,065
Profit available for appropriation	1,103,065
Appropriations:	
Statutory reserve	220,613
Proposed cash dividend @ 20% (i.e. Rs. 2 per share)	228,336
Capital reserve (reserve for issue of bonus shares @10% i.e. 10 shares for every 100 shares held)	114,168
Revenue reserve	539,948
	1,103,065
Unappropriated profit carried forward	-

Earning assets mix



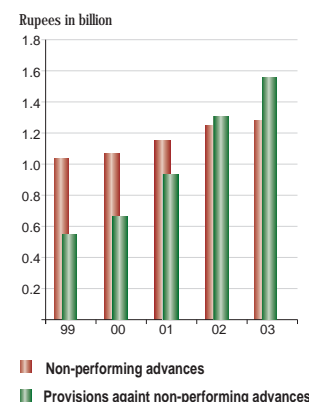
- Cash and balances with treasury banks
- Money market funds
- Federal Government securities
- Equity and debt instruments
- Advances

Funding mix



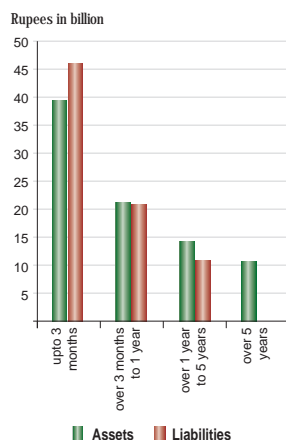
- Fixed deposits
- Refinance borrowing from SBP
- Repo and other borrowings
- Current accounts
- Saving deposits

Coverage against non-performing advances



Asset and Liability Management

Maturity Analysis



The objective of asset and liability management is to maximize returns while keeping the risks within acceptable levels.

The Bank has an Asset Liability Management Committee (ALCO) that plays a vital role in this process. ALCO undertakes continuous measurement and monitoring of the market risks, interest rates risks and foreign exchange risks that are assessed in the light of the changing market dynamics, and strategies are devised and adjusted to mitigate any emerging risk.

The Bank also uses various monitoring and measurement methods for this purpose including interest rate gap analysis and scenario analysis. Several coordinates within the Bank provide inputs to ALCO and also ensure that the decisions are duly implemented. The credit portfolio is managed to preserve quality while ensuring at the same time that it is well balanced and diversified. The developments in the credit portfolio are closely monitored with particular emphasis on the credit ratings of the borrower, and the health of the industry in which they operate. Our International Division undertakes dedicated monitoring of all cross-border exposures including on-and off-balance sheet assets. Limits for each international correspondent are set within the total portfolio limit.

Customer Services

Knowing our customers and their needs is the key to our business and success. Our products and services are structured to touch and improve the quality of lives of all segments of society. It is our constant endeavor to provide the most efficient and personalized service to each and every customer.

Our products are as diverse as our market segments. We have structured and syndicated financing arrangements, working capital finance, Balancing-Modernization-Replacement (BMR) facilities, financing of international trade, consumer credit, small business loans, credit cards and investment products for the individual saver.

Askari Bank is proud of the pioneering role in providing the most modern technological service to its customer base, which today exceeds 350,000 relationships.

Know your Customer

Your bank is devoting considerable attention to comply with the KYC principles. A comprehensive policy has been articulated and filtered down to the front offices dealing with customer accounts, and they are required to determine the source of customer deposits, classify them according to pre-determined 'profiles', and monitor their banking activity to detect deviations.

A dedicated 'Compliance Division' has been established at the Head Office to maintain close watch and raise a yellow or red flag upon observing any abnormality in a transaction that may indicate inappropriate end use.

Credit Rating

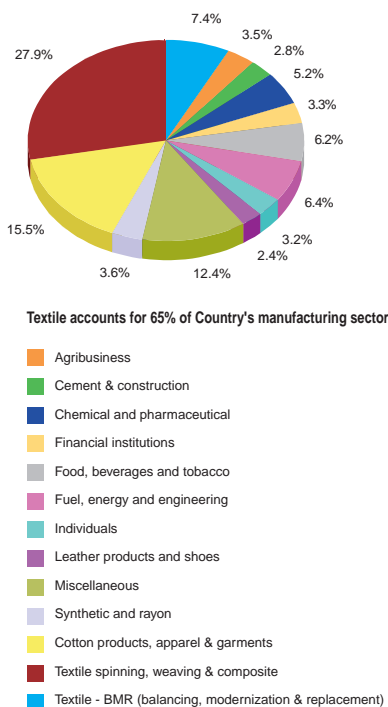
During the year, the Pakistan Credit Rating Agency (PACRA) maintained both our long term and short term ratings at 'AA' and 'A1+', respectively (the latter being the highest possible in this category). These ratings signify a very high credit quality and very strong capacity for timely payment of financial commitments.

