



inspiring relationships

“ The power to inspire and be inspired”

A Decade of Performance

December 31	1995	1996	1997	1998	1999
Profitability					
Total income	1,606	2,306	3,319	4,035	3,889
Interest income	1,292	1,820	2,759	3,475	3,350
Interest expenditure	664	1,212	1,910	2,511	2,486
Fee, commission and exchange income	292	444	520	509	472
Other income	22	42	39	51	67
Spread	428	608	849	965	864
Operating expenses	265	357	461	569	589
Operating profit	477	737	948	956	814
Provision against non-performing assets	27	155	193	102	102
Profit before taxation	450	582	755	854	712
Taxation	277	344	444	495	430
Profit after taxation	173	238	311	359	282
Shareholders' funds					
Total shareholders' funds	893	1,581	1,775	1,937	2,046
Share capital	517	617	939	986	986
Reserves	376	764	836	951	1,060
Surplus on revaluation of assets	-	-	-	-	-
Liabilities					
Customers deposits	9,651	14,126	19,482	23,417	24,358
Refinance borrowings	1,456	1,529	1,908	2,194	3,146
Sub-ordinated loans	-	-	-	-	-
Other liabilities	543	670	906	1,184	1,477
Assets					
Advances	6,991	7,115	9,137	9,708	13,056
Investments	2,473	6,173	11,774	13,888	8,679
Cash, short term funds and statutory deposits with SBP	2,672	3,321	1,622	3,504	7,210
Operating fixed assets	184	288	480	501	536
Other assets	468	812	858	1,130	1,546
Total assets	12,788	17,709	24,071	28,731	31,027
Business transacted					
Imports	7.7	6.2	8.7	11.5	17.5
Exports	10.2	13.1	17.3	20.0	22.8
Guarantees	2.8	4.6	4.0	3.2	5.3
Ratios					
Return on average shareholders' funds (RoE)	21.5	19.2	18.5	19.3	14.2
Return on average assets (RoA)	1.6	1.6	1.5	1.4	0.9
Rate of cash dividends	-	-	12.5	20.0	17.5
Rate of bonus issue	10.0	15.0	5.0	-	-
Price-Earning Ratio (P/E)	10.63	8.27	8.84	3.25	5.56
Advance to deposits (CDR)	71.0	50.4	46.9	41.5	53.6
Operating fixed assets to average shareholders' funds	22.8	23.3	28.6	27.0	27.0
Capital adequacy ratio (CAR)	-	-	16.43	16.98	13.02
Share information					
Earnings per share (EPS)	3.30	2.90	3.30	3.60	2.90
Net assets per share	17.27	19.35	18.90	19.64	20.75
Market value per share	35.74	23.98	28.17	11.70	16.12
Other information					
Number of employees	664	796	946	896	1,001
Number of branches	19	23	26	27	28

2000	2001	2002	2003	2004
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Rupees in million

3,840	5,047	5,704	5,028	6,121
3,210	4,251	4,858	4,074	4,487
2,274	2,902	3,017	1,380	1,117
506	677	599	636	831
122	119	247	317	602
939	1,349	1,841	2,694	3,370
680	854	1,083	1,438	1,845
886	1,291	1,585	2,210	3,158
134	283	351	308	315
752	1,008	1,244	1,902	2,843
438	458	557	709	920
316	551	687	1,103	1,923

2,155	2,579	4,173	5,047	6,016
988	1,036	1,087	1,142	1,256
1,229	1,521	1,940	2,700	4,317
(60)	22	1,146	1,145	443

30,380	41,200	51,732	61,657	83,319
2,882	3,222	3,392	7,329	9,777
-	-	-	-	1,000
3,058	3,980	11,016	11,354	7,055

17,893	23,292	30,035	44,778	69,938
8,651	11,706	26,737	22,104	17,239
10,056	13,436	10,061	15,099	15,936
841	723	1,663	1,980	2,595
1,213	1,824	1,817	1,426	1,460
38,454	50,980	70,313	85,387	107,168

Rupees in billion

26.2	32.0	40.2	48.7	75.2
30.6	38.8	47.3	56.8	70.1
4.8	6.2	14.2	14.4	25.3

Percent

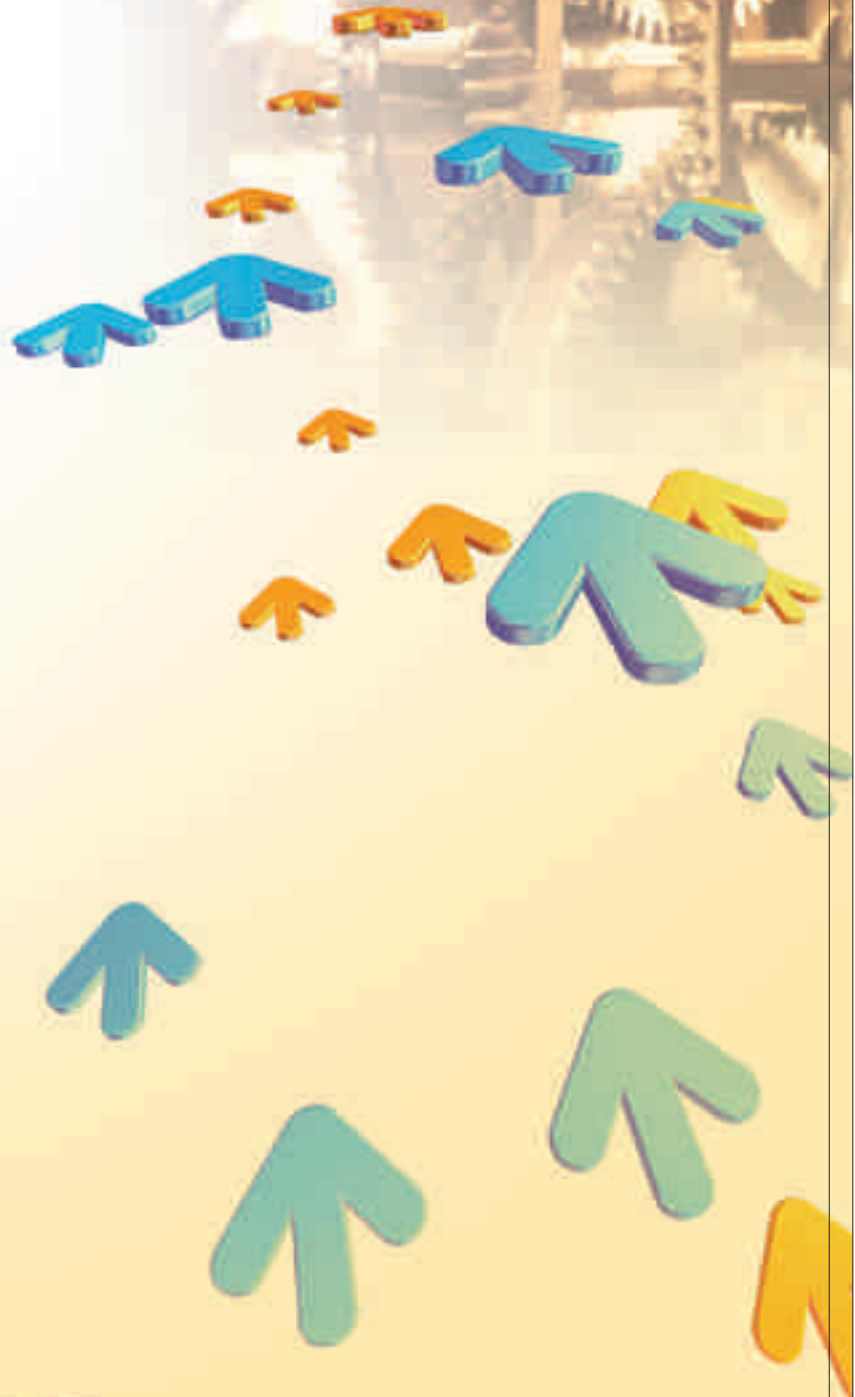
16.0	23.2	20.3	23.9	34.8
0.9	1.2	1.1	1.4	2.0
15.0	20.0	20.0	20.0	20.0
5.0	5.0	5.0	10.0	20.0
4.69	2.50	4.46	5.33	6.14
58.9	56.5	58.1	72.6	83.9
30.5	30.5	49.3	43.0	46.9
11.95	10.78	12.0	9.95	9.91

Rupees

3.00	5.30	6.32	9.66	15.31
21.85	24.90	38.38	44.21	47.90
14.07	13.25	26.85	51.50	94.00

Numbers

1,147	1,261	1,456	1,723	2,118
29	36	46	58	75



Corporate Information

Board of Directors

Lt. Gen. Waseem Ahmed Ashraf
Lt. Gen. (R) Misood Parwiz
Mr. Kalim-ur-Rafiqan
Brig. (R) Muhammad Shiraz Baig
Brig. (R) Muhammad Bashir Baiz
Brig. (R) Asmat Ullah Khan Niazi
Brig. (R) Shaukat Mahmood Choudhri
Mr. Kashif Mubeen Anjari
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
Director
Director
Director (NFI Nominee)

Company Secretary

Mr. Zafar Alam Khan Sumbal

Audit Committee

Mr. Muhammad Afzal Munif, FCA
Brig. (R) Muhammad Shiraz Baig
Brig. (R) Asmat Ullah Khan Niazi
Mr. Zafar Alam Khan Sumbal

Chairman
Member
Member
Secretary

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisors

Rizvi, Isa, Afridi & Angell

Registrar & Share Transfer Office

M/s THK Associates (Private) Limited
Ground Floor,
Modern Motors House,
Baumont Road
Karachi, 75530
Tel: (92 21) 5669021, 5665658, 5665681
Fax: (92 21) 5655595

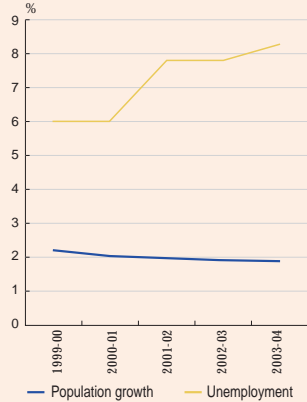
Registered Office / Head Office

AWT Plaza, The Mall,
P. O. Box No. 1384,
Rawalpindi, Pakistan.
Tel: (92 51) 927 2150-53
Fax: (92 51) 927 2455
E-mail: webmaster@askaribank.com.pk
Website: www.askaribank.com.pk

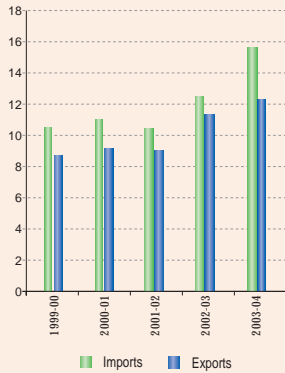


Pakistan's Economic Profile

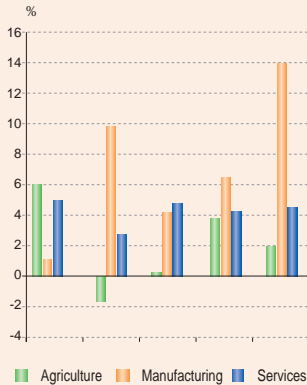
Population growth & unemployment



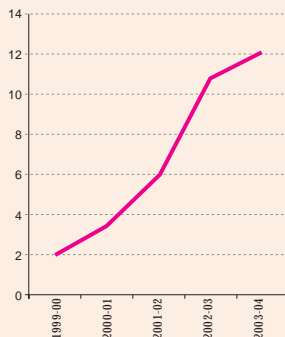
Foreign trade
USD billion



Sectoral contribution to GDP



Foreign exchange reserves
USD billion



Key country statistics

Land area (sq. km.)	796,100
Population (Million)	148.7
Population growth (%)	1.9
Population density (people / sq. km.)	187
Life expectancy (years)	64
Literacy (%)	54

Major economic indicators

	2001-02 *	2002-03 *	2003-04 *
GDP Growth (%)	3.1	5.1	6.4
GDP - at factor cost (Pak Rs. billion)	3,706	3,895	4,144
GDP - at market prices (Pak Rs. billion)	4,402	4,821	5,458
Inflation (%)	3.54	3.10	4.57
Trade balance (USD million)	(1,205)	(1,060)	(3,279)
Current account balance - ex.official transfers (USD million)	1,338	3,165	1,369 ^{est.}
Foreign currency reserves - year end (USD million)	6,432	10,719	12,328
Exchange rate - year end (USD)	60.07	57.81	57.92
(Euro)	59.85	66.10	70.90

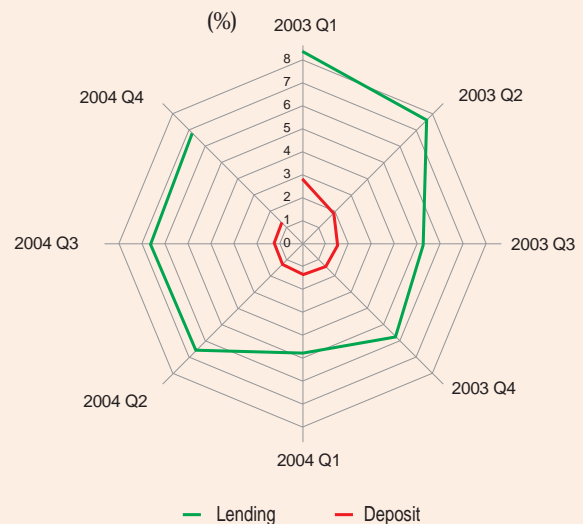
Banking system

	2001-02 *	2002-03 *	2003-04 *
Networth of banks at year end (Pak Rs. billion)	86	112	131
Total assets of banks at year end (Pak Rs. billion)	2,301	2,540	3,003

Stock market

	2001-02 *	2002-03 *	2003-04 *
KSE 100 index at year end	1,770	3,402	5,279
Market capitalization at year end (Pak Rs. billion)	408	746	1,357

Lending and deposit rates



GDP - growth



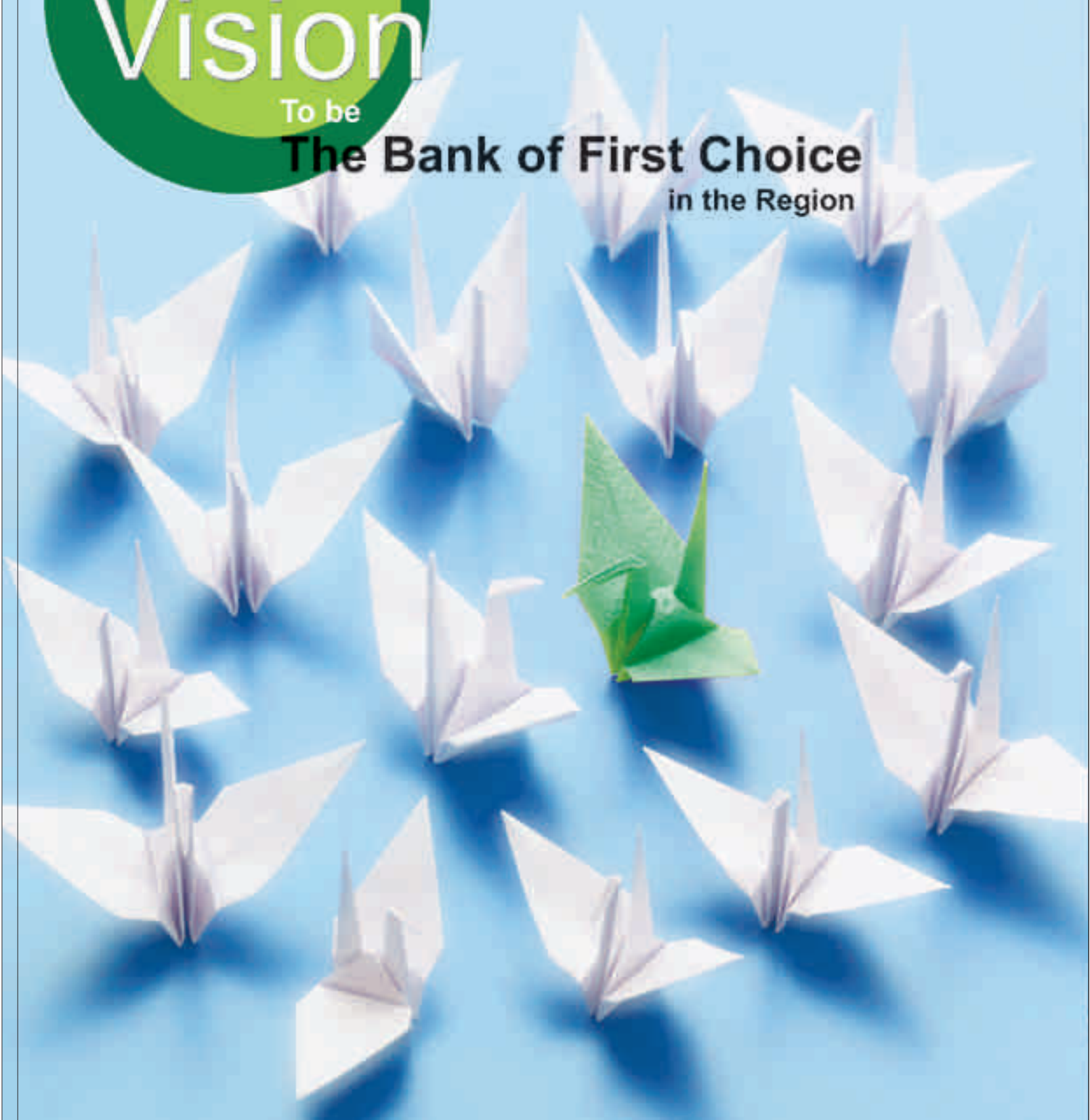
* Pakistan's fiscal year starts on July 1 and ends on June 30.



Vision

To be

The Bank of First Choice
in the Region



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.



Brief History

Askari Bank was incorporated in Pakistan on October 09, 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 74 branches, and an Offshore Banking Unit in Bahrain. A shared network of over 800 online ATMs covering all major cities in Pakistan supports the delivery channels for customer service. As at December 31, 2004, the Bank had an equity of Rs. 6.016 billion and total assets of Rs. 107.168 billion, with over 475,000 banking customers, serviced by a total staff of 2,118.





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.



Awards & Achievements

Over the years, we have received several awards for the quality of our banking service to individuals and corporate. These include:

Commercial Bank of the Year
award for 1994 & 96
by *Asiamoney* magazine

Best Domestic Bank of Pakistan
award for 1995
by *Euromoney*

The Best Bank in Pakistan
award for 2001 & 02
by *Global Finance* magazine

Best Consumer Internet Bank in Pakistan
award for 2002, 03 & 04
by *Global Finance* magazine

Best Corporate / Institutional Internet Bank in Pakistan
award for 2004
by *Global Finance* magazine

Best Corporate Report
1st prize award for 2000, 01, 02 & 03
by *Institute of Chartered Accountants of Pakistan (ICAP)*
and *Institute of Cost & Management of Accountants of Pakistan (ICMAP)*

Best Presented Accounts
Ranking prizes award from 1997 to 2002
by *South Asian Federation of Accountants (SAFA)*

The Best Presented Annual Report
1st prize award from 1997 to 2003
by *National Council of Culture & Arts (NCCA)*

Best Retail Bank in Pakistan
award for 2003
by *Asian Banker*

Corporate Excellence
award for 2002 & 03
The Management Association of Pakistan (MAP)

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



Mr. Agil-ur-Rahman, President Askari Bank, receiving 'The Best Retail Banking in Pakistan' award




Mr. Rahnawaz-Ul-Haq, President Askari Bank, receiving 'Corporate Excellence' award



Mr. Syed Ali Akbar, Chief Financial Officer Askari Bank, receiving 'Best Corporate Report' award

Entity Ratings

Askari Bank has A1+ rating
for short-term obligations and the
long-term rating stands at AA+ from
Pakistan Credit Rating Agency Limited (PACRA)

A close-up photograph of a red ladybug with black spots on its back, perched on the yellow center of a pink, spiky flower. The background is a soft, out-of-focus green and pink.

Inspiring Relationships

Inspiring 475,000 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 475,000 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 a low 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 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. The intrinsic values, which are the corner stones of our corporate behavior, are:

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

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 seventeen new fully automated branches, increasing our branch network to 75, 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.





Corporate Citizenship

Conscience, Care and Compassion

Askari Bank understands the need to be more than just a financial friend. Our commitment to the customers, employees and other stakeholders stems from our deep-rooted belief and the sense of responsibility to contribute towards different areas of the social sector. We see it as giving something back to the nation which helps us flourish. In this way, the society and the people we touch, grow with us.

Today, Askari is a conscientious corporate citizen involved in social uplift, welfare, cultural and sporting activities across the country.

Sports

"Play is the only way the highest intelligence of humankind can unfold"
(Joseph Chilton Pearce)

Askari Bank firmly believes in nurturing the physical spirit as well as the spiritual values. We encourage team spirit and sportsmanship by sponsoring various sports like Squash, Golf and National Para Olympics. We are the official kit sponsors of the Pakistan Polo National Team and all the other Polo League teams. As one of the major sponsors of the 9th SAF Games, we helped the national teams in realizing a much-cherished dream of displaying their potential amongst international players.

As a tribute to our sports heritage, we also sponsored a photo exhibition of sports legends. "A Tribute to Pioneers" had some of the rarest sports photographs dating back to the turn of the last century.





Civic Sense of Responsibility

*“Order is the shape upon which beauty depends”
(Pearl Buck)*

The conscious awareness of civic duty has greatly motivated us in helping the local civil authorities of Lahore and Islamabad. We are with them in their drive to give facelift to different intersections within the cities.

Health Sector

*“A wise man should consider that health is the greatest of Human blessing, and learn how by his thought to derive benefit from his illness.”
(Hippocrates)*

The advent of spring may bring joy to many but for some it heralds a time of physical illness, especially those residing in Islamabad. For the past couple of years, Askari Bank is actively helping the Capital Development Authority in its campaign for “Pollen Allergy Relief”.

Pakistan Foundation for Fighting Blindness is also one of our beneficiaries, which has our continuing support.

Social & Development Sector

*“More countries have understood that women equality is prerequisite for development”
(Kofi Annan)*

Askari Bank is strongly committed to the rights and empowerment of women and children. In this regard, we offer our help to NGOs like ROZAN and BEHBUD in their quest for the betterment of women. Rozan in particular is one of the few NGOs working on issues related to violence against women and children.



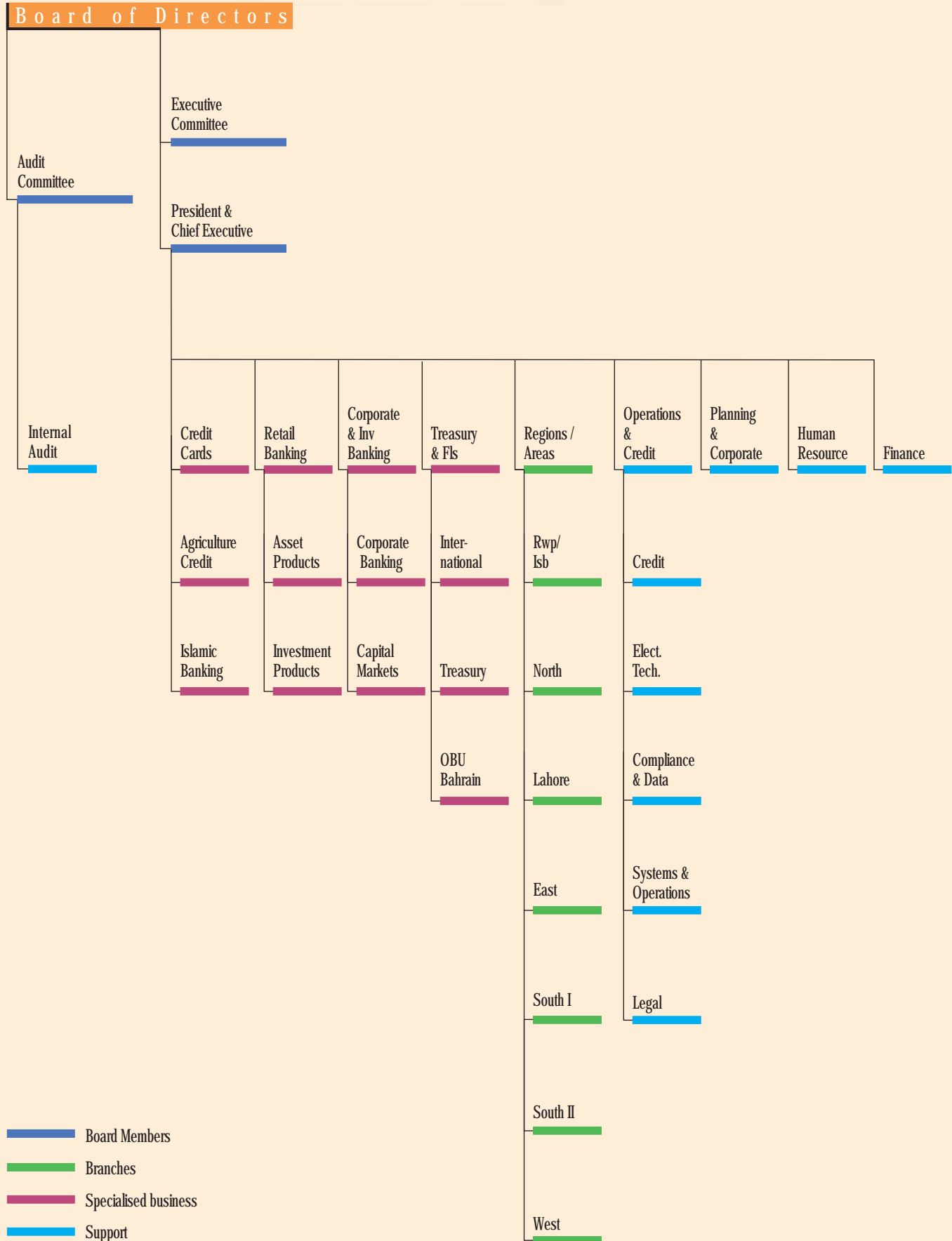
Regional Distribution of Branches / Operating Units



Rwp/Isb Region	11	●
North Area	8	●
Lahore Region	12	●
East Region	15	●
South I Region	15	○
South II Region	9	●
West Area	4	●
Offshore	1	●
Total Branches	75	○
Credit Card Centres	3	△
Retail Banking Centres	5	☆



Organogram



Introduction of Management

Head Office



Kalim-ur-Rahman
President & Chief Executive



Tariq Mahmood, SEVP
Group Head - Operations & Credit



Adnan Afaq, EVP
Divisional Head - Planning & Corporate Affairs



Shaharyar Ahmad, SEVP
Group Head - Corporate & Investment Banking



Zahid Mahmood, EVP
Divisional Head - Human Resource



M. R. Mehkari, SEVP
Group Head - Treasury & Financial Institutions



M. Munir Ahmed, SVP
Divisional Head - Electronic Technology



Agha Ali Imam, EVP
Group Head - Retail Banking



Khalid Mohammad Khan, SVP
Divisional Head - Compliance, Data & Ops.



