TABLE OF CONTENTS

SECTION 1

SECTION 2

SECTION 3

SECTION 4

SECTION 5

SECTION 6

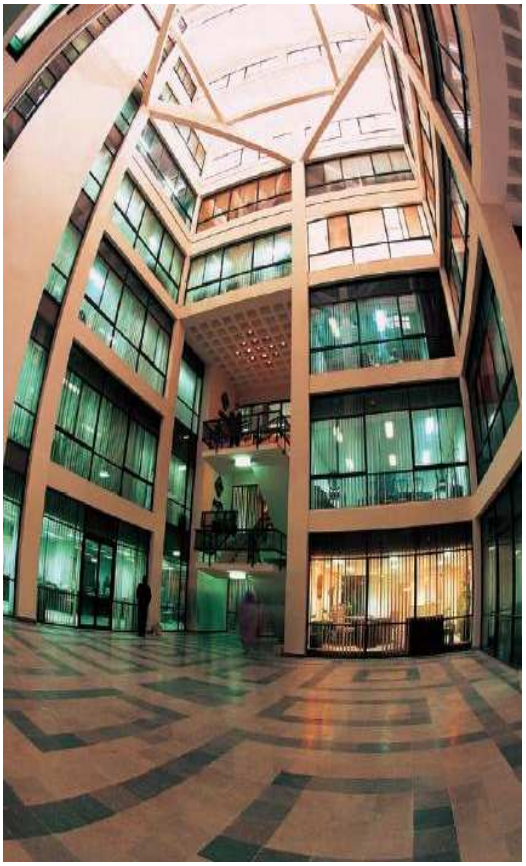
SECTION 7

SECTION 8

SECTION 9

SECTION 10

INTRODUCTION



Askari bank was incorporated in Pakistan on October 9, 1991, as a public limited company. It commenced its operations on April 1, 1992, and is principally engaged in the business of banking, as defined in the banking companies ordinance, 1962. The bank is listed on the *KARACHI, LAHORE AND 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 98 Branches, and an Offshore Banking Unit in Bahrain. A shared network of over 1,100 online ATMs covering all major cities in Pakistan supports the delivery channels for customer service. As on December 31, 2005, the Bank had equity of Rs. 8.6 billion and total assets of Rs. 145.1 billion, with over 600,000 banking customers, serviced by our 2,754 employees.

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**.

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.

Business Ethics & Conduct

Askari Bank seeks to maintain high standards of service and ethics enabling it to be perceived as impartial, ethical and independent. In addition to the general guidelines, the following are the salient features of the Bank's code of ethics and conduct.

- Presence of a **corporate culture** that seeks to create an environment where all persons are treated equitably and with respect.

- Employees must carry out their responsibilities in a **professional** manner at all times. They must act in a prudent manner and must avoid situations that could reflect unfavorably on themselves, the Bank or its customers.

- Employees must commit to the continued development of the service culture in which the Bank consistently seeks to exceed customers' expectations. Fairness, Truthfulness and Transparency govern our **customer relationships** in determining the transactional terms, conditions, rights and obligations.

- Employees must safeguard **confidential** information which may come to their possession during the discharge of their responsibilities. Respect for customers' confidential matters, merits the same care as does the protection of the Bank's own affairs or other interests.

- Employees must ensure that **know your customer** principals are adhered by obtaining sufficient information about the customers to reasonably satisfy ourselves as to their reputation, standing and the nature of their business activities.

- Employees must avoid circumstances in which their personal **interest conflicts**, or may appear to conflict, with the interest of the Bank or its customers. Employees must never use their position in the Bank to obtain an advantage or gain.

- Employees must not enter into an agreement, understanding or arrangement with any **competitor** with respect to pricing of services, profit rates and / or marketing policies, which may adversely affect the Bank's business.

- Employees must not accept **gifts, business entertainment or other benefits** from a customer or a supplier / vendor, which appear or may appear to compromise commercial or business relationship.

- Employees must remain alert and vigilant with respect to **frauds, thefts or illegal activities** committed within the Bank premises.

Inspiring Relationships

Inspiring 600,000 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 develop 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 600,000 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 rotation. 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 innovations:

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. Our mobile ATMs are the first in Pakistan.

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:

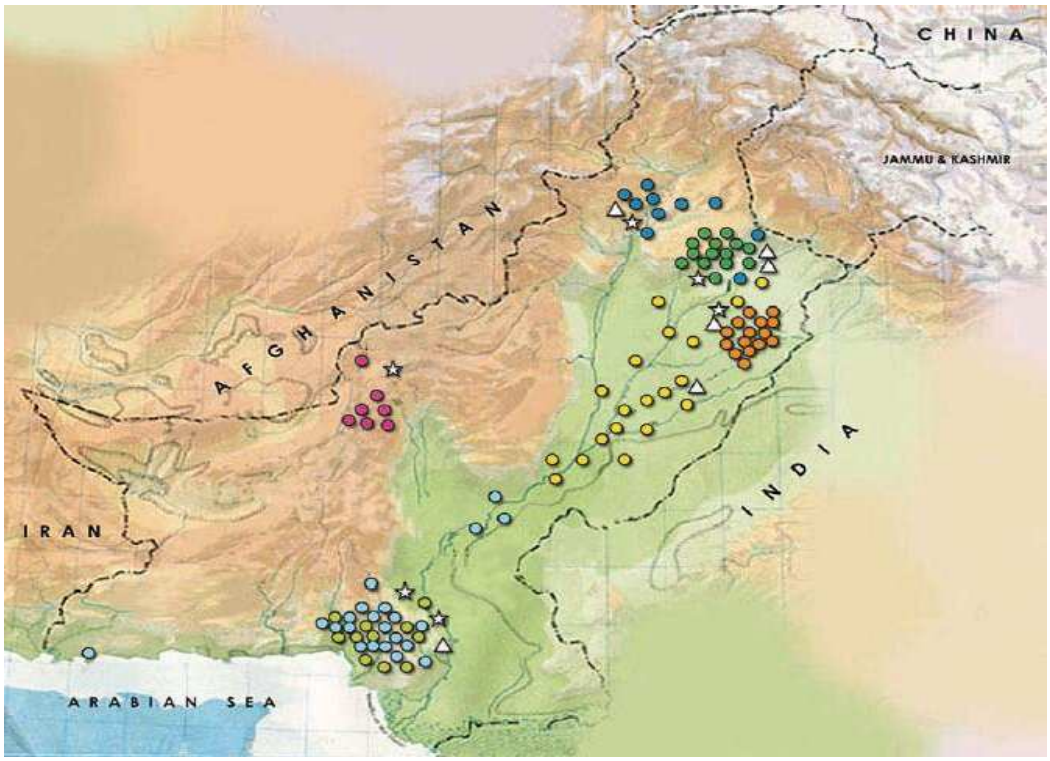
For us the challenge is to build a foundation of strong, consistent financial performance and focus on growing our balance sheet and revenues at low risk. During the year, we opened twenty four fully automated branches, increasing our branch network to 99, including an Offshore Banking Unit in Bahrain. 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.

Nation-wide Distribution of Branches / Regions / Areas and Operating Units



Corporate Information

Board of Directors

- Lt. Gen. Waseem Ahmed Ashraf — Chairman
- Lt. Gen. (R) Zarrar Azim — Chairman Executive Committee
- Mr. Shaharyar Ahmad — President & Chief Executive
- Brig (R) Muhammad Shiraz Baig — Director
- Brig (R) Asmat Ullah Khan Niazi — Director
- Mr. Muhammad Najam Ali — Director
- Mr. Muhammad Afzal Munif — Director
- Mr. Tariq lqbal Khan — Director (NIT Nominee)

Company Secretary

- Mr. Saleem Anwar

Audit Committee

- Brig (R) Asmat Ullah Khan Niazi — Chairman
- Brig (R) Muhammad Shiraz Baig — Member
- Mr. Kashif Mateen Ansari — Member

Auditors

- A.F.Ferguson & Co. — Chartered Accountants

Legal Advisors

- Rizvi, Isa, Afridi & Angell

Awards And Achievements

Over the years, ACBLA has received several awards for the quality of its banking service to individuals and corporate. These include:

Best Commercial Bank
Consumer Choice award 2005
by The Consumers Association of Pakistan

Best Retail Bank in Pakistan
Award 2004 & 2005
by The Asian Banker

Best Corporate Report
1st prize awarded for 2000, 01, 03 & 04
by Institute of Chartered Accountants of Pakistan (ICAP)and institute of Cost & Management of Accountants of Pakistan (ICMAP)

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

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

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

The Best Bank in Pakistan
Award for 2001 & 02

By Global Finance Magazine

Best Presented Accounts
Ranking prizes awarded from 1997 to 2002
By South Asian Federation of Accountants (SAFA)

Commercial Bank of the Year
Award for 1994 & 96
By Asiamoney magazine

Best Domestic Bank in Pakistan award for 1995by Euromoney

Over the years, Askari Bank has proved its strength as a leading banking sector entity, by achieving the following firsts in Pakistani Banking:
First Bank to offer on-line real-time banking on a country-wide basis.
First Bank with a nation-wide ATM network.
First Bank to offer Internet Banking Services
First Bank to offer e-commerce solutions

Corporate Citizenship

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

According to Askari Bank,

> "*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."

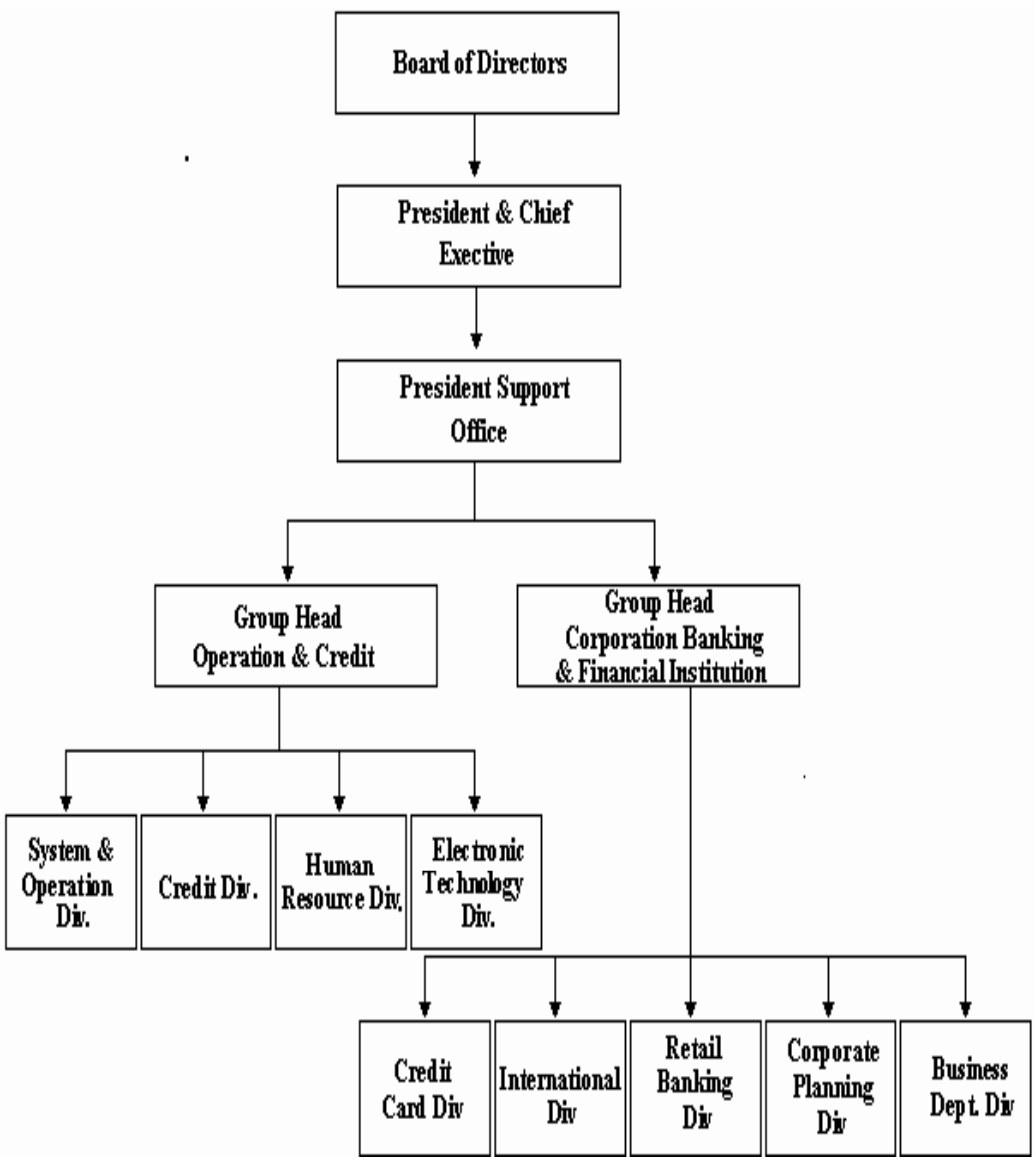
ORGANIZATIONAL STRUCTURE

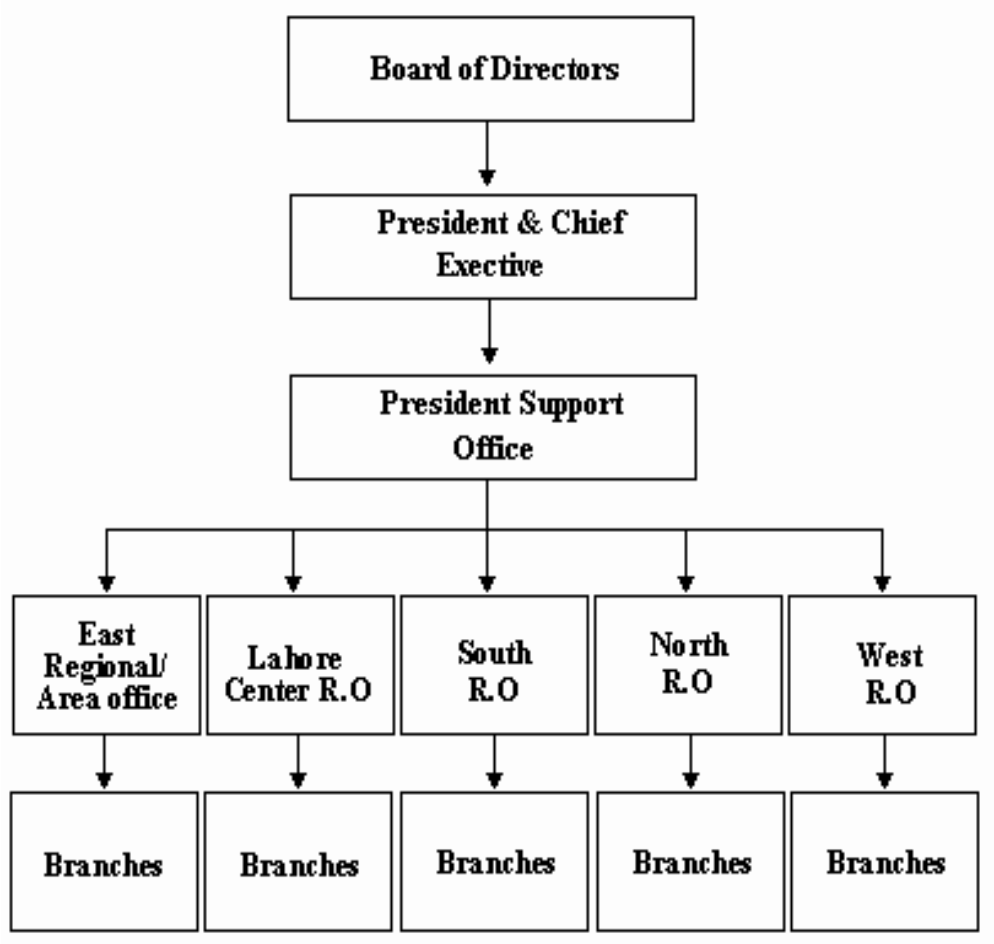
Askari Commercial Bank LTD Bahawalpur branch is successfully meeting all its objective software programs that are installed for each department that has increased their efficiency and they can take any information which is no time from any of their branches/clients are getting quick response due to their efficient network and staff members.

