KPMG Taseer Hadi & Co.
Chartered Accountants

First Women Bank Limited

Financial Statements

For the year ended 31 December 2018

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITOR'S REPORT

To the members of First Women Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **First Women Bank Limited** ("the Bank"), which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, along with unaudited certified returns received from the branches except for five branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2018 and of the loss, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty relating to Going Concern

We draw attention to Notes 1.2 and 1.3 of the financial statements which indicate that as at 31 December 2018, the Bank's paid-up capital (net of losses) was below the Minimum Capital Requirement of Rs. 3 billion prescribed by the State Bank of Pakistan

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

(SBP). As stated in note 1.3, these events or conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists relating to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Bank's Annual Report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance

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is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Taseer Hadi & Co.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

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

We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is Amyn Pirani.

Date: 1 November 2022

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

FIRST WOMEN BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018	2017 (Restated)	2016 (Restated)
		(Rupees in '000)		
ASSETS				
Cash and balances with treasury banks	5	**1,825,616**	1,438,429	1,081,532
Balances with other banks	6	**44,648**	65,616	112,042
Lendings to financial institutions	7	**1,448,785**	-	100,000
Investments	8	**9,185,411**	13,587,722	8,032,819
Advances	9	**9,419,393**	8,875,631	8,213,247
Fixed assets	10	**320,213**	279,309	295,572
Intangible assets	11	**36,395**	44,237	41,505
Deferred tax assets	12	**-**	151,840	249,635
Other assets	13	**919,106**	396,891	407,877
		23,199,567	24,839,675	18,534,229
LIABILITIES				
Bills payable	15	**249,254**	561,594	214,155
Borrowings	16	**108,966**	3,903,832	743,909
Deposits and other accounts	17	**18,374,617**	16,229,349	13,708,791
Liabilities against assets subject to finance lease		**-**	-	-
Sub-ordinated debts		**-**	-	-
Deferred tax liabilities	12	**52,636**	-	-
Other liabilities	18	**1,098,019**	412,118	386,852
		19,883,492	21,106,893	15,053,707
NET ASSETS		**3,316,075**	3,732,782	3,480,522
REPRESENTED BY				
Share capital	19	**3,994,113**	3,994,113	3,494,113
Reserves - statutory reserve		**307,717**	307,717	307,717
Surplus / (Deficit) on revaluation of assets - net of tax	20	**176,457**	130,315	146,780
Accumulated loss		**(1,162,212)**	(699,363)	(468,088)
		3,316,075	3,732,782	3,480,522
CONTINGENCIES AND COMMITMENTS	21			

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

Chief Financial Officer | **President / Chief Executive** | **Director** | **Director** | **Director**

FIRST WOMEN BANK LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017 (Restated)
		(Rupees in '000)	
Mark-up / return / interest earned	23	1,459,209	1,294,193
Mark-up / return / interest expensed	24	708,484	603,159
Net mark-up / interest income		750,725	691,034
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	73,253	66,218
Dividend income		8,670	8,640
Foreign exchange income		28,978	3,853
Income / (loss) from derivatives		-	-
(Loss) / gain on securities	26	(654)	6,193
Other income	27	3,422	20,552
Total non mark-up / interest income		113,669	105,456
Total Income		864,394	796,490
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	28	1,028,186	893,021
Workers welfare fund		-	-
Other charges	29	9,361	3,838
Total non-mark-up / interest expenses		(1,037,547)	(896,859)
Loss before provisions		(173,153)	(100,369)
Provisions and write offs - net	30	(75,479)	(15,566)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(248,632)	(115,935)
Taxation	31	(207,976)	(122,032)
LOSS AFTER TAXATION		(456,608)	(237,967)
		(Rupees)	
Basic and diluted earnings per share	32	(1)	(1)

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

Chief Financial Officer	President / Chief Executive	Director	Director	Director

FIRST WOMEN BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017 (Restated)
		---------- (Rupees in '000) ----------	
Loss after taxation for the year		**(456,608)**	(237,967)
Other comprehensive income			
Items that may be reclassified to profit and loss account in subsequent periods:			
Movement in deficit on revaluation of investments - net of tax	*8.2*	**(692)**	(12,553)
Items that will not be reclassified to profit and loss account in subsequent periods:			
Remeasurement (loss) / gain on defined benefit obligations - net of tax	*35.7*	**(10,153)**	2,780
Movement in surplus on revaluation of fixed assets - net of tax	*20.1*	**50,746**	-
		40,593	2,780
Total comprehensive loss		**(416,707)**	(247,740)

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

Chief Financial Officer | **President / Chief Executive** | **Director** | **Director** | **Director**

FIRST WOMEN BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Statutory reserve*	Surplus / (deficit) on revaluation			Accumulated loss	Total
			Investments	Property and equipments	Total Surplus on assets		
	(Rupees in '000)						
Opening balance as at 1 January 2017 - as previously reported	3,494,113	307,717	-	-	-	(463,975)	3,337,855
Effect of retrospective change in deficit on revaluation of property and equipments - net of tax (note 4.1.1)	-	-	-	4,113	4,113	(4,113)	-
Effect of retrospective change in presentation - net of tax (note 4.1.1)	-	-	12,505	130,162	142,667	-	142,667
Opening balance as at 1 January 2017 (restated)	3,494,113	307,717	12,505	134,275	146,780	(468,088)	3,480,522
Loss after taxation - as restated (note 4.1.1)	-	-	-	-	-	(237,967)	(237,967)
Other comprehensive income for the year - net of tax							
- change in deficit on the revaluation of investments	-	-	(12,553)	-	(12,553)	-	(12,553)
- remeasurement gain on defined benefit obligations - net of tax	-	-	-	-	-	2,780	2,780
Transfer from surplus on revaluation of assets to accumulated losses - net of tax (as restated) - incremental depreciation (note 20.1)	-	-	-	(3,912)	(3,912)	3,912	-
Transactions with owners, recorded directly in equity							
Issue of share capital	500,000	-	-	-	-	-	500,000
Balance as at 31 December 2017 (restated)	3,994,113	307,717	(48)	130,363	130,315	(699,363)	3,732,782
Loss after taxation	-	-	-	-	-	(456,608)	(456,608)
Other comprehensive income for the year - net of tax							
- change in surplus on the revaluation of fixed asset - net of tax	-	-	-	50,746	50,746	-	50,746
- change in deficit on the revaluation of investments	-	-	(692)	-	(692)	-	(692)
- remeasurement loss on defined benefit obligations	-	-	-	-	-	(10,153)	(10,153)
Transfer from surplus on revaluation of assets to accumulated losses - net of tax - incremental depreciation (note 20.1)	-	-	-	(3,912)	(3,912)	3,912	-
Balance as at 31 December 2018	**3,994,113**	**307,717**	**(740)**	**177,197**	**176,457**	**(1,162,212)**	**3,316,075**

* No transfer to the reserve has been made due to loss for the year.

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

Chief Financial Officer | President / Chief Executive | Director | Director | Director

FIRST WOMEN BANK LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(248,632)	(115,935)
Less: Dividend income		(8,670)	(8,640)
		(257,302)	(124,575)
Adjustments			
Depreciation	10.2	38,388	45,049
Amortization	11.2	10,793	6,746
Provisions and write offs excluding recovery of written off bad debts	30	75,479	12,354
Gain on sale of fixed assets	27	(221)	(2,151)
Impairment loss on a fixed asset recognised in the profit and loss account	10.2	5,916	-
Charge for defined benefit plans	28.1.1	50,511	26,864
Loss / (gain) on sale of investment securities	26	654	(6,193)
		181,520	82,669
		(75,782)	(41,906)
(Increase) / decrease in operating assets			
Lendings to financial institutions		(1,448,785)	100,000
Advances		(610,444)	(674,739)
Other assets (excluding current taxation)		(587,484)	(39,441)
		(2,646,713)	(614,180)
Increase / (decrease) in operating liabilities			
Bills payable		(312,340)	319,146
Borrowings from financial institutions		(3,794,866)	3,159,923
Deposits and other accounts		2,145,268	2,550,946
Other liabilities (excluding current taxation)		705,158	29,173
		(1,256,780)	6,059,188
		(3,979,275)	5,403,102
Payment made to defined benfit plans		(26,769)	-
Income tax paid		-	(8,201)
Net cash flows from operating activities		(4,006,044)	5,394,901
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Investments in available-for-sale securities		4,400,965	(5,568,021)
Dividend received		8,490	19,704
Investment in fixed assets		(34,517)	(25,770)
Investment in intangibles assets		(2,951)	(14,022)
Proceeds from sale of fixed assets		276	3,679
Net cash flows from investing activities		4,372,263	(5,584,430)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		-	500,000
Net cash flows from financing activities		-	500,000
Increase in cash and cash equivalents		366,219	310,471
Cash and cash equivalents at beginning of the year		1,504,045	1,193,574
Cash and cash equivalents at end of the year	33	1,870,264	1,504,045

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1. STATUS AND NATURE OF BUSINESS

1.1 First Women Bank Limited (the Bank) was incorporated under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on 21 November 1989 in Pakistan as an unquoted public limited company and commenced operations on 02 December 1989. The Bank is engaged in commercial banking and related services. The registered office of the Bank is situated at ground floor, S.T.S.M. Foundation Building, Civil Lines, Karachi. The Bank operates a network of forty two branches as at 31 December 2018 (2017: forty two branches). The short term and long term credit ratings of the Bank rated by PACRA in June 2018 are 'A2' and 'A-' respectively. The Bank is controlled by Government of Pakistan through Ministry of Finance (which holds 82.64 % of the Bank's share capital).

1.2 Being a public sector Bank, in terms of the State Bank of Pakistan prescribed minimum capital requirements vide its letter reference BPRD/BA&CP/627/32/2014 dated 01 January 2014, the Bank is required to have a minimum paid up capital (net of losses) (MCR) of Rs. 3 billion and capital adequacy ratio of 18% at all times, subject to the condition that MCR level shall remain enforced until the Bank remains a public sector entity, the Bank will not be allowed to pay dividend until its paid up capital and reserves reach Rs. 6 billion and the per party exposure limit of the Bank will be 50% of the prudential regulations limits until the Bank's paid up capital and reserves reach Rs. 6 billion.

As of 31 December 2018, the Bank's MCR (representing paid up capital net of accumulated losses) was Rs. 2.832 billion and at 31 December 2021, the Bank's MCR, as per the unaudited management accounts was less than the above figure. Due to the fact that the bank's accounts remained un-audited since 2018 therefore the actual position of bank's capital will be clear on the conclusion of external audit for the year 2021.

Under BSD Circular No. 19 of 2008 dated 05 September 2008 of the State Bank of Pakistan any bank that fails to meet the minimum paid-up capital requirement within the stipulated period shall render itself liable to the following actions:

i) Imposition of such restrictions on its business including restrictions on acceptance of deposits and lending as may be deemed fit by the State Bank.
ii) Descheduling of the bank, thereby converting it into a non-scheduled bank.
iii) Cancellation of the banking license if the State Bank believes that the bank is not in a position to meet the minimum paid up capital requirement or CAR.

1.3 Going concern basis of accounting

Bank's management is aware of the fact that as of 31 December 2018 and based on the un-audited management accounts as of 31 December 2021, the Bank's paid-up capital (net of losses) was below the MCR of Rs 3 billion prescribed by the SBP as a special case. These events or conditions along with other matters as set forth in Note 1.2 indicate that a material uncertainty exists that may cast doubt on the Bank's ability to continue as a going concern, therefore, the Bank may be unable to realise its assets and discharge its liabilities in the normal course of business. However, these financial statements have been prepared on a going concern basis which assumes that the Bank shall operate its business, realise its assets, discharge its liabilities and obtain refinancing (if necessary), in the normal course of business. Accordingly, these financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

These financial statements have been prepared on a going concern basis based on the following facts:

- Above fact has already been reported by the Bank to the State Bank of Pakistan and also to the Ministry of Finance (MoF), Government of Pakistan as a major shareholder for an arrangement to fill-up the shortage of the Bank's MCR.

- Bank's management and the Board is fully confident that the regulator and the major shareholders (MoF) will extend the due support for meeting the capital requirements, which is also evident from the fact that historically number of times capital has been injected by the shareholder whenever there was a shortfall.

- The Government of Pakistan via the Ministry of Finance (MoF), bank's major shareholder holding 82.64 % of the Bank's equity, has explained that incase any support would be required by the Bank to enable it to continue as going concern, the same would be extended through policy and other intervention.

2. BASIS OF PRESENTATION

2.1 These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 2, dated 25 January 2018.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (the SBP) has issued various circulars from time to time. Permissible forms of trade related mode of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon.

2.2 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standard (IFAS) issued by the Institute of Chartered Accountant of Pakistan (ICAP) as are notified under the Companies Act, 2017.
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for banking companies till further instructions. Further, according to a notification of the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. No. 411 (1) / 2008 dated 28 April 2008, IFRS 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

2.3 Standards, Interpretations of and Amendments to Published Approved Accounting Standards that are effective in current year

2.3.1 There are certain new and amended standards, interpretations of and amendments that are mandatory for the Bank's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

2.3.2 The SBP has prescribed a new format for financial statements of banks effective from the year ended 31 December 2018. Accordingly, these financial statements are prepared in accordance with the new format. Major changes impacting (other than certain presentation changes) these financial statements include:

- Recording of acceptances, refer notes 13 and 18, as on-balance sheet item (previously disclosed as off-balance sheet item)
- Inclusion of surplus / deficit on revaluation of assets as part of equity (previously shown below equity).
- Other reversal of provisions / write offs have now been combined under provisions & write off - net (note 30).
- Intangibles now have been disclosed separately in the financial statements, refer note 11 (previously disclosed with fixed assets)

2.4 Standards, Interpretations of and Amendments to Published Accounting and Reporting Standards that are not yet effective / effective in the future years

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2019:

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – As per State Bank of Pakistan (SBP) BPRD Circular Letter No. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks/DFIs/MFBs effective 1 January 2022. The standard replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. The standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

  The aforementioned SBP circular letter contained instructions for quarterly parallel reporting purposes to the SBP only and it was stated that final instructions will be issued based on the results of parallel reporting. However, banks have submitted their reservations on instructions issued for parallel reporting through the Pakistan Banks Association (PBA) and requested that they are addressed in the final instructions to be issued. The reservations are pervasive and points of contention inter alia include, retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, retaining local regulatory requirements related to IFRS 9 related areas on overseas branches, impact on capital adequacy ratio, adequacy of significant increase in credit risk criteria, future tax impact of any reversals, recording of expected credit loss on local currency denominated Government securities, together with further clarifications required in certain areas. Due to the fact that final instructions have not yet been issued and the reservations shared by the industry over the draft instructions are still to be addressed, the impact of application of IFRS 9 on Bank's financial statements is presently being assessed. Banks are collectively of the opinion that impact on initial application of IFRS 9 will only be reasonably estimated subsequent to issuance of final application guidelines by SBP.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases; IFRIC 4 'Determining whether an Arrangement contains a Lease; SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Bank is currently in the process of analyzing the potential impact of its lease arrangements that will result in the recognition of right to use assets and liabilities on adoption of the standard.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue; IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Bank is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard, although it considers that the application of this IFRS is not expected to have a material impact on the Bank's financial statements.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, banks should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Furthermore, following standards, amendments and interpretations of approved accounting standards will be effective for the accounting periods as stated below:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- Annual improvement process IFRS 9 Financial Instruments – Fees in the '10 percent' test for de-recognition of financial liabilities	01 January 2023
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1	01 January 2023
- Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	01 January 2023
- Reference to the Conceptual Framework – Amendments to IFRS 3	01 January 2022
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	01 January 2022
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	01 January 2022
- Annual improvement process IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	01 January 2022
- Annual improvement process IAS 41 Agriculture – Taxation in fair value measurements	01 January 2022
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Not yet finalized
- Uncertainty over Income Tax Treatment - IFRIC 23	01 January 2019
- Amendments to IAS 28	01 January 2019
- Amendments to IAS 19 - Employees Benefits	01 January 2019
- Amendments to IFRS 3 Business Combinations	01 January 2020
- Amendments to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)	01 January 2020
- Phase 1 of Interest Rate Benchmark which amended IFRS 9, IAS 39 and IFRS 7 and Phase 2	01 January 2020 & 01 January 2021 respectively
- IFRS 14 Regulatory Deferral Accounts	01 January 2019
- Covid-19 - Related Rent Concessions (Amendment to IFRS 16)	01 June 2020
- Onerous Contracts - Cost of Fulfilling a Contract (amendment to IAS 37 and IAS 1)	01 January 2022
- Annual improvements to IFRS standards 2015-2017 and 2018-2020 cycles	01 January 2019 & 01 January 2022 respectively

However, the Bank is of the view that above IFRSs / amendments are not likely to have any impact / material impact on the Bank's financial statements.

