

Askari Commercial Bank

The Security Bank -- A Name to Trust

Annual Report 1999

Head Office: AWT Plaza, The Mall,
P.O. Box No. 1084, Rawalpindi-Pakistan
Tel: (051) 518117 Fax: (051) 563704 UAN (City Code) 111-000-786

Auditors' Report to the Members

We have audited the annexed balance sheet of Askari Commercial Bank Limited ("the Bank") as at 31 December 1999 and the related profit and loss account and the statement of changes in financial position, together with the notes forming part thereof for the year then ended, in which are incorporated the unaudited certified returns from the branches except for ten branches which have audited by us and we state that we have obtained all the informations and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after the verification thereof, found them satisfactory, and we report that:

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

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Ordinance 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet and the profit and loss account and the statement of changes in financial position together with the notes forming part thereof give the information required by the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 1999 and its true balance of the profit and the changes in financial position for the year then ended; and

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

Islamabad
February 14, 2000

Taseer Hadi Khalid,
Chartered Accountant

Balance Sheet as at December 31, 1999

	Note	1999 (Rupees in '000)	1998 (Rupees in '000)
Assets			
Cash	4	3,035,275	2,302,964
Balances with other banks	5	1,265,147	226,160
Money at call and shod notice		2,910,000	975,000
Investments	6	8,678,879	13,888,475
Advances	7	13,056,146	9,708,350
Operating fixed assets	8	464,633	340,965
Capital work in progress	9	71,193	159,622
Other assets	10	1,545,572	1,129,567
		-----	-----
		31,026,845	28,731,103
Liabilities			
Deposits and other accounts	11	24,357,594	23,413,153
Borrowings from other banks, agents etc.	12	3,243,678	2,316,400
Bills payable		217,651	213,839
Other liabilities	13	891,219	725,414
Liabilities against assets subject to finance lease	14	37,282	55,732
Deferred liability for taxation	22	233,000	70,000
		-----	-----
		28,980,424	26,794,538

Net assets		2,046,421	1,936,565
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Represented By:

Share capital	15	986,226	986,226
Reserve fund & other reserves	16	1,059,675	949,775
Un-appropriated profit		520	564
Shareholders' equity		2,046,421	1,936,565

Memorandum Items:

Bills for collection	17	4,949,349	4,594,316
Acceptance, endorsements and other obligations		4,272,083	1,906,859
Contingent liabilities and commitments	18	--	--

The annexed notes form an integral part of these accounts.

Zafar Alam Khan Sumbal Director	Kalim-ur-Rahman President & Chief Executive	Lt. Gen. (R) Mohammad Afsar Director	Lt. Gen. Amjad Shuaib Chairman
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Rawalpindi

February 14, 2000

**Profit and Loss Account
for the year ended December 31, 1999**

	Note	1999 (Rupees in '000)	1998 (Rupees in '000)
Mark up / interest and discount and/or return earned		3,350,131	3,475,421
Less: Cost/return on deposits, borrowing etc.		2,485,796	2,510,671
		864,335	964,750
Fees, commission & brokerage		318,567	288,371
(Loss)/Profit from investment securities		(19)	4,289
Dividend income		8,827	5,634
Other operating income	19	207,089	261,244
		534,464	559,538
		1,398,799	1,524,288
Operating expenses			
Administrative expenses	20	588,595	569,061
Provisions against non-performing advances	7.2	102,004	60,600
Provision for diminution in value of investments		--	40,600
Debts written off directly	7.4	23	20
		690,622	670,281
		708,177	854,007
Other income	21	4,269	127
Profit before taxation		712,446	854,134
Taxation -Current		267,000	425,000
- Deferred	22	163,000	70,000
		430,000	495,000
Profit after taxation		282,446	359,134
Un-appropriated profit brought forward		564	675
Profit available for appropriation		283,010	359,809
Appropriations			
Transfer to reserve for contingencies		50,000	90,000
Transfer to general reserve		2,000	--

Transfer to statutory reserve	57,000	72,000
Proposed dividend @ 17.5% (1998: @ 20%)	172,590	197,245
	-----	-----
	282,490	359,245
	-----	-----
Un-appropriated profit carried forward	520	564
	=====	=====
Earnings Per Share-(Rupees)	2.86	3.64
	=====	=====

The annexed notes form an integral part of these accounts.