Hafeez R. Quraishy, EVP
Divisional Head - Islamic Banking



Qaiser Iqbal Khan, SVP
Divisional Head - Credit



S. Suhail Rizvi, EVP
Divisional Head - International



Rehan Mir, SVP
General Manager - Offshore Banking Unit



Abdul Hafeez Butt, EVP
Divisional Head - Corporate Banking



Abdul Jamil Mubbashar, SVP
Divisional Head - Internal Audit

Regions / Areas



Saleem Anwar, SVP
Divisional Head - Finance



Mir Mujahid Ali Khan, SEVP
Regional General Manager - South I



Farooq Abid Tung, SVP
Divisional Head - Agricultural Credit



Shaukat Ali
Regional General Manager - Lahore



Mian Shaukat Ali Arif Sirhindi, SVP
Divisional Head - Credit Cards



Ejaz Ahmed Khan, EVP
Regional General Manager - East



Hassan Aziz Rana, VP
Legal



Nazimuddin A. Chaturbhai, EVP
Regional General Manager - South II



Faheem A. Qureshi, VP
Retail Banking Assets



Saif-ul-Islam, EVP
Regional General Manager - Rawalpindi/ Islamabad



Shahid Siddiqui, AVP
Investment Products



Israr Ahmed, EVP
Area Manager - North



Tariq Siddique Ghauri, VP
Area Manager - West

President's Message



By the Grace of Allah,

Askari Bank was able to achieve another record performance during

2004 by posting the highest-ever operating profit of Rs. 3.158 billion against Rs. 2.210 billion last year, an increase of 43% in one year. The after-tax profit increased by 74%, from Rs. 1.103 billion to Rs. 1.923 billion, giving an earning per share of Rs. 15.31.

The external factors contributing to this performance are the generally better state of Pakistan's economy leading to increased business volumes, overall positive market sentiment, political stability, and visible improvement in Pakistan's sovereign ratings. The internal factors continue to be deft management of assets and liabilities, effective control over operating expenses, introduction of market oriented products, customization of existing products and strategic expansion of branch network. As a result, Askari Bank outperformed all its peers in terms of after-tax profits.

Askari Bank is consistently focused on building long term shareholders' value, as the primary objective. The strength of our brand name, supported by strategic expansion and the depth of our customer relationships, gives us a strong foundation on which to build and continue growing in the times ahead.

The key elements of our strategy have been to increase our market share, mobilize our resources, develop retail and agriculture banking, introduce fresh initiatives for corporate and investment banking, capitalize on new business opportunities and implement various technology initiatives.

Revenue growth remained a critical challenge facing the banking industry during 2004. Declining inflation during most of 2004 and the consequent low yields on assets pushed down banks' interest margins and created stiff competition amongst banks even for retail credit where spreads had earlier been much better than the conventional ones. Also, agriculture credit attracted banks' greater focus. In this scenario, the large banks with greater outreach, and very low cost of funds, had a distinct advantage. Askari Bank, pursuing the key elements of our credit management strategy, well diversified credit expansion and containing non-performing advances, was able to compensate the impact of declining yields by increasing business volumes. Thus, we were able to increase our net mark-up income, though not in the same proportion as the increase in earning assets. Also, the Bank was able to significantly increase non-interest revenues and achieved the highest non-fund based income in the history of the Bank. The profits that we earned enabled us to provide our shareholders with a good return on their investment.

Besides the financial results, we focused our efforts on improving risk management, which we consider to be one of the essentials for sustainable success in our business. A dedicated team, aided by outsourced expertise, has been assigned the task of evaluating and recommending the necessary processes to achieve a comprehensive risk management framework. The exercise will improve our risk taking and managing capabilities. A decision has already been made to create an independent Risk Management Division which will assess and monitor the risk profile of the Bank, and recommend means and methods for improving it, as and where necessary. Meanwhile, all risks are already been monitored very carefully using the traditional methods.

Our Retail Banking Group gathered further momentum during 2004 and increased its share in both business volumes and earnings of the Bank. The Group recognizes innovation as the real differentiator in the retail banking business and has devised various products and services for its customer base. While new products are being added, the distribution channels are also being increased and currently five customer service centers operate in major cities to serve retail banking customers. We believe that Askani Bank is well poised to increase its share of the retail banking market which still offers good opportunities to grow.

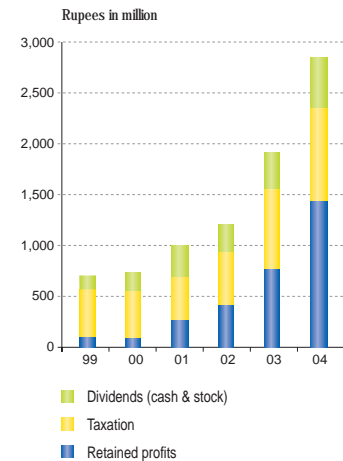
Our progress in the field of retail banking was recognized internationally as the Bank won The Asian Banker award for the 'Best Retail Bank in Pakistan' for 2003. This is the first time any bank in Pakistan has won this award.

Askani's credit card, using the MasterCard brand, remained among the market leaders and crossed the 100,000 cards mark during 2004. The unit runs as a Strategic Business Unit (SBU) headquartered in Karachi and aided by three card centers in the major cities. Keeping in view the growth potential in the credit cards business, four additional card centers have been planned and will become operative in 2005.

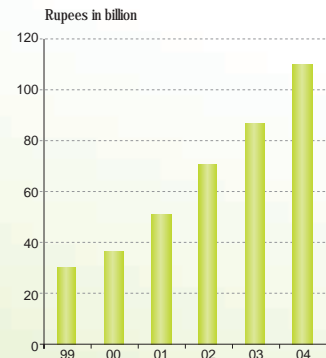
The Bank's first Offshore Banking Unit (OBU) based in the Kingdom of Bahrain, after completion of its first year of operations, came out of the red and is now contributing to the Bank's earnings. It provides us with a platform to benefit from the business opportunities available in the international market.

During 2004, the Bank launched its Agriculture Credit Division. This Division is presently headquartered in Lahore and is strategically placed to serve its customer base through the various branches located in the small to medium sized cities in the Punjab. After the initial start-up phase, the Division has started penetrating in the agriculture credit market through a wide range of innovative and customized products and services, which have been widely acclaimed. In 2005, agriculture financing will be extended to the other provinces of the country.

Distribution of profits

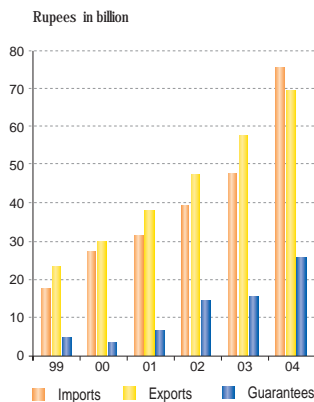


Total Assets



President's Message

Foreign trade & Guarantees



In view of the fast changing market conditions and narrowing of traditional margins on loans, Askari Bank remains committed to seek out new opportunities and making 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 the year, the Bank relocated its fast expanding Technology Division to a custom built premises in Islamabad, which offers space to grow and much improved communication links with the various branches and units of the Bank. Also, a call center, named as the Askari Customer Care Center, has become operational. It offers round the clock service to our valued customers. Work is already underway to support the call center with an integrated data warehouse which will greatly improve the customer service and enable cross-selling of services and products.

Askari Bank places great emphasis on the attraction, development, and motivation of its employees who are recognized as the prime asset and key contributors to the progress of the Bank. During the year, the compensation package was substantially improved in order to enhance employees' motivation and loyalty. Our human resource management objective remains to increase the contribution from the employees to the Bank's value addition. For this purpose, various initiatives are being implemented, including improved training and career development, to stimulate employee initiative, innovation, commitment and work efficiency. We are also focusing on developing an organization culture which will enhance employee synergies for achieving excellence in all we do.

The management and staff worked tirelessly to achieve the tremendous results during 2004. 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 valued customers, which we greatly appreciate and acknowledge.

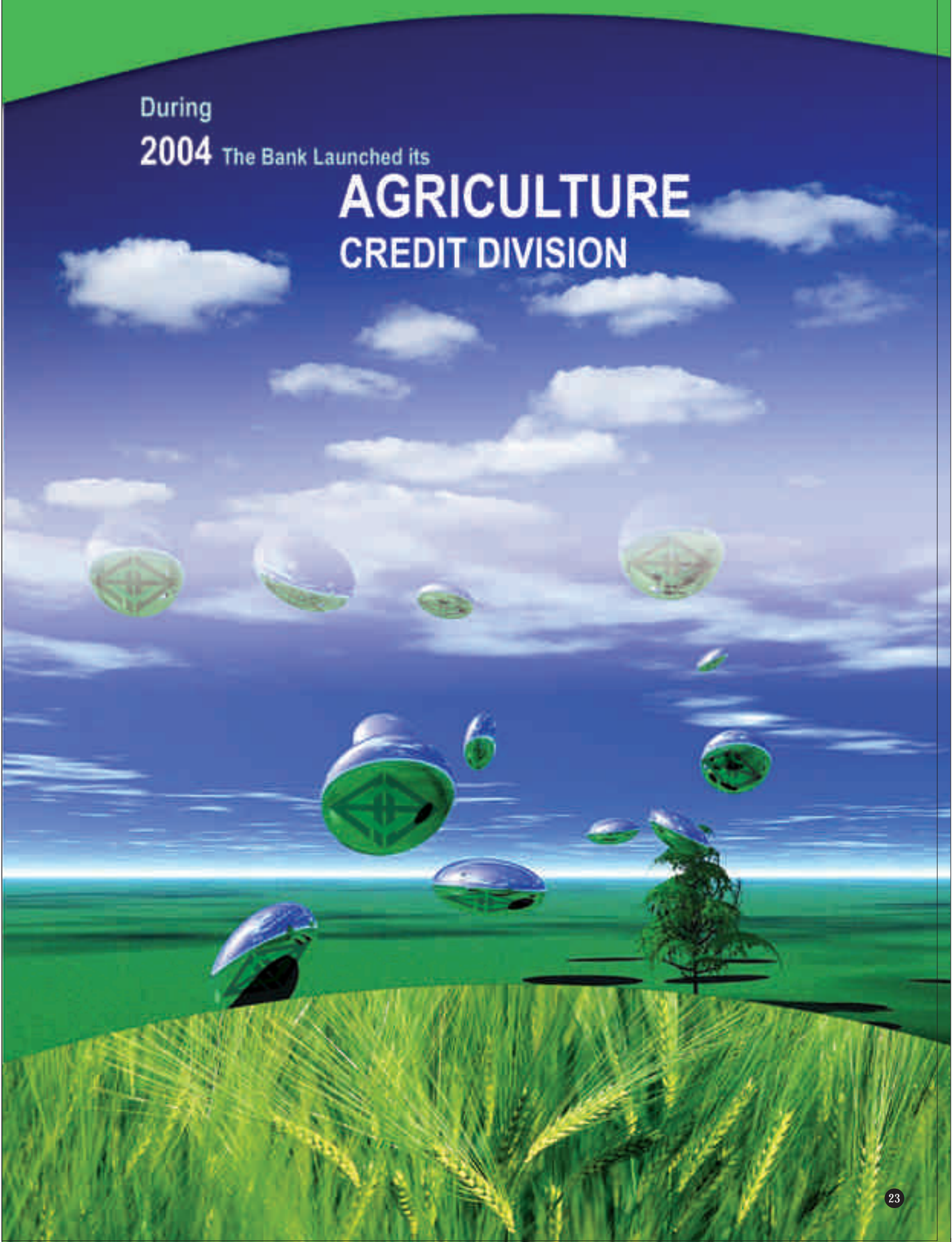
Our Board of Directors took keen interest in the affairs of the Bank and in the formulation of policies. I would like to thank them for the guidance and counsel they extended to the management in conducting the affairs of the Bank.

Our entrepreneurial culture, strong brand and highly motivated staff will ensure that we continue to seek out every possible growth opportunity in pursuit of our stated objectives of adding to the stakeholders' value and contributing to the economy and the society in which we operate.

Kalim-ur-Rahman
President & Chief Executive

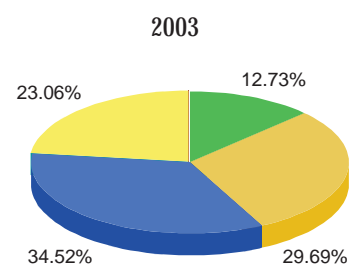
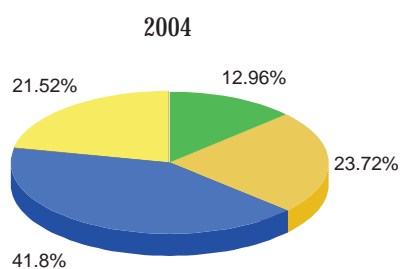
During
2004 The Bank Launched its

AGRICULTURE CREDIT DIVISION

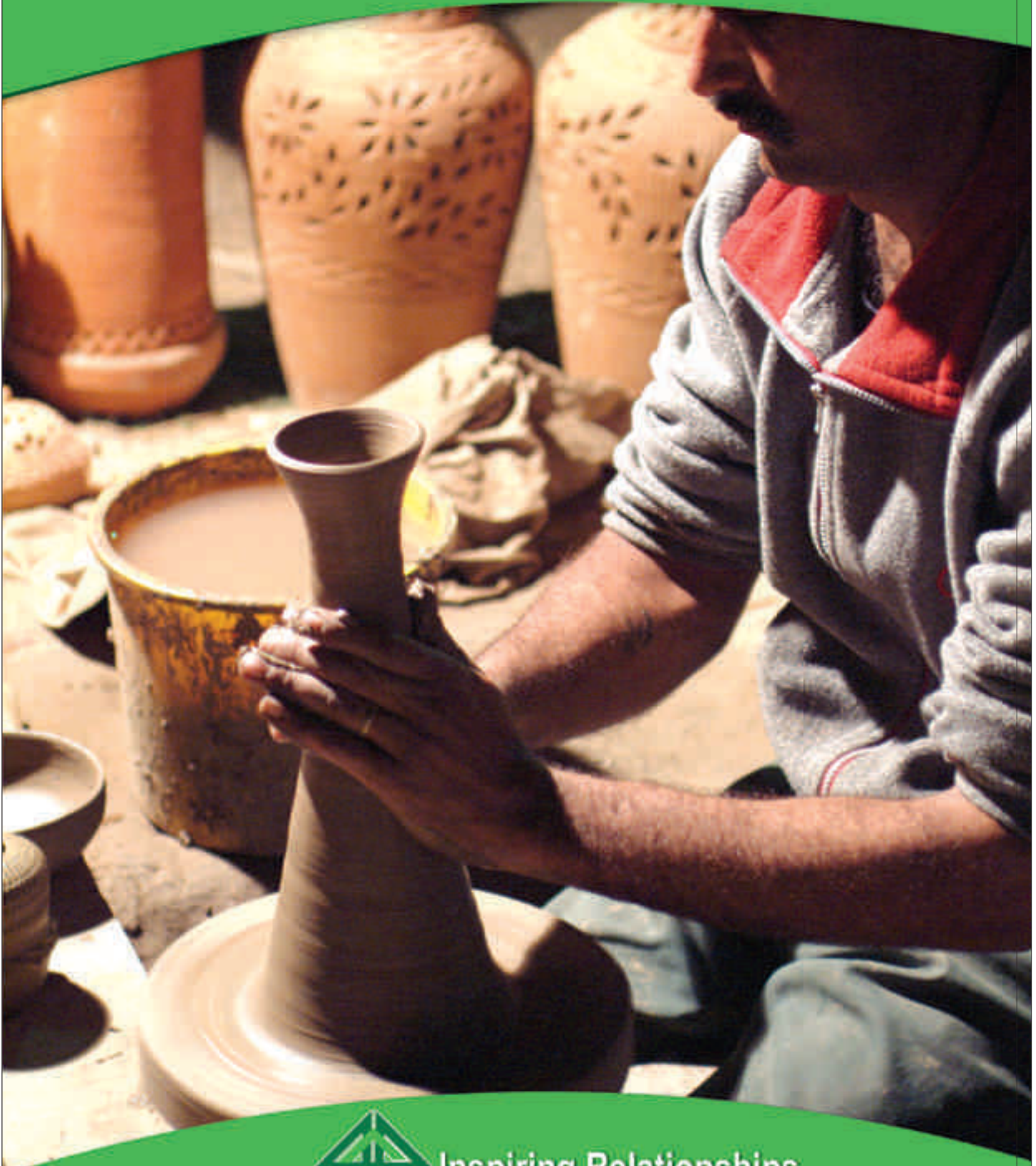


Value Added Statement

Value Added	2004	Percent	2003	Percent
	Rupees in thousand		Rupees in thousand	
Income from banking services	5,767,580		4,796,370	
Cost of services	1,614,060		1,832,942	
Value added by banking services	4,153,520		2,963,428	
Non-banking income	39,176		35,314	
Provision against non-performing assets	(315,471)		(308,528)	
	3,877,225		2,690,214	
Value allocated				
to employees				
Salaries, allowances & other benefits	834,574	21.52%	620,309	23.06%
to providers of capital				
Cash dividend	251,170		228,336	
Bonus shares	251,170		114,168	
	502,340	12.96%	342,504	12.73%
to Government				
Income tax	919,700	23.72%	798,735	29.69%
to expansion and growth				
Depreciation	199,911		168,105	
Retained in business	1,420,700		760,561	
	1,620,611	41.80%	928,666	34.52%
	3,877,225	100.00%	2,690,214	100.00%



■ Value allocation to employees
■ to providers of capital
■ to Government
■ to expansion and growth



Inspiring Relationships

Business and Operations Review



Benefited by the highly conducive economic environment, Askari Bank continued its growth momentum and posted substantial gains during 2004.

The positive economic trends during the year, particularly the broad based recovery by the manufacturing sector and the low interest rates led to a record growth in the private sector credit demand, which increased by Rs. 325 billion during fiscal 2004. Also, net consumer credit grew strongly by Rs. 75.6 billion during fiscal 2004 as against Rs. 48.6 billion in the previous year, an increase of 56%. The highest growth in consumer credit was financing for consumer durables followed by automobiles and personal loans. The increase in consumer credit also had an expansionary effect on corporate finance, as the demand for automobiles and consumer durables, particularly electronic items, pushed up production in these sectors.

Askari Bank was well poised to take advantage of these positive developments in the country. Corporate business accounted for 59% of the total credit disbursed during the year followed by SME (21%) and commodity financing (13%). Retail and agriculture credit accounted for 7% of the total credit disbursed during 2004. In a highly competitive environment, the Bank continually reviewed its policy pertaining to the sectoral exposures to derive optimum competitive advantage, maintain the risk profile and achieve greater customer satisfaction.



Corporate and Investment Banking

2004 was a challenging year due to historic lows in interest rates, particularly for corporate business. The Corporate Banking Division (CBD) undertook a number of debt re-pricing swap transactions, aimed at reducing the financial burden of its key client portfolios and also managed advisory and loan arrangement activities. The major new relationships cover telecommunication, oil and gas, and chemicals sectors. 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.

The investment banking activity mainly covers, debt / capital markets, advisory services and trading (both equities and derivatives). After the initial start-up phase, the capital market desk, based at Karachi, increased the volume of capital market related transactions. During 2004, as a result of the positive stock market sentiment, the capital market transactions contributed substantially to the Bank's earnings. Investment Banking also participated in various debt and capital raising instruments during the year.

Progress on the setting-up of an Asset Management Company was slow because of delays in receiving statutory approvals. However, we now see the company becoming operational in the third quarter of 2005.

The corporate and investment banking will continue to play a major role in loan syndications, structured financing and debt / capital raising transactions with the objective of providing entire range of corporate and investment banking solutions to its valued clients under one umbrella.

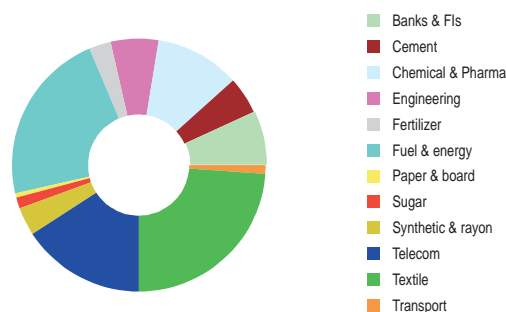
Retail Banking

During the year, the Retail Banking Group registered healthy growth (167%) in its asset book comprising of auto, mortgage, business, personal and household financing.

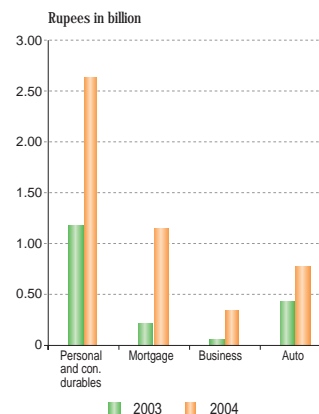
Keeping in view the fast growing operations of retail banking, the Group re-organized its marketing and customer support structure by creating dedicated Retail Banking Units (RBU) in addition to the Retail Banking Centers (RBC). The 5 RBC's, in Rawalpindi, Peshawar, Lahore, Karachi and Quetta are now supported by 19 RBU's which operate from the branches in proximity of the RBCs.



Segmentation of Corporate Facilities



Retail Banking Advances



Business and Operations Review



In addition to the asset book, other retail banking products showed healthy increases. The Bank's debt card with the brand name of ASKCARD registered a growth of 23% in the number of cards issued. Askari Bank pioneered product of electronic utility bills payment service was further expanded and now covers electricity bills for Islamabad and Peshawar, and gas bills for the south regions, in addition to the bills of the largest telephone utility company. The transaction volume on electronic utility bills payment facility increased more than 5 times during 2004.

Credit Cards

Amidst strong competition, the credit card business, under the MasterCard brand, recorded good growth in all areas of operation. Net card issuance increased by 59% during the year and cards in force (CIF) crossed the 100k mark. Transaction volume increased by 39%, while the Credit Cards loan portfolio increased by 34%. NPLs on account of the loans portfolio remained well within the industry norms.

For the first time in Pakistan, Askari Bank introduced the 'Platinum Card' in addition to the existing Gold and Silver. The 'Platinum Card' facility offers certain exclusive leisure and travel related facilities to its members.

Treasury and International operations

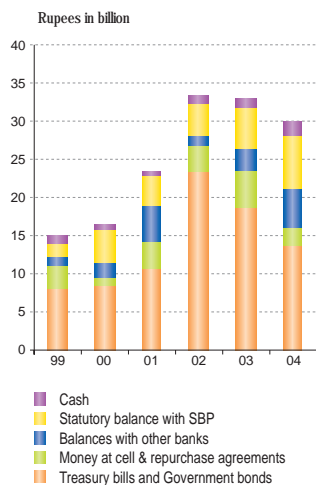
Conditions in the money market and foreign exchange market were very challenging and volatile during 2004. The low interest rate environment that dominated the first half of 2004, changed with the rising credit demand in the manufacturing, retail, services and agriculture sectors, increase in inflation, and rising interest rates in the international market.

Similarly, the Rupee / Dollar exchange rate witnessed a volatile situation, reflected by the fact that the Rupee started the year 2004 at 57.40 against US Dollar, reached 61.00 in October and gradually receded to 59.46 in December. The main reasons for this volatility were the bulging trade deficit, higher oil prices and repayment of expensive foreign debts by the Government of Pakistan (GoP).

Dollar premiums in the forward were negative in the first half of the year; but gradually shifted to positive in the second half due to the weakening of the Rupee.

Money market remained liquid with volatility in interest rates. Weighted average yields of 6 months Treasury Bills rose to 3.73% p.a. in November from 1.64% p.a. in January 2004, thus reflecting a net increase of 209 bps.

Cash, short term placements & Government bonds



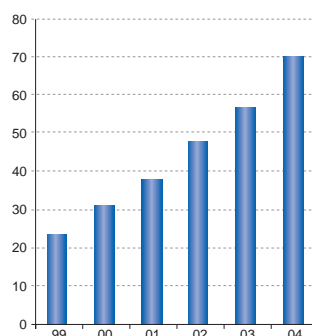
The intense competition along with the deregulation and liberalization of the money and foreign exchange markets, has placed the Treasury in a demanding position, and it is now under pressure to be more innovative in undertaking arbitrage and derivative transactions to maintain (and increase) its share in the overall earnings of the banks.

The Treasury management has established a Mid Office to measure, manage and mitigate the risk elements associated with the Treasury activities. The IT system and the human resource skills have been upgraded so that the Treasury can manage the risk better, and also advice and services to the branches and their customers.

The increase in overall foreign trade of the country during 2004 also enabled the Bank to achieve a healthy growth. Bank's import business increased to Rs. 75.2 billion, i.e. 54% over last year, while the exports increased by 24% over last year, to Rs. 70.1 billion.