- Further, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan:

Standard	IASB Effective date (annual periods beginning on or after)
- IFRS 1 – First time adoption of International Financial Reporting Standards	01 January 2014
- IFRS 17 – Insurance Contracts	01 January 2023

2.5 Critical accounting estimates and judgements

The preparation of these financial statements is in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Significant accounting estimates and areas where judgements were made by management in the application of accounting policies are as follows :

a) **Classification of investments**

- In classifying investments as 'held-for-trading', the Bank determines the securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements.

- These are investments with fixed or determinable payments and fixed maturities and the Bank has the positive intent and ability to hold them till maturity.

- The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

b) **Valuation and impairment of available-for-sale equity investments**

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of investee, industry and sector performance, changes in technology and operational and financing cash flows.

c) **Provision against non-performing loans and advances and debt securities classified as investments**

The Bank reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there against on a regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, and the requirements of the Prudential Regulations are considered. The Bank also maintains general provision against consumer and small and medium enterprises advances in accordance with the requirements set out in Prudential Regulations of the SBP. These provisions change due to changes in requirements.

d) **Income taxes**

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Bank's future taxable profits are taken into account.

e) **Operating fixed assets, depreciation, amortisation and revaluation**

The Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers and such valuations are carried out with sufficient regulatory so that the valuation at the year end is close to their fair values. In making estimates of the depreciation / amortisation method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The estimates made are reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the estimates are changed to reflect the changed pattern. Such a change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'.

f) **Staff retirement benefits (including the compensated absences)**

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method. The actuarial assumptions used to determine the liability and related expense are disclosed in note 35 and 37. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may effect the liability / asset under these plans in those years.

g) **Fair value hierarchy of assets and liabilities**

The fair value of the assets and liabilities is the amount at which these could be exchanged in a current transaction between willing parties, other than in a forced of liquidation sale. The Bank categorizes fair value measurements within the following fair value hierarchy;

i) **Level 1**

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the bank can access at the measurement date.

ii) **Level 2**

These are inputs other than quoted prices included within Level 1 inputs that are observable for asset or liability, either directly or indirectly.

iii) **Level 3**

These are unobservable inputs for the asset or liability.

h) **Impairment of non-financial assets (excluding deferred tax asset)**

Non-financial assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. If any such indication exists, the Bank estimates the recoverable amount of the asset and the impairment loss, if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset. If the recoverable amount of an intangible or tangible asset is less than its carrying value, an impairment loss is recognised immediately in the profit and loss account and the carrying value of the asset is reduced by the amount of the loss. A reversal of an impairment loss on intangible assets is recognised as it arises provided the increased carrying value does not exceed which it would have been had no impairment loss been recognised.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that lease hold land and buildings are stated at revalued amounts less accumulated depreciation and impairment losses, if any, available- for-sale and held-for-trading investments and derivative financial instruments are measured at fair values.

3.2 Functional and Presentation Currency

The financial statements are presented in Pakistan Rupees, which is also the Bank's functional currency. Except as indicated, financial information presented in Pakistan Rupees has been rounded to nearest thousand.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented except for the change mentioned below.

4.1 Change in an accounting policy

4.1.1 The Companies Ordinance, 1984 was repealed through the enactment of the Companies Act, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide Circular No. 23 dated 04 October 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from 01 January 2018.

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of property and equipments. As per the Bank's previous accounting policy, in accordance with the repealed Companies Ordinance, 1984, a deficit arising on the revaluation of a particular property was adjusted against the total balance in the surplus account or, if no surplus existed, was charged to the profit and loss account as an impairment of the asset. The Companies Act, 2017 removed the specific provisions allowing the above treatment. A deficit arising on revaluation of a particular property is now accounted for in accordance with IFRS, which requires that such deficit cannot be adjusted against surplus in another property, but has to be taken to the profit and loss account as an impairment.

The effect of this change in accounting policy has been applied with retrospective effect and the earlier period presented has been restated as per the requirement of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. As per the requirement of the above IAS, the earliest period presented has been changed and the restated balance as of 01 January 2017 has also been presented. Details of the effect of the change is as follows:

	Balance as at 01 January 2017		
	As previously stated	Change	As restated
	(Rupees in '000)		
Impact on Statement of Financial Position			
Accumulated loss as on 1 January 2017	(463,975)	(4,113)	(468,088)
Surplus on revaluation of property and equipments as on 1 January 2017 - net of tax	130,162	* 4,113	134,275

In addition, due to the changes mentioned in above paragraph, the entire balance of surplus on revaluation of assets (comprising of the surplus on revaluation of property and equipments amounting to Rs. 134.275 million (as restated) and available for sale investments amounting to 12.5 million), has been included in equity. For this reason the equity has increased by Rs. 146.780 million. Earlier these were presented below equity.

	Balance as at / for the year ended 31 December 2017		
	As earlier reported	Change	As restated
	(Rupees in '000)		
A. Impact on Statement of Profit or Loss			
Loss after taxation for the year ended 31 December 2017	(238,038)	** 71	(237,967)
B. Impact on Statement of Financial Position			
Surplus on revaluation of assets as earlier reported	126,336	-	-
Changes due to the change in policy			
Effect of change - as adjusted in 2016	* 4,113	-	-
Change in incremental depreciation on revalued assets for the year ended 31 December 2017	(134)	** 3,979	130,315

Similarly due to the above change, the entire balance of surplus on revaluation of assets amounting to Rs. 130.315 million (as restated) has been included in equity and the equity have increased by the same amount. Earlier these were presented below equity.

Accumulated loss as at 31 December 2017	(695,455)	** (3,908)	(699,363)

C. Impact on basic and diluted earnings per share

There has been no impact on basic and diluted earnings per share of the Bank for the year ended 31 December 2017 consequent to the change in accounting policy disclosed above.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts, national prize bonds, any overdrawn nostro accounts and call lendings having maturity of three months or less.

4.3 Investments

The Bank classifies its investment portfolio into following categories:

a) Held-for-trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

b) Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold till maturity.

c) Available-for-sale

These are securities that do not fall under the 'held-for-trading' and 'held-to-maturity' categories.

4.3.1 Regular way contracts

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date at which the Bank commits to purchase or sell the investments except for money market contracts which are recognised on the settlement date.

4.3.2 Initial recognition and measurement

Investments other than those classified as 'held for trading' are initially recognised at cost. Transaction costs associated with these investment are included in cost of investments. Investments classified as 'held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

4.3.3 Subsequent measurement

In accordance with the requirements of State Bank of Pakistan, quoted securities other than those classified as 'held to maturity', are subsequently remeasured to market value. Surplus / (deficit) arising on revaluation of securities classified as 'available for sale' is included in the statement of comprehensive income. Surplus / (deficit) arising on revaluation of investments classified as 'held for trading' is taken to the profit and loss account. Investments classified as 'held to maturity' are carried at amortised cost.

Unquoted equity securities, are valued at lower of cost and the break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

4.3.4 Impairment

Impairment loss in respect of equity securities classified as available for sale and other held to maturity investments are recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investment below its cost is also considered an objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position is removed there from and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

Gains or losses on disposal of investments during the year are taken to the profit and loss account.

4.4 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowing (repurchase) from and lending (reverse repurchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investments and counter party liability is included in borrowing from financial institutions. The difference between sale and repurchase price is accrued or a time proportionate basis over the period of the contract and recorded as an expense.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the balance sheet and instead amounts paid under these arrangements are included in lendings to financial institutions. The difference between purchase and resale price is accrued on a time proportionate basis over the period of the contract and recorded as income.

Other obligations

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowing is charged to the profit and loss account on a time proportion basis.

4.5 Advances

Advances are stated net of specific and general provisions. Specific and general provisions are determined on the basis of the Prudential Regulations and other directives issued by the SBP. The net provision made/reversed during the year is charged to profit and loss account and accumulated provision is netted off against advances. Advances are written-off when there is no realistic prospect of recovery.

4.6 Property and equipment

4.6.1 Tangible assets

Except for lease hold land and buildings, other items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Lease hold land is stated at revalued amounts whereas the buildings are stated at revalued amounts less subsequent accumulated depreciation and impairment losses, if any.

Depreciation is charged to the profit and loss account applying straight line method. The rates of depreciation are given in note 10.2 to these financial statements. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, at each balance sheet date [also refer note 4.3(e)]. Depreciation on additions is charged from the month the assets are available for use, while no depreciation is charged in the month in which the assets are disposed off.

Surplus arising on revaluation of land and buildings is credited to the surplus on revaluation of property and equipment account. Deficit arising on subsequent revaluation of fixed assets is charged to Profit and Loss account, as allowed under the provisions of the Companies Act, 2017. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets, is transferred directly to accumulated loss. In case of revalued asset, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. The surplus arising on revaluation is disclosed as surplus on revaluation of property and equipment (as part of equity - refer note 20 also).

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on sale of property and equipment are included in the profit and loss account in the year the asset is de-recognized, except that the related surplus on revaluation of land and buildings (net of deferred tax) is transferred directly to accumulated loss.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

4.6.2 Intangible assets

Intangible assets comprise of cost of computer software and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The cost of intangible assets are amortized over their estimated useful lives using the straight line method at the rates stated in note 11.2. Costs associated with maintaining the computer software are recognized as expense in the profit and loss account as and when incurred. The useful lives of intangible assets are reviewed and adjusted, if appropriate, at each balance sheet date.

4.6.3 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

4.7 Grants

Grants are assistances in the form of transfer of resources to the Bank in return for past or future compliance with certain conditions relating to the operating activities of the Bank. They exclude those forms of assistances which cannot reasonably have a value placed upon them.

Grants are recognized in the profit and loss account on a systematic basis over the periods in which the Bank recognizes as expenses the related costs for which the grants are intended to compensate.

4.8 Impairment - non financial assets

At each balance sheet date, the Bank reviews the carrying amount of its assets (other than deferred tax assets) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognized as an expense immediately, except that the impairment loss on revalued fixed assets is first adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of those assets.

4.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income / surplus on revaluation of assets in which case it is recognised in statement of comprehensive income / surplus on revaluation of assets.

4.9.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments finalized during the year for such years.

4.9.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences as at the statement of financial position date between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Bank records deferred tax assets / liabilities using tax rates, enacted or substantially enacted at the statement of financial position date, that are expected to be applicable at the time of their reversal.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Bank recognizes a deferred tax asset / liability on deficit / surplus on revaluation of assets in accordance with the requirements of IAS 12 "Income Taxes". The related deferred tax asset / liability is adjusted against the related deficit / surplus.

The Bank recognizes a deferred tax asset for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized in accordance with the requirements of IAS 12 "Income Taxes".

4.9.3 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

4.10 Staff retirement benefits

Approved funded pension scheme (defined benefit plan)

The Bank operates a funded pension scheme for its employees. The Fund was granted approval by the Commissioner of Income Tax on 6 March 2000 to take effect from 1 October 1999. Provision is made in these financial statements based on the actuarial valuation (conducted at the balance sheet date - 31 December 2018) using the projected unit credit method. The above benefits are payable to staff at the time of separation / retirement from the Bank's services subject to the completion of qualifying period of service. Remeasurement component, which is the net of actuarial gains and losses is recognized immediately in other comprehensive income whereas service cost and net interest income / expense are charged to the profit and loss account. Effect of changes in the plan are also recognised currently in the profit and loss account.

Approved funded gratuity scheme (defined benefit plan)

The Bank operates a funded gratuity scheme for its employees. The Fund was granted approval by the Commissioner of Income Tax on 4 December 2018 to take effect from 4th September 2018. Provision is made in these financial statements based on the actuarial valuation (conducted at the balance sheet date - 31 December 2018) using the projected unit credit method. The above benefits are payable to staff at the time of separation / retirement from the Bank's services subject to the completion of qualifying period of service. Remeasurement component, which is the net of actuarial gains and losses is recognized immediately in other comprehensive income whereas service cost and net interest income / expense are charged to the profit and loss account.

Unfunded gratuity scheme

Up to 30 September 2018, the Bank operated an unfunded gratuity scheme for its President only. Liability and expense are recorded in accordance with the terms of the scheme. However this scheme since then has been discontinued.

4.11 Employees' compensated absences

The Bank recognizes liability in respect of compensated absences of its employees in the period in which these are earned on the basis of actuarial valuation (conducted at the balance sheet date - 31 December 2018) carried out using the Projected Unit Credit Method. Actuarial gains / losses are immediately recognised in the profit and loss account.

4.12 Revenue recognition

- Mark-up / return / interest on regular advances and investments is recognized on a time proportion basis using effective interest method. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account over the remaining maturity using the effective interest method. Mark-up income due on non-performing advances are suspensed as per the requirements of the Prudential Regulations.

- Mark-up / return / interest recoverable on classified advances and investments is recognized on receipt basis. Mark-up / return / interest on classified rescheduled / restructured advances and investments is recognized as permitted by the regulations of the SBP.

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

- Gain / loss on sale of investments is recognized to the profit and loss account currently.

- Fees, brokerage and commission on letters of credit / guarantee are recognized at the time of the performance of services. Account maintenance and service charges are recognized when realized.

4.13 Foreign currencies

4.13.1 Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates prevalent on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date.

4.13.2 Translation gains and losses

Translation gains and losses are included in the profit and loss account.

4.13.3 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange ruling at the balance sheet date.

4.14 Financial instruments

4.14.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.14.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. All derivative financial instruments are carried as assets when the fair value is positive and as liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

4.15 Off-setting

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

4.16 Borrowing / Deposits and their cost

Borrowing / deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

4.17 Dividend distribution and appropriations

Bonus dividend, cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to balance sheet date are considered as non-adjusting event and are not recorded in financial statements of the current year. These are recognized in the period in which these are declared / approved.

4.18 Acceptances

Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as on-balance sheet transactions.

4.19 Earnings per share

The Bank presents basic and diluted earnings per share. Basic earning is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.20 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented as per the Bank's functional structure and guidance of the SBP. The Bank comprises of following main segments:

4.20.1 Business segments

a) Corporate finance and Commercial Banking

Corporate finance includes syndications and advances to corporate enterprises including deposits therefrom. Commercial Banking includes project financing, export finance, trade finance, other lendings, guarantees and bills of exchange.

b) Treasury

It includes fixed income, equity, foreign exchange contracts, lendings to financial institutions and borrowings.

c) **Retail and consumer banking**

It includes retail lending and deposits, banking services, private lending and deposits, retail services offered to the retail customers.

d) **Small and Medium Enterprises**

This includes lending and deposits, banking services, private landing and deposits offered to the small and medium enterprises.

4.20.2 Geographical segment

The Bank operates in Pakistan only.

4.21 Impairment of assets (other than loans and advances, investments and deferred tax)

At each statement of financial position date, the Bank reviews the carrying amount of its above assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of relevant asset is estimated. Recoverable amount is the greater of the net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognised as an expense immediately. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2018	2017
		(Rupees in '000)	
In hand			
Local currency		**349,783**	334,215
Foreign currencies		**82,893**	77,045
		432,676	411,260
With State Bank of Pakistan in			
Local currency current account	5.1	**1,064,677**	837,050
Foreign currency current account	5.2	**5,077**	5,414
Foreign currency deposit accounts			
- cash reserve account	5.3	**31,244**	27,604
- special cash reserve account	5.4	**93,202**	82,227
		1,194,200	952,295
With National Bank of Pakistan in			
Local currency current account		**198,632**	74,874
Prize Bonds		**108**	-
		1,825,616	1,438,429

5.1 These accounts are maintained to comply with the statutory cash reserve requirements.

5.2 This represents US Dollar collection account maintained with SBP.

5.3 This represents account maintained with the SBP to comply with Cash reserve requirements against foreign currency deposits.

5.4 This represents account mantained with SBP to comply with the special cash reserve requirement against foreign currency deposits. The return on this account is declared by the SBP on a monthly basis and as at 31 December 2018, it carried mark-up at the rate of 1.35% (2017: 0.37%) per annum.