Managers and auditors can take information easily about clients account and are completely secured by password controls.

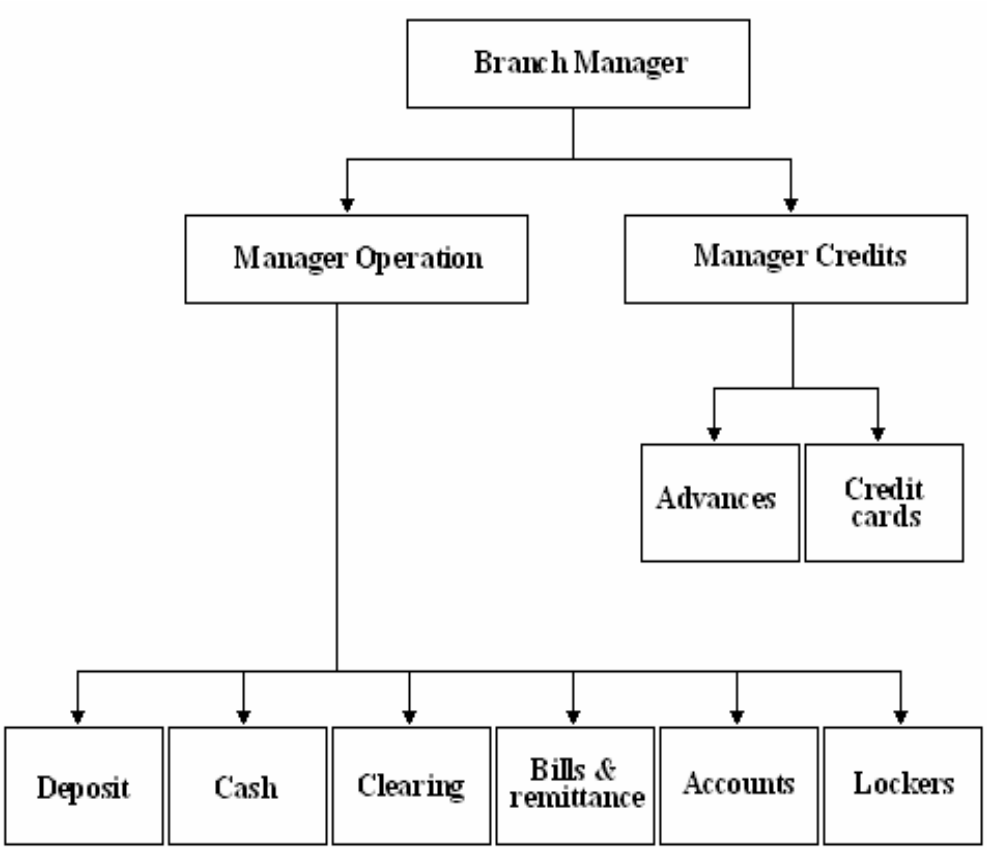
This branch is very well managed and staff is working devote and should work for his/her personal work they are committed and loyal to their work everyone is ready to perform other work, if he or she is not there, to prevent customers from suffering the absence of an employee the other one perform his/her duty with whole heartedly.

Organizational Structure Of Head Office




Board of Directors
President & Chief Exective
President Support Office
East Regional/ Area office
Lahore Center R.O
South R.O
North R.O
West R.O
Branches
Branches
Branches
Branches
Branches

Hierarchy In Bahawalpur Branch



GROUPS AND DIVISIONS

There are three main groups in ACBL, which further comprises of fifteen divisions.

1. Operations And Credit Group
2. Corporate Banking And Financial Institutions Group
3. Retail Banking Group

1. Operation And Credit Group

This group is responsible for all operational as well as credit and risk management activities of bank. This includes development and implementation of systems, operational policies and procedures, process reengineering, automation, branch expansion, and acquisition of premises, regulatory reporting, compliance management and legal affairs.

The group comprises of the following divisions.

i. Credit Division

The credit division (CRD) is responsible for ensuring identification, control and management of credit risk through prudent lending polices. Its focus remains on maintaining a well diversified, sound and remunerative credit portfolio. Prudent lending policies and effective appraisal and monitoring systems have helped in reducing the impaired loans from 14% to Rs. 1.101 billion, from Rs.1.278billion last year. The NPLs ratio as a percentage of gross advances also reduced from 2.76% to 1.54%.

ii. Electronic Technology Division

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

The bank's existing systems were also updated. The list covers a wide range from upgrading the SWIFT connectivity of the bank. State Bank of Pakistan reporting electronic bill payment system via the bank's ATM network and the Internet. The bank's achievement to date in this area won in the prestigious ''Best Consumer Internet Bank in Pakistan" global finance award for 2004.

iii. Systems and Operations Divisions

The systems and operations division (SOD) is mainly responsible for ensuring smooth and effective systems and operations of the bank. Its focus is on disseminating and facilitating implementation of the management policies is and decision of various operational activities of the bank.

iv. Compliance and Data Division

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

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

v. Legal Affairs Department

The legal affairs department (LAD) is responsible for effectively managing all legal matters pertaining to the bank, and to protect the bank's and trusts in this regard in order to achieve the above, the functions performed by LAD cover a white spectrum: rendering opinions on applicable laws one-of special assignments, advice in the legal aspects of operational matters, pro-active pre-emptive preventive measures, legal compliance and remedial and litigation management.

2. Corporate Banking And Financial Institutions Group

This group is responsible for serving the banking needs of large corporate clients, in the public and private sectors, managing correspondent banking relationships, overseas operation and undertaking money market/capital market transactions.

The group is organized in four divisions' namely corporate banking, investment banking, international and treasury.

i. Corporate And Investment Banking Divisions

The corporate and investment baking divisions (CBD&IBD) are strongly positioned across priority markets with a distinct strategy for developing corporate business.

Last few years were very challenging due to historic lows in interest rates, which squeeze margins. The bank undertook a number of debts pricing swap transaction, aimed at reducing the financial burden of its key clients' portfolio, and facilitated value-added transactions like commercial paper participation for helping some customers meet their short term borrowing needs. The bank has seen its role developed in syndicated consortium finance, from simply gain a participant or co-arranger, to increasingly becoming the arranger and lead manager.

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.

ii. International Division

The international division (I&D) plays a key role in extending support to the branches undertaking foreign trade and exchange business while managing business relationships with other valued correspondent banks, I&D remains on the lookout for opportunities of extending our operations and presence in the international markets.

The increased in overall foreign trade of the country during 2005 also enabled the bank to achieve the desired level of growth

iii. Treasury Division

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

Conditions in the money and foreign exchange market remained very competitive and challenging during 2005.The low interest rate environment that dominated the first half of 2005. The increase in the home remittances from abroad resulted in strengthening of the Pak rupee and excess liquidity in the money 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 expanses foreign debts by the Government of Pakistan (GOP).

3. Retail Banking Group

The retail-banking group is responsible for serving the banking needs of the retail market comprising of the individual consumers and small and medium size enterprises. These market segments are gaining increasing importance since the margins in the corporate and the commercial banking segments have reduce to unprecedented levels,

while margins in the retail markets though considerably reduce, are still much better then the former.

Group is managed in the following divisions:

i. Assets Products Division

Assets product division (APD) is responsible for the development and the managing of retail credit schemes and is presently offering several innovative consumer credit products. In order to cater for the increasing demand for retail credit, APD, during 2005, started 4 more retail asset unit, taking the total no to 14, countrywide.

ii. Investment Product Division

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

IPD offers a range of products design to carter for diverse customer needs, such as; ASK CARD (Debit Card) cash management services, Rupee Travelers Cheques and customer deposit products such as Askari Bank's value plus.

New products introduced during recent years include:

ASK POWER (prepaid card), which enables the maki9ng of secure payments without the need to carry cash or debit or credit cards. It allows cash withdrawals from ATMs, transfer of balance to another card, and the refill option, as well as payment of utility bills through ATMs and Internet. Its special features are likely to make it popular with our customers.

Askari Banks Electronic Bill Payment System allows the customers of Pakistan Telecommunication Company Limited (PTCL) to pay their monthly telephone bills from Askari Banks ATMs, point of sale (POS) Terminals, through the Internet and also at the banks branches through direct debit to their personal accounts. Arrangements are underway to facilitate the electronic payments of electricity and gas utility bills. Askari banks investment certificate are profit bearing, negotiable and transferable instruments, available in three convenient denominations, with a maturity of up to three months.

iii. Credit Cards Division

The credit cards division (CCD) is responsible for managing the credit cards business of the bank. CCD is headquarter in Karachi as separate strategic business unit (SBU) of the bank with all internal functions including credit, operations, marketing, sales, finance and audit, perform independently. Its present focus is on managing the 'Askari Master Card'' brands, accepted worldwide also in 4000 locations in Pakistan.

2005 was a significant year for the CCD, as it registered a three-fold profit increase over the preceding year, despite tough competition and decreasing margins. This was achieved through prudent risk management and effective control over operating expenses. It crossed the 78000 cards mark during the year- a significant achievement by any standards.

CCD plans to launch co-branded credit cards with major multinational and national financial institutions, and to introduce other products and services to further enhance to brand image and customer base of Askari Master Card.

For the first time in Pakistan, Askari bank introduces the Platinum card in addition to the existing Gold and Sliver. The Platinum card facility offers certain exclusive leisure and travel related facilities to its members.

iv. Planning And Corporate Affairs Division

The (PCD) is a relatively new division, setup in September 2002. It has been established to provide the strategic direction to the bank developing a futuristic out look.

It plans to identify new opportunities for growth and increased profitability, and to counter any emerging threats. For this purpose, it remains in constant touch with the market and assimilates information, both informal and formal.

v. Human Resource Division

The human recourse division (HRD) is responsible for managing and facilitating the most important strategic resource of any organization. Its focus is on harnessing the potential and energy of a professional work force to ensure effective attainment of goals set by the bank.

HRD continued its support to vital organs of the organization by way of timely meeting their manpower needs. During the year HRD implemented an extensive in house training program to further enhance its staff's professional capabilities. During 2004 1337 employees participated in these courses.

vi. Finance Division

The finance division (FND) is the hub of all financial information for maintaining statutory accounts and measuring the performance of the bank. FND is responsible for maintaining the accounting records and systems in accordance with internal policies, regulatory requirements, corporate governance and international accounting standards.

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

vii. Internal Audit Division

The internal audit division (IAD) reports to the audit Committee of the board of director and as part of good governance practice primarily performs it functions independent of the management. Its focus remains on monitoring and promoting internal controls, risk management and governance.

Products Of ACBL

1. Demand Deposit

- Current Account
- Call Deposit Receipt
- Sundry Account

2. Time Deposit

- PLS saving Deposit
- Askari special Deposit account
- Askari FISDA Account
- Askari FAIDA Account
- Value Plus Saving Deposit
- Notice Deposit
- Askari Advantage
- Term Deposit

3. Lockers

- Small Size Lockers
- Medium Size Lockers
- Large Size Lockers

4. Fund Based Loan

- Running Finance
- Cash Finance
- Term Finance
- Staff Finance
- Askari Personal Finance
- Trade Finance

5. Non-Fund Based Loan

- Letter of Credit (LC)
- Letter of Guarantee (LG)

6. Import Related Finance

- Payment Against document
- Finance Against imported Merchandise
- Finance against Trust receipt

7. Export Related Finance

- Pre-shipment Finance

- Post shipment Finance
- Finance Against Packing Credit
- Finance against Foreign bill
- Foreign bill purchase

8. Miscellaneous Products

- Demand Draft
- Telegraph transfer
- Pay Order
- Pay Slip
- Online Banking
- Internet Banking
- Rupee Traveler cheque
- Foreign Traveler Cheque
- Foreign TT
- Askari Master Credit Card
- Askari Debit Card

DEPARTMENTS OF ACBL

There are three main departments in ACBL Bahawalpur.

1. General Banking
   i. Account Opening
   ii. Bills And Remittances
   iii. Deposit Department
   iv. Cash Department

2. Credits And Advances Department
3. Foreign Exchange

ACCOUNT OPENING DEPARTMENT

Account opening is the first step in business of banking to create the relation of public with bank as a customer. Now customer becomes creditor of bank. It is most

important department of bank and bank officers must take special care before opening the account. The accounts offered by the ACBL are of two types:

1. Account Of General Customers

- Minor account
- Illiterate person account
- Joint Account

2. Accounts Of Special Customer

- Proprietor Ship Account
- Partnership Accounts
- Limited Company's Account
- Agent's Account
- Joint Stock Company Account
- Agency Account
- Clubs, Societies /Association Accounts Trusts Local Bodies Etc.
- Executor's And Administrator's Account

Account opening procedure

The general procedure of account opening is same but the document required to open the account is different according to type of account.

The branch manager is responsible to handle job of account opening but in some cases, it is assigned to other responsible officers. Information at the time of opening of account, the bank officer must assure that customer has the following characteristics:

- The customer must have the age of majority, it means he must be the age of 18 according to law.
- The customer must be of sound mind.
- The customer must not be insolvent and bankrupt.
- The customer must not be debarred under any law from entering into any contract.

Also the bank officer must take proper information from the customer about his means, line and place of business.

Account Opening Form (AOF)

The bank officer must assure that the customer fills each and every column of account opening form correctly with all necessary details. The specific information about the business or occupation of the customer is recorded in the form. It is preferred that the customer in the presence of introducer fills account opening form.

Introduction of Accounts

It is a most important column of AOF. Without the proper introduction, the new account cannot be opened. The bank officer consider following precaution in this respect.

- The introducer should come with the prospective customer to the bank, so there will be no doubt about the identity of customer.
- If the introducer does not come then bank officer must take extreme care about his signature verification.
- Introducer having doubtful dealing with the bank should be discreetly declined.
- Current account holders can be introducer of both types of deposits but saving bank account holder cannot be the introducer of current account holder. But in exceptional cases they can introduce when saving account holder maintain substantial balance and they are old and operative accounts.
- The staff member can become introducer if they personally known to the prospective customer.

National Identity Card

The bank officer check that number of national identity card is correctly recorded in the AOF and a copy of national identity card is kept in record by the bank.

Specimen Signature Card (SS Card)

The bank officer takes signature of customer on AOF and specimen signature card. Latterly This card I scanned in the computer and whenever customer make any transaction in this account then his signature is verified by it. Feed in Uni Bank System ACBL is computerized bank so after all the formalities the accounts are opened in computer in Uni Bank System. And AOF is pasted
in AOF register.

Letter of Thanks

A letter of thanks is sent to customer through mailto verify his address. And a letter of thanks is send to introducer to verify him as introducer.