Zafar Alam Khan Sumbal
Director

Kalim-ur-Rahman
President & Chief Executive

Lt. Gen. (R) Mohammad Afsar **Lt. Gen. Amjad Shuaib**
Director Chairman

Rawalpindi
February 14, 2000

Statement of Changes in Financial Position for the year ended December 31, 1999

	1999 (Rupees in '000)	1998 (Rupees in '000)
Cash Flow From Operating Activities		
Profit before taxation	712,446	854,134
Add/Less: Loss/(Profit) from investment securities	19	(4,289)
Dividend income	(8,827)	(5,634)
	-----	-----
	703,638	844,211
Adjustments:		
Depreciation	68,411	632,241
Provision for diminution in the value of investments	--	40,600
Provisions against non-performing advances	102,004	60,600
Net profit on sale of fixed assets	(4,269)	(127)
Finance charge on leased assets	9,268	13,469
	-----	-----
	175,414	177,766
(Increase)/decrease in operating assets		
Government securities	5,432,936	'(1,785,429)
Advances	(3,449,800)	(632,563)
Other assets	(98,869)	(77,075)
	-----	-----
	1,884,267	(2,495,067)
Increase/(decrease) in operating liabilities	944,441	3,931,251
Deposits & other accounts	38,121	(67,716)
Other liabilities	1,904,601	144,224
	-----	-----
	1,138,713	4,007,759
Cash flow before tax	3,902,032	2,534,669
Income tax paid	(584,136)	(619,467)
	-----	-----
Net cash flow from operating activities	3,317,896	1,915,202
Cash Flow From Investing Activities		
Purchase of investments other than Government securities	(302,292)	(396,017)
Net proceeds from sale of investments/redemption of term finance certificates	78,933	30,917
Dividend income	8,827	5,634
Fixed capital expenditure	(105,743)	(84,442)
Sale proceeds of fixed assets	6,362	708
	-----	-----
Net cash used in investing activities	(313,913)	(443,200)
	-----	-----
<i>carried forward</i>	3,003,983	1,472,002
	-----	-----
<i>brought forward</i>	3,003,983	1,472,002

Cash Flow From Financing Activities

Borrowings from other banks, agents' etc.	927,278	358,175
Payment of lease obligations	(44,083)	(41,554)
Leases during the year	16,365	11,314
Dividends paid	(197,245)	(117,408)
	-----	-----
Net cash flow from financing activities	702,315	210,527
Increase in cash & cash equivalents for the year	3,706,298	1,682,529
Cash & cash equivalents at the beginning of the year	3,504,124	1,821,595
	-----	-----
Cash & cash equivalents at the end of the year	7,210,422	3,504,124
	=====	=====
Cash & cash equivalents		
Cash	3,035,275	2,302,964
Balances with other banks	1,265,147	226,160
Money at call and shod notice	2,910,000	975,000
	-----	-----
	7,210,422	3,504,124
	=====	=====

The annexed notes form an integral part of these accounts.

Zafar Alam Khan Sumbal

Director

Kalim-ur-Rahman

President & Chief Executive

Lt. Gen. (R) Mohammad Afsar

Director

Lt. Gen. Amjad Shuaib

Chairman

Notes to the Accounts**for the year ended December 31, 1999****1. STATUS AND NATURE OF BUSINESS**

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

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

2. BASIS OF PRESENTATION

2.1 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 banks from their customers and resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these accounts as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**3.1. Statement of compliance**

These accounts have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee ("IASC") and interpretation issued by the Standing Interpretation Committee of the IASC, as applicable in Pakistan and the requirements of the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984.

3.2 Accounting Convention

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

3.3 Fixed Assets**a) Owned**

Fixed assets are stated at cost less accumulated depreciation. Capital work in progress is stated at cost. Depreciation is computed over the estimated useful lives of the related assets at varying rates, as set out in note 8. The cost of assets is depreciated on the diminishing balance method, except for vehicles, carpets and renovation costs which are depreciated on a straight line basis. Depreciation is charged for the full month on purchase / acquisition of an asset while no depreciation is charged in the month of disposal of an asset.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal

of fixed assets are taken to the profit and loss account.

b) Leased

Assets held under finance 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 accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on the basis similar to that of owned assets.

3.4 Staff Retirement Benefits

Defined benefit plan

The Bank operates a funded gratuity scheme for its employees who complete a qualifying service period. Annual contribution to gratuity fund is charged to income for the year. The actuarial valuation of the scheme under the Projected Unit Credit method has been carried out at December 31, 1999. The valuation results show that sufficient funds were transferred by the Bank to the scheme for meeting the actuarial liability of the scheme.

The significant assumptions used in the actuarial valuation are as follows:

- * Expected salary increase - 13%
- * Expected rate of return on funds invested - 14%

The fair value of the Plan's assets and liabilities for past services of the employees at the valuation date was Rs. 46.439 million and Rs. 44.943 million respectively.

Future contributions will be made to the scheme on the basis of actuarial recommendations.

Defined contribution plan

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

3.5 Taxation

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

Deferred tax is provided 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 enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.6 Investments

Investments are stated at cost, net of provisions determined by management for diminution in value.

Profits and losses on sale of investments are dealt with through the profit and loss account in the year in which these arise.

Premium/discount on purchase of investments are amortised over the term of such investments.

The Bank enters into transactions of re-purchase and re-sale of registered Government Securities at contracted rates for specified periods of time with other financial institutions. These are recorded as follows:

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

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

3.7 Advances

Advances are stated net of provisions for non-performing advances. Provision for non-performing advances is determined by the management keeping in view the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Advances are written off when there is no realistic prospect of recovery.

3.8 Foreign Currencies

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those ruling at the Balance Sheet date except those covered by forward exchange contracts which are converted at contracted rates. Exchange gains and losses are taken to the profit and loss account.