6. BALANCES WITH OTHER BANKS

	Note	2018	2017
		(Rupees in '000)	
In Pakistan			
In current accounts	6.1	**100**	2,760
		100	2,760
Outside Pakistan			
In current accounts	6.2	**44,548**	62,856
		44,648	65,616

6.1 This represent balance with a related party.

6.2 These include related party balances amounting to Rs. 43.929 million (2017: Rs. 58.590 million).

6.3 Subsequent to the year-end, USD and CHF accounts maintained by the Bank up to 31 December 2018 were closed. Balances in these accounts as of the year-end were Rs. 31.215 million and Rs. 2.586 million respectively. Due to the above closure, the Bank currently is not engaged in any trade finance activity.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2018	2017
		(Rupees in '000)	
Call / clean money lendings	7.2	**139,089**	139,089
Repurchase agreement lendings (Reverse Repo)	7.3 &7.3.1	**1,448,785**	-
		1,587,874	139,089
Less: Provision held against Lendings to Financial Institutions	7.2	**(139,089)**	(139,089)
Lendings to Financial Institutions - net of provision		**1,448,785**	-

7.1 Particulars of lendings

	2018	2017
	(Rupees in '000)	
In local currency	**1,448,785**	-
	1,448,785	-

7.2 This represents financing to two financial institutions that matured on 31 December 2012. Due to default in repayments, full provision has been made against these amounts. Lendings were in local currency.

7.3 Securities held as collateral against lending to financial institutions (Reverse repo)

	Note	2018			2017		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
		(Rupees in '000)					
Market treasury bills	7.3.2	**1,450,000**	-	**1,450,000**	-	-	-

7.3.1 This carries mark-up rates is 10.35% (2017: Nill) per annum, with maturity upto 2 January 2019 (2017: Nill). Subsequently, the amount was received.

7.3.2 Market value of securities held as collateral against lendings to financial institutions is Rs. 1.449 million (2017: Rs. Nill).

7.4 Category of classification

	2018		2017	
	Classified Lending	Provision held	Classified Lending	Provision held
	(Rupees in '000)			
Domestic				
Loss	**139,089**	**(139,089)**	139,089	(139,089)
	139,089	**(139,089)**	139,089	(139,089)

8. INVESTMENTS

8.1 Investments by types

	Note	2018 Cost / Amortised Cost	2018 Provision for Diminuition	2018 Surplus / (Deficit)	2018 Carrying Value	2017 Cost / Amortised Cost	2017 Provision for Diminuition	2017 Surplus / (Deficit)	2017 Carrying Value
		(Rupees in '000)							
Available-for-sale securities									
Market Treasury Bills	8.3 & 8.4	**9,182,603**	-	**(739)**	**9,181,864**	13,583,186	-	(92)	13,583,094
Pakistan Investment Bonds	8.5	**118**	-	**(1)**	**117**	118	-	18	136
Preference shares of a listed company	8.9	**10,000**	**(10,000)**	-	-	10,000	(10,000)	-	-
Ordinary shares of an unlisted company	8.10	**954**	-	-	**954**	954	-	-	954
Term Finance Certificates (TFCs)	8.8	**10,258**	**(7,782)**	-	**2,476**	11,319	(7,781)	-	3,538
Total Investments		**9,203,933**	**(17,782)**	**(740)**	**9,185,411**	13,605,577	(17,781)	(74)	13,587,722

8.2 Investments by segments

		2018 Cost / Amortised Cost	2018 Provision for Diminuition	2018 Surplus / (Deficit)	2018 Carrying Value	2017 Cost / Amortised Cost	2017 Provision for Diminuition	2017 Surplus / (Deficit)	2017 Carrying Value
		(Rupees in '000)							
Federal government securities									
Market Treasury Bills	8.3 & 8.4	**9,182,603**	-	**(739)**	**9,181,864**	13,583,186	-	(92)	13,583,094
Pakistan Investment Bonds	8.5	**118**	-	**(1)**	**117**	118	-	18	136
		9,182,721	-	**(740)**	**9,181,981**	13,583,304	-	(74)	13,583,230
Fully paid-up preference shares									
Listed companies	8.9	**10,000**	**(10,000)**	-	-	10,000	(10,000)	-	-
Fully paid-up ordinary shares									
Unlisted companies	8.10	**954**	-	-	**954**	954	-	-	954
Non government debt securities									
Listed term finance certificates	8.8	**7,782**	**(7,782)**	-	-	7,781	(7,781)	-	-
Unlisted term finance certificates	8.8	**2,476**	-	-	**2,476**	3,538	-	-	3,538
		10,258	**(7,782)**	-	**2,476**	11,319	(7,781)	-	3,538
Total investments		**9,203,933**	**(17,782)**	**(740)**	**9,185,411**	13,605,577	(17,781)	(74)	13,587,722

8.2.1 Investments given as collateral

	2018	2017
	(Rupees in '000)	
Federal government securities		
Market treasury bills	-	3,780,147
	-	3,780,147

8.3 Market Treasury Bills are for the periods of three months. The effective rate of profit on Market Treasury Bills range between 8.56% to 8.58% per annum (2017: 5.91% to 5.943% per annum) with maturities up to January 2019 (2017: March 2018). Repurchase agreement borrowings of Rs. Nil (2017: Rs. 3,778.948 million) are secured against Market Treasury Bills of carrying value Nil (2017: Rs. 3,780.147 million).

8.4 Investments in government securities include securities which are held by the Bank to comply with the statuary liquidity requirements determined as set out under section 29 of the Banking Companies Ordinance, 1962.

8.5 Pakistan Investment Bonds (PIBs) are for the period of ten years. Rates of profit are 11.1% and 13.2% per anum (2017: 11.1% and 13.2% per anum) with maturities in August 2021 and August 2022 (2017: August 2021 and August 2022).

8.6 **Provision for diminution in value of investments**

	Note	2018	2017
		(Rupees in '000)	
Opening balance	8.6.1	**17,781**	17,781
Charge for the year		-	-
Reversal for the year		-	-
		-	-
Reversal on disposal		-	-
Amount written off		-	-
Closing balance		**17,781**	17,781

8.6.1 **Particulars of provision against debt securities**

Category of classification	2018		2017	
	Non performing investments	**Provision**	Non performing investments	Provision
	(Rupees in '000)			
Domestic				
Loss	**17,781**	**17,781**	17,781	17,781
	17,781	**17,781**	17,781	17,781

8.7 **Quality of available for sale securities**

Details regarding quality of available for sale (AFS) securities are as follows:

	Note	Cost	
		2018	2017
		(Rupees in '000)	
8.7.1 **Domestic Securities**			
8.7.1.1 **Federal government securities - Government guaranteed**			
Market Treasury Bills	8.3	**9,182,603**	13,583,186
Pakistan Investment Bonds	8.5	**118**	118
		9,182,721	13,583,304

8.7.1.2 **Shares**

Unlisted Companies

	Note	2018		2017	
		Cost	Break value (Total)	Cost	Break value (Total)
		(Rupees in '000)			
National Institutional Facilitation Technologies (Private) Limited (NIFT)	8.10	**954**	**36,932**	954	34,886

Per share breakup value of NIFT is Rs. 26.06 (2017: Rs. 24.62).

8.7.1.3 **Non government debt securities**

	Note	Rating		Cost	
		2018	2017	2018	2017
				(Rupees in '000)	
Listed TFC					
Telecard Limited - I	8.8	**Unrated**	Unrated	**7,782**	7,782
Unlisted TFC					
Pakistan International Airlines Corporation Limited	8.8	**Unrated**	Unrated	**2,476**	3,538

8.7.1.4 **Preference shares**

Listed Companies					
Chenab Limited	8.9	**Unrated**	Unrated	**10,000**	10,000

8.8 **Term Finance Certificates (TFCs) - available-for-sale**

Investee	Number of certificates held	Paid up value per certificate (Rupees)	Total paid up value (before redemption) (Rupees in '000)	Profit rate	Principal redemption terms	Carrying Value as at 31 December 2018 (Rupees in '000)	Name of the Chief Executive Officer
Listed TFCs							
Telecard Limited	5,000	5,000	25,000	3 months KIBOR p.a.	This represents the listed Term Finance Certificates (TFCs) issued by the Company, effective from 31 December 2015 these TFCs have been restructured for the period of five years carrying mark-up payable on quarterly basis and principal amount redeemable in 12 unequal quarterly instalments starting from 31 March 2018. These TFCs carry mark-up at the rate of three months kibor (2016: three months kibor). These are secured against a first specific charge over the fixed assets of the Company and specific charge over the intangible assets (frequently spectrum) procured from the PTA. The balance has been fully provided.	**7,782**	Syed Aamir Hussain
Unlisted TFCs							
Pakistan International Airlines Corporation Limited*	1,133	5,000	5,665	6 months KIBOR + 1.25% p.a.	6.25% of total issue in 16 equal quarterly instalments starting from May 2016.	**2,476**	Air Marshal Arshad Malik
Total (at cost)						**10,258**	
Provision for diminution (against Telecard Limited)						**(7,782)**	
Total (net of provision) - carrying value as at 31 December 2018						**2,476**	

* Secured against the guarantee of Government of Pakistan (GOP). Subsequently, fully recovered in October 2019.

8.9 **Preference shares of a listed company**

This represents 1 million cumulative redeemable preference shares of a listed company (Chenab Limited) having face value of Rs. 10 each, carrying dividend entitlement at 9.25% per annum on the face value.

Market value of these shares at 31 December 2018 were not available as these shares are not being currently traded. Given the market price of the Company's shares, the Bank has made full provision against these preference shares.

8.10 **Ordinary shares of an unlisted company - a related party**

This represents investment in 1,416,985 ordinary shares (2017: 1,416,985 ordinary shares) of Rs. 10 each of National Institutional Facilitation Technologies (Private) Limited (NIFT). The Bank's investment in NIFT is carried at cost (less impairement losses, if any). One employee of the Bank is a Director of NIFT, however, the Bank does not have significant influence over the entity. The Bank has 5.67% (2017: 5.67%) stake in the above company.

9. ADVANCES

	Note	Performing		Non Performing		Total	
		2018	2017	2018	2017	2018	2017
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	9.2	**8,749,600**	8,459,058	**1,990,006**	1,670,104	**10,739,606**	10,129,162
Advances - gross		**8,749,600**	8,459,058	**1,990,006**	1,670,104	**10,739,606**	10,129,162
Provision against non-performing advances							
- specific	9.3	-	-	**(1,306,277)**	(1,246,569)	**(1,306,277)**	(1,246,569)
- general	9.3	**(13,936)**	(6,962)	-	-	**(13,936)**	(6,962)
		(13,936)	(6,962)	**(1,306,277)**	(1,246,569)	**(1,320,213)**	(1,253,531)
Advances - net of provisions		**8,735,664**	8,452,096	**683,729**	423,535	**9,419,393**	8,875,631

9.1 Particulars of advances - gross

	2018	2017
	(Rupees in '000)	
In local currency	**10,739,606**	10,129,162
In foreign currencies	-	-
	10,739,606	10,129,162

9.2 Advances include Rs. 1,990.006 million (2017: Rs. 1,670.104 million) which have been placed under the non-performing status as detailed below:

Category of classification	2018		2017	
Domestic	**Non performing loans**	**Provision**	Non performing loans	Provision
	(Rupees in '000)			
Other Assets Especially Mentioned	**6,318**	**92**	1,261	-
Substandard	**310,175**	**250**	-	-
Doubtful	**26,227**	**-**	100,253	8,489
Loss	**1,647,286**	**1,305,935**	1,568,590	1,238,080
	1,990,006	**1,306,277**	1,670,104	1,246,569

9.3 Particulars of provision against advances

	2018			2017		
	Specific	**General**	**Total**	Specific	General	Total
	(Rupees in '000)					
Opening balance	**1,246,569**	**6,962**	**1,253,531**	1,256,793	8,631	1,265,424
Charge for the year	**127,725**	**6,974**	**134,699**	127,479	3,490	130,969
Reversals	**(68,017)**	**-**	**(68,017)**	(113,456)	(5,159)	(118,615)
Net charge / (reversal) for the year	**59,708**	**6,974**	**66,682**	14,023	(1,669)	12,354
Amounts written off	-	-	-	(24,136)	-	(24,136)
Reversal against provision as per court order	-	-	-	(111)	-	(111)
Closing balance	**1,306,277**	**13,936**	**1,320,213**	1,246,569	6,962	1,253,531

9.3.1 Particulars of provision against advances

	2018			2017		
	Specific	**General**	**Total**	Specific	General	Total
	(Rupees in '000)					
In local currency	**1,306,277**	**13,936**	**1,320,213**	1,246,569	6,962	1,253,531
In foreign currencies	-	-	-	-	-	-
	1,306,277	**13,936**	**1,320,213**	1,246,569	6,962	1,253,531

9.3.2 Consideration of forced sales value (FSV) for the purposes of provisioning against non-performing loans

9.3.2.1 In accordance with BSD Circular No. 1 dated 21 October 2011 issued by the State Bank of Pakistan, the Bank has availed the benefit of Forced Sale Value (FSV) against the non-performing advances. Had the benefit under the said circular not been taken by the Bank, specific provision against non - performing advances as of the period end would have been higher by Rs. 432.299 million (31 December 2017: Rs. 372.274 million) and loss after tax would have been higher by same amount in both years. The FSV benefit recognized will not be available for the distribution of cash and stock dividend to shareholders.

9.3.2.2 As per the revised Prudential Regulations issued for the Corporate / Commercial Banking vide BPRD Circular No. 06 of 2014 dated June 26, 2014, the cumulative FSV benefit recognized in respect of customers under Corporate / Commercial Banking is Rs. 219.450 millions (December 31, 2017: Rs. 192.847 million) and is not available for distribution of cash or stock dividend / bonus to employees.

9.3.2.3 Subsequent to the year-end in 2021, the management decided to not to avail the FSV benefits and as such these have not been considered in the management accounts as of 31 December 2021. However, the Bank continued to avail this benefit in the management accounts for the year-ended 31 December 2019 and 31 December 2020.

9.3.2.4 General provision represents provision against consumer loans maintained at an amount equal to 1% of the fully secured performing portfolio and 4% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP and against Small Enterprises financing maintained at an amount equal to 1% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP.

9.4 Particulars of write offs

		Note	2018	2017
			(Rupees in '000)	
9.4.1	Against provisions			
	Directly charged to profit and loss account	*9.3*	-	24,136
			-	-
			-	24,136
9.4.2	Write offs of Rs. 500,000/- and above		-	24,136
	Write offs of below Rs. 500,000/-		-	-
			-	24,136

9.5 Details of loan write off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended 31 December 2018 has not been given as there were no write-offs during the year.