Individual Accounts

Individual accounts are classified as:

i. Accounts of illiterate ladies and gentlemen
ii. Minor Accounts
iii. Joint Accounts

Documents required to open individual account are:

i. Account Opening form (AOF)
ii. Specimen Signature Card
iii. Copy of NIC

Accounts of literate ladies and gentlemen

In case of illiterate ladies and gentlemen, two photographs are required. One is pasted on AOF and other is pasted n SS card. Instead of signature, left-hand thumb impressions are obtained on specimen signature card from gents and right hand thumb impression from ladies.

At the encashment of cheques, these customers are advised to attend bank personally and put their thumb impression on the cheques. If the cheque is presented through clearing then it will also only pay to the customer.

Minor Accounts

The minor can only open the saving account and only jointly with their guardian. And guardian will also sign the AOF and SS card.

Joint Accounts

- The bank will fulfill the stop payment instruction of any cheque lodged by any member of joint account but removal of these instruction must be signed by all the member
- If any member dies then there will be no transaction is the account and balance in the account will be paid according to instruction recorded at the tome of account opening.
- The member of joint account can delegate authority to any third party to operate the account. Al the members Sign such mandate but it will be cancelled if any of the member dies, insolvent or insane.

Partnership Firm Account

The documents required for these accounts are:

- Account Opening Form
- SS Card
- Copy of NIC of all Partners
- Copy of registration certificate
- Copy of partnership Deed

The partnership accounts are opened under the following conditions:

- Partnership firms can open only current account due to business concern.
- All partners must sign the account opening form.
- The name of authorizes person to operate the account is mentioned in the form.
- The title of account should show name of partners
- The bank will fulfill the stop payment instruction of any cheque lodged by any partner of joint account but all the partners must sign removal of these instructions.
- Cheques payable to the firm will not be credited to personal account of any partner.
- When them changes are taking place in the firm structure or if the firm is declared as insolvent then transaction in the account will be stopped. In case of insolvency, the personal accounts of partner will also become inoperative.

Joint Stock Company Account

Joint Stock companies include:

1. **Private Limited Companies**

The companies whose share capital is not offered to the general public instead the offer is restricted to particular class of society or within the family members called private limited. These companies are not listed in stock exchange and are not transferable.

2. **Public Limited Companies**

Promoters and general public contribute the share capital of these companies. These companies are listed in stock exchange and their shares are transferable and brought and soled freely in stock exchange.

The document required for these accounts are:

- Account Opening Form
- SS Card
- Up to date Memorandum Article of Association
- Certificate of incorporation.
- Certificate to commence business.
- Resolution of board passed under company seal to open account.
- NIC
- Passport of all the directors authorized signatures.
- List of directors authorized signature

The specific conditions to open the account of Joint Stock Company are:

- Introduction is not required for these accounts because companies are legal entities Death, retirement or dismissal of any director does not effect operation on the account.
- However, death, retirement or dismissal of the directors authorized to operate upon the accounts temporarily put embargo on operations of the account. In such cases, fresh resolution authorizing another person to operate upon the account is to be called for from the company.
- The cheques signed by the directors before their death retirement or dismissal will be considered as valid instrument.
- The operation on the account will be stopped when company terminates its career.

Accounts of Clubs & Societies

These are non-trading/non-profit organizations and are formed for the promotion of culture, education, recreation activities and charitable purpose etc.

Account opening procedure is same as mentioned before.

Title of the Account

Account must be opened in the name of the organization in the following manner: "*Rawalpindi Cricket Association*"

The document required for these accounts are:

- Copy of Bye-laws/regulations
- List of members of managing/Executive committee
- Copy of certificate of registration (if registered)
- Copies of NICs of the members of executive committee
- List of names of officials authorized to sign on behalf of the organization along with the specimen signatures under the signature of the secretary of the club/society.

Mode of Signature

Official capacity.

Special Care

In case of transfer or death of an officer bearer authorized to operate the account, operations in the account should be stopped until receipt of new resolution passed by the managing committee/directors authorizing the new office bearers to operate the account and copy of the resolution along with names and specimen signatures of new authorized officials are received by the bank.

Issuance of Cheque Book

The customer fills the "Form A" for issuance of cheque books along with the AOF. The requisition slip is duly signed then bank officer enters cheque book series on it. The officer enters the issuance of cheque book in register. To minimize the misappropriation bank stamps the account number on each leaf of cheque book. Bank Charges Rs.2 per leaf. ACBL issue 25 or 50 leaves cheque book.

If cheque book is lost then customer fill the "From B" for resonance of cheque book. Bank Charge Rs.100 for resonance.

Inactive Account

If there is no transaction in any account within 6 months then account will become inactive. Now the account will be active only by crediting some amount.

Closing of Account

If the customer wants to close the account then he will submit undersigned application along with unused cheque book in the bank. The bank will charge Rs.100 for closure and remaining balance in the applicant's account will be paid to account holder. If the conduct of customer is not satisfactory then bank can also close the account but bank will give prior notice to customer to make proper arrangement of his funds.

Bills & Remittance Department

Remittance department plays an important role in transfer of funds from one place to another. Askari commercial bank provides this service to their customer, as will as general clients. Different instruments are use to remit the money. The instrument can be defined as "It is in writing containing an unconditional order signed by the maker to pay certain amount to or to the order of a certain person for future determinable time.

The following different instruments are used to remit the funds in ACBL.

- Demand Draft
- Telegraph Transfer
- Pay Order
- Pay Slip
- Travelers Cheques

Demand Draft

Demand draft is most frequently used instrument. It is defined as "an unconditional instrument in writing drawn by a bank in a favor of any person on a branch of its own bank or any other bank to pay a certain sum of money to his order, for value received". Virtually there is no "stop payment" of a bank draft. It is issued or paid to all customers and clients.

Issuance Procedure of DD

The customer requests on the standard application form of DD by filing all the required information like name, address where the DD is drawn, amount, mode of payment, and Signature. The bank officer checks the application form and charge commission according to the amount. The Customer Deposits the amount and commission.

- The issuance of DD is computerized in ACBL so all the entries are made in the computer by bank officer. The computer assigns a number to the DD and officer writes this numbers on application from.

- The printed draft along with counter foil of cash voucher will be given to the customer. The bank officer enters the DD in the DD issue register. The bank officer sends inter branch credit advice to the other beneficiary branch.

Commission on DD

Up to Rs.10, 000	Rs.25
From 10,000 to Rs.100, 000	Rs.50 or 0.10%
From 100,000 to Rs.1, 000,000	Rs.200 or 0.07%
Over Rs.1000, 000	Rs.1000 or 0.05%

Payment of DD

The customer comes to bank take payment then bank officer debit the DD payable account and credit to customer account. If the customer has no account cash payment is made to the customer. If beneficiary bank do not receive the IBCA and customer come to take payment then bank officer cannot stop payment. The bank officers debit the suspense account and credit to the customer account.

After receiving the IBCA the officer debit the DD payable account and credit to customer account. If the demand draft is crossed then there is no cash payment to the beneficiary but only credit to beneficiary's account.

Cancellation of DD

If the customer wants to cancel the DD then following procedure is adopted. The customer gives the written application for cancellation along with original demand draft. The bank as cancellation charges Rs. 100. The bank officer verifies the signature of applicant. Cancellation of DD is recorded in DD issue register.

The bank first sends IBCA to the beneficiary bank and then cancellation application. The beneficiary bank first credits to customer account and then debit it by credit to head officer account and IBCA send to DD issuing bank. The bank credit to customer account or payment to customer by credit to suspense account and after receiving IBCA the suspense account will be adjusted.

Issuance of Duplicate DD

If the DD is lost or destroyed by mistake, then the bank issues its duplicate DD. The customer gives application along with indemnity bond on stamp paper of Rs. 50. This is done to cover the risk of double payment by mistake. The entries in the DD issue register are inserted against the original draft in red ink. The duplicate DD has the same controlling number.

The bank officer inform the drawee branch of the loss of DD that DD is lost and until duplicate is issued, payment will not made even original is received.

Telegraph Transfer

The transfer of funds by means of fax or telegram is called telegraph transfer. It is fast way to transfer of funds from one branch to another of same bank. The amount will credit to the beneficiary account within 24 hours. The customer fills TT application form. The bank officer enters into TT issued register.

The bank officer writes the message and apply test on the TT message and give appropriate instruction such as “advice and credit” or advice & pay “telegraph transfer receipt is issued to make cash payment to the beneficiary. The commissions charges are same for DD and fax charges are Rs.40. And message is fax to the beneficiary bank in beneficiary account, but if the beneficiary has no account then payment will be made by TTR. It is quick mode but it is not used for business purpose and preferably used for personal use.

Mail Transfer

If the funds are transferred through mail then it is called mail transfer. The procedure of mail transfer is same as in telegraph transfer. The commission and postage charges are taken. The postage charges are Rs. 15/flat and commission is same.

Pay Order

Pay order is issued for payment in the same city because it is issued form one branch can only be payable form the same branch. All the procedure of pay order is same as in the DD. The only difference is that in pay order the distinction is not specified, i.e. the issuing and paying end of pay order is same branch. It is generally refereed as Banker's cheque.

Commission on Pay Order

Up to 100, 000	Rs.25
Greater than 100, 000	no charges.

Pay Slip

It is used by the bank for the settlement of its own payment of expenses. The contractor in favor of agencies makes call deposit receipts. After the approval of the bid, when the contractor complete their work then release of security letter is issued by the agency. If the contractor has no account then its cash payment is made by the pay slip. No excisable duty and commission is charges on pay slip.

Travelers Cheques

Askari traveler's cheques are a valuable financial service of ACBL. They are issued to settle all your business transaction and customer can travel without any pocket

load. It is safest substitute for cash, easily refundable in case of theft and loss. Askari bank issues the traveler cheques denomination of Rs. 10,000.

Askari traveler cheques are issued against cash cheque or debit to customer account. It is issued on purchase agreement form and 3 copies are prepared. One is sent to head office, the second one for record of bank and third one for the custom. No service charges are taken on it. Any branch of ACBL can make payment of Askari traveler cheque. It can be drawn by another bank through collection. It can be encased form the issuing branch but not on issuing date. If these cheques are enchased within seven days then customer will receive 0.2% commission.

◆◆◆◆◆

Deposit Department

It is the most important department of the bank and working of banks initiate from this department.

There are two types of deposits:

- Demand Deposit
- Time Deposit

Demand Deposit

These deposit are payable by the bank on demand and no profit is given on these deposits.

It includes:

- Current Account
- Call Deposit Receipt

Time Deposit

It includes:

- PLS Saving Deposit
- Askari Special Deposit Account.
- Askari FISDA Account
- Askari FAIDA Accounts
- Value Plus Saving Deposit
- Notice Deposit
- Askari Advantage
- Term Deposit

PLS Saving Deposit

As denote by the name, these accounts are opened to mobilize the saving among people and to participate in the economic development of country. Theseaccounts can be opened with Rs.2500 except army personnel and also provide the facility for depositing small sum of money. And if customer wants to withdraw a large sum of money then customer to the bank gives prior notice, because banks invest substantial percentage of such deposit in their business.

Statements of saving accounts are provided to customer twice in year as on June 30 and December 31. Profit is paid at the end of June & December at a fixed rate and this profit is calculated at minimum month balance. This element of profit encourages the habit of saving among the people.

Zakat at the rate of 2.5% is deducted from these accounts on 1st Ramazan-ul-Mubarik. Balance below a certain limit, which is announced by the government every year is exempted from Zakat. A withholding tax t the rate of 10% on profit is also recovered from the account holders irrespective of the amount of profit.

Provisional rates of profit on saving accounts:

Up to 9,999	1.00%

10,000 & Above	2.00%

Askari Special Deposit Account

ASDA is a daily-based product, it means that profit is calculated on daily basis and paid on monthly basis.

Rates of profit on ASDA:

50,000 to 999,999	1.50%	P.A
1,000,000 to 4,999,999	2.00%	
5,000,000 to 19,999,999	2.50%	
20,000,000 to 99,999,999	2.75%	
100,000,000 & Above	3.00%	

Askari FISDA Account

FISDA stands for "Financial Institution Special Deposit Account" These accounts are opened for financial institution. Profit on these accounts is calculated on daily basis and paid at the month end.

50,000 & Above	0.25%

Askari FAIDA Account

ACBL introduced these accounts from July 01, 1998 to retain encashment proceeds of foreign currency deposit. These accounts are not opened now. Profit is calculated on daily product basis and paid on quarterly basis.

Rates of profit on FAIDA:

50,000 to 999,999	1.50%
1,000,000 to 4,999,999	2.50%
5,000,000 & above	3.50%

Value Plus Saving Deposit

The minimum balance required to open this account is Rs. 10,000. Profit is calculated on minimum monthly balance and paid at the month end.

Provisional rates of profit on value plus saving deposit are as

Rs.10,000	2.00%

If in value plus, deposit of Rs.25,000 is maintained then profit rates are.

For 3 Months	1.50%
For 6 Months	2.00%
For 1 Year	2.50%

Notice Deposit

The customer has to deposit Rs. 5000. And the customer gives notice of encashment to the bank for specified number of days before the actual encashment; Profit is calculated on daily basis and paid at maturity Provisional rates of profit on notice deposit.

For 07 days	0.50% p.a.
For 30 days	1.00%p.a

Askari Advantage

Minimum balance required to open this account is Rs.1000, 000. Profit is calculated on daily basis and paid at maturity.

Provisional rates of profit on Askari Advantage are

Rs. 100,000	1.50%

Term Deposits

For these accounts, the required minimum balance is Rs. 5000 but rate of profit varies with time. Profit is calculated on daily basis and paid at maturity. But if these accounts are maintained for a Year then profit is paid after every six month.

Provisional rates of profit of profit on Term Deposit are:

For 1 Month	1.00%
For 2 Month	1.25%
For three months	1.50%
For 6 Months	2.00%
For 1 year	2.50%

◆◆◆◆◆

Cash Department

Cash department is the most important because it is point of contact between the bank and the customer. The ACBL provides efficient and personalized services to their customer. This department creates the impression of bank commitment of professionalism in its system and procedure and to courteous and efficient customer service. So the staff of cash department is well equipped and trained not only in technical handing of cash but also in the art of customer.

Functions of Cash Department

It includes:

- Receiving cash from the customer.
- Making payment to the customers against their cheques or other payment instruments.
- Handling cash withdrawal and deposit into the bank account with state bank of Pakistan and with other branches of bank.
- Ensuring proper storage safety and security of he cash in cash and in transit.
- Ensuring proper cash management and sorting out of issue able cash into the denominations.
- Maintaining daily cash position register.
- Transfer of cheques from one account to another and shift the cheques of other bank to clearing department.

Cash department has two counters,

1. Cash Receipt Counter
2. Cash Payment Counter

1. Cash Receipt Counter

If the customer wants to deposit in his account then he fills the pay in slip. In pay in slip, the customer writes his account title, account no, the amount in figures & words, particulars mention the mode of deposit either cash or cheque and sign it. The customer makes the payment to cashier along with the pay in slip.

The cashier checks the details of pay in slip and if the customer gives broken cash then its detail are written by the cashier at the back of pay in slip. Then he enters it into cash receipt book and transfers it to the officer. The officer credits the customer account with the same amount. He posts the transfer stamp and sign on pay in slip. Finally, the cashier returns the signed counter foil to the customer.

2. Cash Payment Counter

When the customer present the cheque to withdraw the money the cashier check its date, amount in figure, signature and either it is f ACBL BWP branch or any other branch or it is of BWP branch of other bank. If it is of ACBL BWP branch with right date then cashier enter into cash payment book and transfer to the officer. The officer feed the account number to check that demanded amount is available in his account. If amount is available then he verifies his signature from SS card already feed in computer.