3.9 Revenue Recognition

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

	1999 (Rupees) in '000)	1998 (Rupees) in '000)
4. Cash		
In hand - local currency	331,522	297,515
- foreign currencies	230,627	128,887
	-----	-----
	562,149	426,402

With State Bank of Pakistan in:

Special deposit account		
Foreign currency placement	1,063,852	--
Current account - Note 4.1	1,374,719	1,855,495
	-----	-----
	2,438,571	1,855,495
With National Bank of Pakistan in current account	34,555	21,067
	-----	-----
	3,035,275	2,302,964
	=====	=====

4.1 This represents statutory cash reserve maintain under section 22 of Banking Companies Ordinance, 1962

5. BALANCES WITH OTHER BANKS

In Pakistan		
Current Accounts	32,607	19,869
Deposit Accounts	320,000	--
	-----	-----
	262,607	19,864
Outside Pakistan		
Current Accounts	97,643	61,485
Deposit Accounts	904,897	144,806
	-----	-----
	1,002,540	206,291
	-----	-----
	1,265,147	226,160
	=====	=====

6. INVESTMENTS (at cost less provisions)

Investment Securities:

Federal and Provincial Government Securities

Federal Investment Bonds	2,484,862	2,348,485
GOP Market Treasury Bills	5,481,616	11,050,929
	-----	-----
	7,966,478	13,399,414

Investment in subsidiary companies and associated undertakings- Note 6

Fully paid up ordinary shares	7,500	7,500
Listed companies	88,233	88,233
Unlisted companies	--	--
	-----	-----
	88,233	88,233

Debentures, Bonds, Participation Term Certificates and Term Finance Cer

Other investments:	252,878	246,830
National Investment Trust Units	200,007	200,007
National Prize Bonds	19,383	2,091
Others (Placements with financial institutions)	200,000	--
	-----	-----
	8,734,479	13,944,075

Less: Provision for diminution in the value of investments

	55,600	55,600
	-----	-----
	8,678,879	13,888,475

Market value of quoted investments

Book value of unquoted investments	374,776	295,724
	8,306,932	13,518,044
	-----	-----
	8,681,708	13,813,768
	=====	=====

6.1 This represents investment in 750,000 shares of Rs. 10 each as 15% investment in the equity of Askari General Insurance Company Limited, an associated listed company {Market value as December 31,1999: Rs. 10,392 thousand (1998: Rs. 6,563 thousand)}

The audited accounts of Askari General Insurance Company Limited for the year ended December 31, 1999 were not available, however, the impact of carrying this investment at equity method is considered immaterial to these accounts.

Loans, cash credits, overdrafts, etc.

In Pakistan	9,529,134	6,865,565
Outside Pakistan	--	--
	-----	-----
	9,529,134	6,865,565
Bills discounted and purchased		
Payable in Pakistan	849,849	916,524

Payable outside Pakistan	3,115,243	2,362,337
	-----	-----
	4,065,092	3,278,861
	-----	-----
	13,594,226	10,144,426
Less: Provision for non-performing advances - Note 7.2	538,080	436,076
	-----	-----
	13,056,146	9,708,350
	=====	=====

Advances include Rs. 1,054,084 thousand (1998: Rs. 798,153 thousand) which have been placed on non-performing status as per Prudential Regulations of the State Bank of Pakistan.

7.1 Particulars of advances

In local currency	10,478,983	7,782,089
In foreign currencies - Note 7.1.1	3,115,243	2,362,337
	-----	-----
	13,594,226	10,144,426
	=====	=====
Debts considered good in respect of which the bank is fully secured	13,587,038	10,140,328
Debts considered good for which the bank holds no other security than the debtors' personal security	7,188	4,098
Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of debtors	--	--
Debts considered doubtful or bad not provided for	--	--
	-----	-----
	13,594,226	10,144,426
	=====	=====

**Balance as at Maximum*
Dec. 31, 1999 during the year
(Rupees in '000) (Rupees in '000).**

Debts due by directors or executives of the bank or any of them either severally or jointly with any other persons	5,812	5,934
Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies; as members	--	--
Debts due by subsidiary companies, controlled firms, managed modarabas and other associated undertakings	289,610	289,610

* This represents the maximum aggregate amount of advances outstanding during the year 1999. The maximum amount has been calculated by reference to month end balances.

7.1.1 These represent foreign bills purchased against foreign bills.

7.2 Particulars of provisions against non-performing advances

	Specific	General	(Rupees in '000)	
			Total 1999	Total 1998
Opening balances	378,653	57,432	436,076	375,476
Requirement for the year				
Additions	270,481	24,280	294,761	235,757
Reversals	(277,788)	--	'(277,788)	'(94,250)
	-----	-----	-----	-----
	(7,307)	24,280	16,973	141,507
Charge for the year	2,004	100,000	102,004	60,600
Transfer to General provision	(9,310)	9,310	--	--
	-----	-----	-----	-----
Closing balances	371,347	166,733	538,080	436,076
	=====	=====	=====	=====
Provisions against:				
Advances to banks				
Advances to others	371,347	166,733	538,080	436,076
	-----	-----	-----	-----
	371,347	166,733	538,080	436,076
	=====	=====	=====	=====

7.3 The provisioning requirement for bad and doubtful debts of the Bank has been determined after taking into consideration the forced / distressed sale value of collaterals available with the Bank against classified portfolios. The basis of provisioning is in conformity with the Prudential

Regulations as amended by BPRD circular letter No. 15 dated April 19, 1999 and BPRD circular letter No. 21 dated May 20, 1999.

7.4 Amounts written-off during the year

in terms of section 33A(3) of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above is not required as there were no loan directly written off or financial relief allowed, of five hundred thousand rupees or above, during the year.