10. FIXED ASSETS

	Note	2018	2017
		(Rupees in '000)	
Capital work-in-progress	*10.1*	**55**	49
Property and equipment	*10.2*	**320,158**	279,260
		320,213	279,309

10.1 Capital work-in-progress

	2018	2017
	(Rupees in '000)	
Civil works	**55**	49

10.2 **Property and equipment**

	2018						
	Leasehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvement	Total
	(Rupees in '000)						
At January 1, 2018							
Cost / Revalued amount	57,787	172,462	69,199	260,959	13,275	47,843	621,525
Accumulated depreciation	-	(10,929)	(57,881)	(226,235)	(11,160)	(36,060)	(342,265)
Net book value	57,787	161,533	11,318	34,724	2,115	11,783	279,260
Year ended December 2018							
Opening net book value	57,787	161,533	11,318	34,724	2,115	11,783	279,260
Additions	-	-	1,458	13,108	2,697	1,060	18,323
Movement in surplus on assets revalued during the year	20,740	46,163	-	-	-	-	66,903
Disposals- Cost	-	-	(406)	(2,035)	-	-	(2,441)
Disposals - accumulated depreciation	-	-	382	2,035	-	-	2,417
Depreciation charge for the year	-	(8,502)	(4,695)	(18,432)	(1,378)	(5,381)	(38,388)
Impairment loss recognised in the profit and loss account	-	(5,916)	-	-	-	-	(5,916)
Closing net book value	78,527	193,278	8,057	29,400	3,434	7,462	320,158
At December 31, 2018							
Cost / Revalued amount	78,527	212,709	70,251	272,032	15,972	48,903	698,394
Accumulated depreciation	-	(19,431)	(62,194)	(242,632)	(12,538)	(41,441)	(378,236)
Net book value	78,527	193,278	8,057	29,400	3,434	7,462	320,158
Rate of depreciation (percentage)	-	5%	20%	33.33%	20%	20%	

	2017						
	Leasehold land	Building /office premises on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Lease hold improvement	Total
	(Rupees in '000)						
At January 1, 2017							
Cost / Revalued amount	57,787	172,462	69,786	225,086	18,234	45,884	589,239
Accumulated depreciation	-	(2,427)	(54,147)	(204,455)	(15,009)	(29,446)	(305,484)
Net book value	57,787	170,035	15,639	20,631	3,225	16,438	283,755
Year ended December 2017							
Opening net book value	57,787	170,035	15,639	20,631	3,225	16,438	283,755
Additions	-	-	2,623	36,766	735	1,959	42,083
Disposals	-	-	(3,210)	(893)	(5,694)	-	(9,797)
Depreciation charge for the year	-	(8,502)	(6,361)	(22,673)	(899)	(6,614)	(45,049)
Accumulated depreciation of disposals	-	-	2,627	893	4,748	-	8,268
Closing net book value	57,787	161,533	11,318	34,724	2,115	11,783	279,260
At December 31, 2017							
Cost / Revalued amount	57,787	172,462	69,199	260,959	13,275	47,843	621,525
Accumulated depreciation	-	(10,929)	(57,881)	(226,235)	(11,160)	(36,060)	(342,265)
Net book value	57,787	161,533	11,318	34,724	2,115	11,783	279,260
Rate of depreciation (percentage)	-	5%	20%	33.33%	20%	20%	

10.2.1 The leasehold land and buildings of the Bank were revalued on December 31, 2018 by an independent valuer Anjum Adil Associates on market value basis after making independent market inquires from local estate agents / realtors in the vicinity to establish the present market value. The revaluations of the above assets were last carried out in 2016, 2014, 2011, 2008 and 2006. The resulting surplus has been credited to the revaluation surplus account, net of related tax effect. The details of revalued amounts (gross) as at December 31, 2018 are as follows:

	Note	Revaluation as of 31 December	
		2018	2017
		(Rupees in '000)	
Total revalued amount of Leasehold land	*10.2.4*	**78,527**	57,787
Total revalued amount of buildings Buildings on Leasehold land	*10.2.4*	**193,278**	161,533
		271,805	219,320

Had the land and buildings not been revalued, total carrying amounts as at 31 December would have been as follows (at cost less accumulated depreciation):

	2018	2017
	(Rupees in '000)	
Leasehold land	**3,287**	3,287
Buildings on Leasehold land	**38,686**	47,085
	41,973	50,372

10.2.2 The total of forced sale values based on the revaluations explained in note 10.2.1 above are as follows:

	Forced sale value
	(Rupees in '000)
Leasehold land	**62,592**
Buildings on Leasehold land	**154,623**
	217,215

10.2.3 The cost of fully depreciated assets that are still in use are as follows:

	2018	2017
	(Rupees in '000)	
Building improvement	**30,866**	18,558
Furniture and fixtures	**51,589**	43,671
Electrical, office and computer equipment	**199,664**	203,973
Vehicle	**9,061**	9,061
	291,180	275,263

10.2.4 Summarized details of the valuation of properties across the country:

Location of properties	Note	**Original cost**			**Revalued amount (net of depreciation) / cost***		
		Land	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
		(Rupees in '000)			**(Rupees in '000)**		
Mehdi Tower, Karachi		-	5,167	5,167	-	34,004	34,004
New Town, Karachi		-	1,348	1,348	-	22,191	22,191
Sukkur		-	1,017	1,017	-	16,609	16,609
Faisalabad		-	4,873	4,873	-	10,608	10,608
F.B. Area, Karachi		-	815	815	-	17,560	17,560
Gulshan-e-Iqbal, Karachi		-	1,322	1,322	-	9,424	9,424
P.E.C.H.S., Karachi	*10.2.5*	3,000	6,760	9,760	78,240	9,982	88,222
Mirpurkhas (Idle Propery)	*10.2.6**	162	-	162	162		162
Kohat (Idle Propery)	*10.2.7**	-	708	708	-	-	-
Nawabshah (Idle Propery	*10.2.8**	125	-	125	125		125
Regional Office Lahore		-	60,000	60,000	-	72,900	72,900
		3,287	**82,010**	**85,297**	**78,527**	**193,278**	**271,805**

* At cost due to the reasons given below. Amounts are not considered to be material.

10.2.5 This property is under litigation as various complaints were lodged against the Bank on the grounds that the property is being used for commercial purpose contrary to its legal status as a residential property and that floor plans of the first and second floors of this property are not approved by the relevant authorities. The Bank filed a Suit for Permanent Injunction before a Civil Judge against the complainant while informing the court that it has taken necessary action for the regularization and bringing the construction existing on the Bank's property within the parameter stipulated by Sindh Building Control Authority (SBCA).

However, since the notification for regularization of unapproved construction has been suspended consequent to the Constitutional Petition no. D-408/2012 pending before High Court of Sindh, Karachi, the Bank became a party to the Constitutional Petition and moved a sine-die application before IV-Senior Civil Judge. Consequently, the proceedings of the case pending before IV-Senior Civil Judge were adjourned sine-die till the decision of Constitutional Petition no. D-408/2012 pending before the High Court of Sindh. The Bank's legal consultant has confirmed that the Bank is not likely to suffer any losses in the Constitutional Petition.

10.2.6 The property was awarded to the Bank by the Government of Pakistan for the purpose of carrying out Bank's business. The Bank has not utilized this property and is idle. Therefore, the Bank's management had decided to sell the property after obtaining prior approval from the Government of Pakistan. However, the Bank has not been able to secure the approval of Government of Pakistan because of Supreme Court of Pakistan's restraining order in suo moto case no. 16/2011 which prohibits the sale/transfer/mutation of state lands till further order. Suo moto case was initiated by the Supreme Court of Pakistan as multiple cases were reported in which government properties were being illegally transferred in fake deals. Since the property is idle, the Bank has obtained extension in time specified in Section 10 of the Banking Companies Ordinance, 1962 for holding of idle properties from the State Bank of Pakistan (SBP) and the SBP has allowed the Bank to retain the property at Mirpurkhas till the order in suo moto case no. 16/2011 remains effective.

10.2.7 This represent temporarily idle property for which extension in time specified in Section 10 of the Banking Companies Ordinance, 1962 for holding of such properties has been obtained by the Bank from State Bank of Pakistan (SBP). Kohat property has been written down to book value of Re. 1 owing to difficulties faced by the Bank in disposing off the said property and the SBP has allowed the Bank to retain the property till the situation is favorable for sale of this property.

10.2.8 The land at Nawabshah was granted to the Bank for the construction of bank building on the directives of Chief Minister Sindh. However, a person illegally raised claim on the property and illegally transferred the property to two other parties. This was contended by the Bank in the Court of 1st Senior Civil Judge, Nawabshah and the suit was decreed in Bank's favour. Consequently, execution application was filed by the Bank to execute the Judgment Decree requiring revenue authorities to demarcate the land and issue title documents in the name of the Bank. No decision has yet been issued in respect of the execution application to date and the Bank does not have possession of this property. The Bank is still pursuing this matter and the Bank's lawyer responsible for the concerned matter is of the view that the Bank's interest is sufficiently secured with no likelihood of any apparent loss. The property is recorded at Rs. 125,000 being the amount of lease money deposited with Municipal Committee, Nawabshah. Accordingly, due to the above reasons, and in view of the uncertainty still involved, the Bank has not revalued the above land.

10.2.9 Details of disposals of fixed assets during the year

		Cost	Accumulated depreciation	Carrying value	Sale proceeds	Mode of disposal	Particulars of buyers
		(Rupees in '000)					
Furniture and fixtures							
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000:							
Miscellaneous items		406	382	24	62	Auction / quotation	Various
Electrical, office and computer equipment							
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000:							
Miscellaneous items		2,035	2,035	-	214	Auction / quotation	Various
Total	**2018**	**2,441**	**2,417**	**24**	**276**		
Total	2017	5,798	5,513	285	2,436		

11. INTANGIBLE ASSETS

	Note	2018	2017
		(Rupees in '000)	
Capital work-in-progress	11.1	4,959	4,944
Intangible assets	11.2	31,436	39,293
		36,395	44,237

11.1 Capital work-in-progress

Software up gradation (advance to the consultant)	2,784	2,515
Payments to consultant for up gradation of IT setup	2,175	2,429
	4,959	4,944

11.2 At 1 January

Cost	85,765	71,743
Accumulated amortisation and impairment	(46,472)	(39,726)
Net book value	39,293	32,017
Year ended December		
Opening net book value	39,293	32,017
Additions	2,936	14,022
Amortisation charge	(10,793)	(6,746)
Closing net book value	31,436	39,293
At 31 December		
Cost	88,701	85,765
Accumulated amortisation and impairment	(57,265)	(46,472)
Net book value	31,436	39,293
Rate of amortisation (percentage)	10-33%	
Useful life in years	3-10	

11.3 The cost of fully amortised intangible assets (computer software) still in use is Rs. 31.48 million (2017: Rs. 22.58 million).

11.4 Change in an accounting estimate

During the year, the management carried out a review of the estimate of the useful lives of above intangibles assets and in case of certain softwares it was revised from 5 years to 3 years. The revision has been made after considering the expected pattern of the recovery of economic benefits associated with the use of these softwares. The revision has been accounted for as a change in accounting estimate as defined in International Accounting Standards. Had the revision in the useful lives not been made, amortization charge for the year and loss for the year would have been lower by Rs. 2.23 million while the balance in the above-mentioned assets would have been higher by the same amount. Effect of the above revision, resulting in the increase / (reduction) of expenses of the future years would be as follows:

31 December 2019	31 December 2020	31 December 2021	31 December 2022	31 December 2023
(Rupees in '000)				
1,483	161	(3,484)	(2,473)	(478)

12. DEFERRED TAX ASSET / (LIABILITY)

	Balance as at 1 January 2017	Recognised in profit and loss account	Recognised in other comprehensive income / equity	Balance as at 31 December 2017	Recognised in profit and loss account	Recognised in other comprehensive income / equity	Balance as at 31 December 2018
	(Rupees in '000)						
Deductible temporary differences on:							
Accelerated tax depreciation	31,246	(3,562)	-	27,684	(27,684)	-	-
Provision for non-performing and off - balance sheet	157,104	(59,839)	-	97,265	(97,265)	-	-
Unabsorbed depreciation / amortization	65,510	(60)	-	65,450	(65,450)	-	-
(Deficit) on revaluation of investments	-	-	26	26	-	(26)	-
Tax losses carried forward	43,199	(43,199)	-	-	-	-	-
	297,059	(106,660)	26	190,425	(190,399)	(26)	-
Taxable temporary differences on:							
Surplus on revaluation of							
-Buildings	(40,691)	2,106		(38,585)	2,106	(16,157)	(52,636)
-Investments	(6,733)	-	6,733	-	-	-	-
	(47,424)	2,106	6,733	(38,585)	2,106	(16,157)	(52,636)
Net deferred tax liability	249,635	(104,554)	6,759	151,840	(188,293)	(16,183)	(52,636)

12.1 As a matter of abundant caution, the bank has not recorded deferred tax asset of Rs. 168 million and Rs. 60 million on deductible temporary differences representing taxable business losses of Rs 480 million and unabsorbed depreciation of Rs. 172 million respectively. The bank during the year decided to derecognize deferred tax asset of Rs. 93.134 million on unabsorbed depreciation and provision against non-performing loans amounting to Rs. 97.265 million as a matter of caution.

13. OTHER ASSETS

	Note	2018	2017 (Restated)
		(Rupees in '000)	
Income / mark-up accrued in local currency	13.1	226,877	149,200
Income / mark-up accrued in foreign currency		-	-
Advances, deposits, advance rent and other prepayments	13.2	184,836	66,636
Advance taxation (payments less provisions)		-	133,090
Mark to market gain on forward foreign exchange contracts		44	570
Acceptances		501,979	7,653
Suspense account (fully provided)		5,001	3,250
ATM Settlement Account (fully provided)		8,597	4,091
Receivable against encashment of instruments		3,039	3,190
Receivable from defined benefit plan	35.4	-	33,748
Stationary & stamps on hand		856	925
Others		1,477	791
		932,706	403,144
Provision against other assets	13.3	(13,600)	(6,253)
Other assets (net of provision)		919,106	396,891

13.1 Includes markup receivable of Rs. 14.356 million (2017: Rs. 8.605 million) due from the State Bank of Pakistan on subsidized loans.

13.2 This includes Rs. 123.7 million bid amount deposited by the Bank with the Banking court for the purchase of a mortgaged property located in Karachi in an auction proceeding. The Bank proceeded to purchase the property during an auction conducted by the Banking Court as part of the recovery suit against the property's owner (judgement debtor) who had defaulted on a loan from the Bank amounting to Rs. 43.205 million. Consequent to the deposit of the bid money by the Bank which was based on a valuation carried out by an external valuer, the judgment debtor filed objection against the confirmation of the sale in favor of the Bank on the ground that the property is valued at Rs. 216.92 million whereas it is being sold at previous valuation which is lower. Accordingly, Banking Court through order dated 24.12.2018, declined to confirm sale in favor of Bank and directed to return the bid amount Rs. 123.7 million to the Bank and further directed for fresh valuation of the mortgaged property at the cost of judgment debtor. The Bank has filed an appeal in the Sindh High Court against the order of the Banking Court and contends that the mortgaged property be handed over to the Bank. The management in consultation with the Bank's lawyer is hopeful of a positive outcome. On the final judgment of the Sindh High Court, the Bank's loan amount and the cost of funds is expected to be paid to the Bank.

13.3 Provision held against other assets

	Note	2018	2017
		(Rupees in '000)	
Fraud and forgery (including suspense account)		5,003	6,253
ATM Settlement Account		8,597	-
	13.4	13,600	6,253

13.4 Movement in provision held against other assets

Opening balance	6,253	10,421
Charge for the year	8,797	-
Amount Written off	(1,450)	-
	7,347	-
Transfer	-	(4,168)
Closing balance	13,600	6,253

Th earlier reported balance of provision held against other assets at 31 December 2017 was Rs. 10.421 million. This also included provisions against (suspension of interest) of Rs. 4.168 million due against non-performing loans and advances. In the current year the suspension of interest / mark-up income has been adjusted against the gross interest / mark-up receivable balance. Corresponding figure as of 31 December 2017 has also been so adjusted, with no impact in the bottom-line.

Restatement of 2017 figures is due to the inclusion of acceptances figure in 2017 as more fully explained in note 2.3.2.

14. CONTINGENT ASSETS

There were no contingent assets of the Bank as at 31 December 2018 and 31 December 2017. However, several recovery suits have been filed by the Bank.

15. BILLS PAYABLE

	Note	2018	2017
		(Rupees in '000)	
In Pakistan		**245,034**	558,584
Outside Pakistan		**4,220**	3,010
		249,254	561,594

16. BORROWINGS

Secured			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	16.2	**36,000**	37,700
Under revised SBP Financing Scheme for Renewable Energy	16.3	**71,616**	87,184
Under Refinance & Credit Guarantee Scheme for Women Enterpreneurs in underserved areas	16.4	**1,350**	-
		108,966	124,884
Repurchase agreement borrowings (Repo)		**-**	3,778,948
		108,966	3,903,832

16.1 Particulars of borrowings with respect to currencies

In local currency	**108,966**	3,903,832
In foreign currencies	**-**	-
	108,966	3,903,832

16.2 The Bank has entered into an arrangement for financing with the State Bank of Pakistan (SBP) to extend export finance to its customers. As per the arrangement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. This carries mark-up rate of 1% per annum (2017: 1% per annum). These borrowings are repayable by 01 April 2019.

16.3 The Bank has entered into an arrangement for financing with the State Bank of Pakistan (SBP) under Revised SBP Financing Scheme for Renewable Energy. As per the arrangement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. This carries mark-up rate of 2% per annum (2017: 3% per annum). These borrowings are repayable by September 2024.

16.4 These borrowings have been obtained from SBP under the refinance and credit guarantee scheme for women enterprenuers in underserved areas for setting up of new units and meet credit needs of business. The borrowings are repayable in equal quarterly installments after grace period if any and does not carry any interest. The rate of markup for end users under the facility is up to 5% per anum. The loss, if any, includes risk coverage of 60% of the outstanding principal by the State Bank of Pakistan.