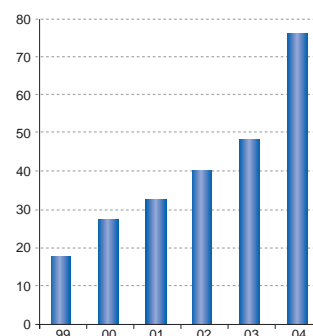
Exports

Rupees in billion



Imports

Rupees in billion



Offshore Banking Unit

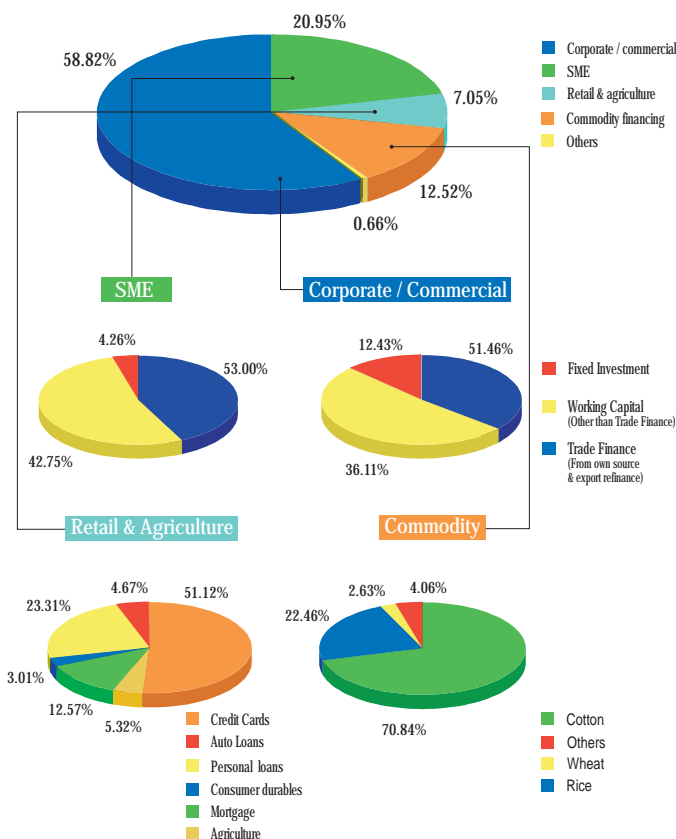
Askari Bank's first Offshore Banking Unit (OBU) has started making a positive contribution to the Bank's overall earnings. During 2004, OBU completed its first year of operations and recorded more than four times increase in its asset base to USD 47 million, from USD 11 million last year. The OBU enhances our capability in terms of offering a wider range of services to our customers and also acts as a look-out for new business opportunities and relationships in the international markets.

Advances and Credit quality

The low interest rates and the substantial growth in large scale manufacturing were the primary factors behind the tremendous increase in private sector credit during the year.

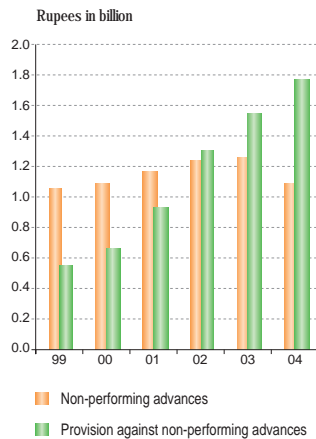
Askari Bank's credit portfolio increased by 55%, to close at Rs. 71.718 billion. A review of the securities held against credit limits reveals that the credit portfolio of the Bank is well collateralized, with about 44% of the exposure being covered by securities of liquid nature, such as deposits, trade documents, equity or debt instruments, guarantees from government or financial institutions, etc.

Disbursements during the year



Business and Operations Review

Coverage against non-performing advances



Consequent to substantial recoveries during the year, Bank's non-performing advances reduced by 14% to Rs. 1.101 billion, from Rs. 1.278 billion last year. The NPLs ratio as a percentage of gross advances also reduced from 2.76% to 1.54%.

During 2004, Askari Bank made further provisions of Rs. 277 million in compliance with the revised provisioning guidelines issued by the State Bank of Pakistan, and also to build up the general provisions as a measure of prudence. The cumulative provisions increased to Rs. 1.780 billion, thereby increasing the coverage of total provisions to total NPLs to 162%, against 122% last year.

Information Technology

In the age of 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.

During 2004, various technology initiatives were successfully implemented. The seventeen new branches opened during the year were operational with on-line banking from day one. A dedicated customer call center, named as the Askari Customer Care Center, became operational during the year. It aims at providing one window service to our valued customers in terms of their telephonic enquiries. During the year, Askari Bank's co-founded ATM switch, 'One-Link', the largest ATM switch in Pakistan, linked up with M-net, the second largest switch. As a result, the Bank's customers can now access their accounts through more than 800 online ATMs throughout Pakistan.

Making crucial, timely, strategic decisions is a must to stay ahead in today's competitive banking environment. The Bank's 'Data Warehouse' is a step towards providing the management with accurate, up-to-date information enabling them to make timely and prudent decisions. The data warehousing project will also assist the already operational customer call center to operate more effectively.

Askari Bank's central Electronic Technology Division was relocated to a custom built premises in Islamabad which offers an excellent environment to work, and much improved communication links with the various branches and operating units of the Bank, countrywide.



Regulatory environment & CAR

The year saw many initiatives on the policy and regulatory front which would have an impact on the Bank's business in the years to come.

The State Bank of Pakistan (SBP) issued revised prudential regulations which became effective from January 1, 2004. The revised prudential regulations have, inter alia, resulted in higher provisioning requirements against the NPLs. At the same time the new regulations provide greater flexibility to banks to meet the credit requirements of the consumer, microfinance and SME sectors.

The scope of the capital adequacy ratio (CAR) has been extended and capital requirement for market risk, in addition to the existing credit risk, has also been introduced.

SBP has enhanced the minimum paid-up capital requirement for banks from Rs. 1.0 billion to Rs. 1.5 billion by December 31, 2004, and Rs. 2.0 billion by December 31, 2005.

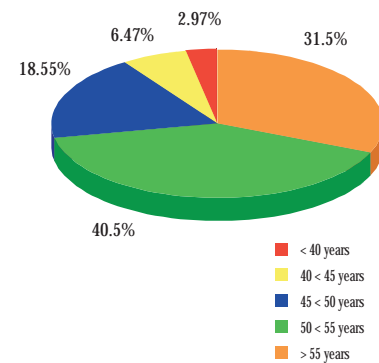
As of year end 2004, Askari Bank is fully compliant with all the above requirements and the management of the Bank is fully cognisant of the steps being introduced to promote good governance practices among banks, and to establish effective anti-money laundering processes in keeping with international requirements.

Our People

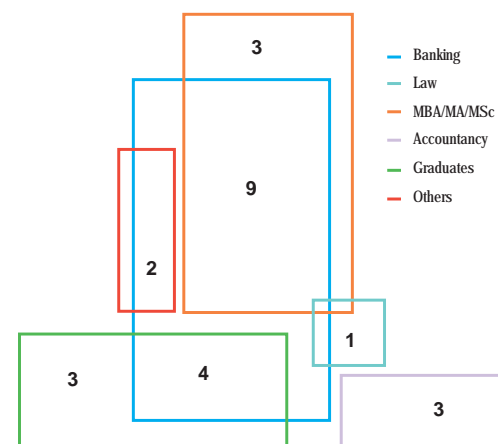
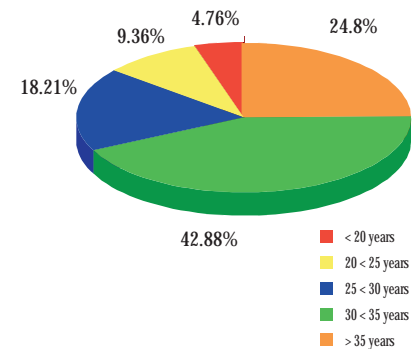
The Bank fully recognizes its committed and competent work force as the primary asset in providing value addition to its other stakeholders. Human resource functions are accordingly being modernized and reviewed in accordance with our strategic direction and objectives. Staff training and motivation is carried out on a continuous basis throughout the year, based on the assessed training needs, particularly in the areas of knowledge enhancement and skills. In-house training courses are conducted at the Bank's training center. During 2004, 1337 staff attended various training courses spread over 222 working days.

Staff at the middle and senior levels are frequently nominated for outside training programs conducted by institutions both locally and abroad. Overseas training was stepped up during 2004 and as many as 11 staff members attended seminars and workshops overseas. Additionally, 129 staff attended various courses and training programs conducted by local training institutions.

Age-wise analysis of Corporate & Senior Management



Service analysis of Corporate & Senior Management

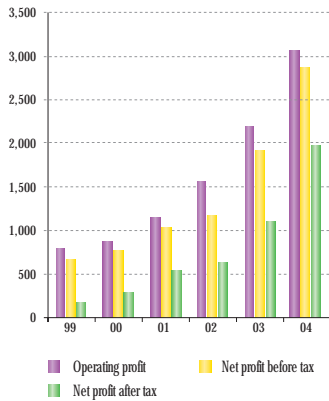


Professional qualifications of Senior Management

Financial Review

Profits

Rupees in million

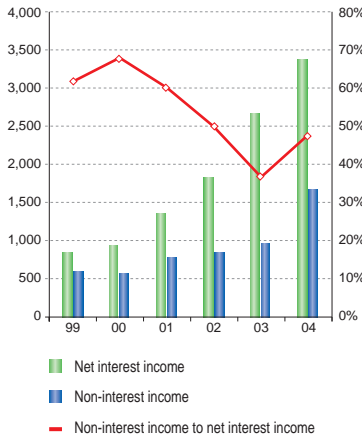


Operating profit & profit before and after tax

Askari Bank recorded significant growth in operating profit (43%) over previous year. Pre-tax grew by 49% and after-tax profits grew by 74%, over previous year. The after-tax profit grew more due to the tax-exempt gains realized during the year. The effective tax rate reduced from 42% to 32% during the year. The core-banking profits grew by 23%, and net mark-up / interest income increased by 25% during the year, mainly due to efficient management of spreads and 55% increase in advances.

Non-interest income

Rupees in million

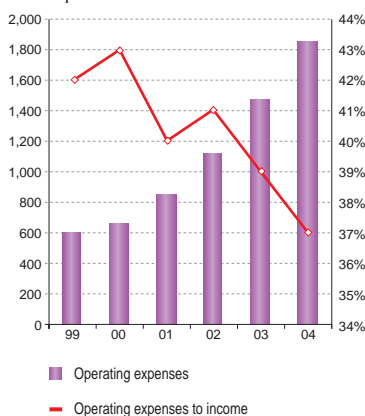


Non mark-up / non interest income

The total non mark-up / non interest income recorded healthy growth during the year, mainly due to the gains realized upon sale of certain long-term investments in equities, mutual fund and government securities, amounting to Rs. 540 million. Fee, commission and brokerage income increased by 24% benefited by the substantial increase in foreign trade and guarantees business, while income from dealing in foreign currencies increased by a healthy 60% over the previous year.

Operating expenses

Rupees in million



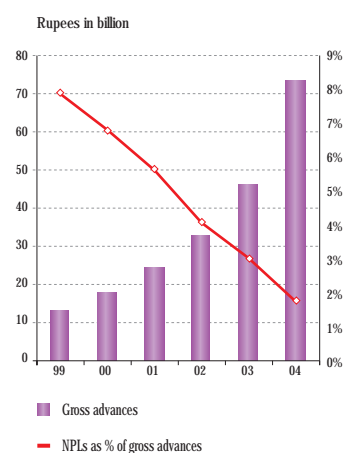
Operating Expenses

Askari Bank's cost to income ratio (CIR) which was at 39% in 2003, improved appreciably to end up at 37%. The significant increase in operating income over operating expense was the main contributory factor for the improvement in the cost to income ratio.

NPLs and provisions against NPLs

During 2004, Askari Bank appropriated Rs. 277 million as provisions against non-performing advances, against previous year's Rs. 309 million. Out of the total provision against NPLs charged during the year, 45% was specific while 55% was general. The cumulative provision increased to Rs. 1.780 billion, thus providing 162% cover to the NPLs as at December 31, 2004. The reduction in additional provisions during the year was in line with the reduction in the aggregate NPLs which reduced by 14% from Rs. 1.278 billion as at December 31, 2003 to to Rs. 1.101 billion at the close of December 31, 2004.

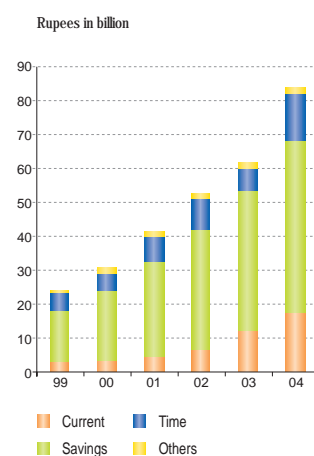
Non-performing advances



Current, Savings and other deposits

Customer deposits increased to Rs. 83.319 billion by the end 2004, an increase of 35% over last year. The increase was achieved despite falling rates. The main contributors to this growth were fixed deposits, which increased by 96% followed by current accounts, which increased by 62% over the previous year. The saving deposits increased by 18%.

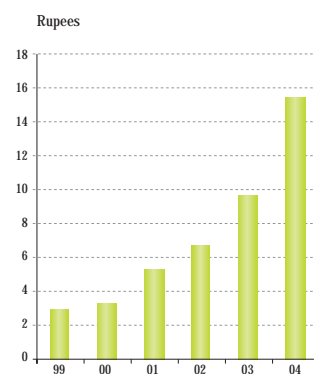
Analysis of total deposits



Earnings per share

Earnings per share increased by 58% from Rs. 9.66 in 2003 to Rs.15.31 in 2004.

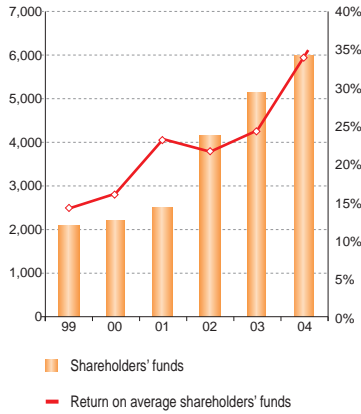
Earnings per share



Financial Review

Shareholders' funds

Rupees in million

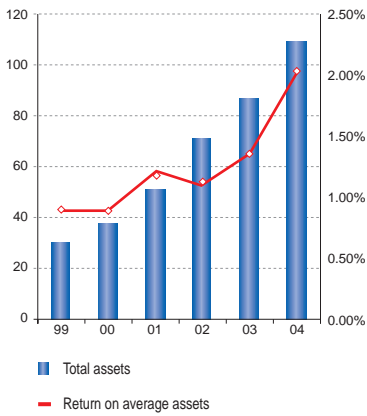


Shareholders' funds

The aggregate shareholders' funds increased to Rs. 6.016 billion by end 2004 from Rs. 5.047 billion last year. The increase was contributed by the profits earned during the year while the unrealized surplus on revaluation of investments, mainly government securities, reduced to Rs. 443 million from Rs. 1.145 billion last year. The return on average shareholders funds increased to 34.80% from 23.90% last year.

Return on average assets

Rupees in billion

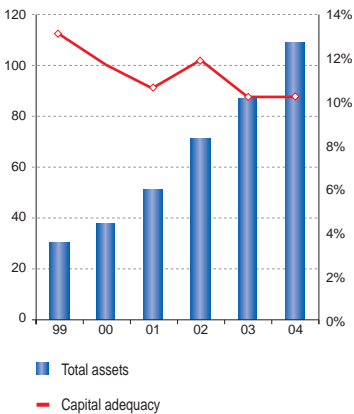


Return on average assets

Return on average assets, which was 1.4% as at end 2003, increased to 2.0% by end 2004. This 43% increase in RoA is primarily attributable to significant increase in after-tax profit. The average assets increased by 24% during 2004.

Capital Adequacy

Rupees in billion



Capital adequacy

The capital adequacy ratio slightly declined to 9.91% by December 31, 2004 from 9.95% at end 2003. The 55% increase in advances was the main reason for increase in risk weighted assets. During the year, Askari Bank issued unsecured subordinated term finance certificates to further strengthen CAR and to provide cushion for future growth.

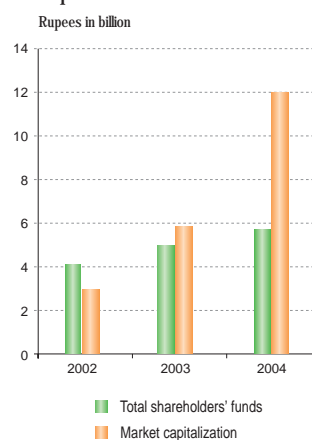
Share Information

The ordinary shares of Askari Commercial Bank Limited are listed on the Karachi, Lahore and Islamabad stock exchanges. The audited financial statements have been submitted to the stock exchanges within the requisite notice periods as required by the regulations. Askari Bank's Central Depository System ID is 05132.

Askari's share price (Rupees)				
	High During the year	Low During the year	Close at December 31	Number of shares traded During the year
2002	27.90	13.50	26.85	37,271,500
2003	53.90	21.30	51.50	96,059,000
2004	98.25	50.00	94.00	1,043,563,300

As at December 31	Number of shares	Askari's Shareholders' funds Rs. bn	Market capitalization Rs. bn	KSE's market capitalization Rs. bn	Askari's share in market capitalization
2002	108,731,375	4.173	2.919	595.206	0.49%
2003	114,167,943	5.047	5.880	951.447	0.62%
2004	125,584,737	6.016	11.805	1,723.454	0.68%

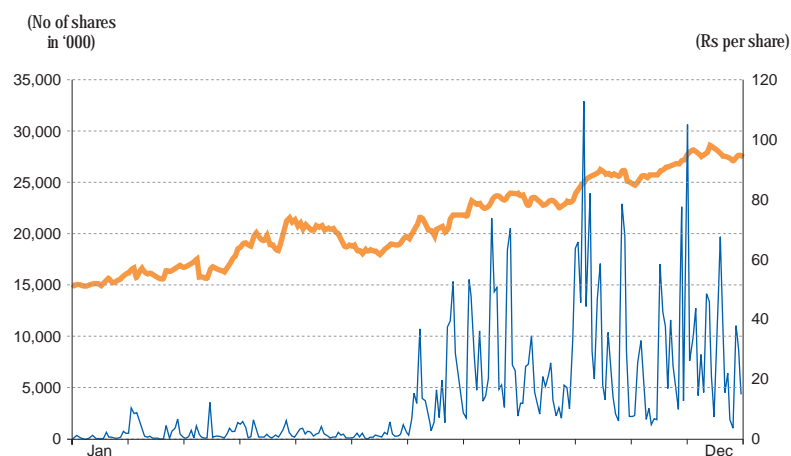
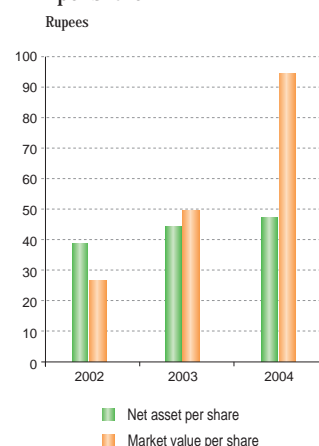
Shareholders funds and market capitalization



Record of share issues

Year	Issue	Number of shares	Share capital (Rs)
	Prior to public issue	15,000,000	150,000,000
1992	Public issue	15,000,000	150,000,000
1993	50% Rights issue @ Rs.10 per share	15,000,000	150,000,000
1995	Bonus @ 15%	6,750,000	67,500,000
1996	50% Rights issue @ Rs.20 per share	22,500,000	225,000,000
1996	Bonus @ 10%	7,425,000	74,250,000
1997	Bonus @ 15%	12,251,250	122,512,500
1998	Bonus @ 5%	4,696,312	46,963,120
2001	Bonus @ 5%	4,931,101	49,311,010
2002	Bonus @ 5%	5,177,712	51,777,120
2003	Bonus @ 5%	5,436,568	54,365,680
2004	Bonus @ 10%	11,416,794	114,167,940
		125,584,737	1,255,847,370

Net asset and market values - per share



Notice of the 13th Annual General Meeting

Notice is hereby given that the 13th Annual General Meeting of the members of Askari Commercial Bank Limited (the Bank) will be held on Monday, March 28, 2005 at 1000 hours at 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 Extraordinary General Meeting (EOGM) held on December 20, 2004.
2. To receive, consider and adopt the audited financial statements of the Bank for the year ended December 31, 2004 together with Directors' and Auditors' Reports thereon.
3. To consider and approve payment of cash dividend to the shareholders at the rate of Rs. 2.00 per share of Rs. 10 each for the year ended December 31, 2004.
4. To appoint Auditors of the Bank for the year ending December 31, 2005 and to fix their remuneration.
5. To elect eleven (11) Directors as fixed by the Board in accordance with provisions of Section 178 of the Companies Ordinance 1984, for a period of three years commencing March 25, 2005 in place of the retiring directors namely:
 - a. Lt. Gen. Waseem Ahmed Ashraf
 - b. Lt. Gen. (R) Masood Parwaiz
 - c. Brig. (R) Muhammad Shiraz Baig
 - d. Brig. (R) Asmat Ullah Khan Niazi
 - e. Brig. (R) Shaukat Mahmood Chaudhari
 - f. Brig. (R) Muhammad Bashir Baz
 - g. Mr. Kashif Mateen Ansari
 - h. Mr. Zafar Alam Khan Sumbal
 - i. Mr. Shahid Hafeez Azmi
 - j. Mr. Muhammad Afzal Munif
 - k. Mr. Tariq Iqbal Khan (NIT Nominee)

Special business

6. To approve issue of bonus shares by passing the following resolution:

RESOLVED THAT:

- a. "a sum of Rs. 251,170 thousand out of the profit be capitalized and applied for issue of 25,117,000 ordinary shares of Rs 10/- each and allotted as fully paid bonus shares to those members of the Bank whose names appear in the Register of members of the Bank at the close of business on March 18, 2005 in the ratio of one share for every five shares held and that such new shares shall rank pari passu in all respect with the existing shares of the Bank except that they shall not qualify for dividend or any other benefit for the year ended December 31, 2004."
- b. 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
- c. For the purpose of giving effect to the above resolutions, the Directors be and are hereby authorized to give such directions as may be necessary and to settle any questions or difficulties that may arise in regard to the distribution of the bonus shares or in the payment of the sale proceeds of the fractions as the Directors in their discretion shall deem fit.
7. To approve payments on account of fees to non-executive Directors for attending meetings during the year ended December 31, 2004.
8. Any other business with the permission of the Chair.

By order of the Board



February 10, 2005
Rawalpindi

Zafar Alam Khan Sumbal

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 28, 2005.

Item No. 5 of the notice

Term of office of the present Directors of the Bank will expire on March 24, 2005. The Board of Directors of the Bank will be re-constituted for a fresh term of three years by electing ten Directors and appointing one nominee Director of NIT.

The Directors are interested to the extent that they are eligible for re-election as Directors of the Bank.

Item No. 6 of the notice

The Directors are of the view that the reserves and profits of the Bank are adequate for the capitalization of a sum of Rs 251,170 thousand for issue of the proposed 20% bonus shares.

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

Item No. 7 of the notice

In terms of the Para C.2 in Regulation G-1 of the Prudential Regulations of the State Bank of Pakistan for Corporate / Commercial Banking, post facto approval is required on account of payment of fee to non-executive Directors of the Bank for attending meetings, as disclosed in note 27 to the audited financial statements for the year ended December 31, 2004.

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

Notes

A. General:

1. The Share Transfer Books of the Bank will remain closed from March 19 to March 28, 2005 (both days inclusive). Transfers received at M/s THK Associates (Pvt) Ltd., Ground Floor, Modern Motors House, Beaumont Road, Karachi, the Registrar and Share Transfer Office of the Bank at the close of the business on March 18, 2005 will be treated in time for purpose of the entitlement of cash dividend and bonus shares (DW-8 & B-9) to the transferees.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan/State Bank of Pakistan/Corporate entity may appoint a person who is not a member.
 3. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporation (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
 4. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with our Registrars/Transfer Agents, M/s THK Associates (Pvt) Ltd, Ground Floor, Modern Motors House, Beaumont Road, Karachi not less than 48 hours before the time of holding the meeting.
 5. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.
- B. For CDC Account Holders:
1. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
 2. Attested copies of NIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 3. The proxy shall produce his/her original NIC or original Passport at the time of meeting.
 4. In case of Government of Pakistan/State Bank of Pakistan / Corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures shall be submitted alongwith proxy form to the Bank.

Directors' Report to the Shareholders

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the 13th Annual Report of Askari Commercial Bank Limited along with the audited accounts and Auditors' Report thereon for the year ended December 31, 2004.

The Economy

Gaining strength from the economic fundamentals of last year, Pakistan's economy gathered further momentum during fiscal 2004. Acceleration in growth, accompanied by a sharp pick up in industrial production, a strong upsurge in investment, and a further strengthening of the external balance of payments, were the hallmarks of this year's performance.

The GDP grew by 6.4% during fiscal 2004 spearheaded by growth in the large-scale manufacturing which grew by 17.1% against the target of 8.8% and last year's 7.2%. The agriculture sector grew by 2.6%, lower than actual growth of 4.1% last year and a target of 4.2%, losing its share to industrial sector in the composition of GDP.

During fiscal 2004, the monetary policy remained easy and accommodative. The lower lending rates, caused by high liquidity, coupled with an improvement in the macroeconomic fundamentals, resulted in accelerated economic activity. The average cost of bank credit came down significantly from 7.58% p.a. to 5.05% p.a., narrowing interest spreads by 200 bps. The private sector availed Rs. 325 billion additional bank credit during fiscal 2004 against the target of Rs. 85 billion and an actual of Rs. 168 billion in the corresponding period last year. The distribution of credit was broad-based and all the important segments of the economy, including the recent

additions of housing, SMEs, consumer durables and agriculture, showed increased utilization. The broad-based distribution of credit enabled the benefits of low interest rates to filter down to a wider segment of the society through consumer and agriculture financing. At the same time the broadening of the client base improved the credit risk profile.

Foreign trade continued to grow on the back of a rebound in the world trade and good economic growth at home. Two notable events during fiscal 2004 were Pakistan's pre-payment of USD 1.17 billion owed to Asian Development Bank and a strategic re-entry into the international capital markets through the floatation of USD 500 million Eurobonds at a fixed rate of 6.75% p.a. These Eurobonds received overwhelming response and the order book swelled to USD 2 billion, a four times over subscription, reflecting a vote of confidence by the international investors in Pakistan's economy and the economic reforms agenda. Subsequently, the response to Pakistan's Sukuk issue of USD 500 million – the largest ever issue of sovereign Islamic Bonds, has also been very encouraging. The offer was able to attract USD 1.2 billion, of which USD 600 million was accepted. The Sukuk Bond has been assigned rating of B+, which indicates that Pakistan's sovereign risk is still under rated, considering the very strong economic fundamentals and performance.