8. OPERATING FIXED ASSETS

	COST			DEPRECIATION			(Rupees in '000)			Rate of Depreciation %
	At Jan 1, 1999	Addition	Transfer (Deletions)	At Dec 31 1999	At Jan 1, 1999	Charge for the year	Accum. Dep on Disposals/ Transfer	At Dec 31 1999	Book value At Dec 31 1999	
Land-freehold	25,131	--	--	25,131	--	--	--	--	25,131	--
Buildings on freehold	96,709	103,198	--	199,907	14,512	5,834	--	20,346	179,561	5%
Renovation of leased	102,271	17,050	--	119,321	66,245	14,680	--	80,925	38,396	20%
Furniture, fixtures & office equipment	47,531	11,837	(525)	58,843	13,282	4,398	(212)	17,458	41,385	10%
Carpets	7,654	1,438	(808)	8,284	5,032	1,156	(740)	5,448	2,836	20%
Machines & equipme	88,298	28,118	(1,039)	115,377	39,260	12,532	(643)	51,149	64,228	20%
Vehicles	22,225	1,117	(7,295)	21,558	15,581	4,299	(6,200)	17,312	4,246	20%
			5,511				3,632			
Computer equipments	56,746	13,253	--	69,999	21,996	7,095	--	29,091	40,908	20%
	446,565	176,011	(4,156)	618,420	175,908	49,984	(4,163)	221,729	396,691	
Assets under finance lease										
Machines & equipme	18,348	--	--	18,348	4,652	2,739	--	7,391	10,957	20%
Vehicles	49,475	18,161	(5,511)	62,125	22,117	9,888	(3,632)	28,373	33,752	20%
Computer equipment	40,377	--	(221)	40,156	11,123	5,800	--	16,923	23,233	20%
	108,200	18,161	(5,732)	120,629	37,892	18,427	(3,632)	52,687	67,942	
1999	554,765	194,172	(9,888)	739,049	213,800	68,411	(7,795)	274,416	464,633	
1998	512,028	44,176	(1,438)	554,766	151,434	63,224	(857)	213,801	340,965	

8.1 Detail of Disposal of fixed assets

(Rupees in '000)

Vehicles	Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyers
	848	481	367	170	Through negotia	Mr. Shameem Ahmed - Ex President
	254	220	34	243	Tender	Mr. Khan Shahid Alam - Rawalpindi
	324	324	0	232	-do-	Mr. Nasir Iqbal Rana - Islamabad
	254	220	34	214	-do-	Mr. Muhammad Hussain - Islamabad
	286	285	1	260	-do-	Mr. Fahad Hameed - Rawalpindi
	235	137	98	194	-do-	Mr. Muhammad Zahoore - Haripur
	343	343	0	251	-do-	Mr. Abdul Jabbar - Rawalpindi
	251	220	31	256	-do-	Mr. Shahzad Ahmed - Rawalpindi
	260	227	33	241	-do-	Mr. Saleem Akhtar - Rawalpindi
	268	237	31	237	-do-	Mr. Azam Khurshid - Lahore
	260	248	12	218	-do-	Mr. Saqib Waseem - Lahore
	235	200	35	206	-do-	Mr. Saleem Akhtar - Rawalpindi
	235	204	31	154	-do-	Mr. Furqan Nadeem - Lahore
	257	196	61	232	-do-	Mr. Zahid Khan - Rawalpindi
	237	222	15	161	-do-	Mr. Faisal Butt - Lahore
	286	262	24	214	-do-	Mr. Abid Rashid Ch. - Lahore
	258	196	62	211	-do-	Mr. Abid Rashid Ch. - Lahore
	255	238	17	204	-do-	Malik Mehar Khan - Lahore
	235	204	31	176	-do-	Mr. Atiq-ur-Rehman - Lahore
	235	231	4	172	-do-	Mr. Atiq-ur-Rehman - Lahore
	252	231	21	186	-do-	Mr. Hassan Ali Warsi - Karachi
	253	231	22	205	-do-	Mr. Naseeb Khan - Karachi
	259	215	44	206	-do-	Mrs. Rifat Ara - Karachi
	235	232	3	175	-do-	Mr. Tariq Khan - Karachi
	235	188	47	181	-do-	Mr. Hassan Ali Warsi - Karachi
	245	208	37	176	-do-	Mr. Hassan Ali Warsi - Karachi
	7,295	6,200	1,095	5,375		

Other assets having
book value of less
than Rs. 100,000 and
cost of less than Rs.
1 million

	2,593	1,595	998	987
1999	9,888	7,795	2,093	6,362
1998	1,438	857	581	708

1998	1999
(Rupees	(Rupees
in '000)	in '000)

9. CAPITAL WORK IN PROGRESS

Building under construction:

- Gulberg, Lahore	51,424	48,284
- Saima Trade Tower, Karachi	201	111,338
- Gulistan-e-Johar, Karachi	15,068	--
- Bolan Complex, Quetta	4,500	--
	71,193	159,622

10. OTHER ASSETS

Stationery and stamps on hand	7,872	8,802
Income/mark up accrued on advances and investments	920,007	750,446
Commission & other income receivable	140	5,389
Prepaid exchange risk fee	35,806	106,602
Other advances, deposits, advance rent and other prepayments	51,734	60,099
Taxation (advance payments less provision)	468,668	151,532
Suspense account	45,016	24,806
Excise duty recoverable	5,851	4,589
Fund Management Account	--	14,500
Others	10,478	2,802
	1,545,572	1,129,567