The officer passes the cheque and debits the customer account with the same amount and posts the stamp of transfer on it. Then cashier makes the payment to the customer and writes the detail of notes at the back of cheque to maintain daily cash position.

The cheque can be returned to the customer due to following reason:

- If the cheque is post dated; i.e. some future date is written on it.
- If the date is of 6 months back.
- If the amount in figure and words is different.
- If any cutting is made on the cheque.

- If the cheque is of other branch of ACBL then it will send to bill department. And if the cheque is of BWP branch of other bank then it will send to clearing department.

Transfer of Cheques

If one account holder wants to transfer some amount from one account to another, then he will give the cheque favoring the other account holder and also fill the pay in slip. The cashier after checking the details and enter in the register transfer to the officer. The officer transfers the mentioned amount from one account to another.

Maintain the Cash Position

The cash department maintains daily cash position due to following two reasons:

- All the banks are advised to maintain a liquidity limit according to SBP regulation all the funds of the bank are insured to a limit.
- When the funds in the branch exceed from these two above mention limits then branch officer report to head office of the bank. The head office takes appropriate measure to maintain these limits.

◆◆◆◆◆

Credit And Advances Department

"Major source of bank income"

Credit department is one of the most important departments of the bank. Assets are resources of any organization and "Advances" are most valuable asset of the bank. Credit department takes money from depositors at certain rates and utilizes these funds by extending loans at specified rate to the creditors. The difference between these two rates

is the profit of bank. So it is major source of profit. The credit decisions are carefully analyzed because advances create risks for the bank.

Functions of Credit Department

Credit department performs two basic functions:

1. Credit Administration
2. Credit Appraisal

1. Credit Administration

The credit department takes the decision about credit sanction after the risk analysis and collects the extended loans at the maturity of loan.

2. Credit Appraisal

The credit department reviews their credit policies and all credit proposals. Also credit officer report all the data of his activities to credit division Karachi. Credit division reviews their policies after every six month in the light of this data and also sends the data to State Bank of Pakistan (SBP) to review its policies.

Principles of Good Lending

Before the sanction of any loan, five principles of good lending must be considered.

1. Safety
2. Suitability
3. Liquidity
4. Disposal

5. Remuneration

1. Safety

The bank can reduce the risk by this principle. Always extend the loans against pledge of liquidity security and only those persons that have ability to repay

2. Suitability

Always extend loans to most suitable sector and growing industries and business.

3. Liquidity

It is the most important principle. Collection of credit is most crucial so bank always pledge those securities, which are most liquid and can be en-cashed within one accounting period. And earnings are available to repay the credit.

4. Disposal

After portfolio analysis, loans should be extended to different sector and not to one sector to maintain balance growth of economy.

5. Remuneration

Lending must be generating profit; that is ultimate goal of lending.

Credit Policies of ACBL

- Follow the Prudential regulations and other SBP directions.
- Follow the principles of good lending.
- Avoid concentration of credit in one particular sector.
- Concentrate mainly on short-term self-liquidating advances e.g. export bills advances of maturity of one year.
- Encourage trade financing.
- Maximize yields on advances without compromising on quality/security.

- Maximize advances, which are outside the "credit ceiling" i.e. post shipment finance. Evaluate credit proposals thoroughly, including the borrower ability to repay.
- Monitor credit on a regular and on going basis.
- Review credit facilities at least once every year.
- Advances/deposit ratio not to exceed 65%.

Risk Analysis

The high risk gives the high return. Bank analyzes their risk on advances by applying the five C's.

1. Character
2. Capacity
3. Cash
4. Collateral
5. Condition

1. Character

The moral and social character of individual is analyzed. The individual should not be involved in any illegal and unethical business. Past payment history is analyzed that should always pay his obligation in time.

2. Capacity

Credit officer analyzes the capacity of borrower to take loan and ability to repay the requested credit. The credit officer decides by the calculation of liquidity of company and debt ratio.

3. **Cash**

Cash is considered to analyze the ability of repayment. These must be regular and proper cash flows because they provide liquidity to refund the loan.

4. **Collateral**

Bank always secures their loans with collateral. Collateral is security that applicant provide against the loan. It is important because it builds stake of creditor and if the applicant defaults then bank will adjust his loan and mark up by it.

5. **Condition**

Different conditions are considered by the bank to minimize the risk. These conditions relate to industry and country economic condition.

There are two types of conditions,

i. **Affirmative Condition**

That condition is necessarily considered to any industry. It is only general economic and business condition of the country.

ii. **Restrictive Conditions**

These conditions are special circumstances related to specific industry to which loan is going to be extended.

All the levels of credit committee have discretionary power according to nature of finance (fund based/ non fund based), nature of security, amount, and maturity life, rate of mark up and competency of committee level. When the requested amount exceeds the credit limit of level then case is sent to upper level. All the loans sanctioned at branch level must be approved by area office.

Securities for Advances

Bank always extends loans against certain assets as security. The good attribute of security is that it is most liquid asset and also in access or control of bank. Different types of securities are:

1. **Deposit In Our Bank**

If the applicant has deposit with our bank then rate of mark up is low because it cut the cost of deposit.

2. **Deposit In Any Other Bank**

The bank has no carrying cost but charge high mark up due to increase of risk.

3. **Government Securities**

They are considered as prime security.

4. **Account / Notes Receivables**

Bank only accepts those accounts receivable as collateral, which are most liquid.

5. **Inventory**

Inventory includes stock of finished good and raw material work in progress.

6. **Fixed Asset**

It includes machinery installed or to be installed and building constructed or to be constructed. This immovable property is considered as least preferable security.

All the securities are either hypothecate or pledged or mortgaged. In these three cases, title, charge and control vary.

Procedure to Apply For Credit

The pre condition to apply the credit is that the applicant must open his current account in ACBL. The bank prefers that applicant submit as hand written application for credit. Two types of documents are attached with it.

1. **Permanent Information Memo**

The application fills the credit application form in which he mentions personal information, professional information, type of loan etc.

2. **Charge Document**

The applicant signs different charge documents. The ACBL Doc.1 (agreement for financing for short/medium/long tem on mark up basis), Doc.3 (promissory note) are generally signed in all cases of credit. Remaining charge documents including some agreements of security according to its nature are signed. Doc. 13 personnel guarantee is signed in all cases.

Credit Information

After this credit officer confirm all type of credit information by different sources. If the applicant applies for amount greater than 100,000 then he can take his credit history from SBP or from the banks with which applicant maintains their deposit and from a private company "Dunn & Bradstreet". And "Architects, Engineer, Survey & Valuation Consultants" evaluate the offered securities.

Credit Line Proposal

If the credit officer is satisfied about all the information then he prepares the Credit Line Proposal and sends it to the area office for approval.

Disbursement of Loan

If credit line proposal is accepted then credit officer finally disburse the loan. The processing charges for all proposals are Rs.500. The customer pays all the evaluation

charges. When the loan is disbursed then credit officer opens a principal account and a shadow account for mark up. These two accounts are linked in computer system. The credit officer debits the principle account and credits to customer account.

Mark Up on the Loan

Rate of mark up depends upon three elements:

- Volume of loan
- Time period
- Liquidity

So the rate of mark up is varied in every case. Mark up is calculated at daily basis but it is charged at the end of the month. When the customer pay mark up then credit officer debit shadow account and credit to bank income.

Askari Commercial Bank provides two types of loan that are:

1. Fund Based Loan
2. Non Fund Based Loan

1. Fund Based Loan

In this type of finance, bank actually deploys its funds and mark up is charged on it. ACBL provide the following types of fund-based loan.

i. Running Finance

It is also called "over draft" because bank provides an extra credit limit to customer existing current account. Running finance is a secured loan because bank provides extra credit limit against some collateral security or hypothecation security. Hypothecation is prime security. The customer can avail this credit limit at anytime of

the maturity time period; which is normally one year. But if the conduct of customer is satisfactory and customer can avail this facility to the extended period, then this limit is roll over to next year.

The cheque book is issued and customer is flexible to draw with in the drawing power. The customer is allowed to withdraw the defined extra credit limit or a portion of it. The customer has free will to debit or credit his account again and again up to specified time period of maturity, so it is called running finance. Rate of mark up varies in every case. Mark up is calculated at daily basis. The mark up is not charged on the full amount of credit limit and not for whole period. But it is charged on the drawing amount and only for that day the customer holds this drawing amount. So running finance is not a regular source of income for the bank.

ii. Cash Finance

Cash finance is like a running finance but it is extended against the pledged security like inventory or stock and 25% cash margin is also charged. The pledged stock is also insured from any insurance company and the customer also pays all the insurance and any other security expenses. The chequebook is not issued so the customer has no fee will to debit or credit the amount. But if customer wants to draw stock then he will deposit amount equal to the stock and bank will issue delivery order in favor of customer. Mark up is charged over the full loan amount and for whole time period of maturity.

iii. Term Finance

In the finance, replacement schedule of loan is mentioned along with loan amount, time period and mark up rate. Term finance has maximum time limit of 5 year. Mark up rate varies according to nature of offered security and time period but now a day it exists between 7 to 10 %. Replacement schedule contains monthly installment in which amount of markup and principle (deducting adjusted amount of principle from the actual

principle amount) term finance is profitable for the bank because it generates regular income for bank.

ACBL issue two types of Term Finance

a. Clean term finance
b. Secured term finance

Clean Term Finance

These loans are extended without holding any security by the bank. ACBL extend clean finance only to Army personnel against their salary account and after the approval of their commanding officer. Every commissioned officer of Army can take loan. Rate of mark up is 12%. If customer applies for Rs.25, 000 then branch credit can extend this loan but if the amount is greater then it is approved by the high level.

Secured Term Finance

Secured term finance is for business entities. These finances are extended against security like stock or inventory. Cash security margin is received the major portion of security is pledge and remaining is hypothecation or mortgaged so pledged security is the prime security. The business entities can avail this facility for the following three purposes.

- **Business**
  Existing plant is running and expansion in it is needed.

- **Modernization**
  To running plant for modernization

- **Replacement**
  To running plant for replacement of machinery.

iv. Term Finance DHA (Defense Housing Authority)

ACBL provide term finance its customer and especially army personnel to apply for different schemes of DHA. The customers fill the application from of DHA and submit it with initial deposit in ACBL. The bank provides 90% of initial deposit as loan and also receives the processing charges. If their application is accepted then bank also provide credit facility for the payment of remaining amount. If the application is not accepted then bank will refund customer amount and mark up is charged at daily basis.

v. Staff Finance

This facility is provided for the staff of ACBL. The purpose is welfare of the employees. SBP specify the credit limit for the staff of bank. The mark up rate is less than commercial rate. The term & condition of staff finance are same as of term finance

vi. Askari Personal Finance

Retail banking group of ACBL recently introduces the consumer finance scheme of Motorcycle. ACBL has an agreement with AL-FATAH motor to finance Hero motorcycle. The head quarter of AL-FATAH is at Hyderabad. The authorized dealer of AL-FATAH will deal with customer and send their application to their head quarter.

The letter of guarantee is by AL-FATAH motor is attached with it and now the application will send to related branch of ACBL. The application will open the current account in ACBL and deposit down payment of RS.7700, processing charges RS.500 and 15% security margin. The application will deposit the signed installments. Rate of mark up is 12%. If customers will no pay the installments then AL-FATAH will liable to pay it.

vii. Trade Finance

Trade finance is provided for short time period so it is most suitable for bank. These generate more income for the bank due to greater revolution of money. Trade finance is of money.

Trade finances are of two types:

a. Import related finance
b. Export related finance

Import Related Finance

There are three types of import related finance

- Payment against document
- Finance against imported merchandize
- Finance against trust receipt

♦ Payment Against Document (PAD)

When the bank receives bill of lading and other commercial document from the exporter then bank will pay to reimbursing bank of exporter. If the customer will not receive the document within 7 days then bank issue a letter to the importer and now letter of credit (LC) is converted into absolute liability. The branch credit officer will debit the PDA account and credit to treasury account. The bank gives the credit period to the importer to make the payment. The credit period is 90 or 120 days. And now bank will charge the mark up and import service charges from the importer different discount incentives are offered to adjust PDA before the maturity time of credit period. In this case bill of exchange is security because all the financial and shipment documents have the title of bank. The reimbursing bank will send all the documents to ACBL and not directly to the importer.

♦ Finance Against Imported Merchandize (FIM)

When the importer has no funds to import merchandize then he request the bank letter of credit along with the finance. In PDA the bank is only responsible to make payment but in FIM bank makes payment from its own funds these types of finances have specified rate of mark up and time period. All the value-added expenses like excise duty, port charges etc are charged by the customer as cash security margin.

viii. Finance Against Packing Credit

Finance against packing credit is extended for the preparation of goods when the importer has confirmed letter of credit from the importer. To improve the economy of Pakistan and to improve the export, SBP introduce special export finance schemes to the exporter at cheaper mark up rate and also offer export rebates.

It is of two types**:**

- **Pre Shipment Finance Part 1**

Pre shipment finance part I is extended for one year. Funds of SBP are involved in this finance. When this finance is extended then bank will debit the SBP account and credit to customer account. Rate of mark up is 2% from which 1 are for SBP and the bank charges 1%.

- **Pre Shipment Finance Part 2**

This facility is for existing exporter. In this way exporter can avail half of the limit of total export business transacted last year. If the credit history of exporter is satisfactory then this credit limit can be increased.

ix. Post Shipment Finances

This loan facility is provided to exporter after the shipment. Post shipment finance is for different purposes like when the exporter does not have finance to the payment of credit raw material.

It is of two kinds.

- **Finance Against Foreign Bill**

This finance is extended to the exporter on the basis of foreign bill. If the exporter has usance LC and he wants the immediate funds then he will take the collection document to the bank and bank will extend the loan against the foreign bill. When the bill payment is received then bank take back their loan and mark up. It is most risky so bank provides this facility only the credible exporters and charge high rate of mark up.

- **Foreign Bill Purchase**

It is just like FAFB but in this case bank purchase the letter of credit from the bank. The exporter avails this facility to cover the risk of foreign exchange rate. The bank evaluates the trends of foreign exchange rate and if it feels that bank can earn income from the fluctuation of exchange risk then he will extend this finance facility to the customer.

2. Non Fund Based Finance

In this finance, no cash is involved. It is only a commitment. It is an obligation of bank and if the customer declares default then bank is liable to make payment. The bank charges commission in these finances in respect of markup. This facility is provided against the cash margin and mortgage of property because bank has risk in this type of finances.

i. Letter Of Guarantee (LG)
ii. Letter Of Credit (LC)

i. <u>Letter Of Guarantee (LG)</u>

Letter of guarantee is contingency liabilities of bank because the funds are not actually involved in it. So they are classified as off balance sheet items. Letter of guaranty is mostly given in case of contract. 25% cash margin is charged and also some collateral is taken.

Three beneficiaries of this non-fund based finance are:

- Government
- Financial Institutions
- Others

Rate of commission charged on LG is:

Up to 5 m	0.4%
5m to 10 m	0.3%
10m to 200m	0.25%
Over 200 m	0.2%

Nature of Letter of Guarantee (LG)

♦ **Bid Bound**

When the contractor has no funds for the bid of contract then he requests the bank to issue the guarantee letter. This type of guarantee is called bid bounds guarantee and now contractor will quote the rate in tender against this guarantee.