17. DEPOSITS AND OTHER ACCOUNTS

Customers	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Current deposits	**3,578,644**	**41,152**	**3,619,796**	3,181,364	47,982	3,229,346
Savings deposits	**13,119,006**	**530,168**	**13,649,174**	11,113,637	488,842	11,602,479
Term deposits	**767,844**	**6,943**	**774,787**	1,117,248	13,348	1,130,596
Others	**309,006**	**-**	**309,006**	266,896	-	266,896
	17,774,500	**578,263**	**18,352,763**	15,679,145	550,172	16,229,317
Financial institutions						
Current deposits	**11,845**	**-**	**11,845**	32	-	32
Savings deposits	**9**	**-**	**9**	-	-	-
Term deposits	**10,000**	**-**	**10,000**	-	-	-
	21,854	**-**	**21,854**	32	-	32
	17,796,354	**578,263**	**18,374,617**	15,679,177	550,172	16,229,349

17.1 Composition of deposits

	2018	2017
	(Rupees in '000)	
- Individuals	**5,900,340**	4,888,445
- Government (Federal and Provincial)	**7,001,224**	6,647,000
- Public Sector Entities	**428,284**	458,000
- Non-Banking Financial Institutions	**21,854**	21,000
- Private Sector	**5,022,915**	4,214,904
	18,374,617	16,229,349

17.2 This includes deposits of Rs. 8,264.336 million (2017: Rs. 8,151.208 million) which are covered under deposit protection mechanism as required by the Deposit Protection Corporation circular No. 4 of 2018.

18. OTHER LIABILITIES

	Note	2018	2017 (Restated)
		(Rupees in '000)	
Mark-up/ Return/ Interest payable in local currency		**386,904**	232,778
Mark-up/ Return/ Interest payable in foreign currency		**177**	137
Unearned commission and income		**10,273**	8,148
Accrued expenses		**47,121**	44,691
Payable against purchase of fixed assets		**5,432**	3,132
Acceptances		**501,979**	7,653
Mark to market loss on forward foreign exchange contracts		**205**	9
Branch adjustment account		**163**	15,216
Payable under a defined benefit scheme	*36*	**7,140**	7,028
Payable to staff retirement defined benefit plans	*35.7*	**36,588**	-
Provision for employees' compensated absences	*37*	**71,442**	74,763
Provident fund payable to the members	*18.1*	**11,463**	-
Staff Welfare Fund		**2,170**	2,096
Benevolent fund balance (being refunded to the employees)		**2,049**	5,151
Clearing proceeds awaiting clearance		**2,368**	3,095
Others	*18.2*	**12,545**	8,221
		1,098,019	412,118

18.1 This represents the provident fund balance payable to the members of the Provident Fund. The Fund was discontinued in the previous year and the balance in its records were transferred to the Bank for onwards settlement to the members. As of the current date, the balance has reduced to Rs. 5.7 million.

18.2 This includes, Rs. 1.953 million against taxes deducted / collected by the Bank for onwards payment to the Government treasury and security deposits collected by the Bank amounting to Rs. 2.09 million.

18.3 Restatement of 2017 figures is due to the inclusion of acceptances figure in 2017 as explained in note 2.3.2.

19. SHARE CAPITAL

19.1 Authorised capital

2018 (Number of shares)	2017 (Number of shares)		2018 (Rupees in '000)	2017 (Rupees in '000)
600,000,000	600,000,000	Ordinary shares of Rs. 10/- each	6,000,000	6,000,000

19.2 Issued, subscribed and paid-up-capital

2018 (Number of shares)	2017 (Number of shares)	Ordinary shares of Rs 10/- each	2018 (Rupees in '000)	2017 (Rupees in '000)
334,365,000	334,365,000	- Fully paid in cash	3,343,650	3,343,650
65,046,250	65,046,250	- Issued as bonus shares	650,463	650,463
399,411,250	399,411,250		3,994,113	3,994,113

19.3 Shareholders (associated undertakings)

	2018		2017	
	Number of shares held	Percentage of shareholding %	Number of shares held	Percentage of shareholding %
Federal Government of Pakistan through Ministry of Finance	330,088,793	82.64	330,088,793	82.64
MCB Bank Limited	23,095,324	5.78	23,095,324	5.78
Habib Bank Limited	23,095,324	5.78	23,095,324	5.78
Allied Bank Limited	7,734,927	1.94	7,734,927	1.94
National Bank of Pakistan	7,698,441	1.93	7,698,441	1.93
United Bank Limited	7,698,441	1.93	7,698,441	1.93
	399,411,250	100	399,411,250	100

20. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

	Note	2018	2017 (Restated)
		(Rupees in '000)	
Surplus / (Deficit) on revaluation of			
- Available for sale securities	8.2	(740)	(74)
- Operating fixed assets	20.1	229,833	168,948
		229,093	168,874
Less: Deferred tax on Surplus / (Deficit) on revaluation of			
- Available for sale securities	8.2	-	(26)
- Operating fixed assets		52,636	38,585
		52,636	38,559
Surplus arising on revaluation (net of tax)		176,457	130,315
Reconciliation of surplus on fixed assets - net of deferred tax.			
Surplus as of the year-end		229,833	168,948
Deferred tax on surplus		(52,636)	(38,585)
		177,197	130,363

20.1 Surplus on revaluation of operating fixed assets

Surplus on revaluation of operating fixed assets as at January 1	168,948	170,853
Charge in policy (note 4.1)	-	4,113
Surplus on revaluation of operating fixed assets as at January 1- restated	168,948	174,966
Recognised during the year		
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	66,903	-
Related deferred tax liability on incremental depreciation charged during the year	(3,912)	(3,912)
Surplus on revaluation of operating fixed assets as at 31 December	(2,106)	(2,106)
	229,833	168,948
Less: related deferred tax liability on:		
- revaluation as at January 1	38,585	40,691
- revaluation recognised during the year	16,157	-
- incremental depreciation charged during the year	(2,106)	(2,106)
	52,636	38,585
	177,197	130,363

21. CONTINGENCIES AND COMMITMENTS

	Note	2018	2017
		(Rupees in '000)	
Guarantees	21.1	**844,289**	753,784
Commitments	21.2	**3,043,331**	493,948
Other Contigent Liablities	21.3	**1,183,000**	1,202,655
		5,070,620	2,450,387

21.1 Guarantees

Financial Guarantee	**-**	-
Performance Guarantee	**844,289**	753,784
Other guarantees	**-**	-
	844,289	753,784

21.2 Commitments

Documentary credits and short-term trade-related transactions:			
Letters of credit		**214,940**	140,347
Commitments in respect of:			
Forward foreign exchange contracts	21.2.1	**361,136**	309,510
Forward government securities transactions	21.2.2	**2,460,960**	-
Acquisition of Intangibles		**6,295**	8,897
Forward Swaps	21.2.3	**-**	35,194
		3,043,331	493,948

21.2.1 Commitments in respect of forward foreign exchange contracts

Purchase - Banks	**354,243**	309,510
Sale - Banks	**6,893**	-

21.2.2 Commitments in respect of forward government securities transactions

Purchase - Banks	**2,460,960**	-
Sale - Banks	**-**	-

21.2.3 Commitments in respect of forward Swaps

Purchase - Banks	**-**	17,597
Sale - Banks	**-**	17,597

21.3 These mainly represent counter claims by borrowers for damages / compensations and employee reinstatement claims. Based on legal advices and internal assessments, the management is confident that these will be decided in the Bank's favour.

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank, as a policy does not enter into derivatives except for forward foreign exchange contracts and foreign exchange currency swaps, which are primarily backed by trade finance related business of customers.

23. MARK-UP / RETURN / INTEREST EARNED

	Note	2018	2017
		(Rupees in '000)	
Loans and advances	23.1	**770,188**	658,384
Investments		**644,402**	630,246
Lending to financial institutions		**43,803**	4,964
Balances with banks		**816**	599
		1,459,209	1,294,193

23.1 Includes Rs. 10.077 million (2017: Rs. 8.918 million) from the State Bank of Pakistan on subsidised loans given by the Bank to the borrowers.

24. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	**604,728**	436,627
Borrowings	**99,726**	165,197
Cost of foreign currency swaps against foreign currency deposits	**4,030**	1,335
	708,484	603,159

25. FEE & COMMISSION INCOME

	Note	2018	2017
		(Rupees in '000)	
Branch banking customer fees		29,999	31,620
Credit related fees		3,447	3,255
Consumer Finance related fees		8,151	3,225
Card related fees		3,041	2,915
Commission on trade		11,592	8,454
Commission on guarantees		12,120	12,469
Commission on bancassurance		2,188	3,130
Others		2,715	1,150
		73,253	66,218

26. GAIN / (LOSS) ON SECURITIES - Net

Realised			
Federal government securities		63	36
Shares		(717)	6,157
		(654)	6,193

27. OTHER INCOME

Gain on sale of fixed assets-net		221	2,151
Grant income amortised		359	16,500
Tender fee received		668	940
Reversal of markup expense on borrowing from SBP under export refinance scheme	27.1	1,837	-
Recovered from employees against unserved notice period		337	631
Others		-	330
		3,422	20,552

27.1 This represents reduction in the mark-up charged by the State Bank of Pakistan on export refinance borrowing relating to the previous year.

28. OPERATING EXPENSES

Total compensation expense	28.1	474,145	489,080
Property expense			
Rent & taxes		213,168	95,487
Insurance (including deposit protection)		20,510	10,295
Utilities cost		38,477	40,029
Security (including guards)		38,946	30,695
Repair & maintenance		17,937	15,714
Depreciation		13,882	15,116
Impairment loss	10.2	5,916	-
		348,836	207,336
Information technology expenses			
Software maintenance		12,534	10,183
Hardware maintenance		13,250	11,745
Depreciation (IT related)		18,432	22,673
Amortisation	11.2	10,793	6,747
		55,009	51,348
Other operating expenses			
Directors' fees and allowances	38.1	1,595	1,865
Legal & professional charges		13,765	15,766
Outsourced services costs	34.1	19,647	17,658
Travelling & conveyance		7,155	9,353
NIFT clearing charges		12,757	11,364
Depreciation		6,073	7,260
Training & development		1,276	9,199
Postage & courier charges		7,854	6,979
Communication		27,746	29,383
Stationery & printing		12,830	13,135
Marketing, advertisement & publicity		9,807	6,384
Entertainment		5,499	6,089
Membership and subscriptions		1,599	2,074
Auditors Remuneration	28.2	11,761	5,267
Others		10,832	3,481
		150,196	145,257
		1,028,186	893,021

28.1 Total compensation expense

	Note	2018	2017
		(Rupees in '000)	
Managerial Remuneration		**416,930**	432,918
Fixed			
Charge for defined benefit plans	28.1.1	**50,511**	50,638
Others		**6,704**	5,524
		474,145	489,080

28.1.1 Charge for defined benefit plan

This represents charge for pension amounting to Rs 43.5 million, gratuity amounting to Rs 9.2 million (net of available balance), charge for unfunded gratuity amounting to Rs. 0.13 million and reversal of provision for compensated abscenses anounting to Rs 2.3 million.

28.2 Auditors' remuneration

Audit fee	**6,975**	1,775
Fee for other statutory certifications	**2,375**	2,375
Agreed upon procedures report	**1,800**	-
Tax services	**-**	420
Out-of-pocket expenses	**611**	697
	11,761	5,267

29. OTHER CHARGES

Penalties imposed by the SBP	**9,361**	3,838

30. PROVISIONS & WRITE OFFS - NET

Provision against loan & advances - net	9.3	**66,682**	12,354
Provision for diminution in value of investments - net	8.6	**-**	-
Provision against other assets		**8,797**	-
Others		**-**	3,212
		75,479	15,566

31. TAXATION

Current	31.2	**19,683**	17,478
Deferred	12	**188,293**	104,554
		207,976	122,032

31.1 Reconciliation of tax charge to the accounting income is as follows:

Accounting loss before tax for the year		**(248,632)**	(115,935)
Taxable asset at 35% (2017: 35%)		**(87,021)**	(40,577)
Deferred tax asset not recognised		**86,160**	39,234
Minimum tax charge for the year	31.2	**19,683**	17,478
Deferred tax asset written off	12	**188,293**	104,554
Permenent difference		**861**	1,343
		207,976	122,032

31.2 The current tax charge represents charge for minimum tax under Section 113 of the Income Tax Ordinance, 2001.

31.3 Income tax return up to the tax year 2021 (financial year ended 31 December 2020) have been filed which are deemed to have been assessed under Section 120 of the Income Tax Ordinance, 2001 (unless selected for assessment by the taxation authorities). Certain appeals are pending with the Commissioner of Inland Revenue (Appeal), Appellate Tribunal Inland Revenue (ATIR) and High court. However, adequate provisions are being held by the Bank.

32. BASIC AND DILUTED EARNINGS PER SHARE (Loss)

	Note	2018	2017
		(Rupees in '000)	
Loss after taxation		**(456,608)**	(237,967)
		(Number in '000)	
Weighted average number of ordinary shares		**399,411**	387,356
		(Rupees)	
Basic and diluted loss per share		**(1.14)**	(0.61)

33. CASH AND CASH EQUIVALENTS

		(Rupees in '000)	
Cash and balances with treasury banks	5	**1,825,616**	1,438,429
Balances with other banks	6	**44,648**	65,616
		1,870,264	1,504,045

33.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2018									
	Liabilities					Equity				
	Bills payable	Borrowings	Deposits and other accounts	Deferred tax liabilities	Other liabilities	Share capital	Statutory Reserves	Surplus on revaluation of asset - net of tax	Accumulated losses	Total
	(Rupees in '000)									
Balance as at 1 January 2018	561,594	3,903,832	16,229,349	-	412,118	3,994,113	307,717	130,315	(699,363)	24,839,675
Total changes from financing cash flows										
Other changes										
Liability-related										
Changes in bills payable	(312,340)	-	-		-	-	-	-	-	(312,340)
Changes in borrowing	-	(3,794,866)	-		-	-	-	-	-	(3,794,866)
Changes in deposits and other accounts	-	-	2,145,268		-	-	-	-	-	2,145,268
Changes in deferred tax liabilities				52,636						52,636
Changes in other liabilities	-	-	-		685,901	-	-	-	-	685,901
Total liabity related to other changes	(312,340)	(3,794,866)	2,145,268	52,636	685,901	-	-	-	-	(1,223,401)
Total equity related other changes	-	-	-		-	-	-	46,142	(462,849)	(416,707)
Balance as at 31 December 2018	249,254	108,966	18,374,617	52,636	1,098,019	3,994,113	307,717	176,457	(1,162,212)	23,199,567

	2017									
	Liabilities					Equity				
	Bills payable	Borrowings	Deposits and other accounts	Deferred tax liabilities	Other liabilities	Share capital	Statutory Reserves	Surplus on revaluation of asset - net of tax	Accumulated losses	Total
	(Rupees in '000)									
Balance as at 1 January 2017	214,155	743,909	13,708,791	-	386,852	3,494,113	307,717	142,667	(463,975)	18,534,229
Change in accounting policy as at 1 January 2017	-	-	-		-	-	-	4,113	(4,113)	-
Balance as at January 1 , 2017 (Restated)	214,155	743,909	13,708,791	-	386,852	3,494,113	307,717	146,780	(468,088)	18,534,229
Changes from financing cash flows										
Issuance of share capital	-	-	-		-	500,000	-	-	-	500,000
Total changes from financing cash flows										
Other changes										
Liability-related										
Changes in bills payable	347,439	-	-		-	-	-	-	-	347,439
Changes in borrowing	-	3,159,923	-		-	-	-	-	-	3,159,923
Changes in deposits and other accounts	-	-	2,520,558		-	-	-	-	-	2,520,558
Changes in other liabilities					25,266					25,266
Total liabity related to other changes	347,439	3,159,923	2,520,558		25,266	-	-	-	-	6,053,186
Total equity related other changes	-	-	-		-	-	-	(16,465)	(231,275)	(247,740)
Balance as at 31 December 2017	561,594	3,903,832	16,229,349	-	412,118	3,994,113	307,717	130,315	(699,363)	24,839,675

34. STAFF STRENGTH

	Note	2018	2017
		(Number)	
Permanent		442	454
Temporary / on contractual basis		13	20
Bank's own staff strength at end of the year		455	474

34.1 In addition to the above, 64 (2017: 57) employees of outsourcing services company (HRSG) were assigned to the Bank as at 31 December 2018.

35. DEFINED BENEFIT PLAN

35.1 General description

The Bank operates an approved pension fund and approved gratuity fund for its employees as explained in note 4.10 to these financial statements.