11. DEPOSITS AND OTHER ACCOUNTS

Fixed deposits Note 11.2	6,182,048	6,918,638
Saving deposits	14,866,208	13,596,498
Current accounts - Note 11.3	2,905,720	2,312,624
Others (Margin on LCs., LGs., Acceptances, etc.)	386,559	557,515
Deposits and other accounts of banks	17,059	27,878
	24,357,594	23,413,153

11.1 Particulars of deposits and other accounts

In local currency	19,375,633	13,649,461
In foreign currencies	4,981,961	9,763,692
	24,357,594	23,413,153

11.2 These include Rupee counterpart of special U.S. Dollar Bonds of Rs. 2,471,623 thousand (1998: Rs. 216,865 thousand) payable to the Government of Pakistan

11.3 These include an amount of Rs. 4,746 thousand (1998: Rs. 54,209 thousand) in respect of Special Exporters' Account.

12. BORROWINGS FROM OTHER BANKS, AGENTS ETC.

In Pakistan	3,144,547	2,193,564
Outside Pakistan	99,131	122,836
	3,243,678	2,316,400

12.1 Particulars of borrowings from other banks, agents etc.

In local currency	3,144,547	2,193,564
In foreign currencies	99,131	122,836

	3,243,678	2,316,400
	=====	=====

12.2 Secured

Loans from banks and other financial institutions	--	--
Loans from subsidiary companies, managed modarabas and associated undertakings	--	--
Loans from directors (including chief executive) of the Bank	--	--
Loans from State Bank of Pakistan Export refinance 12.2.1	3,144,547	2,193,564

Un-secured

Nostro account Credit Balances	99,131	122,836
	-----	-----
	3,243,678	2,316,400
	=====	=====

12.2.1 This facility is adjustable within a maximum period of 150 days to 180 days and carries mark-up of 6% per annum payable on quarterly basis.

This facility is secured against demand promissory note executed in favour of State Bank of Pakistan.

	1999 (Rupees in'000)	1998 (Rupees in '000)
13. OTHER LIABILITIES		
Mark-up/Interest on loans/borrowings	77,019	24,403
Profit payable on PLS deposits and other accounts	181,125	111,237
Interest on foreign currency deposits	22,335	51,229
Branch adjustment account	39,174	23,173
Unearned commission	15,118	17,577
Accrued expenses	24,314	17,523
Advance payments received	22	8,905
Mark-up on non-performing advances	281,320	168,870
Due to subsidiary companies, managed modarabas and associated undertakings	--	--
Due to directors	--	--
Unclaimed dividend	9,382	4,189
Proposed dividend	172,590	197,245
Fund management account	--	14,500
Others (Retention money, excise duty payable, etc.)	59,622	86,563
	-----	-----
	891,219	725,414
	=====	=====

14. LIABILITIES AGAINST ASSES SUBJECT TO FINANCE LEASE

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

Year		
1999	--	40,770
2000	28,924	22,674
2001	10,851	4,433
2002	4,088	231
	-----	-----
	43,863	68,108
Less: Finance charge allocated to future periods	6,581	12,376
	-----	-----
	37,282	55,732
	=====	=====

- i) Rate of interest implicit in the leases 18% to 21%
- ii) Term of leases 3 years to 5 years
- iii) Installment intervals Quarterly
- iv) Other particulars

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

- The Bank has option to purchase the assets upon completion of lease period and has the intention to exercise such option.

1999	1998
(Rupees	(Rupees

in '000) in '000)

15. SHARE CAPITAL

Authorized Capital 150,000,000 ordinary shares of Rs. 10/- each	1,500,000	1,500,000
Issued, subscribed and paid-up capital 67,500,000 ordinary shares of Rs. 10/- each issued for cash	675,000	675,000
31,122,562 ordinary shares of Rs. 10/- each issued as fully paid bonus shares	311,226	311,226
	986,226	986,226

16. RESERVE FUND & OTHER RESERVES

	Capital Reserve		Revenue Reserves			Total Revenue Reserves	Total	
	Share Premium account	General Reserve	Statutory Reserve	Reserve for issue of Bonus Shares	Reserve for Contingencies*		1999	1998
Balance as at Jan 01,1999	55,525	334,000	470,250	--	90,000	894,250	949,775	834,738
Transfer from profit and loss account	--	2,900	57,000	--	50,000	109,900	109,900	162,000
Other Movements							--	(46,963)
Balance as at Dec 31,1999	55,525	336,900	527,250	--	140,000	1,004,150	1,059,675	949,775

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 its risk assets portfolio.

1999	1998
(Rupees	(Rupees
in '000)	in '000)

17. BILLS FOR COLLECTION

Payable in Pakistan	177,961	79,710
Payable outside Pakistan	4,771,388	4,514,606
	4,949,349	4,594,316

18. CONTINGENT LIABILITIES AND COMMITMENTS**18.1 CONTINGENCIES**

Money for which the bank is contingently liable

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

135	--
-----	----

b) Contingent liability in respect of guarantees given favouring:

i) Government	4,978,466	3,872,598
ii) Banks and other financial institutions	1,142,755	1,200,200
iii) Others	1,537,217	1,596,023
	7,658,438	6,668,822

18.2 COMMITMENTS

Commitments in respect of forward exchange contracts

Sales		
- To State Bank of Pakistan	--	--
- To other banks	932,605	146,599
- To customers	682,504	492,230