♦ **Advance Payment Guarantee**

If the bid is accepted and beneficiary want to make the advance payment to the contractor because the contractor is away the contract and beneficiary requires guarantee of bank from the contractor. If bank gives the guarantee of contractor for advance payment then it is called advance payment guarantee. The contractor is adjusted this liability by the running bill.

♦ **Performance Bound**

When the bid is accepted then bank will give guarantee that contractor will perform the task assigned with in the specific period of time.

♦ **Maintenance Bound Guarantee**

This guarantee is issued for the maintenance of work performed by the contractor, so it is called maintenance bound guarantee.

♦ **Shipping Guarantee**

This type of guarantee is very rare and issued against 100% cash margin. When the shipment is at port but has not any document then bank issue guarantee in favor of Shipment Company only for 2 days.

♦ **Other Guarantee**

If the bank issue any guarantee other than above likes to cove the credit sale, then it is classified as other guarantee.

ii. Letter of Credit (LC)

LC is documentary credit which is the safest of the payment to the both importer and exporter. It gives the guarantee to the parties from the bank. This letter of credit is written for a specified amount against the submission of Performa invoice document and now it is only a commitment. So bank charges a commission on it.

Rate of commission on LC is:

Up to 20,000,000	0.35%
Above 20,000,000	0.4%
Stamp charges	Rs.500

Also the importer and swift charges Rs.1500 contribute 10% cash margin

LC is of many types according to term & conditions. After receiving the shipment document, when LC is negotiated then this non-fund based finance is converted into fund base finance. The ACBL provides different type of fund-based finance according to the type of LC. And now bank will charge the mark up. Rate of mark up on LC is 50 paisa/day/1000. But if customer pays within 15 days then he will enjoy the rebate of 10 paisa/day/1000 and if he will pay within 16 to 35 days then the rebate rate is 2 paisa/day/1000.

Classification of Loans

If the mark up or installment of any loan is not recovered then loans are classified as follow according to SBP prudential regulation:

- After one quarter; it is classified as 'other asset especially mentioned/marked'.
- After second quarter; it is classified as sub standard. And now bank will not charge any income against the mark up. At this point of time, 25% loan is converted into loss.
- After 1 year: the un-recovered loan is classified as doubt full and after 2 years, it is considered as "loss". And now 100% loan is converted into complete loss and now bank will cover it from its income.

◆◆◆◆◆

Foreign Exchange Department

Foreign exchange is one of the most important Departments of ACBL. This department provides all kinds of foreign exchange business to boost the international trade in the country, which is main objective of ACBL.

Functions of Foreign Department

1. Foreign Currency Accounts
2. Foreign Remittance
3. Travel Related Services
4. Trade Related Services

1. Foreign Currency Accounts

ACBL deals with account opening, withdrawal and deposit in foreign currency. Types of foreign currency accounts,

- Frozen Account
- Incremental Account
- New Scheme Account

Frozen Account

Before 28 may, 1998, all the individuals, firms of local and foreign origin could open foreign currency account in any currency. Bank has no right to make any query about the source of earning of any account holder. No limit was imposed on amount of withdrawal. Bank surrenders all the amount of foreign deposits to state bank of Pakistan against the provision of forward cover by SBP.

All the accounts were interest based and SBP is responsible to pay it. All the accounts were exempted from deduction of wealth tax and zakat. All the accounts were freezed on 28th of May 1998, so it is called frozen account. And now no new account would be open in the old scheme and no advance would

be extended against these accounts. The amounts frozen could be drawn in Pakistani rupee and also interest in Pakistani currency.

Incremental Account

A new scheme is introduced by state bank of Pakistan after July 1998. In this scheme frozen accounts are converted in incremental accounts. These frozen accounts can be withdrawn in foreign currency and interest is paid in foreign currency.

New Scheme Accounts

After this, now all the foreign currency accounts are opened in new scheme. These foreign currency accounts are opened in Euro, Yen, US dollar and UK pound currencies. Now bank is free in opening and operation of new accounts, because now the banks accepting funds under this scheme will not be required to surrender the same to SBP nor will SBP provide forward cover. Banks are free to invest these funds and also determine the rate of interest on these deposits.

All foreign currency is transferred to treasury and treasury pays in interest on these deposits at the end of month. Bank charges 0.5 % interact expense on it Now the customers are free to deposit and withdraw in foreign currencies. In the ACBL foreign currency deposits are reported in local currency. Foreign currency deposits are also evaluated at the end of each month and revaluation rate is announced at end of each month.

Products of Foreign Currency Account

- **Current Account**

These accounts are maintained like local currency and no interest is paid on these accounts.

- **Saving Accounts**

All these accounts, interest are paid minimum on six monthly bases.

- **Fixed Deposits**

They have a maturity life of 3, 6 months and for 1, 2, 3, years. Interest rate is determined on daily basis and on maturity the interest is paid.

2. Foreign Remittance

The procedure of foreign remittance is same as in local remittance. The only difference is that it deals in foreign currency. Most of the times, following modes are used in foreign remittance.

- Foreign Demand Draft (FDD)
- Foreign Telegraph Transfer (FTT)

Foreign Demand Draft

When bank receive foreign demand draft then bank will debt to unsupervised account of the customer and credit to treasury b because all the foreign currency accounts are maintained in treasury, the bank will send debit advice to treasury. In return, treasury will send the credit advice and branch officer will debit the treasury and credit to customer account.

Foreign Telegraph Transfer

When a customer wants to transfer funds to foreign country through telegraph transfer then he will deposit the amount.

Other Guarantee

If the bank issue any guarantee other than above likes to cove the credit sale, then it is classified as other guarantee. So the bank TT charges 25$ flat. The branch officer will debit the sundry account and will credit to treasury. The branch officer will send debit advice to treasury to pay the corresponding bank.

The corresponding bank pays SWIFT charges. If the customer wants to FTT to the country where ACBL corresponding bank does not exist then ACBL send funds to our corresponding bank, which has branch to that country.

3. Travel Related Services

ACBL provide traveling related services by issue of ''traveling cheques'' the purpose of traveling cheque to save the money of client who wants to visit outside the country. Traveling cheques are issued by two ways.

Back to Back

In this scheme, travel cheques are issued against the customer's own exchange. Before new scheme, all the foreign currency accounts are reported to SBP so travel cheques are issued after the permission of SBP. But now, travel cheques are issued without the permission of SBP.

Now it is compulsory that amount units be debit from the customer's account. The branch officer will debit the sundry account of travel cheque and credit to treasury and treasury will debit the customers account. ACBL issue the travel cheque of AMERICAN EXPRESS so the all record of travel cheque is also reported the American Express.

Private Quota Travel Cheque

If the customer wants to purchase travel cheque from the exchange of Govt. of Pakistan then it is called private quota travel cheque. It is issued only against visit visa. The customer must indicate the purpose of travel. This type of travel cheque is not issued to student or immigrant.

The customer has to submit the copy of visa, Passport and confirmed return ticket with the application form. The customer will sign the T-1 form,
which is used to report to SBP. The limit of travel cheque is 2100 $ p.a. for one individual and one percent of the amount markup is charged in dollar. If the customer

has a visit of 8 days then bank will issue travel cheque of 7 days of the amount of 50 $ per day.

4. Trade Related Services

ACBL provide two types of trade related activities.

- Import
- Export

Imports

It means receiving goods and services from the foreign country to the home country. Different modes of imports are:

i. Documentary collection/import on collection basis
ii. Advance Payment
iii. Import On Deferred Payment Basis
iv. LC/ Documentary Credit

i. Documentary Collection/Import on Collection Basis

In this mode, bank is only an inter-mediator between importer and exporter. As the name denotes that bank is only responsible for the collection of documents. When the bank receives the shipment documents than importer bank will pay the exporter bank through the reimbursing from the importer account. Bank will charge the import service charges and other documentary charges like SWIFT charges etc.

ii. Advance Payment

In this mode the importer makes advance payment to the exporter and enjoys the benefit of certain discount from the exporter. This mode of payment is used only by the permission of SBP.

iii. Import on Deferred Payment Basis

In this mode, the importer bank will make the payment before receiving the documents of shipment from the exporter. This mode of payment is used by the mutual; concern of importer and exporter.

iv. Letter Of Credit (LC)

LC means letter of credit .It is a safest mode of payment for both importer and exporter. In this mode, importer bank gives undertaking to make payment to the exporter and exporter bank gives guarantee of shipment of demanded goods within the due time. When the importer and exporter are complete strangers for each other than they prefer the trade through letter of credit. LC is opened by the request of importer receiving Performa invoice from the exporter.

The importer's bank on behalf of importer writes letter of credit to the beneficiary. The beneficiary is the exporter bank. It is only the commitment and not any fund of bank is involved in it so bank charges only commission, swift charges to send the LC and 10% security margin.

When the LC is negotiated it is converted into fund-based finance and now bank will take mark up charges along with import service charges.

Types of LC

There are four types of LC but bank mostly prefers the sight LC.

i. Sight LC
ii. Usance LC
iii. Negotiation LC
iv. Deferred Payment LC

Sight LC

In this type of LC, when the importer bank receive the bill of lading from the exporter than the importer bank will make payment to exporter through reimbursing bank. It means that importer bank will make payment at the sight of documents.

Usance LC

In this type of LC, time period is involved. The importer bank will not make payment at the sight of documents but at defined days after the shipment. The defined time period is 60, 90, or 120 days.

Negotiation LC

In this type of LC drawee bank is not mentioned. Exporter can negotiate the LC through any bank.

Deferred Payment LC

In this type of LC, the bank gives conditional undertaking. This type of LC is opened when importer will pay to the exporter after the selling of goods. No imbursement bank is involved for payment.

OPENING OF LC

Import related documents required for opening the LC are:

- Request letter
- Import registration certificate
- Premium paid receipt
- Performa invoice
- IB8

Request Letter

Firstly, the importer writes the request letter to the concerning bank to open the LC.

Import Registration Certificate

The importer must have registration certificate to open the LC.

Premium Paid Receipt

It is registration by the government of Pakistan that importer should import all the imported goods. The receipt of insurance is called premium paid receipt and it is being attached with request letter.

Performa Invoice

It is a document, which is send by the exporter. It contains information about the quantity, quality and cost freight price of the good.

Ib8

It is the legal document, which contain terms and condition of opening the letter of credit. Both the parties signed on it.

Parties involved in LC are:

- Advising Bank
- Negotiation Bank
- Reimbursing Bank

Advising Bank

It is that which confirms the document of LC and transfer it to the exporter. If there is any amendment in LC then it is also conveyed to the exporter. The exporter pays 4 or 5 % confirming charges.

Negotiation Bank

It is the bank of exporter from where the exporter receives the payment of LC.

Reimbursing Bank

It is the foreign bank that has the NOSTRO account of the importer's bank. The duty of reimbursing bank is to make payment to the negotiation bank.

PROCEDURE

The importer who wants to open the LC must be account holder of that bank. The importer submits the request letter with all above documents to the bank. After the risk analysis and checking the credit history of importer, the bank prepare documents which contains all the information like name of advising bank, reimbursing bank and negotiating bank, type of LC, nature of LC description of price and quantity of goods, issuance and expiry date of LC, mode of transportation and all other necessary information.

A specific number is allotted to each LC, now all these documents are sending to international division in order to take permission to open the LC. After approval from international division, the bank charges commission of the LC.

Rate of commission of LC is 0.4% per quarter. 10%margin and SWIFT and stamp charges are deducted from the importer account. And a separate account for the LC amount is opened. The bank dispatches all the documents of LC to the advising bank .The advising bank confirms this LC and handover to the exporter after verification. The exporter takes 4 or 5% confirmation charges.

Now exporter will prepare the order goods and shipping documents with the help of custom authority. The shipping documents will be in favor of importer bank. After the shipment of goods, the exporter hands over documents to the negotiating bank for payment. The negotiating bank will send these documents to the importer bank and make payment to the exporter. The negotiating bank will send their claims to the reimbursement bank. Reimbursing bank will pay to the negotiation bank and send their claim to LC opening bank.

The importer's bank will pay the reimbursing bank on the behalf of importer after receiving the shipping documents .the importer will pay the LC amount as well as the mark up of LC, which is charged from the date of negotiation.

Bank markup rate is 50 paisa /day/1000. But if importer will pay LC amount within 15 days then he can enjoy the benefit of 10 paisa rebate /day/1000.the bank finally hands over the shipping documents to the importer. In some cases, advising bank and reimbursing bank are same.

Shipment documents are of 4 types due to different mode of transportation:

- Bill of Lading
- Airway Bills
- Truck Receipt
- Rail Receipt

Export

It means transfer of goods and services from the home country to another foreign country. Different modes of exports are,

i. Foreign Document Bill For Collection
ii. Foreign Bill Purchase
iii. Sale Consignment Basis
iv. Advance Payment

i. Foreign Document Bill For Collection

In this mode of export, without opening of LC the exporter bank will send the shipping documents to the importer bank. The importer already signs bill of payment and now importer will pay to his bank and take the shipment documents.

The importer bank will send the payment to exporter bank and exporter bank will pay the exporter .It means that exporter bank is only responsible for the collection of foreign bill from the importer bank and there is no guarantee or liability of the bank.

ii. Foreign Bill Purchase

In this mode of export, when exporter receive the LC document from the advising bank then he will prepare the goods and shipping documents. The exporter handover the shipping documents to his bank for payment. Now exporter bank will negotiate this LC and make payments to exporter.

iii. Sale Consignment Basis

In this mode of export time period is specified which is 120 days mostly. It is mostly used for the export of perceivable goods. E-form is issued to exporter in this mode. The exporter will send the shipment to importer and importer will pay after 120 days as the sale proceeds. The importer will make payments to exporter bank with the attested sale proceeds receipts.

iv. Advance Payment

In this mode, exporter will receive advance payment from the importer to prepare the goods. In this mode, inward remittance is transferred to the exporter account from the foreign bank .the exporter signs voucher and then E-form is issued to the exporter. Rules of Modes of Payments for Import/Export are mentioned in this form.

ACBL follow rules of mode of payment, which are established by the international chamber of commerce.

- **URC 525**
  URC are defined rules for collection pr payments.

- **URR**
  Uniform rules for reimbursement, defined rules for reimbursing bank.

- **UCP 500**
  Uniform custom and practice defined rules for documentary collection.

Operating Results of the Bank

The Bank was able to make the best use of the improving business environment and posted much improved results for the year 2005. A pre –tax profit of Rs.2.859 billion

has been achieved as against Rs.2.843 billion last year, an increase of 1% over 2005 and the post-tax profit is Rs.2.022 billion last year, an increase of 5.15% from the last year.

The deposit base has grown by 43% to Rs.118.795 billion, from Rs.83.319 billion last year. All categories of PLS deposits (i.e. saving 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 2005.

During the year the advances portfolio reflects a 20% increase to Rs.85.977 billion from Rs.71.718 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 through liquidation of the lower yielding investment. The effect of the substantial increases in advances was offset 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 45% over the last year.

The non –fund income increased by 34% over last year, mainly due to capital gains realized from selling some of the listed stocks.

Administrative expanse increased by 41%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 the 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 profit after tax has also benefited from 3% reduction in the income tax rates announced by the government to eventually bring down the rates of the corporate sector.

◆◆◆◆◆

ONLINE BANKING

Information technology play a decisive role in banking industry for competitive edge, so Askari commercial bank also strive to become the symbol of excellence by providing innovative customer services through the use of art of technology. All branches of Askari commercial bank are well equipped to provide innovative and high sophisticated Technology-based products and services.