The balance of payments again recorded a surplus in fiscal 2004, though the magnitude was smaller in relation to the previous year, primarily due to a reduction in home remittances, and an increase in the imports on the back of high oil prices in the international market, which reached USD 42 per barrel by the close of fiscal 2004. During the same period, the Rupee depreciated by 0.6% from Rs. 57.81 per USD at the end of fiscal 2003 to Rs. 58.16 per USD at the end

of fiscal 2004, which was beneficial for Pakistan's exporters who were able to regain some of their competitiveness in the international market. During fiscal 2004, both imports and exports registered significant growth: imports grew by 27.6%, to USD 15.59 billion, and exports grew by 10.3%, to USD 12.31 billion.

Another landmark achievement of calendar 2004 was the impressive growth of the share index of the Karachi Stock Exchange (KSE) – rising from 4473 points on December 31, 2003 to 6218 on December 31, 2004 – an increase of 1745 points or 39.01% during the year. This growth was primarily attributable to: strong economic growth, stable exchange rate, a positive privatization process through the capital markets, visible improvement in the Pakistan-India relationship, appropriate reforms initiated by the Securities and Exchange Commission of Pakistan (SECP), the availability of adequate liquidity in the market, good operating and financial results from a majority of the blue chip companies, and the consequent enhancement in the investor confidence.

In the late 1990s, Pakistan lived through a difficult and testing period. Now, after five years of dedicated effort, the complexion of the economy has changed altogether with almost all indicators showing remarkable improvement. The economic policies and reforms programs have not only improved the economy for the present; but have also provided the impetus to propel the economy on a higher growth path. While significant progress has been achieved, maintaining the momentum and building on the gains will be both vital and challenging. Sound and consistent macro economic policies, financial discipline, and political and regional stability will be the keys to sustain the momentum and achieve even greater heights.

Operating results of the Bank

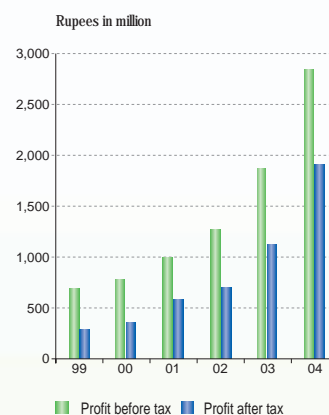
Your Bank was able to make the best use of the improving business environment and posted much improved results for the year 2004. A pre-tax profit of Rs. 2.843 billion has been achieved as against Rs. 1.902 billion last year, an increase of 49%, and the post-tax profit is Rs. 1.923 billion as against Rs. 1.103 billion last year, an increase of 74%.

The deposit base has grown by 35% to Rs. 83.319 billion, from Rs. 61.657 billion last year. All categories of PLS deposits (i.e. savings and time deposit products) have shown improvement. The foreign currency accounts reflect a 42% increase over last year, despite interest rates on most foreign currencies falling further during 2004.

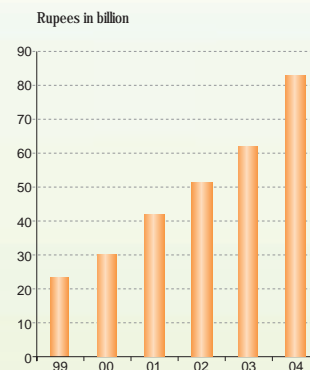
During the year, the advances portfolio reflects a 55% increase to Rs. 71.718 billion from Rs. 46.341 billion last year, mainly due to aggressive marketing in an expanding private sector. At the same time, the Bank continued to exercise effective credit risk management and remained watchful of the impact on capital adequacy. The increase in the advances was funded partly by an increase in the deposits and partly through liquidation of the lower yielding investments. The effect of the substantial increase in advances was off-set by the falling yields, to give a 10% increase in the mark-up over last year. At the same time, however, the cost of funds dropped by 19%. The combined effect of these two factors increased the net mark-up income by 25% over last year.

The non-fund income increased by 71% over last year, mainly due to capital gains realized from selling some of the listed stocks. On a comparable basis, the non-fund income showed YoY growth of 15%.

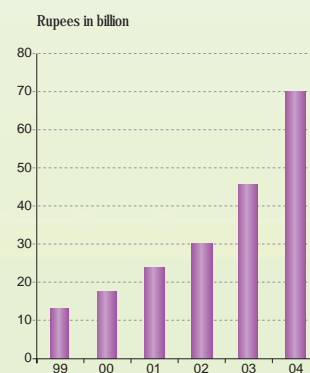
Growth in Profits



Growth in Deposits

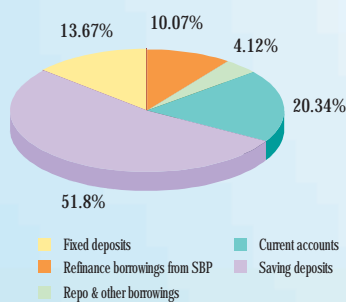


Growth in Advances

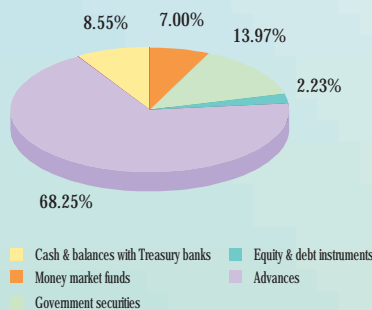


Directors' Report to the Shareholders

Funding mix



Earning assets mix



Administrative expenses increased by 28% over last year mainly due to substantial expansion in the branch operations, credit cards and retail banking, coupled with a revision in the employee compensation package, in an attempt to make it more competitive as compared to other peer banks. However, the cost to income ratio (CIR) of the Bank recorded an improvement. We are confident that most of the strategies adopted by us in the recent past, will further lower CIR in the years ahead.

The Bank's NPLs to gross advances ratio reduced to 1.55% as at end 2004 from 2.75% last year. While this reduction is partly attributable to substantial growth in advances, it also reflects our prudent management of the credit portfolio. During the year, the Bank made a further provision of Rs. 277.398 million in line with its policy of building up general provisions in addition to the requirements of the State Bank of Pakistan's (SBP's) prudential regulations.

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

Earnings per share

The earnings per share increased by 74% from Rs. 8.78 to Rs. 15.31 per share.

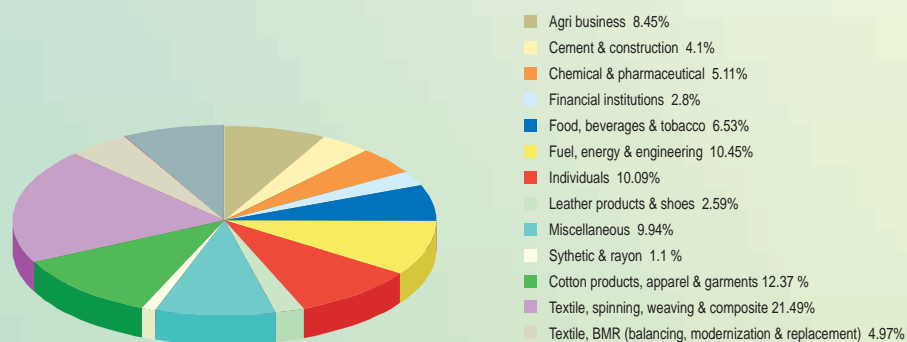
Appropriations
The Board of Directors recommends the following appropriations of the profits for the year ended December 31, 2004:

	Rupees in thousand
Unappropriated profit brought forward	-
Profit after tax for the year 2004	1,923,040
Profit available for appropriation	1,923,040
Appropriations:	
Statutory reserve @ 20%	(384,608)
Proposed cash dividend	(251,170)
Capital reserve (reserve for issue of bonus shares)	(251,170)
Revenue reserve	(1,036,092)
Unappropriated profit carried forward	-

Risk management framework

Your Bank fully recognizes that the risk management function is fundamental to the business of banking and is an essential element of our banking strategy.

Advances by sector - as at December 31, 2004



Since the issuance of guidelines on risk management and the subsequent Institutional Risk Assessment Framework (IRAF) questionnaire by SBP, the Bank has adopted a holistic approach and has been engaged in extensive and detailed evaluation and assessment of its risk management framework in all areas of banking activity. Based on the guidelines issued by the SBP, a risk management strategy is being developed that will further expand into a comprehensive formulation of risk management policies and procedures for assessing, and mitigating / controlling risks. The process involves detailed study of the existing risk review and risk management functions within the Bank and is being jointly carried out with consultants to add market expertise to the in-house experience. The study is planned to be completed by the 2nd quarter, 2005 and will thereafter be implemented with required changes in the existing risk management framework, as and where warranted. A decision has already been made to set up an independent Risk Management Division to oversee the whole exercise and implement the recommendations.

Statement of internal controls

The management of the Bank endeavors to attain a professional and efficient working environment within the Bank by establishing and maintaining adequate and effective internal control systems.

The management of the Bank fully recognizes and appreciates the value and significance of internal controls and ensures the presence of an efficient and effective control system by identifying control objectives, devising pertinent policies / procedures and establishing relevant control procedures covering all areas of activities, after approval of the competent authority.

Also, appropriate test of transactions, observations on control environment, sharing of findings on internal control system and ensuring relevant and appropriate follow-up / corrective measures are also being carried out by the management on regular basis.

The management of the Bank feels confident that through the adoption of above measures, Bank's internal control environment will be maintained at an adequate level.

Credit rating

During the year, the Pakistan Credit Rating Agency (Pvt) Limited (PACRA) upgraded your Bank's long term rating from 'AA' to 'AA+' and maintained the short term rating at 'A1+', the highest possible for this category. According to PACRA, "these ratings reflect sustained ability of revenue growth from core operations while maintaining a low risk profile and also dynamic as well as efficient fund deployment strategy. Going forward, given the strong technological platform and enhanced geographical outreach, the Bank is well positioned to maintain its competitive edge despite an increasingly competitive operating environment".

Capital adequacy

As of December 31, 2004, your Bank's capital adequacy ratio (CAR) stood at 9.91% as against 9.95% at the close of the previous year. The substantial growth in advances recorded during the year resulted in a dilution of CAR, which was compensated by the issue of Tier II capital in the form of unsecured subordinated debt which will also provide sufficient cushion for further growth of risk assets.

Directors' Report to the Shareholders

Term finance certificates

Your Bank launched the first issue of Term Finance Certificates (TFCs) of a total size of Rs. 1,500 million. The subscription towards the pre-IPO of Rs. 1,000 million was received before the year end 2004 and the initial public offering of Rs. 500 million was conducted in early February, 2005. The instrument is unsecured and listed on the Lahore Stock Exchange and has been issued to strengthen the Tier II capital of the Bank, as mentioned above.

Branch network

During the year, your Bank opened the highest number of branches so far in any year by adding 17 branches to the nation-wide network to make a total of 74. The worldwide total branch network stood at 75, including the Offshore Banking Unit in Bahrain. Further expansion will continue during 2005 and work is already underway at some proposed locations. Strategic branch expansion remains our priority to cover all important towns and cities and to explore new markets in the smaller towns for our retail and agriculture banking products, supported by our technology based services such as on-line banking and ATMs.

Awards and recognition

During the year, your Bank, for the first time, won 'The Best Retail Bank in Pakistan' award for the year 2003 from The Asian Banker magazine.

The Bank also won, for the first time, the Corporate Excellence Award for 2002 for the financial category, from the Management Association of Pakistan.

The Bank won 'The Best Corporate / Institutional Internet Bank in Pakistan' and 'The Best Consumer Internet Bank in Pakistan' awards for 2004, from The Global Finance – an international magazine of high repute.

The Annual Report of the Bank for the year 2003 won the 1st prize for 'The Best Annual Report' for the services sector, instituted jointly by The Institute of Chartered Accountants of Pakistan and The Institute of Cost and Management Accountants of Pakistan, for the 4th year running.

Pattern of shareholding

The pattern of shareholding at the close of December 31, 2004 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 except as stated in the notes to the financial statements 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 Regulation No.37 of the Karachi Stock Exchange (Guarantee) Limited.
- 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, 2004, except as disclosed in these financial statements.
- The following is the value of investment as at December 31, 2004:
 Provident Fund Rs. 336.01 million (2003: Rs. 267.92 million)
 Gratuity Fund Rs. 131.87 million (2003: Rs. 110.95 million)

- During 2004, 6 meetings of the Board of Directors were held. Attendance by each Director was as follows:

Lt. Gen. Faiz Jilani (ex-Chairman)	3
Lt. Gen. Waseem Ahmed Ashraf (Chairman)	1
Lt. Gen. (R) Masood Parwaiz	6
Mr. Kalim-ur-Rahman	6
Brig. (R) Muhammad Shiraz Baig	6
Brig. (R) Asmat Ullah Khan Niazi	5
Brig. (R) Muhammad Safdar Ali	5
Brig. (R) Muhammad Bashir Baz	6
Brig. (R) Shaukat Mahmood Chaudhari	4
Mr. Javed Ahmed Noel	2
Mr. Zafar Alam Khan Sumbal	6
Mr. Kashif Mateen Ansari	1
Mr. Shahid Hafeez Azmi	6
Mr. Muhammad Afzal Munif	6
Mr. Tariq Iqbal Khan (NIT Nominee)	4

Auditors

The Auditors, M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants, have completed their assignment for the year ended December 31, 2004 and shall retire at the conclusion of the 13th Annual General Meeting. With a view to have the same audit firm for all group companies involved in rendering financial services, the Directors recommend appointment of M/s A. F. Ferguson & Co., Chartered Accountants, as the auditors for the year 2005, who are already external auditors of a group company involved in financial services, subject to the approval of the State Bank of Pakistan.

Directors' Report to the Shareholders

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 2005

The operating environment for banks in 2005 will be very challenging in the wake of intense competition in the pricing of asset and liability products. The erosion of banking spreads will force the banks to offer improved and innovative products and services in an effort to produce better results.

Your Bank continues to pursue strategic expansion of its nation-wide branch network which reached 74 by the end of the year. Further expansion is planned and is in progress. The Bank will also be looking at augmenting its existing delivery channels with new IT backed channels to boost customer convenience. The Bank will continue to monitor the credit growth strictly on the basis of quality, risk and pricing aimed at improving returns on assets and capital.

We will, in 2005, further consolidate our corporate identity and offer our clients a better service and more customized products. Through this more focused approach, we will endeavor to out perform the competition.

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



Lt. Gen. Waseem Ahmed Ashraf
Chairman

Rawalpindi
February 10, 2005

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Prudential Regulation No. XXIX, responsibilities of the Board of Directors, issued vide BSD Circular No. 15, dated June 13, 2002 and the Code of Corporate Governance as 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 at least 11 non-executive Directors of which 3 independent Directors represent minority shareholders.
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 a NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, three casual vacancies occurring on the Board on July 14, 2004, October 18, 2004 and December 18, 2004, 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 Officer, 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.

Statement of Compliance

with the Code of Corporate Governance

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 Officer.
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 Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer 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 members who are non-executive Directors including the Chairman of the Committee.
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 with.

For and on behalf of the Board



Lt. Gen. Waseem Ahmed Ashraf
Chairman

Rawalpindi
February 10, 2005

Review Report to the Members **on Statement of Compliance with Best Practices of Code of Corporate Governance**

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and the internal control systems sufficient to plan the audit and develop an effective audit approach. We

have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, as applicable to the Bank for the year ended December 31, 2004 with the best practices contained in the Code of Corporate Governance.

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

February 10, 2005
Islamabad

Auditors' Report to the Members

We have audited the annexed balance sheet of Askari Commercial Bank Limited ("the Bank") as at December 31, 2004, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for eight branches which have been audited by us and one branch audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty per cent of the total loans and advances of the Bank, we report that:

- (a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 5.4 to the financial statements, with which we concur;

- (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31st, and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Bank for the year ended December 31, 2003 were audited by Taseer Hadi Khalid & Co., Chartered Accountants, who had expressed an unqualified opinion thereon vide their report dated February 11, 2004.

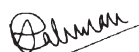
Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

February 10, 2005
Islamabad

Balance Sheet as at December 31, 2004

(Rupees in thousand)	Notes	2004	2003
Assets			
Cash and balances with treasury banks	6	8,762,866	6,678,026
Balances with other banks	7	4,847,899	2,650,166
Lendings to financial institutions	8	2,324,839	5,770,842
Investments	9	17,239,157	22,104,425
Advances	10	69,938,041	44,777,538
Other assets	11	1,459,716	1,425,986
Operating fixed assets	12	2,595,023	1,979,919
Deferred tax assets		-	-
		107,167,541	85,386,902
LIABILITIES			
Bills payable	13	1,227,093	973,703
Borrowings from financial institutions	14	13,781,555	15,903,055
Deposits and other accounts	15	83,318,795	61,656,607
Sub-ordinated loans	16	1,000,000	-
Liabilities against assets subject to finance lease	17	14,159	37,350
Other liabilities	18	1,282,981	962,592
Deferred tax liabilities	19	526,865	806,753
		101,151,448	80,340,060
NET ASSETS		6,016,093	5,046,842
REPRESENTED BY			
Share capital	20	1,255,848	1,141,680
Reserves	21	4,317,301	2,759,599
Unappropriated profit		-	-
		5,573,149	3,901,279
Surplus on revaluation of assets	22	442,944	1,145,563
		6,016,093	5,046,842
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 46 form an integral part of these accounts.



Kalim-ur-Rahman
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Masood Parwaiz
Director

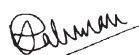


Lt. Gen. Waseem Ahmed Ashraf
Chairman

Profit and Loss Account for the year ended December 31, 2004

(Rupees in thousand)	Notes	2004	2003
Mark-up / return / interest earned	24	4,487,206	4,073,715
Mark-up / return / interest expensed	25	1,117,206	1,379,609
Net mark-up / interest income		3,370,000	2,694,106
Provision against non-performing loans and advances	10.3	277,398	308,528
Provision for diminution in the value of investments	9.10	38,066	-
Bad debts written off directly	10.4	7	-
		315,471	308,528
Net mark-up / interest income after provisions		3,054,529	2,385,578
Non mark-up/interest income			
Fee, commission and brokerage income		649,988	524,775
Dividend income		26,318	37,658
Income from dealing in foreign currencies		180,992	112,808
Other income	26	776,230	278,512
Total non-markup / interest income		1,633,528	953,753
		4,688,057	3,339,331
Non mark-up/interest expenses			
Administrative expenses	27	1,845,179	1,436,304
Other provisions / write offs		-	-
Other charges	28	138	1,227
Total non-markup / interest expenses		1,845,317	1,437,531
		2,842,740	1,901,800
Extra ordinary / unusual items		-	-
Profit before taxation			
		2,842,740	1,901,800
Taxation – current	29	876,089	873,639
– prior years'		-	-
– deferred		43,611	(74,904)
		919,700	798,735
Profit after taxation			
		1,923,040	1,103,065
Unappropriated profit brought forward		-	-
Profit available for appropriation		1,923,040	1,103,065
Appropriations:			
Transfer To:			
Statutory reserve		384,608	220,613
Capital reserves (reserve for issue of bonus shares)		251,170	114,168
Revenue reserves		1,036,092	539,948
Proposed dividend		251,170	228,336
		1,923,040	1,103,065
Unappropriated profit carried forward		-	-
Basic / Diluted earnings per share - Rupees	30	15.31	8.78

The annexed notes 1 to 46 form an integral part of these accounts.



Kalim-ur-Rahman
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Masood Parwaiz
Director

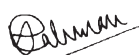


Lt. Gen. Waseem Ahmed Ashraf
Chairman

Cash Flow Statement for the year ended December 31, 2004

(Rupees in thousand)	Note	2004	2003
Cash flow from operating activities			
Profit before taxation		2,842,740	1,901,800
Less: dividend income		(26,318)	(37,658)
		<u>2,816,422</u>	<u>1,864,142</u>
Adjustments for non-cash charges			
Depreciation		199,911	168,105
Provision against non-performing advances (net)		315,471	308,528
Net gain on sale of fixed assets		(5,235)	(4,796)
Finance charges on leased assets		2,395	5,475
		<u>512,542</u>	<u>477,312</u>
		<u>3,328,964</u>	<u>2,341,454</u>
(Increase) / decrease in operating assets			
Lendings to financial institutions		2,496,003	(2,156,372)
Advances		(25,437,901)	(15,050,582)
Other assets		(451,941)	39,493
		<u>(23,393,839)</u>	<u>(17,167,461)</u>
Increase / (decrease) in operating liabilities			
Deposits and other accounts		21,662,188	9,925,101
Borrowings from financial institutions		(2,121,500)	4,442,121
Bills payable		253,390	365,222
Other liabilities		294,617	(35,614)
		<u>20,088,695</u>	<u>14,696,830</u>
Cash flow before tax		23,820	(129,177)
Income tax paid		(476,228)	(546,196)
Net cash from / (used in) operating activities		<u>(452,408)</u>	<u>(675,373)</u>
Cash flow from investing activities			
Net investments in available for sale securities		3,819,434	4,240,102
Dividend income		26,318	37,658
Investments in operating fixed assets		(822,484)	(476,952)
Proceeds from sale of operating fixed assets		12,704	9,388
Net cash from investing activities		<u>3,035,972</u>	<u>3,810,196</u>
Cash flow from financing activities			
Sub-ordinated loans		1,000,000	-
Payments of lease obligations		(25,965)	(35,321)
Dividends paid		(225,026)	(217,426)
Net cash from / (used in) financing activities		<u>749,009</u>	<u>(252,747)</u>
Increase in cash and cash equivalents		<u>3,332,573</u>	<u>2,882,076</u>
Cash and cash equivalents at the beginning of the year	31	<u>10,278,192</u>	<u>7,396,116</u>
Cash and cash equivalents at the end of the year	31	<u>13,610,765</u>	<u>10,278,192</u>

The annexed notes 1 to 46 form an integral part of these accounts.



Kalim-ur-Rahman
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Masood Parwaiz
Director



Lt. Gen. Waseem Ahmed Ashraf
Chairman

Statement of Changes in Equity for the year ended December 31, 2004

(Rupees in thousand)

	Share Capital	Capital Reserves		Statutory Reserve	Revenue Reserves			Total
		Share Premium Account	Reserve for issue of Bonus Shares		General Reserve	Reserve for contingencies (See Note: 21)	Un-appropriated profit	
Balance as at January 1, 2003	1,087,314	6,214	48,152	839,649	735,221	310,000	-	3,026,550
Net profit for the year	-	-	-	-	-	-	1,103,065	1,103,065
Bonus shares issued	54,366	(6,214)	(48,152)	-	-	-	-	-
Final dividend	-	-	-	-	-	-	(228,336)	(228,336)
Transfer to:								
Statutory reserve	-	-	-	220,613	-	-	(220,613)	-
General reserve	-	-	-	-	539,948	-	(539,948)	-
Reserve for issue of bonus shares	-	-	114,168	-	-	-	(114,168)	-
Balance as at January 1, 2004	1,141,680	-	114,168	1,060,262	1,275,169	310,000	-	3,901,279
Net profit for the year	-	-	-	-	-	-	1,923,040	1,923,040
Bonus shares issued	114,168	-	(114,168)	-	-	-	-	-
Proposed dividend	-	-	-	-	-	-	(251,170)	(251,170)
Transfer to:								
Statutory reserve	-	-	-	384,608	-	-	(384,608)	-
General reserve	-	-	-	-	1,036,092	-	(1,036,092)	-
Reserve for issue of bonus shares	-	-	251,170	-	-	-	(251,170)	-
Balance as at December 31, 2004	1,255,848	-	251,170	1,444,870	2,311,261	310,000	-	5,573,149

The annexed notes 1 to 46 form an integral part of these accounts.



Kalim-ur-Rahman
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Masood Parwaiz
Director



Lt. Gen. Waseem Ahmed Ashraf
Chairman

Notes to the Accounts for the year ended December 31, 2004

NOTE 1

STATUS AND NATURE OF BUSINESS

Askari Commercial Bank Limited ("the Bank") was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi.

The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 1, 1992. Army Welfare Trust directly and indirectly holds a significant portion of the Bank's share capital at the year end. The Bank has 75 branches (2003: 58 branches); 74 in Pakistan and Azad Jammu and Kashmir and an Offshore Banking Unit in the Kingdom of Bahrain (OBU).

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

NOTE 2

BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued a number of circulars. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these accounts as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.

NOTE 3

STATEMENT OF COMPLIANCE

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

International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property are not applicable for Banking Companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. However, investments have been presented in accordance with the requirements of the format prescribed by the State Bank of Pakistan's BSD Circular No. 36 dated October 10, 2001.

NOTE 4

BASIS OF MEASUREMENT

These accounts have been prepared under the historical cost convention as modified for certain investments and derivative contracts which are shown at revalued amounts.

NOTE 5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks and call money lendings.

5.2 Revenue recognition

Mark-up / interest on advances and return on investments is recognized on accrual basis except on classified advances which is recognized on receipt basis in compliance with Prudential Regulations issued by the State Bank of Pakistan.

Fees, commission and brokerage income is recognized at the time of performance of service.

Dividend income is recognized when Bank's right to receive the income is established.

Notes to the Accounts for the year ended December 31, 2004

5.3 Advances

Advances are stated net of provisions for non-performing advances. Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. In addition, a general provision is maintained on a judgmental basis for advances other than consumer advances.

The Bank has created a general provision on the consumer finance portfolio in order to comply with the requirements of Prudential Regulations for Consumer Finance issued by the State Bank of Pakistan that became effective from January 1, 2004, requiring banks to build a general provision at an amount equal to 1.5% of the fully secured consumer finance and 5% of the unsecured consumer finance portfolio by December 31, 2005 and maintain onwards, to protect them from the risks associated with the cyclical nature of this business. Had this general provision not been made, the provision against non-performing advances would have been lower and profit before tax would have been higher by Rs. 102 million.