35.2 Number of employees under the scheme

The number of employees covered under defined benefit schemes are:

	2018	2017
	(Number)	
Pension fund	139	322
Gratuity fund	306	-

35.3 Principal actuarial assumptions

The actuarial valuations were carried out as at 31st December 2018 using the following significant assumptions:

	2018	2017
Discount rate	13.75%	9.50%
Expected rate of return on plan assets	13.75%	9.50%
Expected rate of salary increase	5.00%	5.00%
Expected rate of increase in pension	5.75%	1.50%
Mortality rate	(SLIC (2001-05)-1 Light	(SLIC (2001-05)-1 Light
Rate of employee turnover		

35.4 Reconciliation of payable to defined benefit plan

	Note	2018		2017		2018	2017
		Pension Fund	Gratuity Fund	Pension Fund	Gratuity Fund	Total	
		(Rupees in '000)					
Present value of obligations	35.5	474,682	72,989	710,256	-	547,671	710,256
Fair value of plan assets	35.6	(454,761)	(56,322)	(744,004)	-	(511,083)	(744,004)
Payable/ (Receivable)	35.7	19,921	16,667	(33,748)	-	36,588	(33,748)

35.5 Movement in payable to defined benefit plan

	Note	2018		2017		2018	2017
		Pension Fund	Gratuity Fund	Pension Fund	Gratuity Fund	Total	
		(Rupees in '000)					
Obligations at the beginning of the year		**710,256**	-	643,180	-	**710,256**	643,180
Current service cost		**46,228**	**16,667**	32,095	-	**62,895**	32,095
Interest cost		**68,469**	-	62,245	-	**68,469**	62,245
Benefits paid by the Bank		**(16,321)**	-	(11,973)	-	**(16,321)**	(11,973)
Settlement payable by the Pension Fund to the Gratuity Fund	35.14	**(56,322)**	**56,322**	-	-	-	-
Lumpsum settlement payable from the fund to the members	35.14	**(260,077)**	-	-	-	**(260,077)**	-
Benefits payable to outgoing members		**(7,347)**	-	-	-	**(7,347)**	-
Re-measurement gain	35.8.2	**(10,204)**	-	(15,291)	-	**(10,204)**	(15,291)
Obligations at the end of the year		**474,682**	**72,989**	710,256	-	**547,671**	710,256

35.6 Movement in fair value of plan assets

Fair value at the beginning of the year		**744,004**	-	701,012	-	**744,004**	701,012
Interest income on plan assets		**71,181**	-	67,476	-	**71,181**	67,476
Benefits paid by the bank		**(16,321)**	-	(11,973)	-	**(16,321)**	(11,973)
Benefits payable		**(7,347)**	-	-	-	**(7,347)**	-
Settlement payable by the Pension Fund to the Gratuity Fund	35.14	**(56,322)**	**56,322**		-	-	-
Lumpsum settlement payable from the fund to the members	35.14	**(260,077)**	-		-	**(260,077)**	-
Re-measurements: Net return on plan assets over interest income loss	35.8.2	**(20,357)**	-	(12,511)	-	**(20,357)**	(12,511)
Fair value at the end of the year	35.9	**454,761**	**56,322**	744,004	-	**511,083**	744,004

35.7 Movement in payable / (receivable) under defined benefit schemes

Opening balance		**(33,748)**	-	(57,832)	-	**(33,748)**	(57,832)
Charge for the year	35.8.1	**43,516**	**16,667**	26,864	-	**60,183**	26,864
Re-measurement loss / (gain) recognised in OCI during the year	35.8.2	**10,153**	-	(2,780)	-	**10,153**	(2,780)
Closing balance		**19,921**	**16,667**	(33,748)	-	**36,588**	(33,748)

35.8 Charge for defined benefit plans

35.8.1 Cost recognised in profit and loss

Current service cost		**46,228**	**16,667**	32,095	-	**62,895**	32,095
Interest income on plan asset		**(71,181)**	-	(67,476)	-	**(71,181)**	(67,476)
Interest on defined benefit obligation		**68,469**	-	62,245	-	**68,469**	62,245
		(2,712)	-	(5,231)	-	**(2,712)**	(5,231)
		43,516	**16,667**	26,864	-	**60,183**	26,864

35.8.2 Re-measurements recognised in OCI during the year

Gain / (Loss) on obligation							
Financial assumptions		**(45,365)**	-	(21,418)	-	**(45,365)**	(21,418)
Experience adjustment		**35,161**	-	6,127	-	**35,161**	6,127
Net return on plan assets over interest income loss	35.5	**(10,204)**	-	(15,291)	-	**(10,204)**	(15,291)
Total re-measurements recognised in OCI	35.6	**20,357**	-	12,511	-	**20,357**	12,511
	35.7	**10,153**	-	(2,780)	-	**10,153**	(2,780)

35.9 Components of plan assets

	2018		2017	
	Pension fund	Gratuity fund	Pension fund	Gratuity fund
	(Rupees in '000)			
Bank balances	454,761	56,322	551,167	-
Non-Government Debt Securities	-	-	192,837	-
	454,761	56,322	744,004	-

35.10 Sensitivity analysis

Sensitivity analysis should be disclosed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption should be summarised as illustrated below:

	2018		2017	
	Pension fund	Gratuity fund	Pension fund	Gratuity fund
	(Rupees in '000)		(Rupees in '000)	
1% increase in discount rate	425,733	71,945	629,107	-
1% decrease in discount rate	532,716	74,159	807,393	-
1 % increase in expected rate of salary increase	506,615	74,135	773,788	-
1 % decrease in expected rate of salary increase	445,519	71,958	653,312	-
1% increase in expected rate of pension increase	499,503	-	740,350	-
1% decrease in expected rate of pension increase	453,115	-	683,943	-

35.11 Expected charge for the next financial year

	21,278	4,243

35.12 Maturity profile

	2018		2018	
	Pension fund	Gratuity fund	Pension fund	Gratuity fund
The weighted average duration of the obligation (in years)	10.31	13.24	10.34	-
Distribution of timing of benefit payments (time in years)				
1	10,267	1,758	12,196	-
2	19,679	834	12,061	-
3	14,389	1,015	26,841	-
4	47,142	1,603	17,753	-
5	17,330	4,004	47,715	-
6-10	509,442	67,107	484,647	-
11-15	736,047	-	892,380	-

35.13 Funding Policy

The Bank has the policy to make annual contributions to the fund based on actuarial report.

35.14 Settlement from the Pension Fund

During the year, the Bank with the approval of Board of Directors introduced a Gratuity Fund as an End Service Benefit in place of the Pension Fund, for new as well as the retiring employees, subject to voluntary acceptance of the members to move from the Pension to the Gratuity Fund. Further, the employees opting for the Gratuity Fund were offered following two options:

Option 1 : The existing Pension Fund balance calculated till 31 December 2018 (based on an acturial valuation) shall become the opening balance of the Gratuity Fund, effective 01 January 2019 and the employees shall be eligible to the benefits in the event of death, resignation or termination of employment for any reason other than dismissal for misconduct. Entitlement to gratuity shall be based on the last drawn one month's basic / gross salary for each completed year of service or for the part of service of 6 months or more (service less than 6 months to be ignored).

Option 2 : The existing Pension Fund balance calculated till 31 December 2018 (based on an acturial valuation) shall be paid in lumpsum (subject to tax implications as per the applicable tax rate). And from 01 January 2019, the employees opting for this arrangement shall be entitled to gratuity in the event of death, resignation or terminition of employment for any reason other than dismissal for misconduct. Gratuity entitlement in this case shall also be one month's basic / gross salary for each completed year of service or for part of service of 6 months or more (service less than 6 months to be ignored).

Option 3 : Members not opting for either of the options mentioned above, may continue to be the member of the Pension Fund.

Accordingly based on these options, the balance of the employees opting for either of the above two options have been so seperately adjusted from the Pension liability (based on an acturial valuation). The balance of the employees who did not opted for the Gratuity Fund, continues to be held in the Pension Fund. Due to the change / settlement, Rs 12.6 million has been recognised as an expense in the current year and is included in the current service cost for the year.

Subsequent to the year end, the bank offered the option again to the employees with an additonal option of reverting back earlier decision. Based on this, the number of employee who opted first option reduced from 24 to 9, resulting in the reversal of hte present value of the obligation under the gratuity scheme by Rs. 43 million respectively.

35.15 Significant risk associated with the staff retirement benefit schemes include:

Asset volatility

Almost all the Fund is in a liquid position with the Bank giving rise to significant reinvestment risk. There is no equity or corporate bond exposure. Thus, no equity or settlement risk.

Changes in bond yields

The valuation for all retirement benefit is discounted with reference to the bond yields. So, any increase in Bond yields will lower the Liability and vice versa, but, it will also lower the Asset values if they are invested in the bonds. However, since no investment is currently in place, there is an asset liability mismatch risk.

Inflation risk

The salary inflation (especially the final salary risk) is the major risk that the retirement benefit liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted gratuity liability. But viewed with the fact that, asset values will also decrease; the salary inflation does, as an overall affect, increases the net liability of the Bank.

Further, there is also a risk of pension increases on pension liability, however, this is a controlled risk as annual pension increases are allotted by the Bank and the Trustees.

Mortality rate

The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

Withdrawal rate

The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

36. UNFUNDED GRATUITY

The bank used to operate an unfunded gratuity arrangement for its ex-President. The liability determined in accordance with the terms of the arrangement as at 31 December 2018 was Rs. 7.140 million (2017: Rs 7.028 million).

37. EMPLOYEES COMPENSATED ABSENCES

The liability of the Bank in respect of employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit Method. The liability of the Bank as per the latest actuarial valuation carried out as at 31 December 2018 amounted to Rs. 71.442 million (2017: Rs. 74.763 million) which has been fully provided by the Bank. The reversal of provison for the year in respect of these absences is Rs. 2.321 million (charge for the year 2017: Rs. 14.006 million) which is included in note 28.1.1 to these financial statements. Discount rate of 9.5% (2017: 9.5%) and salary increase of 5% (2017: 5%) per annum have been used for the above valuation.

37.1 The actuarial valuations was carried out as at 31st December 2018 using the following significant assumptions:

	2018	2017
Discount rate	13.75%	9.50%
Expected Long Term return	Not Applicable	Not Applicable
Salary increase		
First year	5.00%	5.00%
Second year and onwards	11.75%	11.75%
Withdrawal before Normal Retirement Age	Light	Light
Death in services	SLIC (2001-05)	SLIC (2001-05)

38. COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

38.1 Total Compensation Expense (of key management personnel)

	2018				
	President & CEO / Chairperson	Directors		Key Management Personnel	Other Material Risk Takers/ Controllers
		Executive	Non- Executive		
	(Rupees in '000)				
Fees	-	-	1,595	-	-
Managerial remuneration - Fixed	17,960	-	-	44,323	3,717
Charge for defined benefit plans	782	-	-	10,832	1,368
Others **	4,613			10,213	1,344
	23,355	-	1,595	65,368	6,429
Number of persons	*2		5	15	1

	2017				
	President & CEO / Chairperson	Directors		Key Management Personnel	Other Material Risk Takers/ Controllers
		Executive	Non- Executive		
	(Rupees in '000)				
Fees	-	-	1,865	-	-
Managerial remuneration - Fixed	21,545	-	-	51,549	3,445
Charge for defined benefit plans	1,874	-	-	8,955	1,324
Others **	3,296			6,924	1,296
	26,715	-	1,865	67,428	6,065
Number of persons	1		7	13	1

* Two individuals at different points of time.
** It includes leave fare assistance paid to president amounting to Rs 0.85 million

38.2 The ex-Chief Executive was also provided with free use of the Bank's maintained car and household equipments in accordance with the terms of employment.

38.3 Remuneration paid to Directors for participation in Board and Committee Meetings

		2018					
		Meeting Fees and Allowances Paid					
			For Board Committees				
Sr. No.	Name of Director	For Board Meetings	Board Audit Committee	Board of Human Resource Committee	Board of Risk Management Committee	Board of Business Strategy Committee	Total Amount Paid
		(Rupees in '000)					
1	Ms. Sumaira K.Aslam	200	110	80	80	50	520
2	Ms.Huma Baqai	160	100	50	-	-	310
3	Mr.Gholam Kazim	205	115	-	90	-	410
4	Ms. Rukhsana Shah	190	-	60	80	25	355
	Total Amount Paid	755	325	190	250	75	1,595

		2017					
		Meeting Fees and Allowances Paid					
			For Board Committees				
Sr. No.	Name of Director	For Board Meetings	Board Audit Committee	Board of Human Resource Committee	Board of Risk Management Committee	Board of Business Strategy Committee	Total Amount Paid
		(Rupees in '000)					
1	Ms.Sumaira K.Aslam	85	30	25	-	-	140
2	Mr.Mudassir H.Khan	100	-	-	-	-	100
3	Ms.Naheed Ishaq	140	70	-	-	-	210
4	Ms.Nausheen Ahmed	75	25	100	-	-	200
5	Mr. Muhtasheen Ahmad Ashai	125	-	75	75	-	275
6	Mr. Gholam Kazim Hosei	205	115	-	90	-	410
7	Ms. Huma Baqai	150	100	50	-	-	300
8	Ms. Rukhsana Shah	170	-	25	35	-	230
	Total Amount Paid	1,050	340	275	200	-	1,865

39. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than investment in subsidiaries and those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

39.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

39.2 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments

	Note	2018					Fair value			
		Available for sale	Loans and receivables	Other financial Assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)								
Financial assets measured at fair value										
Investments										
-Federal Government Secrurities (Tbills + PIBs)		9,181,981	-	-	-	9,181,981	-	9,181,981	-	9,181,981
Other assets			-	-	-	-	-	-	-	-
-Unrealized gain on Forward foreign exchange contracts		44	-	-	-	44	-	44	-	44
Financial assets not measured at fair value						-				
Investments						-				
- Term Finance Certificates	39.2.2	2,476	-	-	-	-				
- Shares of an unlisted company	39.2.2	954	-	-	-	2,476	-	-	-	-
Cash and balances with treasury banks	39.2.1	-	-	1,825,616	-	954	-	-	-	-
Balances with other banks	39.2.1	-	-	44,648	-	1,825,616	-	-	-	-
Lending to financial instruments	39.2.1	-	-	1,448,785	-	44,648	-	-	-	-
Advances	39.2.1	-	9,419,393	-	-	1,448,785	-	-	-	-
Other assets	39.2.1	-	-	733,581	-	9,419,393	-	-	-	-
		9,185,455	9,419,393	4,052,630	-	733,581	-	-	-	-
						22,657,478				
Financial liabilities measured at fair value										
Other liabilities -Unrealized loss on Forward foreign exchange contracts		205	-	-	-	205	-	205	-	205
Financial liabilities not measured at fair value										
Bills payable	39.2.1	-	-	-	249,254	249,254	-	-	-	-
Borrowings	39.2.1	-	-	-	108,966	108,966	-	-	-	-
Deposits and other accounts	39.2.1	-	-	-	18,374,617	18,374,617	-	-	-	-
Other liabilities	39.2.1	-	-	-	969,256	969,256	-	-	-	-
		205	-	-	19,702,093	19,702,298				
		9,185,250	9,419,393	4,052,630	(19,702,093)	2,955,180				

Off-balance sheet financial instruments measured at fair value

	Contract Price (other financial assets / liabilties)				
Forward purchase of foreign exchange	354,243	-	354,105	-	354,105
Forward sale of foreign exchange	6,893	-	6,910	-	6,910

Fair value impact of commitments in respect of forward Government Securities transaction is not material.

On balance sheet financial instruments

	Note	Available for sale	Loans and receivables	Other financial Assets	Other financial liabilities	2017 Total	Fair value Level 1	Level 2	Level 3	Total
						(Rupees in '000)				
Financial assets measured at fair value										
Investments										
-Federal Government Secrurities (Tbills + PIBs)		13,583,230	-	-	-	13,583,230	-	13,583,230	-	13,583,230
Other assets										
-Unrealized gain on Forward foreign exchange contracts		570	-	-	-	570	-	570	-	570
Financial assets not measured at fair value										
Investments										
- Term Finance Certificates	*39.2.2*	3,538	-	-	-	3,538	-	-	-	-
- Shares of an unlisted company	*39.2.2*	954	-	-	-	954	-	-	-	-
Cash and balances with treasury banks	*39.2.1*	-	-	1,438,429	-	1,438,429	-	-	-	-
Balances with other banks	*39.2.1*	-	-	65,616	-	65,616	-	-	-	-
Lending to financial instruments	*39.2.1*	-	-	-	-	-	-	-	-	-
Advances	*39.2.1*	-	8,875,631	-	-	8,875,631	-	-	-	-
Other assets	*39.2.1*	-	-	160,958	-	160,958	-	-	-	-
		13,588,292	8,875,631	1,665,003	-	24,128,926	-	-	-	-
Financial liabilities measured at fair value										
Other liabilities										
-Unrealized loss on Forward foreign exchange contracts		9	-	-	-	9	-	9	-	9
Financial liabilities not measured at fair value										
Bills payable	*39.2.1*	-	-	-	561,594	561,594	-	-	-	-
Borrowings	*39.2.1*	-	-	-	3,903,832	3,903,832	-	-	-	-
Deposits and other accounts	*39.2.1*	-	-	-	16,229,349	16,229,349	-	-	-	-
Other liabilities	*39.2.1*	-	-	-	304,857	304,857	-	-	-	-
		9	-	-	20,999,632	20,999,641	-	-	-	-

Off-balance sheet financial instruments measured at fair value

		Contract Price (other financial assets / liabilties)				
Forward purchase of forward foreign exchange	*39.2.1*	309,510	-	309,781	-	309,781
Forward purchase of forward foreign Swaps	*39.2.1*	17,579	-	17,895	-	17,895
Forward sale of forward foreign Swaps	*39.2.1*	17,597	-	17,606	-	17,606

Valauation techniques used in determination of fair valuation of financial instruments within Level 2.