In 1998, the Bahawalpur branch started its online transaction. Online transaction is actually transfer transaction. The customer finds it easy to precede their transaction sitting at one corner of country to other corner. The customer can shift their transaction, the customer can shift their amount from one branch of bank to another, their cheques can be enchased, and they can make deposit and can draw the money alsothrough online banking availing quick and speedy service for his urgent requirement.

When a customer wants to transfer his funds through online then he fills the pay in slip and amount and online transaction charges deposit to cash receipt counter. Then bank officer transfer there his funds through online to any other branch.

Following are the charges of online transaction:

Up to Rs.25, 000	Rs.50
From 25,000 to200, 000	Rs.100
From 200,000 to Rs.500, 000	Rs.250
From 500,000 to 2,000,000	Rs.500
Over Rs.2, 000,000	Rs.750

◆◆◆◆◆

INTERNET BANKING

Askari commercial bank always provides most modern services to its customers. Askari Commercial bank is the first bank in Pakistan that provides the means of remotely accessing valuable banking services through Internet. To provide information about the structure of bank, its network, about its product & services, about the bank performance, ACBL design an innovative website for its inspiring relationship on Internet.

ACBL website address: www.askaribank.com.pk

Initially customer can enjoy the non-financial banking services but now bank assigns a secure ID and password to its customer. Now customer enters their ID and password and has access of his account. The customer can check his account balance. He can print his account statement. He can transfer funds from one of his account to another account.

All the branches of ACBL are connected through Internet. And customer can mail to any branch about his inquires and problems. ACBL will response to customer problems and inquires through Internet. All the above facilities are provided in other banks by traditional means, but Askari commercial bank is providing all the modern facility in most modern technological means.

Credit Card

Another valuable financial service provided by the A Commercial bank is credit card. It is like a credit and is issued to facilitate the small financial needs of the customer like shopping of goods or any other short-term financing need. It is not concerned with the operation of account and even with zero balance; the customer can use the credit card. Askari bank has credit card division in Karachi.

Three types of credit cards are issued:

- Silver Card
- Gold Card
- Local Card

  - Silver card has the limit of 200,000.
  - Gold card has the limit up to 500,000.
  - Local card has limit up to 200,000.

Local card is used in Pakistan while Silver and Gold card can be used internationally as well as for Internet shopping. Credit card limit is based on the evaluation of customer credit history, income and ability to pay.

Askari bank provides this facility to its account holders with the following requirement.

- If the account holder is army force personnel then he should attach copy of salary certificate, ID card, account statement and 3photographs with the application form. In case of non-payment his salary is blocked.
- If account holder is Govt. officer of grade 17 or above then he will attach account statement and 3 photographs with application.
- If account holder has job in private sector but has salary Rs.15, 000 or greater then he can also avail the credit card facility and submit the same above mention documents. In case of entrepreneur, he will attach the copy of balance sheet and profit & loss account with the application.
- If a person is not account holder then he will show the account statement of last 6 months maintained in other bank.

All the account holders are required to maintain a healthy account at least for 6 months then they can enjoy the facility of credit card. Minimum payment of 5% is to be deposited. Credit card is a form of unsecured loan so high interest rate is charged.

The credit card limit is not debited to customer existing account but a separate loan account is opened. When credit card is issued then this loan account will be debit

and sundry credit adjustment account will be credit. When the customer makes payment then sundry account will be debit and credit-to-credit card division.

Askari AVARI Advantage

It's the advantage for a person if he makes payment at Avari tower Karachi, Avari Lahore, Avari Dubai & Beach Luxury Hotel Karachi by the Askari master credit card.

Then he will enjoy the following discounts.

Room Rack Rate	40%discount
Food & Beverages	15%discount

ASKCARD

It is an innovative step in the evolution of today's plastic money. It gives you the freedom to access your Savings, Current or ASDA Account at merchant locations and ATMs. Whenever you make payments, the amount will be instantly debited to your account. ASKCARD combines the key elements of ATM Cards, Credit Cards and Cheques- besides giving instant access to cash and acceptance.

How do you get your askcard?

If you already have an account with Askari Bank, you simply have to submit an application form in the concerned branch. If you are not maintaining an account, you will have to open an account first and request for ASKCARD to be issued to you.

Benefits of Askcard

- Free from carrying cash or Chequebooks.
- Easier to obtain than Credit Cards.

- You do not have to carry cash or travelers cheque while traveling within the country.
- More readily acceptable than Cheques.
- No monthly installments.
- No interest / markup payments.
- No spending limit.

Guides to Use Ask Card

- Insert your ASKCARD into the ATM.
- Enter your PIN.
- Select "Account Statement".
- Select the account (saving/ current).
- Collect your mini statement, which would display your last ten transactions.
- ". Press "Yes" for next transaction or "No" for return of your "ASKCARD

Functions of Ask Card

1. For Cash Withdrawels

- Insert your ASKCARD into the ATM
- Enter your PIN.
- Select "Cash Withdrawal".
- Select the account (Saving/Current) you wish to transact, if you have more than one account.
- Enter amount and press "yes"
- Collect your ASKCARD and receipt

2. For Balance Inquiry

- Insert your ASKCARD into the ATM.
- Enter your PIN.

- Select option for Balance Inquiry.
- Select the account (saving/ current) you wish to transact if you have more than one account.
- Your Balance will appear on the screen.
- For receipt press "Yes"

3. <u>For Pin Change</u>

- Insert your ASKCARD into the ATM.
- Enter your PIN.
- Select "PIN CHANGE"
- Enter new PIN.
- Re-enter new PIN to confirm

4. <u>For Deposit</u>

- Insert your ASKCARD into the ATM.
- Enter your PIN.
- Select the deposit option.
- Select to which account (saving/ current) you want to deposit
- Select mode of payment (Cash/Cheque)
- Enter the amount to be deposited and press yes.
- Take the envelope from the envelope dispenser and seal it.
- Collect the deposit receipt from the ATM.
- Place your cash/cheque and the deposit receipt into the envelope
- Insert the envelope into the depository slot
- Press "Yes" for next transaction or "No" for return of your "ASKCARD"

5. <u>For Transfer From One Account To Other Account</u>

- Insert your ASKCARD into the ATM and then perform following functions.

- Enter your PIN.
- Select fund transfer option.
- Select the account (saving/ current) you wish to transact, if you have more than one account.
- Enter the account no, to which funds should be transferred and press enter to "proceed".
- Enter the amount and press "Yes"
- Press "Yes" for next transaction or "No" for return of your "ASKCARD".

6. <u>For Bill Payment</u>

- Insert your ASKCARD into the ATM.
- Enter your PIN.
- Select Utility Bills Payment
- Select the account (saving/ current) you wish to transact if you have more than one account.
- Select the type of your utility bill (Telephone / Electricity / Gas) from the second Main Menu screen.
- Select any one of the linked utility bill ID(s) or "new bill ID

◆◆◆◆◆

SUMMARIZED PERFORMANCE

Profitability

The profitability of ACBL has decreased as compared to its past 5 years consistently increasing trend.

Shareholder's Equity and Return

Shareholder's equity (before distribution of dividend) at December 31, 2005 increased to Rs. 7.364 billion. This increase primarily resulted from net earnings. At December 31, 2005, total shares outstanding, were 150,701,684. EPS is the amount of net income (earnings) per share. This is computed by dividing net income after tax by the weighted average number of shares. Askari Bank's EPS for the year ended December 31, 2005 was Rs.13.42 which decreased by 12.34% over the last year's Rs.15.31.

Asset and Liability Management

The objective of asset and liability management is to maximize returns while keeping the risks within acceptable levels. The Bank has an Asset Liability Management Committee (ALCO) that plays a vital role in this process. ALCO undertakes continuous measurement and monitoring of the market risks, interest rates risks and foreign exchange risks that are assessed in the light of the changing market dynamics, and strategies are devised and adjusted to mitigate any emerging risk. The Bank also uses various monitoring and measurement methods for this purpose including interest rate gap analysis and scenario analysis. Several coordinates within the Bank provide inputs to ALCO and also ensure that the decisions are duly implemented.

The credit portfolio is managed to preserve quality while ensuring at the same time that it is well balanced and diversified. The developments in the credit portfolio are closely monitored with particular emphasis on the credit ratings of the borrower, and the health of the industry in which they operate. Our International Division undertakes

dedicated monitoring of all cross-border exposures including on-and off balance sheet assets. Limits for each international correspondent are set within the total portfolio limit.

Branch Network

During the year, Askari Commercial Bank opened its first offshore banking unit in the Kingdom of Bahrain. In addition, 17 new branches increased the nationwide network to 98. This is the highest number of branches opened in a year. Further expansion will continue during 2006 and work is already underway at some proposed locations. Strategic branch expansion has always remained our priority to cover all important towns and cities and to explore new markets in the smaller towns for our retail banking products, supported by our technology based services such as on-line banking and ATMs.

Askari bank is reshaping its portfolio of business by investing in higher growth areas, extending and developing our core competencies and moving out of weak and non-core segments.

A DECADE OF PERFORMANCE

Profitability

Rupees in million

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total income	**2,306**	**3,319**	**4,035**	**3,889**	**3,840**	**5,047**	**5,704**	**5,028**	**6121**	**10,333**
Interest income	1,820	2,759	3,475	3,350	3,213	4,251	4,858	4,074	4,487	8,781
Interest expenditure	1,212	1,910	2,511	2,486	2,274	2,902	3,017	1,380	1,117	4,278
Fee, commission& exchange income	444	520	509	472	506	677	599	638	831	839
Other income	42	39	51	67	122	119	247	317	802	713
Spread	608	849	965	864	939	1,349	1,841	2,694	3,370	4,503
Operating expenses	357	461	569	589	680	854	1,093	1,438	1,845	2,594
Operating profit	730	940	915	814	886	1,291	1,595	2,210	3,158	3,461
Provision against non performing loans	148	185	61	102	134	283	351	308	315	602
Profit before taxation	582	755	854	712	752	1,008	1,244	1,902	2,843	2,859
Taxation	344	444	495	430	436	458	557	799	920	837
Profit after taxation	238	311	359	282	316	551	687	1,103	1,923	2,022

Shareholders' Equity

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total share holders funds	**1,581**	**1,775**	**1,937**	**2,046**	**2,155**	**2,579**	**4,173**	**5,047**	**6,016**	**8,587**
Share capital	817	939	986	986	986	1,036	1,087	1,142	1,256	1,507
Reserves	764	836	951	1,060	1,229	1,521	1,940	2,760	4,317	5,862
Surplus on revaluation of assets	–	–	–	–	- 60	22	1,146	1,145	443	1,218

Liabilities

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Customer deposits	**14,126**	**19,482**	**23,417**	**24,358**	**30,360**	**41,200**	**51,732**	**61,657**	**83,319**	**118,795**
Refinance borrowings	1,529	1,908	2,194	3,145	2,882	3,222	3,392	7,329	9,777	9,778
Sub-ordinate loans	–	–	–	–	–	–	–	–	1,000	3,000
Other liabilities	670	906	1,184	1,477	3,058	3,980	11,016	11,354	7,055	4,940

Assets

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Advances	**7,115**	**9,137**	**9,708**	**13,056**	**17,893**	**23,292**	**30,035**	**44,778**	**69,938**	**85,977**
Investment	6,173	11,774	13,888	8,679	8,651	11,706	26,737	22,104	17,239	25,708
Cash, short term funds & deposits with SBP	3,321	1,822	3,504	7,210	10,056	13,436	10,061	15,099	15,936	27,489
Operating fixed assets	288	480	501	536	641	723	1,663	1,980	2,595	3,193
Other assets	812	858	1,130	1,546	1,213	1,824	1,817	1,426	1,460	2,733
Total assets	17,709	24,071	28,731	31,027	38,454	50,980	70,313	85,387	107,168	145,100

ASKARI COMMERCIAL BANK LTD					
Summarized Income Statement					
For The Year Ended On December 31,					
2001, 2002, 2003, 2004, 2005					
Years	**2001**	**2002**	**2003**	**2004**	**2005**
TOTAL INCOME:				**(Rupees in Million)**	
Mark Up / Interest Income	4251	4655	4074	4487	8781
Fee, Commission And Brokerage Income	333	416	525	708	839
Divided Income	12	26	38	26	51
Income After Dealing In Foreign Currencies	344	384	113	181	356
Other Income	107	220	278	717	306
Total Income:	5047	5701	5028	6120	10333
Less: Mark Up / Interest Expenses	2903	3017	1380	1117	4278
Gross Profit	2144	2684	3648	5003	6055
Less: OPERATING EXPENSES					
Administrative Expenses	853	1090	1436	1845	2592
Provision Against Non Performing Loans	283	351	308	315	602
Bad Debts Written Off Directly	14	39	0	7	0
Other Provisions / Write Offs	0	0	0	0	0
Other Charges	617	2133	1227	138	1832
Total Operating Expenses	1136	1443	1746	2160	3194
Profit Before Tax	1008	1244	1902	2843	2859
Less: Tax	458	557	799	920	837
Profit After Tax	550	687	1103	1923	2022

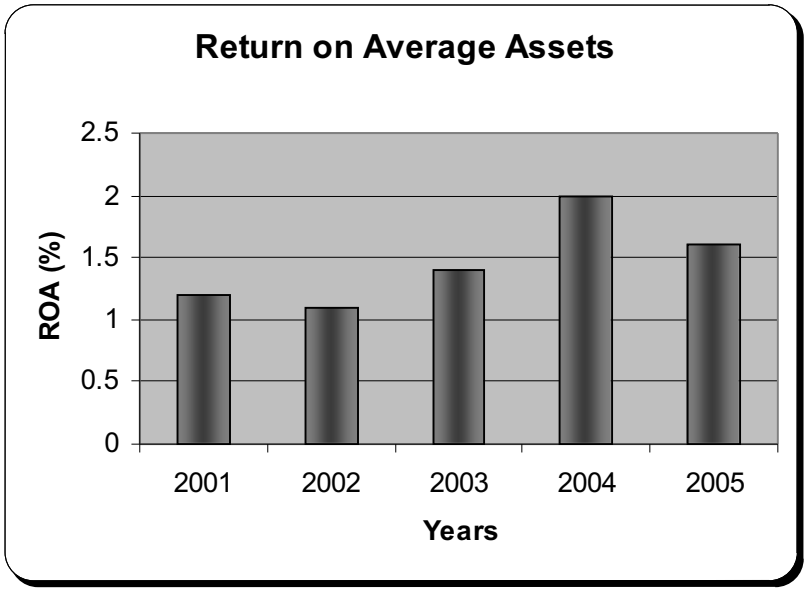
ASKARI COMMERCIAL BANK LTD					
Summarized Balance Sheet					
For The Year Ended On December 31,					
2001, 2002, 2003,2004, 2005					
Years	**2001**	**2002**	**2003**	**2004**	**2005**
ASSETS:					(Rupees in Million)
Cash And Balances With Treasury Banks	4,736,163	5,301,388	6,678,026	8,762,866	11,766,925
Balances With Other Banks	4,587,994	1,304,363	2,650,166	4,847,899	5,550,148
Lending To Financial Institutions	4,111,971	3,414,470	5,770,842	2,324,839	10,172,242
Investments	11,705,885	26,759,001	22,104,425	17,239,157	25,708,194
Advances	23,291,367	30,035,484	44,777,538	69,938,041	85,976,895
Other Assets	1,823,644	1,835,072	1,425,986	1,459,716	2,732,641
Operating Fixed Assets	723,368	1,663,295	1,979,919	2,595,023	3,192,862
Total Assets	50,980,392	70,313,073	85,386,902	107,167,541	145,095,558
LIABILITIES:					
Bills Payable	320,200	608,481	973,703	1,227,093	1,315,680
Borrowing From Financial Institutions	5,629,142	11,460,934	15,903,055	13,781,555	10,562,338
Deposit And Other Accounts	41,200,166	51,731,506	61,656,607	83,318,795	118,794,151
Liabilities Against Assets On Financial Lease	49,330	54,548	37,350	14,159	3,971
Other Liabilities	939,844	987,575	962,592	1,282,981	2,273,153
Deferred Tax Liabilities	262,992	1,297,365	806,753	526,865	564,388
Total Liabilities	48,401,674	66,140,409	80,340,060	98,482,894	136,513,381
EQUITY:					
Share Capital	1,035,537	1,087,314	1,141,680	1,255,848	1,507,018
Reserves	1,521,482	1,939,236	2,759,599	4,317,301	5,856,821
Shareholder Equity	2,557,019	3,026,550	3,901,279	5,573,149	7,363,839
Surplus On Revaluation Of Asset	21,699	1,146,114	1,145,563	442,944	1,218,338
Total Equity	2,578,718	4,172,664	5,046,842	6,016,092	8,582,177
Total Equity & Liabilities	50,980,392	70,313,073	85,386,902	107,167,540	145,095,558