During the year, the Bank changed the method of computation of provision for non-performing advances in order to comply with the requirements of the revised Prudential Regulations for Corporate / Commercial Banking, issued by the State Bank of Pakistan. Among other changes, the revised regulations, require banks to apply a prescribed adjustment factor to the Forced Sale Value (FSV) of assets held as collateral against advances while determining the provision requirement against non-performing advances. Had the above mentioned discounting of collaterals not taken place, the provision against non-performing advances would have been lower and profit before tax for the year would have been higher by Rs. 61 million.

These provisions are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

5.4 Investments

During the year, the Bank changed its accounting policy in respect of accounting for unrealised surplus / deficit on revaluation of investments classified as held to maturity and investments in associates in compliance with State Bank of Pakistan directives. As per the new policy stated below, held to maturity investments are carried at amortized cost and investment in associates are also not marked to market and stated at cost in accordance with the requirements of State Bank of Pakistan's BSD Circular No. 11 dated August 4, 2004. Previously, these investments were marked to market and related surplus / deficit was shown in the balance sheet below shareholders' equity. The change in accounting policy for these investments has been applied prospectively without restating comparatives in accordance with the allowed alternative treatment specified in International Accounting Standard 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies. The change in accounting policy did not have any impact on the profit and loss account for the current and the prior period. Had there been no change in accounting policy, surplus arising on revaluation of investments would have been higher by Rs. 54.04 million as at December 31, 2004.

Investments are classified as follows:

Held to maturity

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost in accordance with the requirements of State Bank of Pakistan's BSD Circular No. 14 dated September 24, 2004.

Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements of State Bank of Pakistan's BSD Circular No. 10 dated July 13, 2004.

Notes to the Accounts for the year ended December 31, 2004

Available for sale

These represent securities which do not fall under the 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 20 dated August 4, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is kept in a separate account and is shown below the shareholders' equity in the balance sheet. Foreign securities are carried at fair value, based on their current bid prices in active markets. Where the markets are not active or the securities are unlisted, fair value is estimated by using valuation techniques.

Investments in associates are carried at cost.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest available financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any. Profit and loss on sale of investments is included in income currently.

5.5 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the financial statements as investments and a liability for consideration received is included in borrowings from financial institutions. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is treated as mark-up / return expensed and earned, as the case may be.

5.6 Capital work-in-progress, operating fixed assets and depreciation

Capital work-in-progress is stated at cost.

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold/ leasehold land which is not depreciated. Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 12.2. The cost of assets is depreciated on the diminishing balance method, except for vehicles, carpets, renovation and other assets which are depreciated on a straight line basis. Depreciation is charged for the full month on purchase / acquisition of an asset while no depreciation is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of fixed assets are taken to the profit and loss account.

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

5.7 Taxation

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

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

Notes to the Accounts for the year ended December 31, 2004

5.8 Staff retirement benefits

Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method". The Actuarial gains / losses of one accounting period are recognized in the following accounting period.

Defined contribution plan

The Bank operates a recognized provident fund scheme for all its permanent employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salaries of the employees.

Compensated absences

The Bank grants compensated absences to all its permanent employees. Annual provision for liabilities towards compensated absences is made on the basis of last drawn basic salary.

5.9 Foreign currencies

Foreign currency transactions are translated into Pak. Rupees at the exchange rates prevailing on the date of transaction. Assets, liabilities and commitments in foreign currencies are translated into Pak. Rupees at the exchange rates prevailing at the balance sheet date. Outstanding foreign bills purchased and forward foreign exchange contracts are valued at the rates applicable to the remaining maturities. The monetary assets and liabilities of foreign operations are translated to rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated at the average rate of exchange for the year. Exchange gains and losses are included in the income currently.

5.10 Provisions

Provisions are recognized when there are present, legal or constructive obligations as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to profit and loss account is stated net off expected recoveries.

5.11 Off-setting

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

5.12 Related party transactions

Transactions between the Bank and its related parties are carried out on arm's length basis determined in accordance with the generally accepted methods.

Notes to the Accounts for the year ended December 31, 2004

NOTE 6

	(Rupees in thousand)	Notes	2004	2003
CASH AND BALANCES WITH TREASURY BANKS	In hand:			
	Local currency		1,404,127	1,032,838
	Foreign currency		335,685	263,139
			1,739,812	1,295,977
	National Prize Bonds		10,851	9,094
	With State Bank of Pakistan in:			
	Local currency current accounts	6.1	3,048,986	2,600,447
	Foreign currency current account	6.2	919,608	663,186
	Foreign currency deposit account	6.3	2,805,858	1,978,640
			6,774,452	5,242,273
	With National Bank of Pakistan:			
	Local currency current accounts		237,751	130,682
		8,762,866	6,678,026	
	6.1	This represents statutory cash reserve maintained under section 22 of the Banking Companies Ordinance, 1962.		
	6.2	The account is maintained with State Bank of Pakistan under the requirements of BSD Circular No. 18 dated March 31, 2001.		
	6.3	This represents statutory cash reserve maintained against foreign currency deposit mobilised under F.E. Circular No. 25 issued by the State Bank of Pakistan and is remunerated at the rate of one month LIBOR less 1% service charges.		

NOTE 7

	(Rupees in thousand)	Note	2004	2003
BALANCES WITH OTHER BANKS	In Pakistan			
	On current accounts		63,539	33,479
	On deposit accounts		6,585	-
	Outside Pakistan			
	On current accounts		589,945	246,225
	On deposit accounts	7.1	4,187,830	2,370,462
			4,847,899	2,650,166
	7.1	This represents placement on overnight basis with correspondent banks, carrying interest rates determined with respect to underlying currencies benchmarks at the rates ranging from 1.25% to 2.50% per annum receivable on maturity.		

NOTE 8

	(Rupees in thousand)	Notes	2004	2003
LENDINGS TO FINANCIAL INSTITUTIONS	Call money lendings		-	950,000
	Repurchase agreement lendings (reverse repo)	8.1	750,000	3,540,842
	Purchase under resale arrangement of listed equity securities	8.2	150,000	-
	Trade related deals	8.3	619,839	-
	Others	8.4	805,000	1,280,000
				2,324,839
	8.1	These are secured against underlying Government Securities, the differential of the contracted purchase and re-sale prices is amortised over the period of contract and recorded under mark-up/return/interest earned. These carry mark-up rates ranging from 3.35% to 5.50% per annum and maturities of upto 3 months. These also include lending of Rs. 100 million (2003: nil) to a related party.		
	8.2	Shares of a listed company have been purchased under resale agreement at a rate of 11% per annum with maturities of upto 1 month.		
	8.3	These are trade related risk participation deals made by Bank's OBU with returns ranging from 3% to 4% per annum with maturities of upto ten months.		
	8.4	This represents lendings to various financial institutions at mark-up ranging from 3.25% to 8.75% per annum with maturities of upto 6 months.		

Notes to the Accounts for the year ended December 31, 2004

8.5 Securities held as collateral against lendings to financial institutions

(Rupees in thousand)	2004			2003		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
Market Treasury Bills	-	-	-	593,592	-	593,592
Pakistan Investment Bonds	750,000	-	750,000	2,947,250	-	2,947,250
Purchase under resale arrangement of listed equity securities	150,000	-	150,000	-	-	-
	<u>900,000</u>	<u>-</u>	<u>900,000</u>	<u>3,540,842</u>	<u>-</u>	<u>3,540,842</u>

(Rupees in thousand)

NOTE 9

INVESTMENTS

9.1 Investments by types

Notes	2004			2003		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
Held for trading securities						
Fully paid ordinary shares	203,663	-	203,663	-	-	-
Available for sale securities						
Market Treasury Bills	6,946,844	723,442	7,670,286	7,085,909	5,159,325	12,245,234
Pakistan Investment Bonds	2,699,692	2,400,000	5,099,692	2,475,815	2,955,000	5,430,815
Federal Investment Bonds	106,174	44,000	150,174	659,732	44,000	703,732
Fully paid ordinary shares	719,786	-	719,786	138,574	-	138,574
Fully paid preference shares	100,000	-	100,000	-	-	-
Commercial papers	-	-	-	123,474	-	123,474
National Investment Unit Trust - Units	-	-	-	188,505	-	188,505
Foreign Government Bonds 9.2.2	296,604	-	296,604	-	-	-
Foreign securities 9.2.2	297,150	-	297,150	-	-	-
	<u>11,166,250</u>	<u>3,167,442</u>	<u>14,333,692</u>	<u>10,672,009</u>	<u>8,158,325</u>	<u>18,830,334</u>
Held to maturity securities						
Term Finance						
Certificates (TFCs)	1,454,827	-	1,454,827	1,583,384	-	1,583,384
Government of Pakistan US Dollar / Euro Bonds 9.2.2	599,008	-	599,008	-	-	-
	<u>2,053,835</u>	<u>-</u>	<u>2,053,835</u>	<u>1,583,384</u>	<u>-</u>	<u>1,583,384</u>
Investment in associates						
Askari General Insurance Company Limited 9.6	11,182	-	11,182	7,504	-	7,504
	<u>13,434,930</u>	<u>3,167,442</u>	<u>16,602,372</u>	<u>12,262,897</u>	<u>8,158,325</u>	<u>20,421,222</u>
Add: Surplus on revaluation of securities - net	308,970	365,881	674,851	775,674	907,529	1,683,203
Less: Provision for impairment in value of investments in unlisted shares	(38,066)	-	(38,066)	-	-	-
	<u>13,705,834</u>	<u>3,533,323</u>	<u>17,239,157</u>	<u>13,038,571</u>	<u>9,065,854</u>	<u>22,104,425</u>

Notes to the Accounts for the year ended December 31, 2004

(Rupees in thousand)	Notes	2004	2003
9.2 Investments by Segments:			
Federal Government Securities:			
Market Treasury Bills		7,670,286	12,245,234
Pakistan Investment Bonds		5,099,692	5,430,815
Federal Investment Bonds		150,174	703,732
Government of Pakistan US Dollar / Euro Bonds	9.2.2	599,008	-
		13,519,160	18,379,781
Add: Surplus on revaluation of Government Securities - net		566,329	1,221,909
		14,085,489	19,601,690
Overseas Government Securities	9.2.2		
Foreign Government Bonds	9.2.3	296,604	-
Add: Surplus on revaluation		546	-
		297,150	-
Fully paid up ordinary shares:			
Listed companies		383,740	90,398
Unlisted companies		550,891	55,680
		934,631	146,078
Add: Surplus on revaluation of listed securities - net		107,798	163,418
		1,042,429	309,496
Fully paid preference shares			
Listed company	9.2.4	100,000	-
Term Finance Certificates ("TFCs"):			
Listed Term Finance Certificates		767,089	980,638
Unlisted Term Finance Certificates		687,738	602,746
		1,454,827	1,583,384
Add: Surplus on revaluation of listed TFCs	5.4 and 44	-	9,366
		1,454,827	1,592,750
Other Overseas Securities	9.2.2		
Callable notes	9.9	297,150	-
Add: Surplus on revaluation		178	-
		297,328	-
Other investments			
Commercial papers		-	123,474
National Investment Unit Trust - Units		-	188,505
		-	311,979
Add: Surplus on revaluation of other investments		-	288,510
		-	600,489
		17,277,223	22,104,425
Less: Provision for impairment in value of investments in unlisted shares		(38,066)	-
		17,239,157	22,104,425

9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 05 to May 05	On maturity	1.98% to 3.93%	at maturity
Federal Investment Bonds	February 05	On maturity	15%	semi-annually
Pakistan Investment Bonds	January 05 to October 13	On maturity	6% to 14%	semi-annually
Government of Pakistan US Dollar / Euro Bonds	February 09	On maturity	6.75%	semi-annually

Notes to the Accounts for the year ended December 31, 2004

9.2.2 These represents investments by the Bank's OBU.

9.2.3 These represent investment in Indonesian Government US Dollar Bonds with coupon rate of 6.75% per annum with maturity of ten years.

9.2.4 This represents 10,000,000 (2003: Nil) 9.25% cumulative preference shares of Chenab Limited with redemption options available to both issuer and the Bank, after completion of four years from the date of issue i.e. September 25, 2004.

9.3 Investments in listed shares / units

(Rupees in thousand)			Note	2004	2003
No. of Ordinary shares/units	Paid-up value	Name of Companies / mutual funds			
2004	2003	per share / average price per unit Rupees			
2,375,020	2,200,020	10.10		23,976	13,198
-	705,300	10.00		-	5,641
-	4,715,500	10.00		-	14,732
1,532,753	1,226,205	7.30	9.6	11,182	7,504
450,000	20,000	43.88		19,744	781
210,000	10,000	35.77		7,511	379
70,000	1,504,640	74.53		5,217	48,163
5,000,000	-	10.00		50,000	-
5,000,000	-	10.00		50,000	-
200,500	-	283.46		56,833	-
50,300	-	104.43		5,253	-
7,350	-	113.88		837	-
2,080	-	1,543.75		3,211	-
37,000	-	86.95		3,217	-
123,000	-	36.02		4,430	-
55,000	-	56.04		3,082	-
1,000,000	-	18.00		18,002	-
25,000	-	19.76		494	-
75,000	-	41.39		3,104	-
50,000	-	233.02		11,651	-
170,000	-	142.14		24,164	-
1,350,000	-	26.39		35,627	-
350,000	-	132.01		46,205	-
-	17,700,000	10.65		-	188,505
				383,740	278,903
				107,798	451,928
				491,538	730,831

Add: Surplus on revaluation of shares / units

Market value as on December 31

9.4 Particulars of investments held in unlisted companies / mutual funds

Investee	Percentage of holding	Number of shares held	Cost paid-up value per share	Total paid-up value	Break up value	Based on accounts as at	Name of chief executive	
	Notes		(Rupees)	(Rupees in thousand)				
Khushhali Bank	9.4.1	2.93	50	1,000,000	50,000	51,867	31 Dec 2003	Mr. M.Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited - a related party		5.56	568,044	10.00	5,680	4,788	31 Dec 2003	Mr.S.M. Zaem
Allied Bank Limited		3.80	16,376,106	25.66	420,211	383,037	30 Sep 2004	Mr. Khalid A. Sherwani
Meezan Balanced Fund	9.4.2	1.67	2,500,000	10.00	25,000	-	-	-
Atlas Fund of Funds	9.4.2	10.00	5,000,000	10.00	50,000	-	-	-
					550,891			

9.4.1 This represent the Bank's subscription towards the paid-up capital of Khushhali Bank in terms of SBP letter No. BSD(RU-26)/625-MfB/13817/00 dated August 07, 2000.

9.4.2 These represent Pre-IPO investments.

9.4.3 The difference between the paid up values and break up values of Pakistan Export Finance Guarantee Agency Limited and Allied Bank Limited amounting to Rs. 38,066 thousand (2003: Nil) is considered as impairment and has been fully provided for.

Notes to the Accounts for the year ended December 31, 2004

(Rupees in thousand)				2004	2003
9.5 Investments in Term Finance Certificates					
No. of certificates		Company's name	Redeemed value per certificate (Rupees)	2004	2003
2004	2003				
Listed					
20,000	35,000	Dewan Salman Fibre Limited	1,560	31,200	106,085
-	40,000	Pakistan PTA Limited	4,996	-	199,840
15,000	15,000	Sui Southern Gas Company Limited	3,608	54,124	70,787
-	11,000	First International Investment Bank Limited	2,952	-	32,476
-	7,000	National Development Leasing Corporation	1,665	-	11,658
3,000	3,000	Al-Noor Sugar Mills Limited	1,250	3,749	7,497
6,000	6,000	Gulistan Textile Mills Limited	3,331	19,984	29,976
25,000	25,000	Packages Limited	3,000	75,000	75,000
20,000	-	Dewan Farooq Spinning Mills Limited	5,000	100,000	-
30,000	-	Bank Al-Habib Limited	5,000	150,000	-
20,000	-	Bank Alfalah Limited	5,000	100,000	-
9,600	-	Prime Commercial Bank Limited	5,000	48,000	-
4,380	4,380	Engro Chemicals (Pakistan) Limited	4,997	21,878	21,886
-	8,621	Quetta Textile Mills Limited	5,000	-	43,105
6,000	6,000	Shakar Ganj Mills Limited	3,998	23,987	29,988
-	40,000	Pak Arab Refinery Limited	4,996	-	199,840
8,000	8,000	Securitel SPV Limited	2,083	16,667	30,000
5,500	5,500	Paramount Spinning Mills Limited	5,000	27,500	27,500
19,000	19,000	Gulshan Spinning Mills Limited	5,000	95,000	95,000
				767,089	980,638
Add: Surplus on revaluation of TFCs				-	9,366
Book / market value as on December 31				767,089	990,004

(Rupees in thousand)				2004	2003
No. of certificates		Company's name	Redeemed value per certificate (Rupees)	2004	2003
2004	2003				
Unlisted					
30,000	30,000	Pakistan Mobile Communications (Private) Limited (Chief Executive: Mr. Zouhair Abdul Khaliq)	5,000	150,000	150,000
6,000	6,000	Dewan Sugar Mills Limited (Chief Executive: Mr. Dewan Muhammad Yousaf Farooqui)	1,500	9,000	12,750
70,000	70,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Choudhry Ahmed Saeed)	5,000	349,989	349,996
18,000	18,000	Kohinoor Textile Mills Limited (Chief Executive: Mr. Taufique Sayeed Saigol)	4,375	78,749	90,000
20,000	-	United Bank Limited (Chief Executive: Mr. Amar Zafar Khan)	5,000	100,000	-
Book value as on December 31				687,738	602,746

These carry rate of return ranging from 6.0% to 17.0% per annum and having maturity period of upto 5 years.

9.6 This represents 15% (2003: 15%) investment in the equity of Askari General Insurance Company Limited, an associated listed company [Market value as at December 31, 2004: Rs. 38,549 thousand (2003: Rs. 22,219 thousand)]

9.7 Investments given as collateral include securities having book value of Rs. 44,000 thousand pledged with State Bank of Pakistan as security against demand loan and TT/DD discounting facilities.

9.8 Market Treasury Bills, Pakistan Investment Bonds and Federal Investment Bonds are securities eligible for re-discounting with State Bank of Pakistan.

9.9 This represents callable notes issued by Federal Home Loan Mortgage Corporation, USA with rates ranging from 3.25% to 5% with maturities of five years.

Notes to the Accounts for the year ended December 31, 2004

(Rupees in thousand)	2004	2003
9.10 Particulars of provision for impairment in value of investments		
Opening balance	-	-
Charge for the year	38,066	-
Reversals / adjustments	-	-
Closing balance	38,066	-

NOTE 10

(Rupees in thousand)	Note	2004	2003
ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		56,556,431	36,771,434
Outside Pakistan		-	60
		56,556,431	36,771,494
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		5,096,256	2,351,974
Payable outside Pakistan		9,406,325	7,217,604
		14,502,581	9,569,578
		71,059,012	46,341,072
Financing in respect of carry over transactions		659,480	-
		71,718,492	46,341,072
Provision for non-performing advances	10.3	(1,780,451)	(1,563,534)
		69,938,041	44,777,538
10.1 Particulars of advances			
10.1.1 In local currency		66,196,667	37,522,707
In foreign currencies		5,521,825	8,818,365
		71,718,492	46,341,072
10.1.2 Short term (for upto one year)		57,382,642	33,788,850
Long term (for over one year)		14,335,850	12,552,222
		71,718,492	46,341,072

10.2 Advances include Rs.1,101,382 thousand (2003: Rs.1,277,936 thousand) which have been placed under non-performing status as detailed below:

(Rupees in thousand)	Note	2004				
Category of classification		Domestic	Overseas	Total	Provision required	Provision held
Other Assets Especially Mentioned	10.2.1	-	-	-	63,832	63,832
Substandard		48,577	-	48,577	467	467
Doubtful		81,659	-	81,659	46,951	46,951
Loss		971,146	-	971,146	833,006	833,006
		1,101,382	-	1,101,382	944,256	944,256

10.2.1 This represents provision made pursuant to the Regulator's advice.

Notes to the Accounts for the year ended December 31, 2004

10.3 Particulars of provision against non-performing advances

(Rupees in thousand)	Note	2004			2003		
		Specific	General	Total	Specific	General	Total
Opening balance		878,719	684,815	1,563,534	867,685	438,681	1,306,366
Charge for the year		126,018	151,380	277,398	62,394	246,134	308,528
Amounts written off	10.4	(60,481)	-	(60,481)	(51,360)	-	(51,360)
Closing balance		944,256	836,195	1,780,451	878,719	684,815	1,563,534

10.4 Particulars of write offs:

(Rupees in thousand)		Notes	2004	2003
10.4.1	Against provisions	10.3	60,481	51,360
	Directly charged to profit and loss account		7	-
			60,488	51,360
10.4.2	Write offs of Rs. 500,000 and above	10.5	59,911	51,351
	Write offs of below Rs. 500,000		577	9
			60,488	51,360

10.5 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2004 is given at Annexure-1.

10.6 Particulars of loans and advances to directors, associated companies, etc.

(Rupees in thousand)	Balance as at December 31, 2004	Maximum total amount of advances including temporary advances granted during the year*
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons	43,658	46,173
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members	-	-
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	342,574	342,574
	386,232	388,747

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

NOTE 11

(Rupees in thousand)	Notes	2004	2003
OTHER ASSETS			
	Income / mark-up accrued in local currency	893,207	700,554
	Income / mark-up accrued in foreign currencies	48,076	32,414
	Advances, deposits, advance rent and other prepayments	290,937	182,127
	Advance taxation (payments less provisions)	14,701	432,912
	Suspense account	81,279	25,140
	Stationary and stamps in hand	38,311	31,466
	Dividend receivable	10,304	-
	Others	82,901	21,373
		1,459,716	1,425,986

Notes to the Accounts for the year ended December 31, 2004

11.1 This balance has been arrived at after adjusting interest in suspense of Rs. 390,463 thousand (2003: 405,240 thousand).

11.2 This includes prepayment of Rs. Nil (2003: Rs.1,800 thousand) on account of share registrar fee to a related party. Maximum aggregate amount at the end of any month during the year is Rs.1,500 thousand (2003: Rs.5,100 thousand).

NOTE 12

	(Rupees in thousand)	Notes	2004	2003
OPERATING FIXED ASSETS				
Capital work-in-progress		12.1	219,150	130,492
Property and equipment		12.2	2,375,873	1,849,427
			<u>2,595,023</u>	<u>1,979,919</u>
12.1 Capital work-in-progress				
Civil works			10,468	13,540
Advances to suppliers and contractors			208,682	116,952
			<u>219,150</u>	<u>130,492</u>

12.2 Property and equipment

	COST				DEPRECIATION				Book Value as at December 31, 2004	Rate of Depreciation %
	as at January 1, 2004	of additions	of transfers/ (deletions)	as at December 31, 2004	as at January 1, 2004	charge for the year	on transfers/ (disposals)	as at December 31, 2004		
Land - freehold	217,735	147,853	-	365,588	-	-	-	-	365,588	-
Land - leasehold	183,279	121,217	-	304,496	-	-	-	-	304,496	-
Buildings on freehold land	511,568	3,713	-	515,281	82,418	156	-	82,574	432,707	5
Buildings on leasehold land	530,173	86,504	-	616,677	28,377	50,019	-	78,396	538,281	5
Renovation of leased premises	205,970	73,120	(3,368)	275,722	129,494	32,364	(3,368)	158,490	117,232	20
Furniture, fixtures and office equipments	115,573	33,314	(1,188)	147,699	38,322	9,529	(469)	47,382	100,317	10
Carpets	10,655	1,825	(381)	12,099	8,140	967	(306)	8,801	3,298	20
Machine and equipments	272,374	96,346	(2,383)	366,337	136,328	34,990	(1,219)	170,099	196,238	20
Computer equipments	268,010	93,632	(127)	361,515	126,747	37,744	(13)	164,478	197,037	20
Vehicles	28,249	69,975	(19,844)	98,697	17,453	13,300	(16,244)	27,893	70,804	20
			20,317				13,384			
Other assets	39,443	6,327	(171)	45,599	25,781	4,199	-	29,980	15,619	20
	<u>2,383,029</u>	<u>733,826</u>	<u>(27,462)</u>	<u>3,109,710</u>	<u>593,060</u>	<u>183,268</u>	<u>(21,619)</u>	<u>768,093</u>	<u>2,341,617</u>	
			20,317				13,384			
Assets held under finance lease:										
Vehicles	105,627	-	(2,555)	82,755	46,169	16,643	(929)	48,499	34,256	20
			(20,317)				(13,384)			
	<u>105,627</u>	<u>-</u>	<u>(22,872)</u>	<u>82,755</u>	<u>46,169</u>	<u>16,643</u>	<u>(14,313)</u>	<u>48,499</u>	<u>34,256</u>	
2004	<u>2,488,656</u>	<u>733,826</u>	<u>(30,017)</u>	<u>3,192,465</u>	<u>639,229</u>	<u>199,911</u>	<u>(22,548)</u>	<u>816,592</u>	<u>2,375,873</u>	
2003	2,132,907	385,436	(29,687)	2,488,656	496,219	168,105	(25,095)	639,229	1,849,427	

The gross carrying amount of fully depreciated property and equipment still in use amounted to Rs. 109,906 thousand (2003: Rs. 93,982 thousand).