	1,615,109	638,829
	=====	=====
Purchase		
- From State Bank of Pakistan	780,000	--
- From other banks	391,571	275,192
- From customers	19,333	621,098
	-----	-----
	1,190,904	896,290
	-----	-----
	2,806,013	1,535,119
	=====	=====
Commitments against "REPO" transactions	--	--
Purchase and re-sale agreements	1,976,759	5,168,250
	-----	-----
Sale and re-purchase agreements	3,558,417	435,454
	=====	=====
Un-drawn facilities	6,107,143	4,882,000
	=====	=====
Capital expenditure contracted	25,225	7,152
	=====	=====

19. OTHER OPERATING INCOME

Income from dealing in foreign currencies	153,047	220,455
Recoveries of expenses from customers	49,522	37,360
Rent of lockers	4,520	3,429
	-----	-----
	207,089	261,244
	=====	=====

20. ADMINISTRATIVE EXPENSES

Salaries, allowances etc. {include charge of Rs. 8,453 thousand (1998: Rs. 1,022 thousand) for earned leave encashment}	251,007	227,186
Staff Retirement benefits	15,700	21,195
Non executive directors' fees and allowances	38	25
Brokerage and commission	7,258	6,129
Rent, taxes, insurance, electricity etc.	68,785	66,092
Legal and professional charges	9,920	5,875
Communications	55,984	53,786
Repairs and maintenance	25,124	22,467
Finance charge on leased assets	9,268	13,469
Stationery and printing	19,333	21,278
Advertisement and publicity	11,448	13,742
Donations	--	--
Auditors' remuneration- Note - 20.1	960	688
Depreciation Note - 8	68,411	63,224
Other expenditure (Traveling, security services, vehicles running expenses, etc.)	45,359	53,905
	-----	-----
	588,595	569,061
	=====	=====

20.1 Auditors' remuneration

Audit fee	247	247
Fee for audit of provident fund and gratuity fund	30	30
Special certifications / examinations and sundry advisory services	97	228
Tax services	570	125
Out of pocket expenses	16	58
	-----	-----
	960	688
	=====	=====

1999	1998
(Rupees	(Rupees
in '000)	in '000)

21. OTHER INCOME

Net profit on sale of fixed assets	4,269	127
	-----	-----
	4,269	127
	=====	=====

22. TAXATION

22.1 The tax assessments of the Bank upto and including the assessment year 1997-98 have been finalized by the taxation authorities. These assessments are being contested at the appellate forums by the Bank for certain disallowances and by the taxation authorities against the orders of the Commissioner of Income Tax (Appeals) in certain cases. However, the tax demands raised have been fully provided for in respect of these assessment years. Income tax returns for assessment year 1998-99 and 1999-2000, have been filed by the Bank claiming refunds aggregating to Rs. 425 million.

22.2 The deferred tax liability appearing in the accounts is on account of deferred credits arising due to the following:

Accelerated tax depreciation	29,880	25,794
Excess of accounting book value of leased assets over lease liabilities	17,783	7,955
Profit receivable on Government Securities	185,337	36,251
	-----	-----
	233,000	70,000
	=====	=====

23. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Rupees in '000							
	Chief Executive			Directors		Executives		
	1999	1998	1998	1999	1998	1999	1998	
*Ex	Current	Total	1998	1999	1998	1999	1998	
Fees	4	4	8	2	38	25	--	--
Managerial remunerat	521	1,755	2,276	1,224	--	--	7,540	4,103
Retirement benefits	3,601	942	4,543	295	--	--	1,046	1,256
House rent allowance	--	556	556	--	--	--	3,152	1,790
Utilities allowance	--	176	176	--	--	--	740	410
Medical reimburseme	86	61	147	140	--	--	678	263
Leave fare assistance	--	--	--	102	--	--	--	138
Bonus	249	495	744	306	--	--	1,721	1,146
	-----	-----	-----	-----	-----	-----	-----	-----
	4,461	3,989	8,450	2,069	38	25	14,877	9,106
	=====	=====	=====	=====	=====	=====	=====	=====
Number of persons	1	1	2	1	11	11	15	1

Chief Executive / Executives are also provided Bank maintained cars. Executive means an officer, other than Chief Executive / Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

* During the year, Mr. Shameem Ahmad, Ex-Chief Executive retired. His final emoluments were duly approved by the Board of Directors.

24. MATURITIES OF ASSETS AND LIABILITIES

	Total	Upto one month	Over one month to one year	Over one year to five years	Over five years
ASSETS					
Cash	3,035,275	3,035,275	--	--	--
Balance with other banks	1,265,147	1,265,147	--	--	--
Money at call and short notice	2,910,000	2,910,000	--	--	--
Investments	8,678,879	(865,579)	6,928,669	1,664,636	951,153
Advances	13,056,146	604,461	10,538,537	1,029,058	884,090
Operating fixed assets	464,633	6,969	69,695	232,317	155,652
Capital work in progress	71,193	--	71,193	--	--
Other assets	1,545,572	452,004	1,093,568	--	--
	-----	-----	-----	-----	-----
	31,026,845	7,408,277	18,701,662	2,926,011	1,990,895
LIABILITIES					
Deposits & other accounts	24,357,594	20,190,158	3,150,314	1,017,122	--
Borrowing from other banks agents etc.	3,243,678	628,909	2,614,769	--	--
Bills payable	217,651	217,651	--	--	--
Other liabilities	891,219	190,476	654,449	46,294	--
Liabilities against assets subject to finance lease	37,282	562	23,271	13,449	--
Deferred liability for taxation	233,000	--	--	233,000	--
	-----	-----	-----	-----	-----
	28,980,424	21,227,756	6,442,803	1,309,865	--
	=====	=====	=====	=====	=====
Net balance	2,046,421	(13,819,479)	12,258,859	1,616,146	1,990,895

Shareholders' equity	2,046,421
----------------------	-----------

The saving and notice deposits amounting to Rs. 18,175,546 thousand have been reported under one month maturity. However, these are not expected to be payable within the one month period.