FINANCIAL ANALYSIS

1- Return on Average Assets

Return on average assets = Net operating income/ Total assets

Year	2001	2002	2003	2004	2005
ROA (%)	1.2	1.1	1.4	2.00	1.6



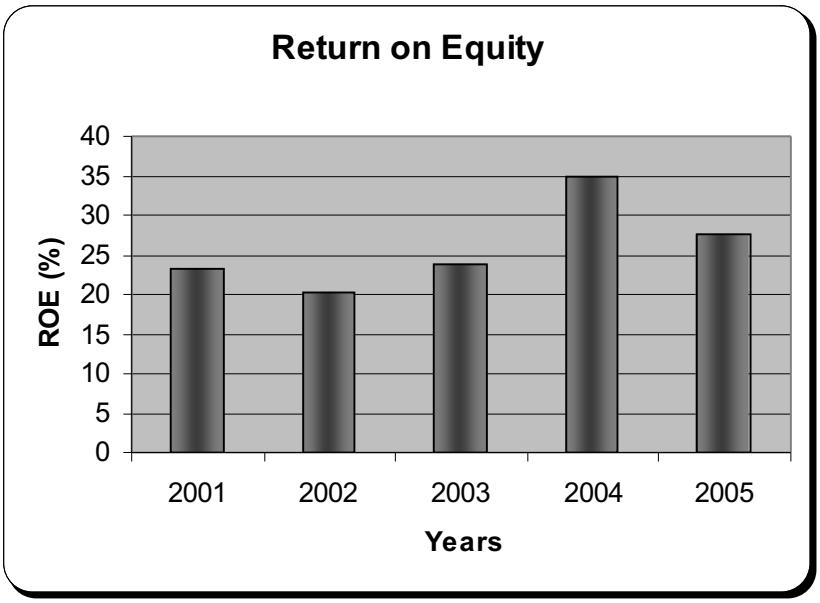
Interpretation:

It is also called firms return on investment (ROI). It measures the overall effectiveness of management in generating profit with its available assets. Higher this ration better is that. And ACBL also has increasing this ratio The graph show that the return on assets have decreased in 2005 i.e. 1.6% as compared to 2004 which was 2.0%. Higher the ratio the greater the return on assets.

2- Return on Equity

Return on equity (ROE) = Net Income/ Average stockholder's equity

Year	2001	2002	2003	2004	2005
ROE (%)	23.2	20.3	23.9	34.8	27.7



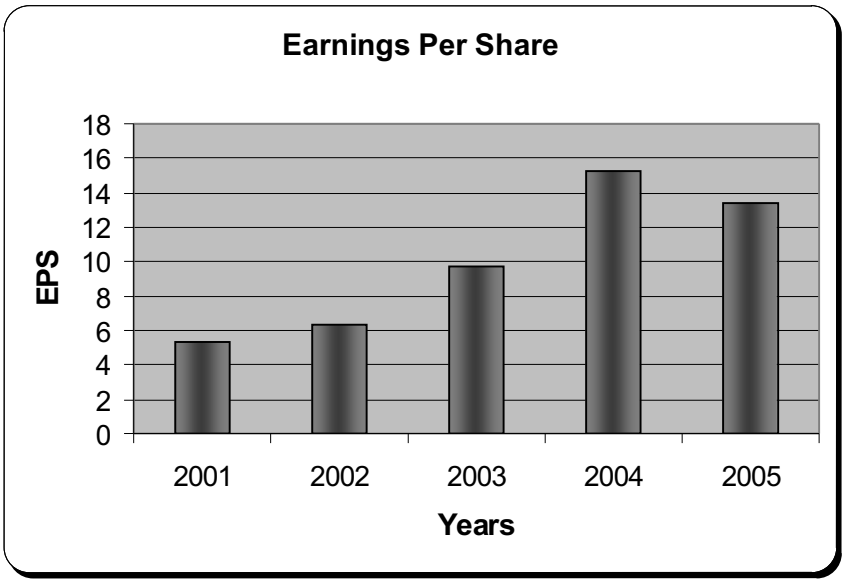
Interpretation:

It measures the overall effectiveness of management in generating profit with its Shareholder's equity. Shareholder's of the bank may be interested in this ratio as to check the firm's effectiveness in using the capital provided by them. Higher this ratio, more effective the firm is.

3- Earnings per Share

Earning per share (EPS) = Net Income/ Weighted average no of shares outstanding

Year	2001	2002	2003	2004	2005
EPS	5.3	6.32	9.66	15.31	13.42



Interpretation:
It represents the number of rupee earned on behalf of each outstanding share of common stock. The graph shows the gradual increase in earning per share in 2004 was 15.31% and decreased in 2005 that is 13.42%.

4- Price Earning Ratio

Price earning ratio = Market price of common stock per share/ Earning per share.

Year	2001	2002	2003	2004	2005
P/E (%)	2.50	4.5	5.3	6.1	9.6

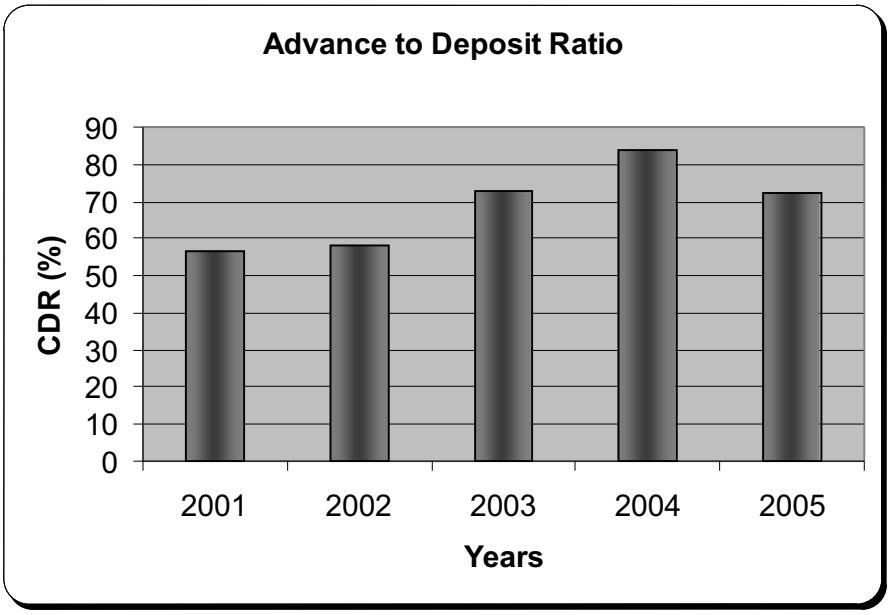
Interpretation:

It measures the amount investors willing to pay for each rupee of the firm's earning. It also shows the degree of confidence of investors on firm. Higher this ratio higher is the investor's confidence. Although in 2001 this ratio is low in ACBL but then ACBL get the investor's confidence so this ratio starts increasing.

5- Advance to Deposit Ratio

Advance to deposit ratio = advances/ deposits

Year	2001	2002	2003	2004	2005
CDR (%)	56.5	58.1	72.6	83.9	72.4



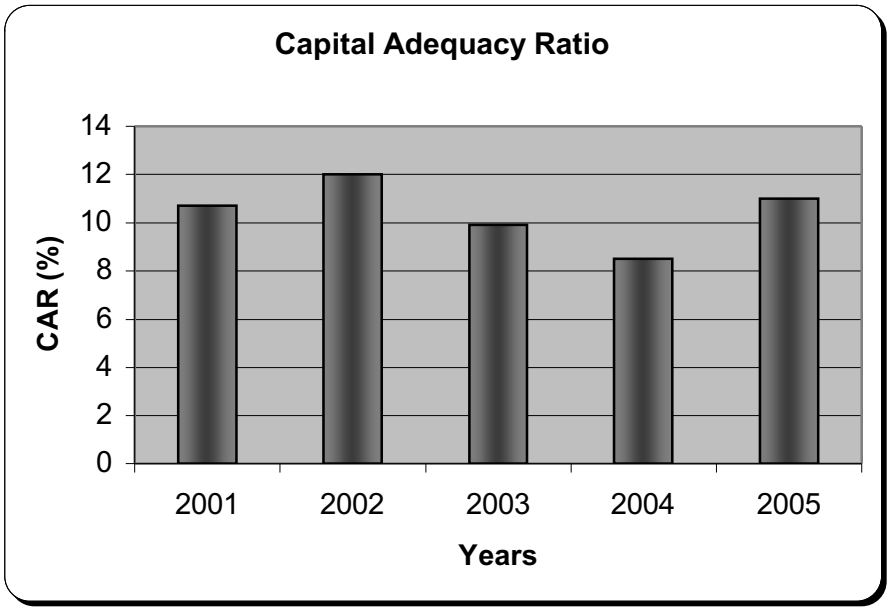
Interpretation:

This ratio shows the relationship between advances & deposit of the bank. This ratio is increasing from 2001 to 2004 except 2005. The increase in this ratio shows that instead of having idle its deposit bank is efficiently utilizing its deposits by advancing to the customers. The decrease in 2005 shows that increase in advances rate is less than the increase in deposit rate.

6- Capital Adequacy Ratio

Capital adequacy ratio = Total equity / Total assets

Year	2001	2002	2003	2004	2005
CAR (%)	10.7	12.00	9.9	8.5	11.00



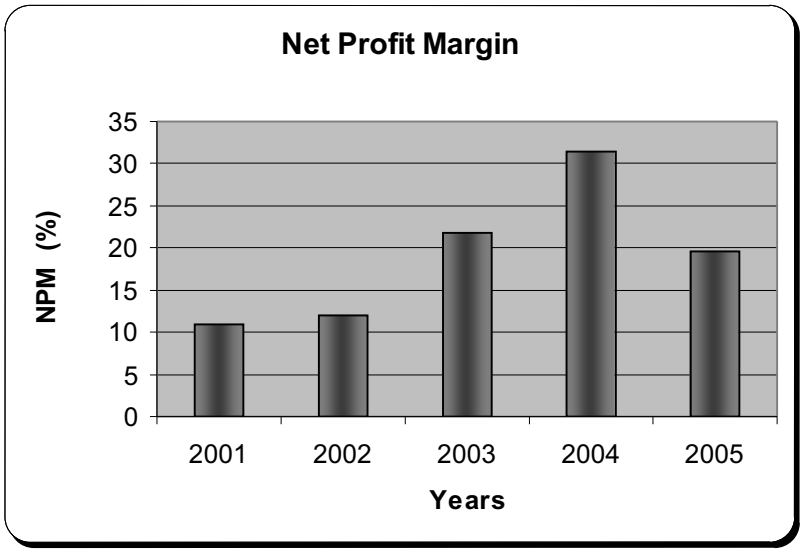
Interpretation:

The graph shows from data of past five years that it was high in 2002 that is 12.00% & decreased in 2004 8.5% as compared to 2003 which was 9.95%. In 2005 CAR it is 11.0%.

7- Net Profit Margin

Net profit margin = Net profit / Total income

Year	2001	2002	2003	2004	2005
NPM (%)	10.9	12.04	21.94	31.42	19.57



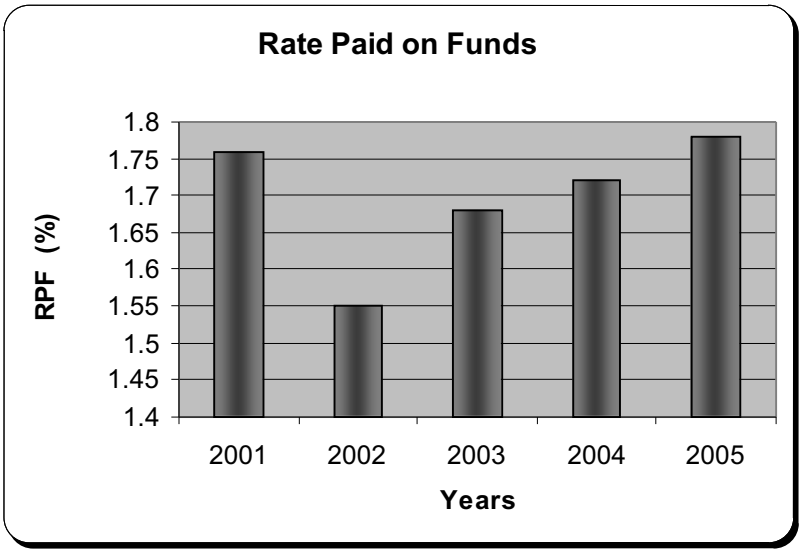
Interpretation:

This ratio measures the %age of each sales dollar remaining after all cost and expenses, including interest and tax, have been deducted. The higher this ratio the better is company. In ACBL this ratio has decreased in 2005.