Notes to the Accounts for the year ended December 31, 2004

12.3 Detail of disposals of operating fixed assets

(Rupees in thousand)

Particulars of asset	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
Vehicles:						
Suzuki Khyber	434	398	36	162	As per Bank policy	Mr. Babar Wasiem – Executive
Suzuki Cultus	525	350	175	257	-do-	Mr. Syed Talib Hussain Naqvi – Executive
Suzuki Khyber	444	363	81	178	-do-	Mrs. Lubna Azam Tiwana – Executive
Suzuki Cultus	525	350	175	257	-do-	Mr. Ali Tariq Wasi – Executive
Suzuki Baleno	473	473	-	217	-do-	Mr. Amjad A. Siddiqui – Ex-Executive
Toyota Corolla	739	493	246	382	-do-	Mr. Abdul Hafeez Butt – Executive
Suzuki Khyber	384	384	-	143	-do-	Mr. Shakeel M. Paracha – Executive
Suzuki Khyber	444	363	81	178	-do-	Mr. Shahid Amir – Executive
Suzuki Cultus	525	350	175	257	-do-	Mr. Riaz Khan Bangash – Executive
Suzuki Cultus	525	341	184	257	-do-	Mr. Waqar Hameed – Executive
Suzuki Cultus	525	341	184	258	-do-	Mr. Liaqat Mehmood Butt – Executive
Toyota Corolla	739	517	222	347	-do-	Mr. Saiful Islam – Executive
Suzuki Cultus	525	376	149	257	-do-	Mr. Syed Tariq Hassan – Executive
Suzuki Khyber	382	382	-	134	-do-	Mr. Ali Rehman – Executive
Suzuki Khyber	382	382	-	134	-do-	Mr. Inamullah – Executive
Suzuki Khyber	384	384	-	143	-do-	Mr. Muhammad Tayyab Malik – Executive
Toyota Corolla	769	487	282	392	-do-	Mr. Tariq Mahmood – Executive
Toyota Corolla	709	650	59	262	-do-	Mr. Zahid Mahmood – Executive
Suzuki Bolan	367	104	263	305	Insurance Claim	M/s Askari General Insurance Co. Limited - A related party
Suzuki Cultus	550	247	303	470	-do-	M/s Askari General Insurance Co. Limited - A related party
Suzuki Baleno	699	186	513	582	-do-	M/s Askari General Insurance Co. Limited - A related party
Toyota Corolla	739	554	185	373	As per Bank policy	Mr. Mir Mujahid Ali Khan – Executive
Toyota Corolla	676	676	-	237	-do-	Mr. Arshadullah Khan – Executive
Toyota Corolla	739	542	197	336	-do-	Mr. Suhail Rizvi – Executive
Toyota Corolla	739	542	197	325	-do-	Mr. M. R. Mehkari – Executive
Suzuki Baleno	699	396	303	376	-do-	Mr. Syed Jawad Ali – Ex-Executive
Toyota Corolla	729	595	134	297	-do-	Mr. Israr Ahmed – Executive
Suzuki Khyber	384	384	-	143	-do-	Mr. Nadeem-ur-Rehman – Executive
Suzuki Khyber	410	410	-	143	-do-	Mr. Abdul Rauf – Executive
Suzuki Khyber	434	434	-	152	-do-	Mr. Maqbool Ahmad Soomro – Executive
Suzuki Khyber	434	434	-	152	-do-	Mr. Muhammad Hanif Khan – Executive
Honda Civic	971	971	-	340	-do-	Mr. Kalim-ur-Rahman – President & Chief Executive
Toyota Corolla	939	391	548	800	Insurance Claim	M/s Askari General Insurance Co. Limited - A related party
Suzuki Khyber	434	419	15	152	As per Bank policy	Mr. S.M. Ibrar Ali – Executive
Suzuki Khyber	467	428	39	163	-do-	Ms. Saadia Younis – Executive
Suzuki Khyber	384	384	-	143	-do-	Mr. Muhammad Ahmed Farooqi – Executive
Suzuki Cultus	525	376	149	233	-do-	Mr. Nasim Ahmed – Executive
Toyota Corolla	769	436	333	398	-do-	Mr. Rehan Mir – Executive
Suzuki Khyber	434	434	-	152	-do-	Mr. Tariq Javed Ghuman – Executive
Suzuki Khyber	444	444	-	155	-do-	Mr. Badrul Islam – Executive
	<u>22,399</u>	<u>17,171</u>	<u>5,228</u>	<u>10,642</u>		
Other assets having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	7,618	5,377	2,241	2,062		
2004	<u>30,017</u>	<u>22,548</u>	<u>7,469</u>	<u>12,704</u>		
2003	<u>29,687</u>	<u>25,095</u>	<u>4,592</u>	<u>9,388</u>		

Notes to the Accounts for the year ended December 31, 2004

NOTE 13 (Rupees in thousand) 2004 2003

		2004	2003
BILLS PAYABLE	In Pakistan	1,227,093	973,703

NOTE 14 (Rupees in thousand) Notes 2004 2003

		2004	2003
BORROWINGS FROM FINANCIAL INSTITUTIONS	In Pakistan	13,089,993	15,532,870
	Outside Pakistan	691,562	370,185
		<u>13,781,555</u>	<u>15,903,055</u>
	14.1 Particulars of borrowings from financial institutions		
	In local currency	13,089,993	15,532,870
	In foreign currencies	691,562	370,185
		<u>13,781,555</u>	<u>15,903,055</u>
	14.2 Details of borrowings from financial institutions		
	In Pakistan - local currency		
	Secured		
	Borrowings from State Bank of Pakistan		
	under export refinance scheme	14.2.1 9,776,551	7,328,545
	Repurchase agreement borrowings (repo)	14.2.2 3,123,442	8,114,325
	Unsecured		
	Call borrowings	14.2.3 190,000	90,000
		<u>13,089,993</u>	<u>15,532,870</u>
	Outside Pakistan - foreign currencies		
	Overdrawn nostro accounts - unsecured	691,562	370,185
		<u>691,562</u>	<u>370,185</u>
		<u>13,781,555</u>	<u>15,903,055</u>

14.2.1 This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up rate is 3.50% per annum payable on a quarterly basis.

14.2.2 These carry mark-up ranging from 1% to 4.5% per annum and have maturities of upto 3 months. These are secured against pledge of Government Securities.

14.2.3 Mark-up on call borrowings is charged at 5% per annum.

NOTE 15 (Rupees in thousand) 2004 2003

		2004	2003
DEPOSITS AND OTHER ACCOUNTS	Customers		
	Fixed deposits	13,275,201	6,762,700
	Saving deposits	49,911,504	42,241,916
	Current accounts - non-remunerative	18,463,536	11,406,271
	Special exporters' account	75,836	26,777
	Margin accounts	1,207,079	747,937
	Others	97,829	66,550
	Financial institutions		
	Remunerative deposits	287,810	404,456
			<u>83,318,795</u>

Notes to the Accounts for the year ended December 31, 2004

15.1 Particulars of deposits

(Rupees in thousand)	2004	2003
In local currency	64,205,425	48,199,955
In foreign currencies	19,113,370	13,456,652
	<u>83,318,795</u>	<u>61,656,607</u>

15.2 The above include deposits of related parties amounting to Rs. 1,065,845 thousand (2003: Rs. 968,493 thousand).

NOTE 16

(Rupees in thousand)	2004	2003
Term Finance Certificates	1,000,000	-

SUB-ORDINATED LOANS

The Bank has raised unsecured sub-ordinated Term Finance Certificates as Tier II capital to support the Bank's growth by improvement in capital adequacy ratio. The regulatory approvals were obtained in December 2004 and the amount represents private placements received till December 31, 2004. The remaining amount of Rs. 500 million will be raised through the Initial Public Offer (IPO). The salient features of the issue are as follows:

Total issue	Rupees 1,500 million
Pre-initial public offer (Pre-IPO)	Rupees 1,000 million
Initial public offer (IPO)	Rupees 500 million
Rating	AA
Listing	These will be listed on the Lahore Stock Exchange (Guarantee) Limited
Rate	Payable six monthly at an average of six months KIBOR plus 1.5%
Repayment	8 Years
Redemption	6-90th month: 0.3% 96th month: 99.7%

NOTE 17

(Rupees in thousand)	2004			2003		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
Not later than one year	13,687	603	13,084	25,629	2,789	22,840
Later than one year and not later than five years	1,099	24	1,075	15,150	640	14,510
	<u>14,786</u>	<u>627</u>	<u>14,159</u>	<u>40,779</u>	<u>3,429</u>	<u>37,350</u>

The Bank has entered into various lease agreements with leasing companies and modarabas for vehicles. Lease rentals are payable on quarterly basis and include finance charges ranging between 7.75% to 16.45% per annum which has been used as discounting factor. The Bank has the option to purchase the assets upon completion of lease period and has the intention to exercise such option.

NOTE 18

(Rupees in thousand)	2004	2003
Mark-up/return/interest payable in local currency	196,817	158,764
Mark-up/return/interest payable in foreign currencies	60,499	43,360
Unearned income / commission	56,858	77,127
Accrued expenses	108,341	91,715
Advance payments	51,319	54,890
Unclaimed dividends	29,039	25,729
Proposed dividend	251,170	228,336
Unrealized loss on forward foreign exchange contracts	40,992	10,923
Branch adjustment account	152,052	105,124
Payable against purchase of listed shares	136,227	-
Withholding taxes payable	6,553	3,819
Others	193,114	162,805
	<u>1,282,981</u>	<u>962,592</u>

Notes to the Accounts for the year ended December 31, 2004

NOTE 19

(Rupees in thousand)

2004

2003

DEFERRED TAX LIABILITIES	Deferred credits arising due to:	2004	2003
	Accelerated tax depreciation	210,708	134,377
	Excess of accounting book value of leased assets over lease liabilities	(5,805)	9,728
	Surplus on revaluation of securities	232,491	537,640
	Profit on securities recognized but not receivable	89,471	125,008
		<u>526,865</u>	<u>806,753</u>

NOTE 20

(Rupees in thousand)

2004

2003

SHARE CAPITAL	20.1 Authorized capital		2004	2003
	2004	2003		
	400,000,000	150,000,000	Ordinary shares of Rs. 10 each	4,000,000
				1,500,000
	20.2 Issued, subscribed and paid up		Ordinary shares of Rs. 10 each:	
	67,500,000	67,500,000	Issued for cash	675,000
	46,667,943	41,231,375	Fully paid bonus shares	412,314
	11,416,794	5,436,568	Fully paid bonus shares issued during the year	54,366
	<u>125,584,737</u>	<u>114,167,943</u>		<u>1,141,680</u>

NOTE 21

(Rupees in thousand)

RESERVES	Capital Reserves		Statutory Reserve	Revenue Reserves			2004	2003
	Share Premium Account	Reserve for issue of Bonus Shares		General Reserves	Reserve for Contingencies	Total Revenue Reserves		
Balance as at January 1	-	114,168	1,060,262	1,275,169	310,000	1,585,169	2,759,599	1,939,236
Bonus shares issued	-	(114,168)	-	-	-	-	(114,168)	(54,366)
Transfer from profit and loss account	-	251,170	384,608	1,036,092	-	1,036,092	1,671,870	874,729
Balance as at December 31	-	<u>251,170</u>	<u>1,444,870</u>	<u>2,311,261</u>	<u>310,000</u>	<u>2,621,261</u>	<u>4,317,301</u>	<u>2,759,599</u>

Reserve for contingencies has been created for risk assets comprising advances and investments excluding Government Securities. The reserve has been created, as a matter of prudence, exclusively to provide sufficient cushion for any future losses in the Bank's risk asset portfolio.

NOTE 22

(Rupees in thousand)

2004

2003

SURPLUS ON REVALUATION OF ASSETS	22.1 Surplus on revaluation of securities	2004	2003
	i) Federal Government securities	566,329	1,221,909
	ii) Listed shares	108,382	163,418
	iii) Other securities	724	297,876
		<u>675,435</u>	<u>1,683,203</u>
	Less: Deferred tax effect	(232,491)	(537,640)
		<u>442,944</u>	<u>1,145,563</u>

NOTE 23

(Rupees in thousand)

2004

2003

CONTINGENCIES AND COMMITMENTS	23.1 Direct credit substitutes	2004	2003
	i) Government	545,047	250,000
	ii) Others	6,678,538	3,124,083
		<u>7,223,585</u>	<u>3,374,083</u>

Notes to the Accounts for the year ended December 31, 2004

23.2 Transaction-related contingent liabilities

(Rupees in thousand)	2004	2003
Money for which the Bank is contingently liable:		
Contingent liability in respect of guarantees given, favouring		
i) Government	16,361,130	13,098,363
ii) Banks and other financial institutions	1,382,497	1,649,161
iii) Others	3,099,898	1,761,371
	<u>20,843,525</u>	<u>16,508,895</u>
23.3 Trade-related contingent liabilities	<u>17,015,306</u>	<u>10,216,103</u>
23.4 Other contingencies	<u>445,140</u>	<u>26,140</u>

These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.

23.5 Commitments in respect of forward lending

(Rupees in thousand)	2004	2003
Commitments against "REPO" transactions		
Purchase and resale agreements	753,480	3,552,363
Sale and repurchase agreements	3,127,143	8,134,307
23.6 Commitments in respect of forward exchange contracts		
Purchase	8,791,180	2,604,618
Sale	5,854,758	3,019,068
23.7 Commitments for the acquisition of operating fixed assets	<u>338,827</u>	<u>204,162</u>
23.8 Other commitments		
Undrawn facilities	<u>31,328,845</u>	<u>27,178,682</u>
23.9 Bills for collection		
Payable in Pakistan	412,758	327,850
Payable outside Pakistan	19,767,519	11,045,125
	<u>20,180,277</u>	<u>11,372,975</u>

Bills for collection represent bills drawn in favour of various financial institutions in Pakistan and abroad on behalf of Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.

23.10 Off balance sheet financial instruments

Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the State Bank of Pakistan. The Bank also enters into repo transactions against Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counterparties' intra-day and overnight limits. In addition, these also come under the State Bank of Pakistan's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

Notes to the Accounts for the year ended December 31, 2004

NOTE 24

(Rupees in thousand)

2004

2003

MARK-UP/RETURN/ INTEREST EARNED			
	On loans and advances to:		
	i) Customers	3,074,730	2,451,498
	ii) Financial institutions	103,650	62,752
	On investments:		
	- Available for sale securities	957,515	1,252,235
	- Held to maturity securities	150,874	171,446
	On deposits with financial institutions	182,770	110,772
	On securities purchased under resale agreements	17,667	25,012
		<u>4,487,206</u>	<u>4,073,715</u>

NOTE 25

(Rupees in thousand)

2004

2003

MARK-UP/RETURN/ INTEREST EXPENSED			
	Deposits	803,228	1,183,825
	Securities sold under repurchase agreements	123,355	89,791
	Other short term borrowings	190,623	105,993
		<u>1,117,206</u>	<u>1,379,609</u>

NOTE 26

(Rupees in thousand)

Note

2004

2003

OTHER INCOME			
	Net profit on sale of property and equipment	5,235	4,796
	Rent of lockers	7,993	7,397
	Recoveries of expenses from customers	188,868	157,074
	Gain on sale of government securities	14,927	78,727
	Gain on sale of other investments - Net	525,266	-
	Others	26.1	33,941
		<u>776,230</u>	<u>278,512</u>

26.1 This includes an amount of Rs. 17,900 thousand (2003: Rs. 15,940 thousand) on account of rent received from related parties.

NOTE 27

(Rupees in thousand)

Notes

2004

2003

ADMINISTRATIVE EXPENSES			
	Salaries, allowances, etc.	27.1	797,239
	Charge for defined benefit plan	33.5	13,290
	Contribution to defined contribution plan		24,045
	Non-executive directors' fees, allowances and other expenses		91
	Rent, taxes, insurance, electricity, etc.		202,150
	Legal and professional charges		20,609
	Brokerage and commission		61,346
	Communications		162,906
	Repairs and maintenance		58,402
	Finance charges on leased assets		2,395
	Stationery and printing		59,590
	Advertisement and publicity		106,004
	Auditors' remuneration	27.2	1,008
	Depreciation	12.2	199,911
	Other expenditure (travelling, security services, vehicle running expenses, etc.)		136,193
			<u>1,845,179</u>
			<u>1,436,304</u>

27.1 This includes charge of Rs. 19,877 thousand (2003: Rs. 18,078 thousand) for compensated absences.

Notes to the Accounts for the year ended December 31, 2004

27.2 Auditors' remuneration		2004	2003
(Rupees in thousand)			
	Audit fee	362	362
	Fee for audit of branch outside Pakistan	351	-
	Fee for audit of employees' funds	40	40
	Special certifications and sundry advisory services	195	600
	Tax services	-	700
	Out-of-pocket expenses	60	154
		<u>1,008</u>	<u>1,856</u>
NOTE 28	(Rupees in thousand)	2004	2003
OTHER CHARGES	Penalties imposed by the State Bank of Pakistan	<u>138</u>	<u>1,227</u>
NOTE 29	(Rupees in thousand)	2004	2003
TAXATION	Current	876,089	873,639
	Deferred	43,611	(74,904)
		<u>919,700</u>	<u>798,735</u>
	29.1 Relationship between tax expense and accounting profit		
	Profit before taxation	<u>2,842,740</u>	<u>1,901,800</u>
	Tax at applicable rate of 41 percent (2003: 44 percent)	1,165,523	836,792
	Effect of:		
	- Income chargeable to tax at reduced rates	(9,474)	(14,687)
	- Income exempt from tax	(215,599)	-
	- Change in tax rate	(18,349)	(23,456)
	- Other differences	(2,401)	86
		<u>919,700</u>	<u>798,735</u>

29.2 Income tax authorities have finalized tax assessments of the Bank upto and including the assessment year 2002-2003 (income year ended December 31, 2001). Returns filed by the Bank for tax years 2003 and 2004 have been assessed under self-assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001.

While finalizing assessments for the assessment years 1998-99 to 2002-2003, the taxation officer disallowed provisions made by the Bank for bad and doubtful debts and also charged tax on classified loans credited to suspense account under the Prudential Regulations of the State Bank of Pakistan, thereby raising tax demand of Rs. 557 million. Assessment for tax year 2003 was also amended and further demand of Rs. 165 million was raised on account of disallowance of provision for bad and doubtful debts. The Bank successfully appealed before the Commissioner of Income Tax (Appeals) [CIT (Appeals)] who deleted these disallowances. The Income Tax Department has filed appeals to the Income Tax Appellate Tribunal [ITAT] against the appellate orders of the CIT (Appeals). These departmental appeals are pending disposal.

The taxation officer has given effect to the appellate orders of the CIT (Appeals) for the assessment years 2000-2001, 2001-2002 and tax year 2003 resulting in a refund of Rs. 375 million to the Bank.

Pursuant to the assessments finalized for the assessment years 1998-1999 to 2002-2003 the tax department also reopened the Bank's assessments relating to the assessment years 1995-96 to 1997-98 and created tax demand aggregating Rs. 206 million by taxing provisions for bad and doubtful debts and interest credited on classified loans to suspense account. The CIT (Appeals) deleted tax demands of Rs. 74 million while deciding appeals for the assessment years 1995-96 and 1996-97 while appeal for the assessment year 1997-98 is pending disposal before the ITAT. The taxation officer challenged the appellate orders relating to the assessment years 1995-96 and 1996-97 before the ITAT, where the matter is pending disposal. The management is hopeful that these appeals will be ultimately decided in the Bank's favour.

Notwithstanding the above, should these liabilities materialize at a later stage, these will give rise to a deferred tax debit being a timing difference in nature, as the Bank will not be required to pay tax on future realization of these receivables. Other than these matters, tax demands have been fully provided for.

Notes to the Accounts for the year ended December 31, 2004

NOTE 30

		2004	2003
BASIC / DILUTED EARNINGS PER SHARE	Profit for the year - Rupees in thousand	1,923,040	1,103,065
	Weighted average number of Ordinary Shares - Numbers	125,584,737	125,584,737
	Basic / diluted earnings per share - Rupees	15.31	8.78

30.1 Weighted average number of ordinary shares shown as comparative have been restated to include bonus shares issued during the year.

NOTE 31

		2004	2003
(Rupees in thousand)			
CASH AND CASH EQUIVALENTS	Cash and balances with treasury banks	8,762,866	6,678,026
	Balances with other banks	4,847,899	2,650,166
	Call money lendings	-	950,000
		<u>13,610,765</u>	<u>10,278,192</u>

NOTE 32

		2004	2003
STAFF STRENGTH	Total number of employees at the end of the year	2,118	1,723

NOTE 33

DEFINED BENEFIT PLAN

33.1 General description

The Bank operates an approved funded gratuity scheme for all its permanent employees. Contributions are made in accordance with the actuarial recommendation.

The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of services in lumpsum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof, subject to a minimum of three years of service.

33.2 Principal actuarial assumptions

The actuarial valuation is carried out periodically. The actuarial valuation was carried out for the year ended December 31, 2004 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

Discount rate @ 9 percent per annum

Expected rate of increase in salaries @ 9 percent per annum

Expected rate of return on investments @ 9 percent per annum

33.3 Reconciliation of payable to defined benefit plan

		2004	2003
(Rupees in thousand)			
	Present value of defined benefit obligations	168,820	114,039
	Fair value of plan assets	(163,289)	(113,554)
	Net actuarial losses not recognized	(5,531)	(485)
		<u>-</u>	<u>-</u>
33.4 Movement in payable to defined benefit plan			
	Opening balance	-	-
	Charge for the year	13,290	14,227
	Contribution to fund made during the year	(13,290)	(14,227)
	Closing balance	<u>-</u>	<u>-</u>

Notes to the Accounts for the year ended December 31, 2004

33.5 Charge for defined benefit plan

(Rupees in thousand)	2004	2003
Current service cost	16,322	14,039
Interest cost	7,983	8,980
Expected return on plan assets	(11,015)	(8,792)
	<u>13,290</u>	<u>14,227</u>
33.6 Actual return on plan assets	<u>13,540</u>	<u>14,413</u>

33.7 The defined benefit plan assets include deposits maintained with the Bank at a fair value of Rs. 31,080 thousand (2003: Rs. 22,480 thousand).

NOTE 34

DEFINED CONTRIBUTION PLAN

The Bank operates a recognised provident fund scheme for all its permanent employees for which equal monthly contributions are made both by the Bank and by the employees to the fund @ 8.33% of the basic salaries of the employees.

NOTE 35

REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2004	2003	2004	2003	2004	2003
Fees	15	12	91	71	-	-
Managerial remuneration	3,841	3,381	-	-	53,862	26,848
Charge for defined benefit plan	1,039	488	-	-	12,853	4,461
Contribution to defined contribution plan	624	990	-	-	7,110	8,657
Rent and house maintenance	1,152	1,014	-	-	20,126	11,229
Utilities	384	338	-	-	4,468	2,569
Medical	327	539	-	-	3,997	2,663
Bonus	1,754	1,409	-	-	19,490	11,215
	<u>9,136</u>	<u>8,171</u>	<u>91</u>	<u>71</u>	<u>121,906</u>	<u>67,642</u>
Number of persons	<u>1</u>	<u>1</u>	<u>14</u>	<u>13</u>	<u>60</u>	<u>37</u>

Executives mean employees, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year. Chief Executive and executives are also provided Bank maintained cars.

Notes to the Accounts for the year ended December 31, 2004

NOTE 36

2004

MATURITIES OF ASSETS AND LIABILITIES	2004				
	Total	Upto three months	Over three months to one year	Over one year to five years	Over five years
(Rupees in thousand)					
Assets					
Cash and balances with treasury banks	8,762,866	8,762,866	-	-	-
Balances with other banks	4,847,899	4,847,899	-	-	-
Lendings to financial institutions	2,324,839	1,705,000	257,316	362,523	-
Investments	17,239,157	5,570,104	2,025,862	871,105	8,772,086
Advances	69,938,041	29,440,480	26,161,711	9,677,850	4,658,000
Other assets	1,459,716	1,227,005	232,711	-	-
Operating fixed assets	2,595,023	107,257	323,867	576,301	1,587,598
	<u>107,167,541</u>	<u>51,660,611</u>	<u>29,001,467</u>	<u>11,487,779</u>	<u>15,017,684</u>
Liabilities					
Bills payable	1,227,093	1,227,093	-	-	-
Borrowings from financial institutions	13,781,555	11,337,417	2,444,138	-	-
Deposits and other accounts	83,318,795	35,839,244	19,715,694	268,171	27,495,686
Sub-ordinated loans	1,000,000	-	-	-	1,000,000
Liabilities against assets subject to finance lease	14,159	3,000	10,084	1,075	-
Other liabilities	1,282,981	1,113,634	154,090	15,257	-
Deferred tax liabilities	526,865	308,276	-	218,589	-
	<u>101,151,448</u>	<u>49,828,664</u>	<u>22,324,006</u>	<u>503,092</u>	<u>28,495,686</u>
Net assets	<u>6,016,093</u>	<u>1,831,947</u>	<u>6,677,461</u>	<u>10,984,687</u>	<u>(13,478,002)</u>
Share capital	1,255,848				
Reserves	4,317,301				
Surplus on revaluation of assets	442,944				
	<u>6,016,093</u>				

36.1 Liquidity Risk

Liquidity risk reflects an enterprises inability in raising funds to meet commitments. The Bank's liquidity position is managed by the Asset and Liability Management Committee. The Committee monitors the maintenance of balance sheet liquidity ratios, depositors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits and liquidity contingency plans. Moreover, core retail deposits (current accounts and saving accounts) form a considerable part of the Bank's overall funding and significant importance is attached to the stability and growth of these deposits.

Notes to the Accounts for the year ended December 31, 2004

NOTE 37

YIELD/INTEREST RATE RISK

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

2004

	Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk				Not exposed to Yield / Interest risk
			Upto three months	Over three months to one year	Over one year to five years	Over five years	
(Rupees in thousand)							
On-balance sheet financial instruments							
Assets							
Cash and balances with treasury banks	0.96%	8,762,866	2,805,858	-	-	-	5,957,008
Balances with other banks	1.32%	4,847,899	4,194,415	-	-	-	653,484
Lendings to financial institutions	2.78%	2,324,839	1,705,000	257,316	362,523	-	-
Investments	5.35%	17,239,157	5,579,901	2,016,065	871,105	7,629,657	1,142,429
Advances	5.82%	69,938,041	29,440,480	26,161,711	9,677,850	4,658,000	-
Other assets	-	1,459,716	-	-	-	-	1,459,716
		104,572,518	43,725,654	28,435,092	10,911,478	12,287,657	9,212,637
Liabilities							
Bills payable	-	1,227,093	-	-	-	-	1,227,093
Borrowings from financial institutions	2.01%	13,781,555	11,337,417	2,444,138	-	-	-
Deposits and other accounts	1.12%	83,318,795	28,969,672	14,156,946	268,171	20,079,726	19,844,280
Sub-ordinated loans	7.45%	1,000,000	-	-	-	1,000,000	-
Liabilities against assets subject to finance lease	12.16%	14,159	3,000	10,084	1,075	-	-
Other liabilities	-	1,282,981	-	-	-	-	1,282,981
		100,624,583	40,310,089	16,611,168	269,246	21,079,726	22,354,354
On-balance sheet gap		3,947,935	3,415,565	11,823,924	10,642,232	(8,792,069)	(13,141,717)
Off-balance sheet financial instruments							
Sale and repurchase agreements	3.35%	3,127,143	3,127,143	-	-	-	-
Purchase and resale agreements	4.36%	753,480	753,480	-	-	-	-
Off-balance sheet gap		2,373,663	2,373,663	-	-	-	-
Total yield / interest risk sensitivity gap			5,789,228	11,823,924	10,642,232	(8,792,069)	
Cumulative yield / interest risk sensitivity gap			5,789,228	17,613,152	28,255,384	19,463,315	

37.1 Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

37.2 Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

NOTE 38

CURRENCY RISK

2004

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
(Rupees in thousand)				
Pakistan Rupees (PKR)	88,335,187	74,832,834	3,039,335	16,541,688
U.S. Dollars (US\$)	13,941,494	23,338,840	(3,385,922)	(12,783,268)
Pound Sterling (£)	1,328,400	1,676,789	(608)	(348,997)
Japanese Yen (¥)	6,658	28,868	6,254	(15,956)
Euro (€)	860,195	696,502	339,568	503,261
Other European Currencies	6,745	5,694	1,373	2,424
Other Currencies	93,839	45,056	-	48,783
	104,572,518	100,624,583	-	3,947,935

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with State Bank of Pakistan and foreign currency deposits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and the nostro balances are managed within the statutory limits, as fixed by the State Bank of Pakistan. Counter parties limits are also fixed to limit risk concentration.