25. SEGMENT ANALYSIS

25.1 Geographic segment

	(Rupees '000)					
	Profit before taxation	Total assets employed	Net assets employed	Bills for collection	Acceptances, endorsements & other obligations	
Pakistan	712,446	31,026,845	2,046,421	4,949,349	4,272,083	,:
Asia Pacific (including South Africa)	--	--	--	--	--	,~
Europe	--	--	--	--	--	~
United States of America and Canada	--	--	--	--	--	
Middle East	--	--	--	--	--	
Others	--	--	--	--	--	
	712,446	31,026,845	2,046,421	4,949,349	4,272,083	

25.2 Segment by class of business

	Deposits		Advances		Un-Funded Facilities*	
	Rupees in '000	Percentage	Rupees in '000	Percentage	Rupees in '000	Percentage
1. Agriculture/						
Agribusiness	138,704	0.57	443,434	3.26	--	--
2. Automobiles & allied	591,032	2.43	420,451	3.09	292,215	2.45
3. Cables/Electronics	137,719	0.57	247,342	1.82	147,087	1.23
4. Carpets	26,768	0.11	55,393	0.41	150	0.00
5. Cement	39,528	0.16	187,086	1.38	5,164	0.04
6. Chemicals/						
Pharmaceuticals	494,660	2.03	623,339	4.59	767,886	6.44
7. Engineering	127,984	0.53	152,391	1.12	269,080	2.26
8. Fertilizer	8,885	0.04	390,050	2.87	850,604	7.13
9. Food and Allied	66,407	0.27	133,756	0.98	226,109	1.90
10. Fuel/Energy	381,223	1.56	871,783	6.41	1,967,199	16.48
11. Ghee and edible Oil	189,651	0.78	230,891	1.70	158,708	1.33
12. Glass and ceramics	37,886	0.16	16,064	0.12	1,100	0.01
13. Hotels/Restaurant	22,833	0.09	250	0.00	33	0.00
14. Individuals	9,033,402	37.09	260,924	1.92	5,560	0.05
15. Insurance	18,922	0.08	0	0	80	0
16. Investment Banks/						
Scheduled Banks	117,690	0.48	202,790	1.49	1,110,253	9.30
17. Leasing	207,413	0.85	161,080	1.19	--	--
18. Leather Products and shoes	142,552	0.59	661,792	4.87	1,559	0.01
19. Modarabas	13,804	0.06	205,625	1.51	--	--
20. Paper and Board	32,914	0.14	260,485	1.92	44,255	0.37
21. Plastic Products	30,130	0.12	65,978	0.49	56,116	0.47
22. Ready-made garments	86,722	0.36	112,032	0.82	3,234	0.03
23. Real estate /						
Construction	720,753	2.96	459,650	3.38	2,759,588	23.13
24. Rice processing and trading	61,408	0.25	235,489	1.73	--	--
25. Rubber products	20,893	0.09	5,827	0.04	50	0
26. Services (Other than financial, hoteling & travelling)	855,473	3.51	364,954	2.68	2,643	0.02
27. Sports goods	60,773	0.25	57,277	0.42	7,857	0.07
28. Sugar	43,378	0.18	112,619	0.83	--	--
29. Surgical Equipment/						
Metal Products	20,578	0.08	84,989	0.63	265,090	2.22
30. Synthetic and ray	15,626	0.06	81,014	0.60	65,122	0.55
31. Textile						
31.1 Export	864,138	3.55	4,250,316	31.27	123,395	1.03
31.2 Manufacturing	897,585	3.69	1,438,576	10.58	347,217	2.91
32. Tobacco / Cigarette						

manufacturing	25,522	0.10	118,780	0.87	41,300	0.35
33. Transport and communications	317,460	1.30	233,752	1.72	880,449	7.38
34. Travel agencies	47,927	0.20	4,014	0.03	34,778	0.29
35. Woollen	10,930	0.04	8,578	0.06	--	--
36. Others	8,448,321	34.68	435,455	3.2	1,496,775	12.55
	24,357,594	100.00	13,594,226	100.00	11,930,656	100.00

* Contingent liabilities in respect of letters of Guarantees and letters of Credit.