Capital Adequacy

Capital adequacy, as a measure of prudence, seeks to limit the extent to which a bank can expand its business in terms of risk weighted assets as compared to its capital.

As of December 31, 2003, your Bank's capital adequacy ratio (CAR) stood at 9.95% as against

Advances by sector



Risk Management

Banking business by nature is exposed to varying degrees of risk, including credit risk, market risk, liquidity risk and operational risks. The risk management function is fundamental to the business of banking and is an essential element of our banking strategy. The credit risk management function is closely structured with authority flowing from the Board of Directors, and is filtered down through a system of committees including Board's Executive Committee, Head Office Credit Committee, Area Office and Branch committees. The system ensures that every credit decision is reviewed by the next level of authority. A Special Asset Management unit is also operating at the Head Office, which has the overall responsibility for the monitoring and remedial management of the non-performing loans. The credit risk associated with the money and foreign exchange market activities is also subject to detailed appraisal and rating framework. Counterparty limits are in place, besides a mechanism of sanctioning and monitoring cross-border risks.

12.0% at the close of the previous year. The dilution of the capital adequacy ratio is primarily attributable to the significant increase in advances - partially funded by the liquidation of TBs that do not carry any risk weightage, and thus the revised mix of risk assets had a compounding effect on CAR.

This indicates that if we are to grow our earnings in an environment of reducing margins, prudent credit expansion is a must, which in turn means more pressure on CAR, and therefore a need to strengthen the capital base of the Bank during 2004.

Branch Network

During the year, your bank opened its first off-shore banking unit in the Kingdom of Bahrain. In addition, 11 new branches increased the nation-wide network to 57. This is the highest number of branches opened in a year. Further expansion will continue during 2004 and work is already underway at some proposed locations. Strategic branch expansion has always remained our priority to cover all important towns and cities and to explore new markets in the smaller towns for our retail banking products, supported by our technology based services such as on-line banking and ATMs.

Awards and Recognition

During the year, your Bank won 'The Best Consumer Internet Bank in Pakistan' award for 2003, the 2nd consecutive year, from Global Finance - an international magazine of high repute.

The Annual Report of the Bank for the year 2002 won the 1st prize for 'The Best Corporate Report' award for the services sector, instituted jointly by The Institute of Chartered Accountants in Pakistan and The Institute of Cost and Management Accountants in Pakistan, for the 3rd year running.

The Annual Report of the Bank for 2002 also gave the Bank the distinction of being the only Pakistani corporate to win a prize for 'The Best Presented Accounts' awarded by the South Asian Federation of Accountants (SAFA), for the 6th consecutive year, at the SAARC level.

Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2003 is included in this report.

Corporate and financial reporting framework

- The financial statements, prepared by the management of the Bank, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Accounting policies have been consistently applied in preparation of these financial statements as stated in the notes to the financial statement and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to banking companies in Pakistan, have been followed in preparation of these financial statements.
- The system of internal control, which is in place, is being continuously reviewed by internal audit department and other such procedures. Such review process will continue and any weakness in controls will be removed.
- Board of Directors is satisfied with the Bank's ability to continue as a going concern.
- There have been no material departures from the best practices of corporate governance as detailed in the Listing Regulations of the stock exchanges where the Bank's shares are listed.
- Transactions undertaken with related parties during the year have been ratified by the Audit Committee and have been properly disclosed in the financial statements.
- Key operating and financial data for the last ten years in summarized form is included in this Annual Report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2003, except as disclosed in these financial statements.
- The following is the value of investment as at December 31, 2003:

Provident Fund Rs. 267.92 million (2002: Rs. 208.68 million)

Gratuity Fund Rs. 110.95 million (2002: Rs. 88.09 million)

- During the year 2003, 5 meetings of the Board of Directors were held. Attendance by each Director was as follows:

Lt. Gen. (R) Jamshaid Gulzar (ex-Chairman)	1
Lt. Gen. Faiz Jilani (Chairman)	4
Lt. Gen. (R) Masood Perwaiz	5
Mr. Kalim-ur-Rahman	5
Brig. (R) Muhammad Shiraz Baig	5
Brig. (R) Ikram ul Hasan (ex-Director)	3
Brig. (R) Asmat Ullah Khan Niazi	5
Brig. (R) Muhammad Safdar Ali	4
Brig. (R) Muhammad Bashir Baz	1
Mr. Javed Ahmed Noel	5
Mr. Zafar Alam Khan Sumbal	5
Mr. Shahid Hafeez Azmi	4
Mr. Muhammad Afzal Munif	4
Mr. Tariq Iqbal Khan (NIT Nominee)	3

Auditors

The Audit Committee has recommended that for the year 2004 Messrs. Ford Rhodes Sidat Hyder & Co. Chartered Accountants be the statutory auditors of the Bank. The Board of Directors has endorsed the recommendation.

The Board of Directors wish to place on record and acknowledge the highest standard of professional independence, objectivity and effectiveness shown by Messrs. Taseer Hadi Khalid & Co. Chartered Accountants, who have been the statutory auditors since the formation of the Bank.

Major Acquisition

Your Bank is currently in the process of conducting the due diligence for acquisition of majority shareholding in Allied Bank of Pakistan Limited, and plans to participate in the bidding process, likely to be held in March 2004.

Events after the Balance Sheet date

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements.

Prospects for 2004

The operating environment for banks in 2004 will be very challenging as the excessive liquidity is likely to maintain pressure on the interest rates which are already at the lowest end. The erosion of banking spreads and, in turn, their profits, will continue and the banks will yet again be faced with an uphill task of producing better results. With the privatization of the two major banks, the banking sector in Pakistan is taking a new shape and already a majority of commercial banking is in the hands of private investors. While this is a long awaited positive development, it clearly indicates that future banking in Pakistan is going to be even more competitive, and the current activities undertaken by diverse financial institutions are going to over-lap.


Your Bank's management is fully aware of these developments and is already taking initiatives that are expected to yield positive results. We remain committed towards improvement in stakeholders' value by diversifying our product range, devising innovative products in order to maintain a competitive edge, and invest in people and technology to enable the Bank to achieve growth in business, improvement in customer service and ultimately an increase in profitability.

Acknowledgments

On behalf of the Board of the Bank, I would like to express my sincere appreciation to the State Bank of Pakistan and other regulatory bodies for their guidance and support; to the shareholders and customers of the Bank for their patronage and business; and to the employees of the Bank for their continued dedication and hard work, which has given us these excellent results.

For and on behalf of the Board

February 11, 2004.
Rawalpindi


Lt. Gen. Faiz Jilani
Chairman

Statement of Compliance

with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Listing Regulations of the stock exchanges where the Bank's shares are listed, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

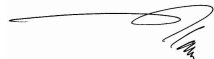
The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 6 non-executive Directors of which 3 independent Directors represent minority interest.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including Askari Commercial Bank Limited, except Mr. Tariq Iqbal Khan who has been exempted for the purpose of this clause by the Securities and Exchange Commission of Pakistan (SECP).
3. All the resident Directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, two casual vacancies occurring on the Board on April 4, 2003 and August 10, 2003 were filled within the prescribed period.
5. The Bank has prepared a 'Statement of ethics and business practices', which has been signed by all the directors and employees of the Bank.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and other executive Directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board members participated in orientation courses to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Chief Executive and the Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive and executives do not hold any interest in the shares of the Bank other than that disclosed in the Pattern of Shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of 3 Directors of which 2 are non-executive including the Chairman.

16. The meetings of the Audit Committee were held in every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the Committee were fully complied with.
17. The Board has set-up an effective internal audit function on a full time basis.
18. The statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied.

for and on behalf of the Board

February 11, 2004
Rawalpindi

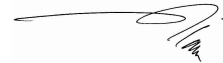


Lt. Gen. Faiz Jilani
Chairman

Statement of Compliance with the Best Practices on Transfer Pricing

The Bank has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of the stock exchanges where the Bank's shares are listed.

for and on behalf of the Board



February 11, 2004
Rawalpindi

Lt. Gen. Faiz Jilani
Chairman