Notes to the Accounts for the year ended December 31, 2004

NOTE 39

MARKET RISK

Market risk is the risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in interest rates, foreign exchange rates and equity prices resulting in a loss to earnings and capital. The Bank's interest rates exposure comprises those originating from investing and lending activities. The Asset and Liability Management Committee of the Bank monitors and manages the interest rates risk with the objective of limiting the potential adverse effect on the profitability of the Bank.

NOTE 40

(Rupees in thousand)

FAIR VALUE OF FINANCIAL INSTRUMENTS

40.1 On-balance sheet financial instruments	2004		2003	
	Book value	Fair Value	Book Value	Fair Value
Assets				
Cash and balances with treasury banks	8,762,866	8,762,866	6,678,026	6,678,026
Balances with other banks	4,847,899	4,847,899	2,650,166	2,650,166
Lendings to financial institutions	2,324,839	2,324,839	5,770,842	5,770,842
Investments	17,239,157	17,293,195	22,104,425	22,104,425
Advances				
Term loans	18,942,841	18,942,841	11,715,612	11,715,612
Staff advances	481,117	481,117	384,780	384,780
Other advances	50,514,083	50,514,083	32,677,146	32,677,146
Other assets	1,459,716	1,459,716	1,425,986	1,425,986
	<u>104,572,518</u>	<u>104,626,556</u>	<u>83,406,983</u>	<u>83,406,983</u>
Liabilities				
Bills payable	1,227,093	1,227,093	973,703	973,703
Borrowings from financial institutions	13,781,555	13,781,555	15,903,055	15,903,055
Deposits and other accounts				
Current and saving accounts	70,043,594	70,043,594	54,890,943	54,890,943
Term deposits	13,275,201	13,275,201	6,765,664	6,765,664
Sub-ordinated loans	1,000,000	1,000,000	-	-
Liabilities against assets subject to finance lease	14,159	14,159	37,350	37,350
Other liabilities	1,282,981	1,282,981	962,592	962,592
	<u>100,624,583</u>	<u>100,624,583</u>	<u>79,533,307</u>	<u>79,533,307</u>
40.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	8,791,180	8,791,180	2,604,618	2,604,618
Purchase and resale agreements	753,480	753,480	3,552,363	3,552,363
Forward sale of foreign exchange	5,854,758	5,854,758	3,019,068	3,019,068
Sale and repurchase agreements	3,127,143	3,127,143	8,134,307	8,134,307

The fair value of investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities, Term Finance Certificates and National Prize Bonds.

Notes to the Accounts for the year ended December 31, 2004

In the opinion of the management fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits are not significantly different from the carrying amounts since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

In the opinion of the management fair value of fixed term loans, staff loans, non-performing advances and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.3. The maturity profile and effective rates are stated in note 37.

NOTE 41

CONCENTRATION OF CREDIT RISK

Credit risk is the risk that arises from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform such obligation is impaired resulting in economic loss to the Bank. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties and continually assessing the creditworthiness of counter parties.

The focus of the Bank's commercial lending continues to be short-term trade related financing on a secured and self liquidating basis. The Bank will also continue its emphasis on diversification of its assets to avert large single industry or group exposure.

The Bank has built and maintains a sound loan portfolio in terms of a well defined Credit Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Special attention is paid to the management of non-performing loans. A separate Credit Monitoring Cell (CMC) is operational at the Head Office. A "watchlist" procedure is also functioning which identifies loans showing early warning signals of becoming non-performing.

The Bank constantly monitors overall credit exposure and takes analytical and systematic approaches to its credit structure categorized by group and industry. The credit portfolio is well diversified sectorally with manufacturing and exports accounting for the bulk of the financing which is considered to be low risk due to the nature of underlying security.

The Bank is further diversifying its asset portfolio, by offering new Consumer Banking products (Personal Finance, Business Finance, Mortgage Finance and Auto Morabaha Financing etc.) to its customers, as it provides better margins than traditional business lending opportunities, whilst spreading the risk over a large number of individual customers and Agriculture Credit products, primarily aimed to provide quick and cheap credit to the farmers at their door-steps in a simplified manner.

Notes to the Accounts for the year ended December 31, 2004

41.1 Segment by class of business

(Rupees in thousand)

2004

	Deposits		Advances		Contingencies and Commitments	
	Amount	Percent	Amount	Percent	Amount	Percent
Agriculture / Agribusiness	1,532,174	1.84	904,729	1.26	205,364	0.21
Automobiles & Allied	2,704,582	3.25	1,136,657	1.58	2,361,577	2.47
Cables / Electronics	330,413	0.40	2,405,484	3.35	1,282,359	1.34
Carpets	268,247	0.32	264,515	0.37	20,789	0.02
Cements	211,435	0.25	510,621	0.71	264,569	0.28
Chemicals / Pharmaceuticals	1,942,974	2.33	3,602,903	5.02	4,814,347	5.03
Engineering	339,046	0.41	1,004,857	1.40	1,434,110	1.50
Fertilizers	390,268	0.47	992,893	1.38	1,570,016	1.64
Food & Allied	436,198	0.52	977,045	1.36	1,223,454	1.28
Fuel / Energy	5,695,296	6.84	2,229,282	3.11	1,657,888	1.73
Ghee & Edible oil	204,971	0.25	2,239,656	3.12	2,315,933	2.42
Glass and Ceramics	112,810	0.14	287,047	0.40	1,640,774	1.71
Hotels and Restaurants	331,018	0.40	324,026	0.45	9,486	0.01
Individuals	31,393,544	37.68	7,105,827	9.91	593,539	0.62
Insurance	937,974	1.13	-	-	51	0.00
Investment banks / Scheduled banks	1,840,700	2.21	944,816	1.32	24,351,114	25.44
Leasing	261,470	0.31	920,494	1.28	369,218	0.39
Leather products and Shoes	526,635	0.63	1,828,095	2.55	369,894	0.39
Modarabas	5,369	0.01	110,425	0.15	7,631	0.01
Paper and Board	165,696	0.20	969,251	1.35	563,934	0.59
Plastic products	82,835	0.10	1,028,367	1.43	1,823,387	1.90
Ready-made garments	201,658	0.24	2,317,307	3.23	277,861	0.29
Real estate / Construction	605,064	0.73	2,090,524	2.91	11,226,444	11.73
Rice processing and trading	390,591	0.47	4,865,760	6.78	245,430	0.26
Rubber products	320,424	0.38	589,406	0.82	747,429	0.78
Services (Other than Financial,						
Hotelling & Travelling)	1,981,923	2.38	740,019	1.03	987,557	1.03
Sports goods	111,770	0.13	1,268,289	1.77	72,934	0.08
Sugar	37,700	0.05	184,000	0.26	8,157	0.01
Surgical equipment / Metal products	543,214	0.65	1,139,469	1.59	615,945	0.64
Synthetic & Rayon	22,827	0.03	513,867	0.72	1,539,781	1.61
Textile:						
Export	2,251,778	2.70	8,712,689	12.15	4,310,121	4.50
Manufacturing	2,242,276	2.69	14,138,954	19.71	10,553,140	11.02
Tobacco / Cigarette manufacturing	139,820	0.17	1,062,630	1.48	86,692	0.09
Transport and communication	388,666	0.47	1,266,871	1.77	6,821,372	7.13
Travel Agencies	256,258	0.31	170,282	0.24	95,223	0.10
Woollen	311,950	0.37	422,099	0.59	185,310	0.19
Public / Government	22,025,075	26.43	540,756	0.75	3,645,885	3.81
Others	1,774,146	2.13	1,908,580	2.66	7,423,074	7.75
	<u>83,318,795</u>	<u>100.00</u>	<u>71,718,492</u>	<u>100.00</u>	<u>95,721,789</u>	<u>100.00</u>

41.2 Segment by sector

(Rupees in thousand)

2004

	Deposits		Advances		Contingencies and Commitments	
	Amount	Percent	Amount	Percent	Amount	Percent
Public / Government	22,025,075	26.43	540,756	0.75	3,645,885	3.81
Private	61,293,720	73.57	71,177,736	99.25	92,075,904	96.19
	<u>83,318,795</u>	<u>100.00</u>	<u>71,718,492</u>	<u>100.00</u>	<u>95,721,789</u>	<u>100.00</u>

Notes to the Accounts for the year ended December 31, 2004

NOTE 42

(Rupees in thousand)

2004

GEOGRAPHICAL SEGMENT ANALYSIS	Profit / (loss) before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	2,817,204	104,289,068	5,892,237	97,355,381
Asia Pacific (including South Asia)	-	362,523	-	-
Europe	-	-	-	-
United States of America and Canada	-	297,150	-	-
Middle East - Note 42.1	25,536	2,218,800	123,856	366,408
Others	-	-	-	-
	<u>2,842,740</u>	<u>107,167,541</u>	<u>6,016,093</u>	<u>97,721,789</u>

42.1 These do not include intra group items of Rs. 2,404,005 thousand eliminated upon consolidation.

42.2 Contingencies and commitments include amounts given in note 23 except, for bills for collection.

NOTE 43

RELATED PARTY TRANSACTIONS

As Army Welfare Trust (AWT) holds 45.68% (2003: 45.68%) of the Bank's Share Capital at the year end, therefore, all subsidiaries and associated undertakings of AWT are related parties of the Bank. Also, related parties comprise of directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

Details of transactions with related parties and balances with them at the year end were as follows:

(Rupees in thousand)	2004	2003
Balances outstanding at the year end		
- Deposits	1,065,845	968,493
- Advances, investments / placements	442,574	-
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	6,392	714
- Investments in shares of related parties - at cost	16,862	13,184
Transactions during the year		
- Net mark-up / interest expensed	25,972	31,794
- Net mark-up / interest earned	3,199	-
- Contribution to staff retirement funds	37,335	34,032
- Rent of property paid	30,509	21,864
- Rent of property received	17,900	15,940
- Insurance premium paid	6,765	6,325
- Insurance claim received	2,549	3,147
- Share registrar fees and costs	3,256	854
- Dividend received from a related party	1,839	1,839
- Security services costs	18,426	16,897
- Fee, commission and brokerage income	111	499

Transactions entered into with key management personnel including the Chief Executive Officer as per their terms of employment are excluded from related party transactions.

Notes to the Accounts for the year ended December 31, 2004

NOTE 44

CORRESPONDING
FIGURES

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison. Major change during the year is as follows:

Reclassification From		Reclassification To		Reasons for reclassification	(Rupees in thousand)
Note	Component	Note	Component		
9	Investments Available-for-sale	9	Investments Held-to-maturity	BSD Circular No. 10 and 14 dated July 13, 2004 and September 24, 2004 respectively, issued by SBP	1,592,750

NOTE 45

DATE OF
AUTHORIZATION

These accounts were approved for issue by the Board of Directors on February 10, 2005.

NOTE 46

GENERAL

- 46.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 46.2 These accounts have been prepared in accordance with the revised format of financial statements for banks issued by the State Bank of Pakistan vide BSD Circular No. 36 dated October 10, 2001.
- 46.3 Captions as prescribed by BSD Circular No. 36 dated October 10, 2001 issued by the State Bank of Pakistan in respect of which there are no amounts have not been reproduced in these accounts except for the balance sheet and profit and loss account.



Kalim-ur-Rahman
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Masood Parwaiz
Director



Lt. Gen. Waseem Ahmed Ashraf
Chairman

Annexure '1' Referred to in Note 10.5 to these Accounts

Statement in terms of sub-section (3) of Section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of five hundred thousand Rupees or above allowed to a person(s) during the year ended December 31, 2004.

(Rupees in thousand)

S.#	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest / Markup written-off	Other financial relief provided	Total
				Principal	Interest / Mark-up	Others	Total				
1.	Ahmed Oil Industries (Pvt) Ltd. 2nd Floor Adam Building Muhammad Feroz Street, Jodia Bazar, Karachi.	Mr. Mohammad Yunus Jaka Mr. Abdul Wahid Mr. Abdul Majid Mst. Hanifa Bibi	Mr. Haji Mohammad - do - - do - W/o Mr. Haji Mohammad	-	4,273	-	4,273	-	2,136	-	2,136
2.	Mohib Textile Mills Ltd. 6-FB, Awami Complex, Usman Block New Garden Town, Lahore	Mr. M. Abid Saigol Mr. M. Asif Saigol Mr. M. Arif Saigol Mr. M. Shahzad Saigol Mr. M. Shafique Saigol (Jr.) Mr. Sarwar Ali	Mr. M. Rafiq Saigol - do - - do - Mr. M. Shafique Saigol - do - Mir Ahmed Ali	25,661	8,596	-	34,257	22,226	8,596	-	30,822
3.	Nusrat Textile Mills Ltd. 98P, Gulberg II, Lahore.	Mr. Shahid Elahi Mrs. Nusrat Perveen Mrs. Nasreen Zahid Mrs. Mariam Shahid Mr. Muhammad Ghufraan Mr. Muhammad Rafi	Mr. Ehsan Elahi W/o Mr. Ehsan Elahi W/o Mr. Zahid Elahi W/o Mr. Shahid Elahi Mr. M. Ehsanutawab Mr. Muhammad Shafi	8,153	1,933	-	10,086	8,153	1,933	-	10,086
4.	Power Installation (Pvt) Ltd 516 A, Faisal Town, Lahore.	Dr. Shahid Ahmed Khan (late) Mrs. Farah Shahid	Mr. Abdul Aziz Khan (late) W/o Dr. Shahid Ahmed Khan	29,532	8,838	-	38,370	29,532	8,838	-	38,370
Total				63,346	23,640	-	86,986	59,911	21,503	-	81,414

Pattern of Shareholding as at December 31, 2004

Number of shareholders	Shareholding		Total shares held
	From	To	
3,044	1	100	123,919
3,055	101	500	828,052
2,142	501	1,000	1,690,847
3,745	1,001	5,000	7,458,887
264	5,001	10,000	1,893,698
365	10,001	110,000	10,917,490
52	110,001	310,000	9,313,193
10	310,001	405,000	3,493,133
4	410,001	445,000	1,733,711
2	550,001	595,000	1,144,610
17	610,001	5,865,000	24,762,829
7	6,275,001	6,280,000	43,954,638
1	7,550,001	7,555,000	7,552,169
1	10,715,001	10,720,000	10,717,561
12,709		Total	125,584,737

Categories of Shareholders

Particulars	Number of shareholders	Shares held	Percent
Individuals - Note 1	12,363	77,835,181	61.98
Investment companies	155	4,183,613	3.33
Insurance companies	20	3,214,184	2.56
Joint stock companies	28	1,889,945	1.51
Financial institutions	65	22,305,501	17.76
Modarabas & Mutual Funds	36	6,649,432	5.30
Charitable and other trusts	24	8,543,536	6.80
Foreign investors	13	694,595	0.55
Others	5	268,750	0.21
Total	12,709	125,584,737	100.00

Note 1: Individual include 8 directors holding 49,815,257 shares, detailed below, in their capacity as nominees of Army Welfare Trust (AWT). The ultimate ownership remains with AWT.

Held by

Particulars	Number of shareholders	Shares held	Percent
Associated company			
Army Welfare Trust	1	7,552,169	6.01
NIT / ICP			
National Investment (Unit) Trust (NIT)	1	11,641,096	9.27
Investment Corporation of Pakistan	1	45,125	0.04
Directors & Chief Executive			
Lt. Gen. Faiz Jilani	1	6,279,234	5.00
Lt. Gen. (R) Masood Parwaiz	1	6,279,234	5.00
Brig. (R) Muhammad Shiraz Baig	1	6,279,234	5.00
Brig. (R) Muhammad Bashir Baz	1	6,279,234	5.00
Brig. (R) Muhammad Safdar Ali	1	6,279,234	5.00
Brig. (R) Shaukat Mahmood Chaudhari	1	6,279,234	5.00
Mr. Zafar Alam Khan Sumbal	1	6,279,234	5.00
Brig. (R) Asmat Ullah Khan Niazi	1	5,860,619	4.67
	8	49,815,257	39.67
Mr. Muhammad Afzal Munif	1	393,233	0.31
Mr. Shahid Hafeez Azmi	1	18,933	0.02
Mr. Kalim-ur-Rahman	1	2,546	0.00
Executives of the Bank	6	10,116	0.01
Public sector companies and corporations	183	6,073,558	4.84
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds (excluding NIT & ICP)	111	20,482,896	16.31
Individuals	12,359	28,299,807	22.53
Others	36	1,250,001	0.99
Total	12,709	125,584,737	100.00

Note 2: There have been no trades in the shares of the Bank, carried out by its Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouse and minor children.

Note 3: The shares held in the name of ex-Chairman of the Board of Directors, Lt. Gen. Faiz Jilani, have been transferred in the name of the incoming Chairman, Lt. Gen. Waseem Ahmed Ashraf subsequent to the year end.

Correspondent Network

1. Australia
Australia & New Zealand Banking Group Ltd
ABN AMRO Bank NV
BNP Paribas
Citibank NA
Commonwealth Bank of Australia
Habib Finance Australia Ltd.
Hong Kong Bank of Australia
ING Bank NV
Westpac Banking Corporation
2. Austria
ABN AMRO Bank NV
American Express Bank Ltd
Bank Austria Creditanstalt AG
Citibank International Plc
ING Bank NV
SKWB Schoelerbank AG
Oberosterreichische Landesbank AG
Raiffeisen Zentralbank Osterreich (RZB)
3. Argentina
ABN AMRO Bank NV
Citibank NA
Hong Kong & Shanghai Banking Corporation Ltd. (The)
ING Bank NV
Standard Chartered Bank
4. Algeria
Banque de l'Agriculture et du Development Rural
Citibank NA
5. Armenia
HBC Bank Armenia Jsc
6. Aruba
ABN AMRO Bank NV
Citibank NA
7. Azerbaijan
Hong Kong & Shanghai Banking Corporation Ltd. (The)
8. Bangladesh
American Express Bank Ltd
Export-Import Bank of Bangladesh Ltd
Habib Bank Ltd.
Standard Chartered Bank
United Commercial Bank Ltd.
9. Barbados
Citibank NA
10. Belgium
ABN AMRO Bank NV
ING Belgium NV/SA
Citibank NA
Commerzbank AG
Fortis Bank SA/NV
Habib Bank Ltd
KBC Bank NV
11. Bahamas
Citibank NA
Standard Chartered Bank
12. Bahrain
ABN AMRO Bank NV
Citibank NA
Habib Bank Ltd.
Standard Chartered Bank
13. Bosnia-Herzegovina
HVB Bank Bosnia-Herzegovina
14. Brazil
ABN AMRO Bank NV
Banco Citibank SA
Citibank NA
ING Bank NV
Standard Chartered Bank
15. Brunei Darus Salam
Citibank NA
Hong Kong & Shanghai Banking Corporation Ltd. (The)
Standard Chartered Bank
16. Bulgaria
Citibank NA
Commercial Bank Biochim
HVB Bank Bulgaria EAD
ING Bank NV
17. Canada
ABN AMRO Bank Canada
Canadian Imperial Bank of Commerce
Hong Kong & Shanghai Banking Corporation Ltd. (The)
ING Bank NV
National Bank of Canada
Royal Bank of Canada
Toronto Dominion Bank (The)
18. Cayman Island
ABN AMRO Bank NV
19. Channel Islands
ABN AMRO Bank NV
Citibank NA
20. Chile
American Express Bank Ltd
Citibank NA
21. China
ABN AMRO Bank NV
ANZ Banking Group Ltd
Bank of China
Bank of Communications
China Construction Bank
China Merchants Bank
China Minsheng Banking Corporation
Commerzbank AG
Export-Import Bank of China
Fortis Bank NV/SA
Hong Kong & Shanghai Banking Corporation Ltd. (The)
ING Bank NV
Jinan City Commercial Bank (The)
Standard Chartered Bank
UFJ Bank Limited
22. Cook Island
ANZ Banking Group Ltd
23. Croatia
HVB Bank Croatia d.d.
Zagrebacka Banka DD
24. Cyprus
Cyprus Popular Bank Ltd
HSBC Investment Bank Cyprus
25. Czech Republic
ABN AMRO Bank NV
Ceskoslovenska Obchodni Banka AS
Citibank AS
Commerzbank AG
Bank Austria Creditanstalt Czech Republic as
HVB Bank Czech Republic a.s.
ING Bank NV
Raiffeisenbank AS
26. Denmark
ABN AMRO Bank NV
Citibank NA
Den Danske Bank Aktieselskab
Sparekassen Nordjylland A/S, (SBN)
Unibank A/S
27. Egypt
American Express Bank Ltd
Bank of Alexandria
Citibank NA
National Bank of Pakistan
28. Ecuador
ABN AMRO Bank NV
Citibank NA
ING Bank NV
29. Finland
Den Danske Bank Aktieselskab
Leonia Bank Plc
Skandinaviska Enskilda Banken
Svenska Handelsbanken AB (publ)
30. Fiji
ANZ Banking Group Ltd.
31. France
ABC International Bank Plc
ABN AMRO Bank NV
ANZ Banking Group Ltd
BNP Paribas
Caisse Central Des Banques Populaire
Citibank NA
Commerzbank AG
Credit Lyonnais SA
Habib Bank Ltd.
HypoVereinsbank
ING Bank NV
National Bank of Pakistan
Societe Generale
Standard Chartered Bank
Union de Banques Arabes et Francaises (UBAF)

Correspondent Network

32. Germany
American Express Bank Gmbh
ANZ Banking Group Ltd
Bayerische Landesbank
Citibank NA
Commerzbank AG
Deutsche Bank AG
DG Bank
Dresdner Bank AG
Fortis Bank NV/SA
Bayerische Hypo-und Vereinsbank AG
ING Bank NV
Sparkasse Aachen
Standard Chartered Bank
SGZ Bank
WGZ Bank
33. Greece
ABN AMRO Bank NV
Alpha Credit Bank
American Express Bank Ltd.
Bank of Crete SA
Citibank NA
Bayerische Hypo-und Vereinsbank AG
ING Bank NV
34. Honduras
Citibank NA
35. Hongkong
ABN AMRO Bank NV
American Express Bank Ltd.
ANZ Banking Group Ltd
Bank of East Asia Ltd (The)
Citibank NA
Commerzbank AG
Fortis Bank NV/SA
Heng Seng Bank Ltd
Hongkong & Shanghai Banking Corporation Ltd. (The)
Bayerische Hypo-und Vereinsbank AG
ING Bank NV
Mashreq Asia Ltd.
Meespierson NV
National Bank of Pakistan
Standard Chartered Bank
UBAF (Hongkong) Limited
36. Hungary
Budapest Bank Rt.
Citibank NA
Creditanstalt Rt.
HVB Bank Hungary Rt.
ING Bank NV
Unicbank Rt
37. India
ABN AMRO Bank NV
American Express Bank Ltd.
Citibank NA
Commerzbank AG
ING Bank AG
Mashreqbank Psc
Standard Chartered Bank
State Bank of India
38. Indonesia
ABN AMRO Bank NV
American Express Bank Ltd.
ANZ Banking Group Ltd.
PT Bank Mandiri (Persero)
Citibank NA
Hongkong & Shanghai Banking Corporation Ltd. (The)
Lippo Bank PT
Standard Chartered Bank
39. Iran
Bank Melli Iran
Bank Saderat Iran
Standard Chartered Bank
40. Ireland
ABN AMRO Bank NV
Bank of Ireland
Citibank NA
ING Bank NV
National Westminster Bank Plc
41. Italy
ABN AMRO Bank NV
Banca Nazionale del Lavoro SpA
Banca Di Roma
Banca Intesa Spa.
Banca Nazionale Dell' Agricoltura SPA
Cariverona Banca SpA
Cassa Di Risparmio Di Torino
Cassa Di Risparmio Delle Province
Lombarde SpA
Citibank NA
Deutsche Bank AG
Dresdner Bank AG
Fortis Bank NV/SA
Bayerische Hypo-und Vereinsbank AG
ING Bank NV
UniCredito Italiano SPA
42. Jamaica
Citibank NA
43. Japan
ABN AMRO Bank NV
American Express Bank Ltd.
ANZ Banking Group Ltd.
Asahi Bank Ltd
Bank of New York (The)
Bank of Tokyo-Mitsubishi Ltd. (The)
Citibank NA
Commerzbank AG
Hongkong & Shanghai Banking Corporation Ltd.(The)
Bayerische Hypo-und Vereinsbank AG
ING Bank NV
National Bank of Pakistan
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
Union de Banques Arabes et de Francaises (UBAF)
UFJ Bank Ltd
44. Jordan
Citibank NA
Jordan National Bank Plc
Housing Bank for Trade & Finance
Hongkong & Shanghai Banking Corporation Ltd (The)
45. Kazakhstan
ABN AMRO Bank Kazakhstan
Citibank CSJC
Bank TuranAlem
46. Kenya
African Banking Corporation Ltd
ABN Amro Bank NV
Citibank NA
Habib Bank AG Zurich
Kenya Commercial Bank Limited
Stanbic Bank Ltd.
Standard Chartered Bank
47. Korea (South)
ABN AMRO Bank NV
American Express Bank Ltd.
ANZ Banking Group Ltd
Citibank NA
Daegu Bank Ltd
Hanvit Bank
Hongkong & Shanghai Banking Corporation Ltd. (The)
ING Bank NV
Kookmin Bank
KorAm Bank
Korea Exchange Bank
Shinhan Bank
Standard Chartered Bank
Union de Banques Arabes et Francaises (UBAF)
48. Kuwait
Bank of Kuwait and Middle East KSC
Commercial Bank of Kuwait SAK
Gulf Bank KSC
Alahli Bank of Kuwait
49. Luxemburg
Banque de Commerce et de Placement
Banque Generale du Luxembourg SA
SGZ Bank
50. Macao
Standard Chartered Bank
51. Malaysia
ABN AMRO Bank NV
ANZ Banking Group Ltd.
Citibank NA
Commerzbank AG
Hongkong & Shanghai Banking Corporation Ltd. (The)
ING Bank NV
Public Bank Berhad
RHB Bank Berhad
Standard Chartered Bank
52. Mauritius
Mauritius Commercial Bank Ltd. (The)