Debt Securities The Fair value is determined using the prices/rates available on Mutual Funds Association of Pakistan (MUFAP)/Reuters webpage.

Forward Contracts The Fair value are derived using forward exchange rates applicable to their respective remaining maturities.

39.2.1 These financial assets and liabilities are for short term or repriced over short term. Therefore their carrying amounts are reasonable approximation of fair values.

39.2.2 The Fair Value of Term Finance Ceritificate (issued by PIA) and of the shares of an unlisted company (NIFT) has not been disclosed as the details thereof are not available.

40. SEGMENT INFORMATION

40.1 Segment details with respect to business activities

	For the year ended 31 December 2018				
	Corporate Finance & Commercial Banking	Treasury	Retail and Consumer banking	Small & Medium Enterprises	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	469,809	587,620	(500,109)	193,405	750,725
Inter segment (expense) / revenue - net	(511,477)	(560,930)	1,263,577	(191,170)	-
Non mark-up / return / interest income	35,325	31,078	39,169	8,097	113,669
Total Income	(6,343)	57,768	802,637	10,332	864,394
Segment direct expenses	(59,799)	(47,791)	(873,933)	(56,024)	(1,037,547)
Inter segment expense allocation	-	-	-		-
Total expenses	(59,799)	(47,791)	(873,933)	(56,024)	(1,037,547)
(Provisions) / reversals	(92,020)	-	(2,878)	19,419	(75,479)
Profit / (loss) before tax	(158,162)	9,977	(74,174)	(26,273)	(248,632)
Balance Sheet					
Cash & Bank balances	-	1,108,218	762,046	-	1,870,264
Investments	-	9,185,411	-	-	9,185,411
Net inter segment lending	(3,765,243)	(11,677,585)	18,195,705	(2,752,877)	-
Lendings to financial institutions	-	1,448,785	-	-	1,448,785
Advances - performing	5,932,141	-	487,609	2,315,914	8,735,664
Advances - non-performing net of provision	285,342	-	4,021	394,366	683,729
Others	853,081	4,230	17,076	401,327	1,275,714
Total Assets	3,305,321	69,059	19,466,457	358,730	23,199,567
Borrowings	107,616	-	-	1,350	108,966
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-		18,374,617	-	18,374,617
Net inter segment borrowing		-	-		-
Others	818,350	204	579,200	2,155	1,399,909
Total Liabilities	925,966	204	18,953,817	3,505	19,883,492
Equity	2,379,355	68,855	512,640	355,225	3,316,075
Total Equity & liabilities	3,305,321	69,059	19,466,457	358,730	23,199,567
Contigencies and Commitments	2,131,242	2,822,096	-	117,282	5,070,620

40.2 Segment details with respect to business activities

	For the year ended 31 December 2017				
	Corporate Finance & Commercial Banking	Treasury	Retail and Consumer banking	Small & Medium Enterprises	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	471,362	471,321	(401,002)	149,353	691,034
Inter segment (expense) / revenue - net	(528,990)	(436,463)	1,084,757	(119,304)	-
Non mark-up / return / interest income	29,216	12,378	55,709	8,153	105,456
Total Income	(28,412)	47,236	739,464	38,202	796,490
Segment direct expenses	(32,842)	(30,826)	(789,033)	(44,158)	(896,859)
Inter segment expense allocation	-	-	-	-	-
Total expenses	(32,842)	(30,826)	(789,033)	(44,158)	(896,859)
Reversals / (Provisions)	(16,166)	-	600	-	(15,566)
Profit / (loss) before tax	(77,420)	16,410	(48,969)	(5,956)	(115,935)
Balance Sheet					
Cash & Bank balances	-	985,050	518,995	-	1,504,045
Investments	-	13,587,722	-	-	13,587,722
Net inter segment lending	(4,750,020)	(10,723,534)	17,071,036	(1,597,482)	-
Lendings to financial institutions	-	-	-	-	-
Advances - performing	6,543,736	-	397,727	1,510,633	8,452,096
Advances - non-performing net of provision	192,848	-	-	230,687	423,535
Others	768,531	8,691	1,932	93,123	872,277
Total Assets	2,755,095	3,857,929	17,989,690	236,961	24,839,675
Borrowings	124,884	3,778,948	-	-	3,903,832
Subordinated debt	-	-	-	-	-
Deposits & other accounts	-	-	16,229,349	-	16,229,349
Net inter segment borrowing	-	-	-	-	-
Others	287,791	1,956	652,003	31,962	973,712
Total Liabilities	412,675	3,780,904	16,881,352	31,962	21,106,893
Equity	2,342,420	77,025	1,108,338	204,999	3,732,782
Total Equity & liabilities	2,755,095	3,857,929	17,989,690	236,961	24,839,675
Contigencies and Commitments	344,704	-	1,686,361	419,322	2,450,387

41. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, the Bank is holding investments of other entities in its IPS account maintained with the State Bank of Pakistan.

Category	As of Decemeber 31, 2018 Securities Held (Face Value)				As of Decemeber 31, 2017 Securities Held (Face Value)			
	No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	Total	No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	Total
Government Entity	2	-	20,000	20,000	2	-	20,000	20,000

42. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with associated undertakings, employee benefits, directors and key management personnel, companies with common directors and the shareholders.

Transactions with key management personnel are as per the terms of their employment. Contributions to and accruals in respect of staff retirement benefit plans are in accordance with the actuarial valuations. Remuneration of the key management personnel are disclosed in notes 38 to these financial statements and are as per their terms of employment. Other transactions are at agreed rates. Details of transactions and balances with related parties, except as disclosed elsewhere in the financial statements, as follows:

Details of balances and transacitons with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

A - BALANCES	Note	2018				2017			
		Director (Acting President)	Other Key management personnel	Other related parties	Total	Director (President)	Other Key management personnel	Other related parties	Total
		(Rupees in '000)							
Balances with other banks									
In current accounts		-	-	100	100	-	-	2,760	2,760
In deposit accounts		-	-	241,026	241,026	-	-	133,464	133,464
		-	-	241,126	241,126	-	-	136,224	136,224
Lendings to financial institutions									
Opening balance		-	-	-	-	-	-	100,000	100,000
Additions during the year		-	-	12,910,467	12,910,467	-	-	5,123,017	5,123,017
Repaid during the year		-	-	(11,461,682)	(11,461,682)	-	-	(5,223,017)	(5,223,017)
Closing balance		-	-	1,448,785	1,448,785	-	-	-	-
Investments									
Listed shares									
Opening balance		-	-	-	-	-	-	47,680	47,680
Investment made during the year		-	-	-	-	-	-	47,518	47,518
Investment redeemed / disposed off during the year		-	-	-	-	-	-	(95,198)	(95,198)
Closing balance				-	-	-	-	-	-
Un-listed shares	8.10	-	-	954	954	-	-	954	954
Advances									
Opening balance		-	30,366	-	30,366	-	30,722	-	30,722
Addition during the year		(200)	4,985	-	4,985	-	12,062	-	12,062
Repaid during the year		4,616	(9,569)	-	(9,769)	-	(12,418)	-	(12,418)
Transfer in / (out)		* 4,416	(3,883)	-	733	-	-	-	-
Closing balance			21,899	-	26,315	-	30,366	-	30,366

* To the Acting President, which however was distributed before her elevation to the post.

	2018				2017			
	Director (Acting President)	Other Key management personnel	Other related parties	Total	Director (President)	Other Key management personnel	Other related parties	Total
	(Rupees in '000)							
Other Assets								
Interest / mark-up accrued	613	439	-	1,052	-	562	-	562
Receivable from staff retirement fund	-	-	-	-	-	-	33,748	33,748
	613	439	-	1,052	-	562	33,748	34,310
Borrowings								
Opening balance	-	-	-	-	-	-	-	
Borrowings during the year	-	-	16,129,169	16,129,169	-	-	6,894,844	6,894,844
Settled during the year	-	-	(16,129,169)	(16,129,169)	-	-	(6,894,844)	(6,894,844)
Transfer in / (out) - net	-	-	-	-	-	-	-	
Closing balance	-	-	-	-	-	-	-	-
Deposits and other accounts								
Opening balance	6,409	10,241	565,048	581,698	5,643	3,313	5,312	14,268
Received during the year	12,329	59,080	3,841,953	3,913,362	33,177	77,411	1,466,546	1,577,134
Withdrawn during the year	(14,190)	(53,993)	(3,631,378)	(3,699,561)	(32,411)	(70,483)	(906,810)	(1,009,704)
Transfer in / (out) - net	(3,980)	566	(726)	(4,140)	-			-
Closing balance	568	15,894	774,897	791,359	6,409	10,241	565,048	581,698
Other Liabilities								
Interest / mark-up payable	36	101	3,170	3,307	27	104	295	426
Payable to staff retirement fund	-	-	36,588	36,588	-	-	-	-
Retirement benefit payable	-	-	7,140	7,140	7,028	-	-	7,028
Contingencies and Commitments								
- Purchase	-	-	354,243	354,243	-	-	309,781	309,781
- Sale	-	-	6,893	6,893	-	-	-	-

B - TRANSATIONS

	2018				2017			
	Director (Acting President)	Other Key management personnel	Other related parties	Total	Director (President)	Other Key management personnel	Other related parties	Total
	(Rupees in '000)							
Income								
Mark-up / return / interest earned	46	753	8,536	9,335	-	1,172	905	2,077
Dividend income	-	-	8,612	8,612	-	-	4,994	4,994
Expense								
Mark-up / return / interest paid	177	132	8,632	8,941	54	164	1,938	2,156
Operating expenses - Charges paid to National Institutional Facilitation Technologies (Private) Limited	-	-	3,848	3,848	-	-	3,686	3,686
Remuneration	23,355	65,368	-	88,723	26,715	6,429	-	33,144
Director's meeting fee	1,595	-	-	1,595	1,865	-	-	1,865
Reimbursement of expenses to directors	1,288	-	-	1,288	1,335	-	-	1,335

The term 'related party' have the same meaning as specified under IAS 24 - Related party disclosures.

Other key management personnel include material risk takers.

43. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	Note	2018	2017
		(Rupees in '000)	
Minimum Capital Requirement (MCR):			
Paid-up capital (net of losses)	43.2	2,831,901	3,294,750
Capital Adequacy Ratio (CAR):			
Eligible Common Equity Tier 1 (CET 1) Capital		3,103,223	3,487,724
Eligible Additional Tier 1 (ADT 1) Capital		-	-
Total Eligible Tier 1 Capital		3,103,223	3,487,724
Eligible Tier 2 Capital		191,271	119,401
Total Eligible Capital (Tier 1 + Tier 2)		3,294,494	3,607,125
Risk Weighted Assets (RWAs):			
Credit Risk		6,577,943	4,995,078
Market Risk		75,794	207,681
Operational Risk		1,528,238	1,494,588
Total		8,181,975	6,697,347
Common Equity Tier 1 capital adequacy ratio		37.93%	52.08%
Tier 1 capital adequacy ratio		37.93%	52.08%
Total capital adequacy ratio		40.27%	53.86%
Minimum capital requirements prescribed by SBP			
Common Equity Tier 1 Capital Adequacy ratio		6.00%	6.00%
Tier 1 Capital Adequacy Ratio		7.50%	7.50%
Total Capital Adequacy Ratio		18.00%	18.00%

	2018	2017
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligiblle Tier-1 Capital	3,103,223	3,487,724
Total Exposures	25,659,482	27,421,359
Leverage Ratio	12.09%	12.72%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	12,282,345	9,174,645
Total Net Cash Outflow	5,681,905	3,871,042
Liquidity Coverage Ratio	216%	237%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	15,983,715	14,402,361
Total Required Stable Funding	5,916,497	5,913,431
Net Stable Funding Ratio	270%	244%

43.1 Banks uses simple, maturity method and basic indicator approach for credit risk, market risk and operational risk exposures respectively in the capital adequacy calculation.

43.2 Being a public sector Bank, and in terms of the State Bank of Pakistan prescribed minimum capital requirements vide its letter reference BPRD/BA&CP/627/32/2014 dated 01 January 2014, the Bank is required to have a minimum paid up capital (net of losses) (MCR) of Rs. 3 billion and capital adequacy ratio of 18% at all times, subject to the condition that MCR level shall remain enforced until the Bank remains a public sector entity, the Bank will not be allowed to pay dividend until its paid up capital and reserves reach Rs. 6 billion and the per party exposure limit of the Bank will be 50% of the prudential regulations limits until the Bank's paid up capital and reserves reach Rs. 6 billion. At 31 December 2018, Bank's MCR (representing paid up capital net of accumulated losses) was Rs. 2.832 billion.

The full disclosures on the capital adequacy, leverage ratio & liquidity requirements as per the SBP instructions issued from time to time are placed on the bank's website. The link to the full disclosures is available at http://www.fwbl.com.pk/public-documents basel-statements.

44. RISK MANAGEMENT

Risk management aspects are embedded in the Bank's strategy, organization structure and processes. The Bank has adopted a cohesive risk management structure for credit, operations, liquidity, market risk with an integrated approach to strengthen the process and system as controls are more effective and valuable when built into the process. Effective risk management is considered essential in the preservation of the assets and long-term profitability of the Bank. Clear guidelines and limits, which are under regular review, are backed by a system of internal controls and independent audit inspections. Internal reporting / MIS are additional tools for measuring and controlling risks. Separation of duties is also embedded in the Bank's system and organization.

44.1 Credit risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the Bank.

The credit risk management process is driven by the Bank's Risk Management Policy , Credit Policy for Corporate, Commercial, SME & Agri, Collateral Management Policy, Credit Policy International, Credit Policy and Credit Manual, which provides policies and procedures in relation to credit initiation, approval, documentation and disbursement, credit maintenance and remedial management.

Individual credit authorities are delegated to credit officers by the Group Executive - Risk & Credit Policy (authorized by BoD) , according to their seasoning / maturity. Approvals for Consumer loans are centralized, while approval authorities for International ,Corporate , Commercial, SME and Agri exposures are delegated at a Country / Regional level. Furthermore, credit authorities are also delegated to business teams in various regions for Commercial, SME & Agri lending. All credit policy functions domestic & international are centrally organized.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographical region, or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Bank manages, limits and controls concentrations of credit risk to individual counterparties and groups, and to industries, where appropriate. Limits are also applied to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations, or to areas of higher risk, or to control the rate of portfolio growth.

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on-balance sheet and off-balance sheet exposures. The methodology applied for using External Credit Assessment Institutions (ECAI's) inclusive of the alignment of alpha numeric scale of each agency used with risk bucket is as per SBP guidelines as is given below:

Types of Exposures and ECAI's used

Exposures	2018				
	JCR - VIS	PACRA	S & P	Fitch	Moody's
Corporate	√	√	-	-	-
Banks	√	√	-	-	-
Sovereigns	-	-	-	-	-
SME's	√	√	-	-	-

Credit exposures subject to Standardized Approach

Exposures	2018			
	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
		(Rupees in '000)		
Corporate	1	433,650	(594,900)	1,028,551
	2	205,557	(141,636)	347,193
	3,4	-	-	-
Claims on banks with original maturity of 3 months or less		1,448,785	-	1,448,785
Retail		893,610	(74,959)	818,651
Public sector entities	1	-	-	-
	2,3	-	-	-
Others		7,235,626	(169,927)	7,405,553
Unrated		3,822,875	(831,504)	2,991,371

Exposures	2017			
	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
		(Rupees in '000)		
Corporate	1	125,828	(227,400)	353,228
	2	22,779	(760,891)	783,670
	3,4	-	-	-
Claims on banks with original maturity of 3 months or less		-	(296,598)	296,598
Retail		590,373	-	590,373
Public sector entities	1	-	-	-
	2,3	-	-	-
Others		7,122,316	-	7,122,316
Unrated		4,011,691	1,284,888	2,726,803

The forms of collateral that are deemed eligible under the 'Simple Approach' to credit risk mitigation as per SBP guidelines are used by the Bank and primarily includes cash, government, equity investment in blue chip companies and rated debt securities.