8. Rate Paid on Funds

Rate paid on funds = Total interest expense/ Total earning assets

Year	2001	2002	2003	2004	2005
Rate paid on funds (%)	1.76	1.55	1.68	1.72	1.78



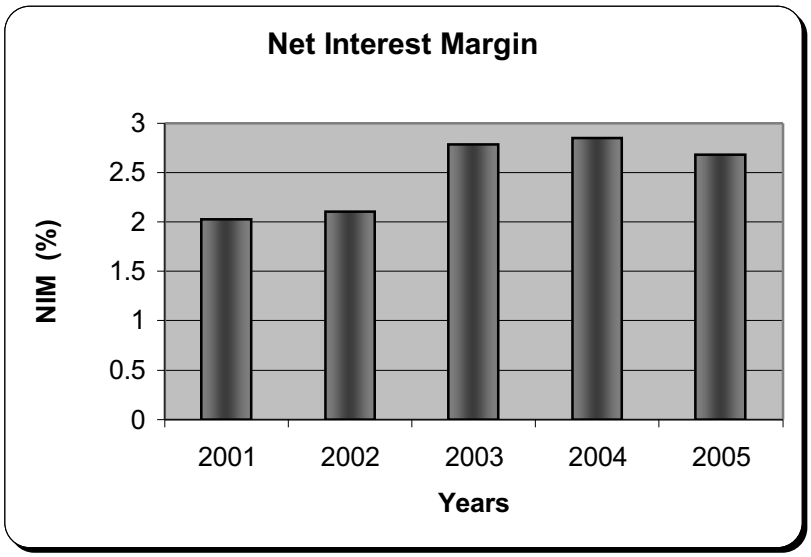
Interpretation:

Rate paid on funds; it indicates what percentage or ratio of interest is paid from assets. It is highest in 2005 i.e. 1.78%

9. Net Interest Margin

Net interest margin = Net interest income/ Earning assets

Year	2001	2002	2003	2004	2005
Net Interest Margin (%)	2.03	2.11	2.79	2.85	2.68



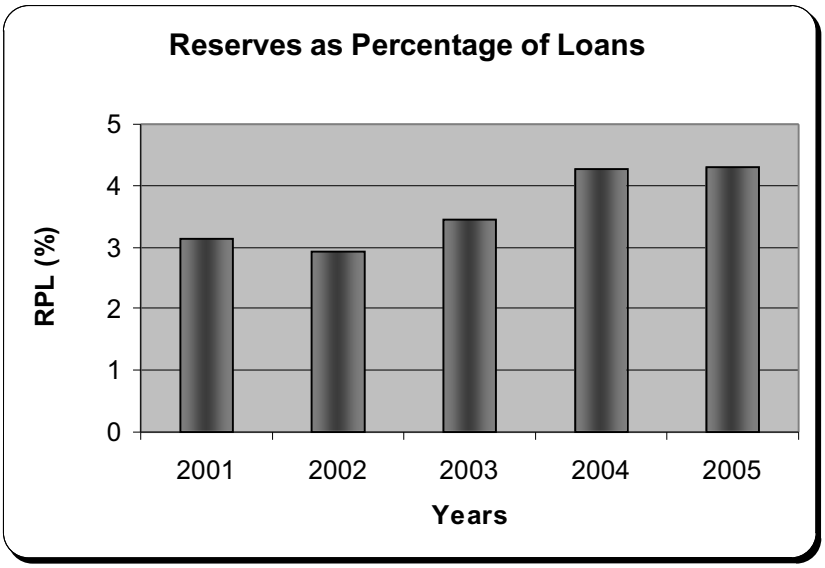
Interpretation:

This graph shows from the data of past five- years that it was high in 2004 that is 2.85% and decreased in 2005 2.68% as compared 2004.

10. Reserves as Percentage of Loans

Reserve as %age of loans = Reserves/ Total loans

Year	2001	2002	2003	2004	2005
Reserves as %a of loans	3.14	2.93	3.43	4.26	4.29



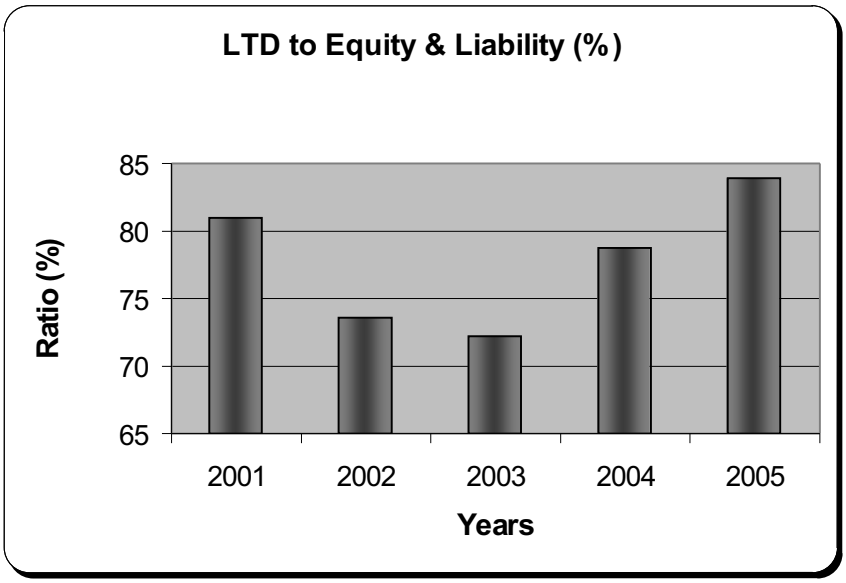
Interpretation:

As the figure shows, ACBL's Reserves as percentage of its Loan have increased as compared to last year, and there is an increasing trend in this ratio from past 4 years.

11. Long Term debts to Equity and Liability

= Long term debts/ Total equity and liability

Year	2001	2002	2003	2004	2005
LTD to equity & liability (%)	80.91	73.65	72.25	78.69	83.93



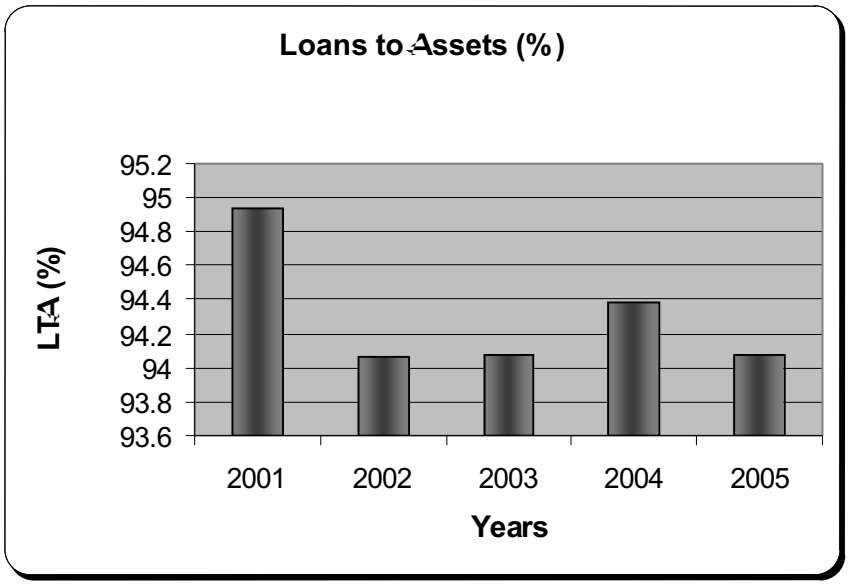
Interpretation:

The graph shows the data of past five years. The higher this figure, the more difficult it would be for a bank to borrow more funds. It was highest in 2004 that is 83.93% as compared to 2004, which was 78.69%.

12. Loans to Assets

Loans to assets = Loans / Total Assets

Year	2001	2002	2003	2004	2005
Loans to Assets (%)	94.94	94.06	94.08	94.38	94.08



Interpretation:

The loans to assets ratio measure the total loans outstanding as a percentage of total assets. The higher this ratio indicates a bank is loaned up and its liquidity is low. The higher the ratio, the more risky a bank may be to higher defaults. It was high in 2001 that is 94.94% & decreased in 2005 94.08% as compared to 2004 which was 94.39%.

SWOT ANALYSIS

STRENGTHS

- ACBL was organized by *Army Welfare Trust* (AWT) so it has strong army background.
- The Askari Commercial Bank has stable growth of profit since its establishment and stability is strength of any bank.
- The bank has established a good branch network within a short span of time.
- The bank has entered in international business by establishing its international branch in Bahrain.
- The bank design service quality standards to establish inspiring relationships to its stakeholders.
- Loans profile of ACBL is very selective and conservative, but they offer loan services of short to medium term, and mainly to finance the foreign trade.
- Staff welfare has always been a priority. New initiatives like hospitalization plan, car buy-back facility and home loan insurance have added new dimensions to the staff-care policy and motivated them to out-perform competitors.
- The most important factor in determining the long-term growth and success of an organization is culture and higher management of ACBL plays great emphasis on the development of ''Askari Culture'', a cohesive teamwork to achieve strategic objectives and provide quality services to its customers.
- The human resource philosophy at Askari bank focuses on multi talent hiring, professional grooming, on the job as well as off site training and meritocracy based reward system.
- Technology and automation is a backbone of ACBL's strategic competitive advantages overall domestic players.
- ACBL has a countrywide network of online branch banking business and ATM's in all major cities of the country.
- ACBL is first bank of Pakistan offering 24-hour computer integrated telephone banking services.
- ACBL has fully automated transaction-processing system for bank office support.

- Bank has well-developed intra-net and inter-net communication network.
- Bank is pioneer in e-commerce venture in Pakistan through a major retail distributor.
- Askari commercial bank offers Askari Master Card, which is worldwide accepted.
- Bank received ''Best Presented Annual Accounts'' prize for the financial sector in the SAARC region by the south Asian federation. Accountants during the last four years.
- ACBL achieved A1+, the highest possible credit rating, for the short term obligation and its long term rating stands at AA. Bank has been honored with the ''the Best Bank in Pakistan'' awarded by the Global Finance Magazine.
- Askari Bank started Islamic banking in December 2005.
- Askari Bank awarded Best Corporate /Institutional Internet Bank in Pakistan'' in 2004.
- Askari Bank also awarded" Best Consumer internet Bank in Pakistan" in 2002 to still 2004.
- Askari Bank is proud of its pioneering role in providing the most modern and technologically advanced services to its 600,000 relationships.

WEAKNESSES

- In the corporate profile, the bank concentrates on medium sized business and not emphasizing the small-scale business, which are large in Pakistan.
- The Bahawalpur branch has very least number of lockers than its demand.
- There is only one branch in Bahawalpur City that's why there is a heavy burden of work on the employees.
- Bank offers a good number of facilities only for the army personnel and not to the general public.
- Bank has no adequate number of branches as compared to its competitors like MCB.UBL etc.
- To improve the services and to handle the problem of customers, the bank has no customer complaint department.

- In case of any problem in the online system Bank has no IT qualified employee in Bahawalpur branch.
- To inform its customers about its new innovative products, ACBL is not involved any type of promotional activities.
- Bank has no separate marketing department; bank staff is providing all the information to its customers but not in satisfactory manner.
- The credit policy of ACBL is very strict for individuals.
- Bank is providing credit facilities only to the urban areas not too much attention is paid to the rural areas.
- Most of the investment is in government securities rather bank should invest in the corporate shares.
- The procedure and documentation while sanction loan is thorny, which is a barrier for advances.
- No job security is there for the employees, and no union exits to secure them.
- Due to small number of branches at greater distance potential customers may go to other more feasible options.
- A good number of facilities are only for the army personnel, not for the general public.
- As every person in the bank has his/her own computer in the branch but he or she are not well equipped with the knowledge of using the computer efficiently.
- The return on deposits is very low.
- Bank has no grievance-handling department for the internal problems of the employees.
- Due to lack of computer specialist at branch level it has to take assistance from the head office so in case they waste their lot of time.
- Although the bank's systems are fully computerised, but still a many of the staff members are not trained in operating the computer.

OPPORTUNITIES

- Askari Bank can get the opportunities by increasing its branch network internationally.
- ACBL can introduce special schemes of lending for potential small industries.
- ACBL can increase its operations by proper promotional campaigns of its new innovative services.
- Increase the capacity of branch instead of going towards overstaffing.
- House financing schemes can be offered to general public.
- Bank has no foreign branches so it should open its branches outside the country especially in U.K, U.S.A and in U.A.E.
- In agrarian cities like Bahawalpur there is a potential for giving credit facilities to farmers.
- Bank is not yet performing utility services for the utility companies like WAPDA it can increase its operations also in this direction and so a new source of earning.

THREATS

- As the bank has not big branch network so customers feel inconvenience in dealing with ACBL.
- Bank can lose market share due to insufficient promotional activities.
- SBP levy heavy penalties on bank in case of violating the prudential regulations especially in case of advances.
- Now the other players of banking are also providing the modern technology based services like online and Internet banking facility so there is no more competitive advantage in this area
- The bank is completely anatomized in case of system failure.
- Expansion of newly established banks like AL-FALAH and FAYSAL BANK and their best performance can reduce the market share of ACBL.

- As the banking procedures are complicated that is why general public takes interest into other options of investments like in shares of companies and in Term Finance Certificates.
- Responding to the SBP's prudential regulations management takes too much care while granting loans.
- In near future the world is going to be free trade zone so the concept of "survival of the fittest" will be in action.
- After the 11 September incident and due to terrorist activities in Pakistan the economy is moving very slowly. It means there is less investment and as a result low loan demands in the banking sector.
- High rate of taxes on banking companies are levied

SUGGESTIONS

- The bank should improve and increase its branch network in Pakistan as well as in foreign countries.
- More and more facilities should be offered to general public instead of a specific group of society.
- Bank should increase its advances by financing small-scale businesses to earn better profit.
- House building finance facility should be offered to general public.
- The number of lockers should be increased.
- There should be female staff members in Bahawalpur branch.
- Training of the staff should be carried on regular basis in the field of banking and operating computers.
- Bank should establish a separate marketing department in each branch.
- Although bank has agency relations with the foreign banks but it should open its foreign branches to compete with the competitors.
- Time period of the loan procedure should be reduced.

- Special awards should be given to hardworking employees to perform extra ordinary in the bank.
- Instead of preferring the old employees of the other banks management should hire new and well-educated talent. This will contribute to the long-term benefits of the bank.
- Credit policy should cover both the rural and as well as urban areas.
- While hiring and promoting the employee's, discrimination should not be done only merit should be considered.
- Complicated loan procedure should be replaced with an easy one keeping in view the risk factor.
- To overcome the problem of workload new appointments should be made.
- Returns on the term and fixed deposits should be increased to the level of competitors.

CONCLUSION

After the completion of my overall analysis and studies of Askari Commercial Bank performance and banking system, I come to the conclusion:

The ACBL is a leading commercial bank of Pakistan. It has won the rewards like:

- **"The Best Bank In Pakistan"**
- **"Best Consumer Internet Bank"**

From the opinion of international organization the overall strong standing of the bank is very clear. It won a certificate from Pakistan Credit Rating Agency (PACRA) **A1** in short run in and **AA** long term even in these worst conditions of economy the bank is enjoying the huge profits of amount Rs. 2,022 Million. Total assets of the bank are increased up to 145,099 billion, but the shareholder's return and Earnings per Share have decreased from last year.

The bank is fully equipped with the modern technology and it is also providing all the latest banking services like online banking, Internet banking, ATM cards, traveler chouse, and credit cards etc.

The bank is trying to introduce latest techniques on regular basis because it is backed by AWT that's why people have complete confidence on them. ACBL has won the confidence of all its customers by providing them the online services within few seconds**.** The future of bank is progressive and will be a leading bank of Pakistan even competing with foreign banks.

FUTURE OUT LOOK

The operating environment for banks in 2006 will be very challenging in the wake of intense competition in the pricing of assets and liability products. The erosion of banking spread will force the banks to offer improved and innovative products and services in an effort to produce better results.

The bank continues to pursue strategic expansion of its nation-wide branch network, which reached 98 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 boot 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.

It will in 2006 further consolidate its corporate identity and offer its clients a better service and more customized products. Through this more focused approach,it will endeavor to out perform the competition.

We remain committed towards improvement in stakeholders' value by diversifying our product range, devising innovative products in order to maintain a competitive edge, and invest in people and technology to enable the Bank to achieve

growth in business, improvement in customer service and ultimately an increase in profitability.

According to Lt. Gen. Waseem Ahmed Ashraf (chairman):

"We will INSHALLAH in 2007,
further consolidate our corporate identity and offer our Client
a better service and more customized products.
Through this more focused approach,
we will endeavor to out perform the competition. "