Correspondent Network

-
53. Mexico
ABN AMRO Bank NV
Citibank NA
Standard Chartered Bank
54. Monaco
ABN AMRO Bank NV
Citibank NV
HSBC Monaco
55. Morocco
Banque Marocaine du Commerce
Exterieur SA
Citibank NA
56. Nepal
Himalayan Bank Limited
57. Netherlands
ABN AMRO Bank NV
American Express Bank Ltd.
Citibank NA
Commercial Bank Nederland NV
F Van Lanschot Bankiers NV
Fortis Bank NV/SA
Habib Bank Ltd.
ING Bank NV
MeesPierson NV
58. New Zealand
ABN AMRO Bank NV
ANZ Banking Group (New Zealand) Ltd.
Bank of New Zealand
Citibank NA
Hongkong & Shanghai Banking
Corporation Ltd. (The)
National Bank of New Zealand Ltd. (The)
Standard Chartered Bank
59. Norway
Christiana Bank OG Kreditkasse
Den Danske Bank Aktieselskab
60. Oman (Sultanate of)
Habib Bank AG Zurich
Oman International Bank SAOG
Standard Chartered Bank
61. Pakistan
Allied Bank of Pakistan
Habib Bank Limited
Muslim Commercial Bank Ltd
National Bank of Pakistan
Oman International Bank SAOG
United Bank Limited
62. Panama
ABN AMRO Bank NV
Citibank NA
63. Papua New Guinea
ANZ Banking Group (PNG) Ltd
64. Philippines
American Express Bank Ltd.
Citibank NA
Far East Bank & Trust Company
ING Bank NV
Metropolitan Bank & Trust Co.
PCI Bank
Rizal Commercial Banking Corporation
Security Bank Corporation
Standard Chartered Bank
65. Poland
Bank for Food Economy
Bank Polska Kasa Opieki SA
Bank Handlowy Warszawa SA
Bank Przemyslowo Handlowy PBK S.A.
Bank Rozwoju Eksportu SA
Citibank NA
ING Bank NV
Raiffeisen Centrobank SA
66. Portugal
ABN AMRO Bank NV
Banco de Fomento e Exterior SA
Banco Nacional Ultramarino SA
Banco Totta & Acores SA
Citibank NA
Fortis Bank NV/SA
67. Qatar
Citibank NA
Commercial Bank of Qatar (QSC)(The)
Doha Bank Ltd.
Mashreq Bank Psc
Standard Chartered Bank
68. Romania
ABN AMRO Bank NV
Banca Romana de Comert Exterior SA
Banca Turco-Romana SA
HVB Bank Romania S.A.
ING Bank NV
Romanian Commercial Bank
69. Russia
ABN AMRO Bank NV
ING Bank NV
International Moscow Bank
United Export Import (UNEXIM) Bank
70. Saudi Arabia
National Commercial Bank (The)
Saudi British Bank (The)
Saudi Hollandi Bank
71. Senegal
Citibank NA
72. Singapore
ABN AMRO Bank NV
American Express Bank Ltd.
Citibank NA
Commerzbank AG
Dresdner Bank AG
Habib Bank Ltd.
Hongkong and Shanghai Banking
Corporation (The)
Bayerische Hypo-und Vereinsbank AG
ING Bank NV
Keppel TatLee Bank Ltd.
Meespierson NV
Standard Chartered Bank
United Overseas Bank Limited
Union de Banques Arabes et Francaises
(UBAF)
73. Slovakia
Ceskoslovenska Obchodni Banka
HVB Bank Slovakia a.s.
ING Bank NV
Postova Banka AS
74. Slovenia
Bank Austria Creditanstalt d.d.
SKB Banka DD
75. Solomon Island
ANZ Banking Group Ltd
76. Spain
ABN AMRO Bank NV
Banca de Sabadell
Banco Bilbao Vizcaya
Banco Central Hispano
Banco Atlantico SA
Banco Popular Espanol
Banco Espanol de Credito
Banco Exterior de Espana
Banco Santander
Citibank NA
Commerzbank AG
Dresdner Bank AG
Fortis Bank NV/SA
77. South Africa
ABN AMRO Bank NV
Absa Bank Ltd.
Commerzbank AG
HBZ Bank Limited
ING Bank NV
Standard Bank of South Africa
Standard Chartered Bank
78. Sri Lanka
ABN AMRO Bank NV
American Express Bank Ltd.
Bank of Ceylon
Citibank NA
Habib Bank Ltd.
Habib Bank AG Zurich
Hatton National Bank
Muslim Commercial Bank
Standard Chartered Bank
Seylan Bank Limited

Correspondent Network

79. Sudan
Citibank NA
Habib Bank Ltd.
80. Sweden
ABN AMRO Bank NV
Citibank NA
Den Danske Bank Aktieselskab
Foreningsbanken AB
Nordbanken AB (Publ)
Sparbanken Sverige AB (SWEDBANK)
Svenska Handelsbanken
Skandinaviska Enskilda Banken
81. Switzerland
ABN AMRO Bank NV
Banca Commercial Lugano
Bank Fuer Handel Und Effekten
Banque de Commerce et de
Placements, SA
Citibank NA
Commerzbank AG
Credit Suisse First Boston
Habib Bank AG Zurich
Habibsons Bank Ltd
ING Bank NV
UBS AG
United bank AG (Zurich)
82. Taiwan
ABN AMRO Bank NV
American Express Bank Ltd.
ANZ Banking Group Ltd
Citibank NA
Commerzbank AG
Farmers Bank of China (The)
Fortis Bank NV/SA
ING Bank NV
Standard Chartered Bank
Union Bank of Taiwan
83. Tanzania
Citibank NA
Standard Chartered Bank
84. Thailand
ABN AMRO Bank NV
American Express Bank Ltd.
ANZ Banking Group Ltd.
Bangkok Bank Public Company Ltd.
Citibank NA
First Bangkok City Bank Public
Company Ltd.
Fortis Bank NV/SA
Hongkong and Shanghai Banking
Corporation Ltd.(The)
ING Bank NV
Siam Commercial Bank Public
Company Ltd (The)
Standard Chartered Bank
Thai Farmers Bank Public
Company Limited
85. Tonga
ANZ Banking Group Ltd
86. Tunisia
Citibank NA
Societe Tunisienne De Banque
Tunis International Bank
87. Turkey
ABN AMRO Bank NV
American Express Bank Ltd.
Citibank NA
Egebank AS
EGS Bank
Finansbank AS
Habib Bank Ltd.
Hongkong and Shanghai Banking
Corporation Ltd.(The)
ING Bank NV
KOC Bank
88. United Arab Emirates
ABN AMRO Bank NV
Citibank NA
Habib Bank AG Zurich
Habib Bank Ltd
Mashreq Bank PSC
National Bank of Fujairah Psc
Standard Chartered Bank
Union National Bank
89. United Kingdom
ABC International Bank Plc
ABN AMRO Bank NV
ANZ Banking Group Ltd
American Express Bank Ltd.
Citibank NA
Commerzbank AG
Fortis Bank NV/SA
Habibsons Bank Ltd.
Habib Allied International Bank Plc
Habib Bank AG Zurich
Hongkong & Shanghai Banking
Corporation (The)
Bayerische Hypo-und Vereinsbank AG
ING Bank NV
Lloyds TSB Bank Plc
Mashreq Bank Psc
National Westminster Bank Plc
Standard Chartered Bank
United National Bank Ltd.
90. Uruguay
ABN AMRO Bank NV
American Express Bank Ltd
Citibank NA
91. U S A
ABN AMRO Bank NV
American Express Bank Ltd.
ANZ Banking Group Ltd
Bank of New York
Citibank NA
Commerzbank AG
Fortis Bank NV/SA
Habib American Bank
Habib Bank AG Zurich
Habib Bank Ltd.
Hongkong & Shanghai Banking
Corporation (The)
Bayerische Hypo-und Vereinsbank AG
ING Bank NV
JP Morgan Chase Bank N.A
Mashreq Bank Psc
National Bank of Pakistan
Standard Chartered Bank
92. Uzbekistan
ABN AMRO Bank NB
93. Vanuatu
ANZ Banking Group Ltd
94. Venezuela
ABN AMRO Bank NV
Citibank NA
ING Bank NV
Standard Chartered Bank
95. Vietnam
ABN AMRO Bank NV
ING Bank NV
Standard Chartered Bank
96. Yemen Arab Republic
International Bank of Yemen YSC
97. Yugoslavia
HVB Banka Jugoslavija a.d.
98. Zaire
Citibank NA
99. Zambia
Standard Chartered Bank

Branch Network

RAWALPINDI / ISLAMABAD REGION

Islamabad

F-7 Markaz

13-I, F-7 Markaz,

Jinnah Super Market,

Islamabad.

PABX: (051) 9222411-14, 9208353, 9208355

Direct: (051) 9222418

Fax: (051) 9222415

F-10 Markaz

Block 5-C,

Islamabad.

P.O. Box: 1324

PABX: (051) 9267283-6

Direct: (051) 9267278

Fax: (051) 9267280

I-9 Industrial Area

Plot No. 408, Main Double Road,

Sector I-9/3, Industrial Area,

Islamabad.

PABX: (051) 4100811-3

Direct: (051) 4100819

Fax: (051) 4100814

Jinnah Avenue

24-D, Rasheed Plaza,

Jinnah Avenue, Blue Area,

Islamabad.

P.O. Box: 1499

PABX: (051) 2271794-6, 2823943

Direct: (051) 2871144, 2271801

Fax: (051) 2271797

Tlx: 54683 ASKRI PK

Rawalpindi

AWT Plaza

The Mall,

Rawalpindi.

P.O. Box: 1083, Gram: Askari Br,

PABX: (051) 9273168-72

Direct: (051) 9273178, 9273175

Fax: (051) 9273180

Tlx: 54647 ASKRI PK

Chaklala Scheme-III

18-Commercial Area, Imran Khan Avenue,

Chaklala Scheme-III,

Rawalpindi.

PABX: (051) 5962071-3

Direct: (051) 5960030

Fax: (051) 9281025

General Headquarters (GHQ)

Near Gate No. 7,

Rawalpindi.

PABX: (051) 9271739-40, 561-31192

Direct: (051) 9271738

Fax: (051) 5580354

Haider Road

Bilal Plaza, Haider Road,

Rawalpindi.

PABX: (051) 9272880-3

Direct: (051) 9272885

Fax: (051) 9272886

Peshawar Road

Zahoor Plaza, Peshawar Road,

Rawalpindi.

PABX: (051) 9272794-99

Direct: (051) 9272702

Fax: (051) 9272704

Raja Bazar

Iqbal Road, Raja Bazar,

Rawalpindi.

PABX: (051) 5540234, 5540557,

5540587

Direct: (051) 5540227

Fax: (051) 5540321

Satellite Town

313-D, Commercial Market, Satellite Town,

Rawalpindi.

PABX: (051) 9290262-5

Direct: (051) 9290244

Fax: (051) 9290270

NORTH AREA

Abbottabad

Lala Rukh Plaza, Mansehra Road,

Abbottabad.

PABX: (0992) 332182-3

Direct: (0992) 332157

Fax: (0992) 332184

Dera Ismail Khan

Kaif Gulbahar Building,

A.Q. Khan Chowk, Circular Road,

Dera Ismail Khan.

PABX: (0966) 720180-82

Direct: (0966) 720178, 720179

Fax: (0966) 720184

Jhelum

Plot No. 225 & 226,

Kohinoor Plaza, Old G.T Road,

Jhelum Cantt.

PABX: (0541) 720053-55

Direct: (0541) 720051, 720052

Fax: (0541) 720060

Mardan

The Mall,

Mardan.

P.O. Box: 197

PABX: (0937) 867502-3

Direct: (0937) 867545

Fax: (0937) 867515

Mirpur (AK)

Nathia Building, Chowk Shaheedan,

Mirpur.

PABX: (05-8610) 45451-52

Direct: (05-8610) 45450

Fax: (05-8610) 35429

Peshawar

Cantt.

3-7, Fakhra-e-Alam Road,

Cantt. Plaza,

Peshawar.

P.O. Box: 606

PABX: (091) 279437-8

Direct: (091) 271653

Fax: (091) 276391

Tlx: 52314 ACBL PK

City

Bank Square, Chowk Yadgar,

Peshawar.

PABX: (091) 2561246-7

Direct: (091) 2560156

Fax: (091) 2561245

Tlx: 53423 ACBL PK

Swat

Opposite Park Hotel, Makaam Bagh,

Saidu Sharif Road, Mingora,

Swat.

PABX: (0936) 713358-9

Direct: (0936) 713356

Fax: (0936) 713361

LAHORE REGION

Aiwan-e-Tijarat

7-A, Shahrah-e-Aiwan-e-Tijarat,

Lahore.

P.O. Box: 1624

PABX: (042) 9203673-77

Direct: (042) 9203081

Fax: (042) 9203351

Tlx: 53539 ASKRI PK

Badami Bagh

165-B, Badami Bagh,

Lahore.

PABX: (042) 7727601-2

Direct: (042) 7721318, 7725300

Fax: (042) 7704775

Tlx: 44383 ACBBB PK

Baghbanpura

6/7, Shalimar Link Road, Baghbanpura,

Lahore.

PABX: (042) 6830361-3

Direct: (042) 6830360, 6830366

Fax: (042) 6830367

Circular Road

77-Circular Road,

Lahore.

PABX: (042) 7635920-22

Direct: (042) 7633694, 7633702

Fax: (042) 7635919

Tlx: 44254 ACBCR PK

DHA

324-Z, Defence Housing Authority,

Lahore-54792.

PABX: (042) 5898891-5

Direct: (042) 5726818

Fax: (042) 5732310

Branch Network

DHA Phase-II
Plot No. 53-T, Block CCA, Phase-II C,
DHA, Lahore Cantt.
PABX: (042) 5735231-2,
Direct: (042) 5735234
Fax: (042) 5735233

Gulberg
10-E/II, Main Boulevard, Gulberg-III,
Lahore.
PABX: (042) 5764842-4, 5878431-2,
5877297
Direct: (042) 5760369
Fax: (042) 5760958
Tx: 44349 ACBLG PK

Shah Alam
41, Shah Alam Market,
Lahore.
PABX: (042) 7642652-55
Direct: (042) 7642650, 7642651
Fax: (042) 7642656

Shahdara
N-127R-70C,
Opposite Rustom Sohrab Cycle Factory,
Sheikhupura Road, Shahdara,
Lahore.
PABX: (042) 7919302-05
Direct: (042) 7919300, 7919301
Fax: (042) 7919306

The Mall
Bank Square, 47-The Mall,
(Shahrah-e-Quaid-e-Azam),
Lahore.
PABX: (042) 7211851-5
Direct: (042) 7314196
Fax: (042) 7211865

Township
48/10, B-I, Akbar Chowk, Township,
Lahore-54770
PABX: (042) 5140520-22
Direct: (042) 5151279
Fax: (042) 5124222

Tufail Road
12-Tufail Road,
Lahore Cantt.
PABX: (042) 9220940-45
Direct: (042) 9220931
Fax: (042) 9220947
Tx: 47746 ASKCT PK

EAST REGION

Bahawalpur
1-Noor Mahal Road,
Bahawalpur.
PABX: (0621) 9255322-3
Direct: (0621) 9255320
Fax: (0621) 9255324

Faisalabad
Khurrianwala
Chak No. 266 RB, Khurrianwala,
Tehsil Jaranwala,
Distt. Faisalabad.
Direct: (041) 364029

Peoples Colony
Faisalabad.
PABX: (041) 739326-8
Direct: (041) 739323
Fax: (041) 739321

University Road
Faisalabad.
P.O. Box: 346
PABX: (041) 9201008-11
Direct: (041) 9201001, 9201002
Fax: (041) 9201006
Tx: 53441 ASKRI PK

Gujranwala
G.T. Road,
Gujranwala.
PABX: (0431) 9200855-6, 9200861-2
Direct: (0431) 9200857
Fax: (0431) 9200858
Tx: 45253 ASKRI PK

Gujrat
Hassan Plaza,
(Opp. Pak Fan Mosque), G.T. Road,
Gujrat.
PABX: (0433) 530164-5, 530362
Direct: (0433) 530178
Fax: (0433) 530179

Jalalpur Bhattian

Ghalla Mandi,
Jalalpur Bhattian.
PABX: (04363) 401013-14
Direct: (04363) 401012
Fax: (04363) 401015

Multan
Abdali Road,
Multan.
PABX: (061) 580711-3
Direct: (061) 580714
Fax: (061) 580715
Tx: 54338 ASKRI PK

Okara
Chak No. 2/42, M.A. Jinnah Road,
(old name Sahiwal Road)
Tehsil & District Okara.
PABX: (0442) 529973-74 & 529976
Direct: (0442) 550973
Fax: (0442) 550974

Phool Nagar
Lahore-Multan Road, Distt. Kasur,
Phool Nagar.
PABX: (04943) 510431, 510437
Direct: (04943) 510431
Fax: (04943) 510436

Rahim Yar Khan
Ashraf Complex, Model Town,
Rahim Yar Khan.
PABX: (0731) 79851-3
Direct: (0731) 79848
Fax: (0731) 79850

Sahiwal
48/B & B1, High Street Branch,
Sahiwal.
PABX: (0441) 67737-9
Direct: (0441) 67748
Fax: (0441) 67746

Sargodha
80-Club Road, Old Civil Lines,
Sargodha.
PABX: (0451) 725490, 725590
Direct: (0451) 722728
Fax: (0451) 725240

Sialkot
Paris Road,
Sialkot.
P.O. Box: 2890
PABX: (0432) 262806-8
Direct: (0432) 265522
Fax: (0432) 265532
Tx: 46263 ASKRI PK

Sadiqabad
78-D, Allama Iqbal Road, New Town,
Sadiqabad.
PABX: (068) 5802377-78
Direct: (068) 5802387
Fax: (068) 5802374

SOUTH-I REGION

Daharki
1276, Main Road, Zafar Bazar,
Daharki, Distt. Ghotki.
PABX: (0703) 41260
Direct: (0703) 41626, 42626
Fax: (0703) 42260

Gawadar
Airport Road,
Gawadar.
Postal Code: 91200
PABX: (0864) 211359-60
Direct: (0864) 211357
Fax: (0864) 211358

Ghotki
Plot No. D-9, Deh Odher Wali,
Qadirpur Road, Opposite Town Committee,
Ghotki.
PABX: (0703) 600500
Direct: (0703) 600707
Fax: (0703) 600526

Karachi
Cloth Market
Laxmidas Street,
Karachi-74000.
PABX: (021) 2472611-5
Direct: (021) 2472607
Fax: (021) 2472605

Branch Network

Gabol Town
Plot No. 1, Sector 12-B,
North Karachi Industrial Area,
Karachi.
Postal Code: 75850
PABX: (021) 6950332
Direct: (021) 6950331
Fax: (021) 6950333

Gulistan-e-Jauhar
Asia Pacific Trade Centre,
Rashid Minhas Road,
Karachi.
P.O. Box: 75290
PABX: (021) 4632500-04
Direct: (021) 4630166
Fax: (021) 4632505

Hydri North Nazimabad
Plot No. 5F/14-18, Al Burhan Arcade,
Block-E, Barket-e-Hydri, North Nazimabad,
Karachi.
PABX: (021) 6632904-6
Direct: (021) 6632921
Fax: (021) 6632922

Jodia Bazar
Qazi Usman Road, Near Lal Masjid,
Karachi.
P.O. Box: 6831
PABX: (021) 2410025-8
Direct: (021) 2421148
Fax: (021) 2421149
Tx: 27597 ACBJB PK

Marriot Road
Rawalpindiwala Building,
Marriot Road, Market Quarters,
Karachi.
Direct: (021) 2418412
PABX: (021) 2418424-28
Fax: (021) 2418429

New Challi
Abdullah Square Building,
Shahrah-e-Liaquat, New Challi,
Karachi.
Postal Code: 74000
PABX: (021) 2471042-44
Direct: (021) 2471021
Fax: (021) 2471023

North Napier Road
Ishaq Chamber, North Napier Road,
Karachi.
PABX: (021) 7549581-3
Direct: (021) 7549588
Fax: (021) 7549585

Saddar
Sindh Small Industries Building,
Regal Chowk, Saddar,
Karachi.
PABX: (021) 7762841-2
Direct: (021) 7760505
Fax: (021) 7760992

Saima Trade Tower
I.I. Chundrigar Road,
Karachi.
P.O. Box: 1096
PABX: (021) 2630731-3, 2624316,
2634610
Direct: (021) 2624714, 2631178
Fax: (021) 2631176
Tx: 27499 ASKRI PK

S.I.T.E.
B-17, Estate Avenue, S.I.T.E.,
Karachi.
Postal Code: 75700
PABX: (021) 2585913-17
Direct: (021) 2585911
Fax: (021) 2585525

Sukkur
Sarafa Bazar,
Sukkur.
PABX: (071) 28267-8 & 86
Direct: (071) 27218
Fax: (071) 27219

SOUTH-II REGION

Hyderabad
332-333, Saddar Bazar,
Hyderabad.
P.O. Box: 470
PABX: (0221) 783616, 783618-20
Direct: (0221) 783615
Fax: (0221) 783617
Tx: 22054 ACBL PK

Karachi
Badar Commercial
29-C, Badar Commercial Area,
Street No. 1, Phase-V, DHA,
Karachi-75500.
PABX: (021) 5344175-78,
Direct: (021) 5344171
Fax: (021) 544174

Bahadurabad
Zeenat Terrace, Plot No. 265, Block No. 3,
Bahaduryar Jang Society, Bahadurabad,
Karachi.
PABX: (021) 9232565-68
Direct: (021) 9232569
Fax: (021) 9232574

Clifton
Marine Trade Centre, Block-9, Clifton,
Karachi.
P.O. Box: 13807
PABX: (021) 5868551-4
Direct: (021) 5862868
Fax: (021) 5868555

Shaheed-e-Millat
A/22, Block 7 & 8, Anum Pride,
K.C.H.S. Commercial Area,
Main Shaheed-e-Millat
Karachi.
PABX: (021) 4392875-76 & 4392878-79
Direct: (021) 4392850, 4392859
Fax: (021) 4392886

DHA
Jami Commercial Street No.11,
Khayaban-e-Ittehad,
Defence Housing Authority, Phase-VII,
Karachi.
PABX: (021) 5387490, 5384902-4
Direct: (021) 5384905
Fax: (021) 5387491

Korangi Industrial Area
Plot No. ST 2/3, Sector 23,
Main Korangi Road, Korangi Industrial Area,
Karachi.
PABX: (021) 5078406-10
Direct: (021) 5078401
Fax: (021) 5078412

Shahrah-e-Faisal
11-A, Progressive Square, Block-6, P.E.CH.S.
Karachi.
P.O. Box: 12696
PABX: (021) 4520026-9
Direct: (021) 4526641
Fax: (021) 4520030
Tx: 27041 ASKSF PK

Mirpurkhas
C.S. 835, Ward B, M.A. Jinnah Road,
Mirpurkhas.
PABX: (0231) 9209035
Direct: (0231) 9290333, 9290334
Fax: (0231) 9290331

WEST AREA

Chaman
Trunch Road, Off Mall Road,
Chaman (Balochistan).
PABX: (0826) 613330, 614447
Fax: (0826) 613331
Cable: Askaribank

Quetta
Cantt.
Bolan Complex, Chiltan Road,
Quetta Cantt.
PABX: (081) 833889, 833228
Direct: (081) 833333
Fax: (081) 833316

Hazar Ganji
Fruit Market, Hazar Ganji,
Quetta.
Direct: (081) 460808
Fax: (081) 460807

M.A. Jinnah Road
Quetta.
P.O. Box 573
PABX: (081) 836074, 820511
Direct: (081) 836051
Fax: (081) 824602

OVERSEAS OPERATIONS

Bahrain (OBU)
P. O. Box: 11720
Diplomatic Area,
Manama Kingdom of Bahrain.
PABX: (00973) 17530500
Direct: (00973) 17535439
Fax: (00973) 17532400

Form of Proxy

Folio No. _____ or CDC participant identity No. _____ CDC A/C No. _____

I/We _____

of _____

being a member(s) of the Askari Commercial Bank Limited holding shares No. _____

HEREBY APPOINT _____

of _____

also a member of the Askari Commercial Bank Ltd. (Folio No. _____) or failing him/her _____

_____ of _____ also a member of Askari Commercial Bank Ltd. (Folio No. _____) as my/our

proxy to vote for me/us, and on my/our behalf at the 13th Annual General Meeting of Askari Commercial Bank Ltd.

to be held at 10:00 a.m. Monday, the 28th day of March 2005.

Signed this _____ day of _____ 2005.

Witnesses:

1. Name: _____

Address: _____

N.I.C. No. _____

Signature _____

Affix Revenue Stamp
of Five Rupees

2. Name: _____

Address: _____

N.I.C. No. _____

Signature _____

Signature _____

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

NOTES:

A. General:

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

B. For CDC Account Holders:

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

The Company Secretary:
ASKARI COMMERCIAL BANK LIMITED
AWT Plaza, The Mall, P.O. Box No. 1084
Rawalpindi - Pakistan.