25.3 Segment by sector

	Deposits		Advances	
	Rupees in '000	Percentage	Rupees in'000	Percentage
Public/Government	2,778,216	11.41	234,964	1.73
Private	21,579,378	88.59	13,359,262	98.27
	24,357,594	100.00	13,594,226	100.00

26. CURRENCY BREAKDOWN OF ASSETS AND LIABILITIES

	Assets		Liabilities	
	Rupees in '000	Percentage	Rupees in'000	Percentage
Pak Rupees	25,614,586	82.55	25,923,418	83.55
U.S. Dollars	4,956,570	15.98	4,817,620	15.53
Pound Sterling	241,015	0.78	251,997	0.81
Deutsche Mark	79,319	0.25	21,694	0.07
Japanese Yen	8,634	0.03	11,810	0.04
Other European Curre	105,076	0.34	--	0.00
Other Currencies	21,645	7	306	0.00
	31,026,845	100.00	31,026,845	100.00

27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1999 (Rupees in'000)	1998 (Rupees in '000)
i) Advances given during the year	289,610	--
ii) Advances repaid during the year	--	--
iii) Deposits (at year end)	162,547	270,856
iv) Mark up / Interest expensed	18,159	11,695
v) Mark up / Interest earned on advances	7,744	--
vi) Provision for non-performing advances charged against income during the year	--	--
vii) Provision for non-performing advances at year end	--	--
viii) Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	135	--
ix) Rent for property	21,008	19,066
x) Share registrar fee	9,548	2,400
xi) Insurance premium	2,908	2,807
xii) Insurance claims received	506	467
xiii) Security services	1,618	1,485

28. STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium A/C	Reserve for issue of bonus shares	Reserve Fund	General Reserve	Reserve for Unappropriated Contingencies	Unappropriated profit	Total
Balance as at January	939,262	55,525	46,964	398,250	334,000	--	675	1,774,676
Net profit for the year	--	--	--	--	--	--	359,134	359,134
Proposed dividend	--	--	--	--	--	--	(197,245)	(197,245)
Transferred to:								
- Reserve fund	--	--	--	72,000	--	--	(72,000)	--
- General reserve	--	--	--	--	--	--	--	--
- Reserve for contingencies	--	--	--	--	--	90,000	(90,000)	--

Transferred from:

Reserve for issue of bonus shares	46,964	--	(46,064)	--	--	--	--	--
Bal. as at December 3	986,226	55,525	--	470,250	334,000	90,000	564	1,936,565
Net profit for the year	--	--	--	--	--	--	282,446	282,446
Proposed dividend	--	--	--	--	--	--	(172,590)	(172,590)
Transferred to:								
- Reserve Fund	--	--	--	57,000	--	--	(57,000)	--
- General reserve	--	--	--	--	2,900	--	(2,900)	--
- Reserve for Contingencies	--	--	--	--	--	50,000	(50,000)	--
Bal as at December 31	986,226	55,525	--	527,250	336,900	140,000	520	2,046,421

29.1. Exposure to interest rate risk and sensitivity of financial assets and financial liabilities of the Bank are summarized below:

(Rupees in '000)

	Total	With in one year	Over one year to five years	Over five years	Not exposed to interest rate risk	Effective Interest rate
ASSETS						
Cash	3,035,275	1,374,719	--	--	1,660,556	4.65% to 480%
Balances with other b	1,265,147	1,002,540	--	--	262,607	4.25% to 15%
Money at call and sh investments	2,910,000	2,910,000	--	--	--	7% to 15%
Advances	6,678,879	6,043,707	1,424,496	951,153	259,523	7.28%/1 to 13.0%/t
Other assets	13,056,146	11,142,998	1,029,058	884,090	--	5% to 15%
	1,545,572	--	--	--	1,545,572	
	30,491,019	22,473,964	2,453,554	1,835,243	3,728,258	
LIABILITIES						
Deposits & other acc	24,357,594	20,048,193	1,017,122	--	3,292,279	1.5% to 14.5%
Borrowings from othe agents etc.	3,243,678	3,243,678	--	--	--	3.25% to 6%
Bills payable	217,651	--	--	--	217,651	--
Other liabilities	891,219	--	--	--	891,219	--
Liabilities against assets subject to finance lease	37,282	23,833	13,449	--	--	18% to 21%
Deferred liability for t	233,000	--	--	--	233,000	--
	28,980,424	23,315,704	1,030,571	--	4,634,149	--
GAP	1,510,595	(841,740)	1,422,983	1,835,243	(905,891)	
CUMULATIVE GAP		(841,740)	581,243	2,416,486	1,510,595	

29.2 Credit Risk:

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 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.

29.3 Market Risk:

Market risk is the risk that interest and foreign exchange rates fluctuate resulting in profit or loss to the Bank. 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.

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.

29.4 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 over all funding mix and avoidance of undue reliance on large individual deposits and liquidity contingency plan. 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.

29.5 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 represent forward foreign exchange contracts, on behalf of customers in import and export transactions, forward sales and purchases on behalf of customers in the interbank 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 over night limits. In addition, these also come under the State Bank of Pakistan net open position limits as explained earlier. The credit risk associated with repo transactions is secured through underlying Government securities.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying value of financial instruments approximates their fair value except for investments as explained in note 6.

31. EARNINGS PER SHARE

	1999	1998
Rs. 000's	282,446	359,134
=====		
Weighted average number of ordinary shares outstanding		
Number	98,622,600	98,622,600
=====		
Rupees	2.86	3.64
=====		

32. AVERAGE NO. OF EMPLOYEES

999	971
=====	

33. FIGURES

33.1 have been rounded off to the nearest thousand rupees.

33.2 of the previous year have been rearranged, wherever necessary, for the purposes of comparison.

Zafar Alam Khan Sumbal
Director

Kalim-ur-Rahman
President & Chief Executive

Lt. Gen. (R) Mohammad Afsar
Director

Lt. Gen. Amjad Shuaib
Chairman