The Bank applies SBP specified haircut to collateral for credit risk mitigation. Collateral management is embedded in the Bank's risk taking and risk management policy and procedures. A standard credit granting procedure exists which has been well-disseminated down the line, ensuring proper pre-sanction evaluation, adequacy of security, pre-examination of charge / control documents and monitoring of each exposure on an ongoing basis.

Collateral information is recorded diligently in the Bank's main processing systems by type of collateral, amount of collateral against relevant credit exposures. A cohesive accounting / risk management system facilitates effective collateral management for Basel II reporting.

44.1.1 *Lendings to financial institutions*

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Public / Government	**75,602**	75,602	**75,602**	75,602	**75,602**	75,602
Private	**1,512,272**	63,487	**63,487**	63,487	**63,487**	63,487
	1,587,874	139,089	**139,089**	139,089	**139,089**	139,089

44.1.2 *Investment in debt securities*

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Public / Government (T-bills and PIBs)	**9,181,981**	13,583,230	**-**	**-**	**-**	**-**
Airlines	**2,476**	3,538	**-**	**-**	**-**	**-**
Telecommunication	**7,781**	7,781	**7,781**	7,781	**7,781**	7,781
Textile	**10,000**	10,000	**10,000**	10,000	**10,000**	10,000
	9,202,238	13,604,549	**17,781**	17,781	**17,781**	17,781

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Public / Government	**9,181,981**	13,583,230	**-**	**-**	**-**	**-**
Private	**20,257**	21,319	**17,781**	17,781	**17,781**	17,781
	9,202,238	13,604,549	**17,781**	17,781	**17,781**	17,781

44.1.3 *Advances*

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	**68,342**	4,064,583	**5,554**	131,832	**159**	69,193
Textile	**805,099**	771,046	**703,317**	735,277	**649,305**	656,386
Chemical & Pharmaceuticals	**140,977**	290,574	**46,986**	62,501	**22,829**	22,166
Cement	**-**	50,017	**-**	**-**	**-**	**-**
Food and Beverages	**4,620,063**	486,302	**153,911**	123,089	**94,744**	94,744
Footwear and Leather garments	**40,848**	39,403	**40,598**	39,403	**40,598**	39,403
Automobile and trasnportation equipment	**-**	526,291	**-**	**-**	**-**	**-**
Electronics and electrical Appliances	**10,539**	398,188	**280**	140,725	**280**	96,216
Construction	**667,283**	645,793	**263,942**	129,150	**34,232**	77,836
Power (electricity), Gas, Water, Sanitary	**907,845**	162,968	**123,499**	**-**	**24,806**	**-**
Wholesale and Retail Trade	**620,242**	42,218	**23,663**	4,862	**8,985**	1,962
Exports / Imports	**351,770**	88,590	**127,227**	45,807	**91,670**	40,815
Transport, Storage and Communication	**-**	430	**-**	209	**-**	209
Services	**1,673,522**	1,327,188	**359,951**	153,342	**216,071**	139,353
Individiuals	**502,882**	937,848	**4,670**	**-**	**648**	**-**
Others	**330,194**	297,723	**136,405**	103,907	**121,948**	8,286
	10,739,606	10,129,162	**1,990,006**	1,670,104	**1,306,277**	1,246,569

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public/ Government	**4,753,925**	3,199,963	-	-	-	-
Private	**5,985,681**	6,929,199	**1,990,006**	1,670,104	**1,306,277**	1,246,569
	10,739,606	10,129,162	**1,990,006**	1,670,104	**1,306,277**	1,246,569

44.1.4 ***Contingencies and Commitments***

	2018	2017
Credit risk by industry sector	(Rupees in '000)	
Textile	-	4,341
Chemical and Pharmaceuticals	**18,406**	36,242
Sugar	-	227
Electronics and electrical appliances	-	4,466
Construction	**455,909**	528,622
Power (electricity), Gas, Water, Sanitary	**239,568**	149,319
Wholesale and Retail Trade	**196,161**	4,642
Exports/Imports	**64,585**	-
Transport, Storage and Communication	-	111,215
Financial	-	344,704
Services	**45,301**	42,395
Individuals	**36,841**	19,283
Others	**2,460**	2,276
	1,059,229	1,247,732
Credit risk by public / private sector		
Public/ Government	-	-
Private	**1,059,229**	1,247,732
	1,059,229	1,247,732

44.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded expsoures) aggregated to Rs 6,774 million (2017: Rs 6,426 million) are as following:

	2018	2017
	(Rupees in '000)	
Funded	**6,078,423**	5,949,592
Non Funded	**696,161**	568,123
Total Exposure	**6,774,584**	6,517,715

The sanctioned limits against these top 10 expsoures aggregated to Rs 7,621 million (prior year: Rs 8,329 million).

Total Funded Classified therein

	2018		2017	
	Amount	Provision Held	Amount	Provision Held
	(Rupees in '000)			
OAEM	-	-	-	-
Substandard	**198,489**	-	-	-
Doubtful	-	-	-	-
Loss	**185,972**	**155,252**	217,931	170,096
	384,461	**155,252**	217,931	170,096

44.1.6 Advances - Province/Region-wise Disbursement & Utilization

Province / Region	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	**2,838,254**	**2,838,254**	-	-	-	-	-
Sindh	**9,775,573**	-	**9,775,573**	-	-	-	-
KPK including FATA	**33,800**	-	-	**33,800**	-	-	-
Balochistan	**12,727**	-	-	-	**12,727**	-	-
Islamabad	**178,514**	-	-	-	-	**178,514**	-
AJK including Gilgit-Baltistan	**11,681**	-	-	-	-	-	**11,681**
Total	**12,850,549**	**2,838,254**	**9,775,573**	**33,800**	**12,727**	**178,514**	**11,681**

Province / Region	2017						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	4,586,243	4,586,243	-	-	-	-	-
Sindh	6,597,778	-	6,597,778	-	-	-	-
KPK including FATA	45,042	-	-	45,042	-	-	-
Balochistan	6,493	-	-	-	6,493	-	-
Islamabad	548,334	-	-	-	-	548,334	-
AJK including Gilgit-Baltistan	9,662	-	-	-	-	-	9,662
Total	11,793,552	4,586,243	6,597,778	45,042	6,493	548,334	9,662

44.2 Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes in the correlations between them. Each of these components of market risk consists of a general market risk and a specific market risk that is driven by the nature and composition of the portfolio.

Measuring and controlling market risk is usually carried out at a portfolio level. However, certain controls are applied, where necessary, to individual risk types, to particular books and to specific exposures. Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price, volatility, market depth and liquidity. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers.

Trading activities are centered in the Treasury and Capital Markets Group which facilitates clients and also runs proprietary positions. The Bank is active in the cash and derivative markets for equity, interest rate and foreign exchange.

The Market and Treasury Risk division performs market risk management activities. Within this division, the Market Risk Management unit is responsible for the development and review of market risk policies and processes, and is involved in research, financial modeling and testing / implementation of risk management systems, while Treasury Middle Office is responsible for implementation and monitoring of market risk and other policies, escalation of deviations to senior management, and MIS reporting.

The functions of the Market Risk Management unit are as follows:

- To keep the market risk exposure within the Bank's risk appetite as assigned by the BoD and the BRCC.
- To develop, review and upgrade procedures for the effective implementation of market risk management policies approved by the BoD and BRCC.
- To review new product proposals and propose / recommend / approve procedures for the management of their market risk.
- To maintain a comprehensive database for performing risk analysis, stress testing and scenario analysis. Stress testing activities are performed on a quarterly basis.

44.2.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	**1,825,616**	**-**	**1,825,616**	1,438,429	-	1,438,429
Balances with other banks	**44,648**	**-**	**44,648**	65,616	-	65,616
Lendings to financial institutions	**1,448,785**	**-**	**1,448,785**	-	-	-
Investments	**9,185,411**	**-**	**9,185,411**	13,587,722	-	13,587,722
Advances	**9,419,393**	**-**	**9,419,393**	8,875,631	-	8,875,631
Fixed assets	**320,213**	**-**	**320,213**	279,309	-	279,309
Intangible assets	**36,395**	**-**	**36,395**	44,237	-	44,237
Deferred tax assets	**-**	**-**	**-**	151,840	-	151,840
Other assets	**919,106**	**-**	**919,106**	396,891	-	396,891
	23,199,567	**-**	**23,199,567**	24,839,675	-	24,839,675

44.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Exposures are monitored by currency to ensure that they remain within the established limits for each currency. Exposures are also monitored on an overall basis to ensure compliance with the Bank's SBP approved Foreign Exchange Exposure Limit.

The Bank's reporting currency is the Pakistan Rupee, but its assets, liabilities, income and expenses are denominated in multiple currencies. From time to time, TCM proactively hedges foreign currency exposures resulting from its market making activities, subject to pre-defined limits.

	2018				2017			
	Foreign Currency Assets	**Foreign Currency Liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	**225,902**	**554,798**	**340,457**	**11,561**	222,758	514,250	291,583	91
Great Britain Pound Sterling	**13,000**	**12,819**	**-**	**181**	22,888	18,924	-	3,964
Euro	**13,264**	**15,043**	**-**	**(1,779)**	842	-	-	842
Japanese Yen	**1,156**	**-**	**6,893**	**8,049**	2,637	20,107	17,854	384
Other currencies	**3,840**	**-**	**-**	**3,840**	3,348	-	-	3,348
	257,162	**582,660**	**347,350**	**21,852**	252,473	553,281	309,437	8,629

	2018		2017	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account				
+1% change	**219**	**-**	86	-
-1% change	**(219)**	**-**	(86)	-
- Other comprehensive income				
+1% change	**-**	**-**	-	-
-1% change	**-**	**-**	-	-

44.2.2 Equity position Risk

Equity position risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the prices of individual stocks or the levels of equity indices. The bank had no equity positions in listed or traded scrips.

	2018		2017	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on,				
Other comprehensive income				
+5% change	**-**	**-**	-	-
-5% change	**-**	**-**	-	-

44.2.3 *Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific*

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Duration analysis and stress testing are being carried out regularly to estimate the impact of adverse changes in the interest rates on bank's fixed income portfolio. Optimization of yield is achieved through the Bank's strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of ALCO. The advances and deposits of the Bank are repriced on a periodic basis based on interest rates scenario. Details of the interest rate profile of the Bank based on the earlier of contractual repricing or maturity date is as follows:

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
- Profit and loss account	(28,777)	-	(48,836)	-
- Other comprehensive income	-	-	-	-

44.2.4 *Mismatch of Interest Rate Sensitive of Financial Assets and Liabilities*

	2018											
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
			(Rupees in '000)									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.35%	1,825,616	93,202	-	-	-	-	-	-	-	-	1,732,414
Balances with other banks		44,648	-	-	-	-	-	-	-	-	-	44,648
Lendings to financial institutions	10.35%	1,448,785	1,448,785	-	-	-	-	-	-	-	-	-
Investments	5.98% - 11.97%	9,185,411	9,181,864	-	-	-	-	-	-	-	-	954
Advances	0% - 19.75%	9,419,393	712,840	5,127,538	2,476	-	-	54	63	-	-	26,968
Other assets		733,581	-	-	1,262,807	1,484,667	58,018	152,232	301,901	195,170	97,252	733,581
		22,657,435	11,436,691	5,127,538	1,265,283	1,484,667	58,018	152,286	301,964	195,170	97,252	2,538,565
Liabilities												
Bills payable		249,254	-	-	-	-	-	-	-	-	-	249,254
Borrowings	3% - 5.88%	108,966	-	16,114	26,114	6,227	12,455	12,455	24,910	9,341	-	1,350
Deposits and other accounts	0% - 10.25%	18,374,617	13,661,959	262,707	196,747	208,537	30,392	62,972	10,655	-	-	3,940,647
Other liabilities		969,256	-	-	-	-	-	-	-	-	-	969,256
		19,702,093	13,661,959	278,821	222,861	214,764	42,847	75,427	35,565	9,341	-	5,160,507
On-balance sheet gap		2,955,342	(2,225,268)	4,848,717	1,042,422	1,269,903	15,171	76,859	266,399	185,829	97,252	(2,621,942)
Non Financial Net Assets		360,733										
Total Net Assets		3,316,075										
Off-balance sheet financial instruments												
Forward foreign exchange contracts - Purchase		354,243	-	-	-	-	-	-	-	-	-	354,243
Forward foreign exchange contracts -Sale		6,893	-	-	-	-	-	-	-	-	-	6,893
Commitment in respect of letter of credits		214,940	-	-	-	-	-	-	-	-	-	214,940
Commitment in respect of government sercurities transactions		2,460,960	2,460,960	-	-	-	-	-	-	-	-	-
Guarantees		844,289	-	-	-	-	-	-	-	-	-	844,289
Off-balance sheet gap		3,881,325	2,460,960	-	-	-	-	-	-	-	-	1,420,365
Total Yield/Interest Risk Sensitivity Gap		6,836,667	235,692	4,848,717	1,042,422	1,269,903	15,171	76,859	266,399	185,829	97,252	(1,201,577)
Cumulative Yield/Interest Risk Sensitivity Gap			235,692	5,084,409	6,126,832	7,396,734	7,411,905	7,488,764	7,755,163	7,940,992	8,038,244	(1,201,577)

	Effective Yield/ Interest rate	Total	2017									
			Exposed to Yield/ Interest risk									
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.37%	1,438,429	82,227	-	-	-	-	-	-	-	-	1,356,202
Balances with other banks		65,616	-	-	-	-	-	-	-	-	-	65,616
Lendings to financial institutions		-	-	-	-	-	-	-	-	-	-	-
Investments	5.98% - 11.97%	13,587,722	10,313,414	3,269,681	-	3,537	-	-	136	-	-	954
Advances	0% - 18.54%	8,875,631	240,000	5,037,081	1,572,524	191,671	53,717	18,588	224,314	139,813	1,234,394	163,528
Other assets		160,958	-	-	-	-	-	-	-	-	-	160,958
		24,128,356	10,635,641	8,306,762	1,572,524	195,208	53,717	18,588	224,450	139,813	1,234,394	1,747,258
Liabilities												
Bills payable		561,594	-	-	-	-	-	-	-	-	-	561,594
Borrowings	3% - 5.88%	3,903,832	3,782,061	26,814	17,114	6,227	12,455	12,455	24,910	21,796	-	-
Deposits and other accounts	0% - 4.8%	16,229,349	5,310,140	147,866	6,957,608	172,581	55,345	79,647	9,886	-	-	3,496,276
Other liabilities		304,857	-	-	-	-	-	-	-	-	-	304,857
		20,999,632	9,092,201	174,680	6,974,722	178,808	67,800	92,102	34,796	21,796	-	4,362,727
On-balance sheet gap		3,128,724	1,543,440	8,132,082	(5,402,198)	16,400	(14,083)	(73,514)	189,654	118,017	1,234,394	(2,615,469)
Non Financial Net Assets		604,058										
Total Net Assets		3,732,782										
Off-balance sheet financial instruments												
Forward foreign exchange contracts - Purchase		309,510	-	-	-	-	-	-	-	-	-	309,510
Forward foreign exchange contracts - Sale		-	-	-	-	-	-	-	-	-	-	-
Commitment in respect of letter of credits		140,347	-	-	-	-	-	-	-	-	-	140,347
Commitment in respect of government sercurities transactions		-	-	-	-	-	-	-	-	-	-	-
Commitment in respect of forward swaps - Purchase		17,597	17,597	-	-	-	-	-	-	-	-	-
Commitment in respect of forward swaps - Sale		17,597	17,597	-	-	-	-	-	-	-	-	-
Guarantees		753,784	-	-	-	-	-	-	-	-	-	753,784
Off-balance sheet gap		1,238,835	35,194	-	-	-	-	-	-	-	-	1,203,641
Total yield / interest risk sensitivity gap		4,367,559	1,578,634	8,132,082	(5,402,198)	16,400	(14,083)	(73,514)	189,654	118,017	1,234,394	(1,411,828)
Cumulative yield / interest risk sensitivity gap			1,578,634	9,710,716	4,308,518	4,324,918	4,310,835	4,237,321	4,426,976	4,544,993	5,779,387	4,367,559

44.2.4.1 The details given above are on the basis of earlier of repricing or maturity / redemption

Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities

Reconciliation to total assets

	2018	2017
	(Rupees in '000)	
Total financial assets	**22,657,435**	24,128,356
Add: Non financial assets		
Operating fixed assets	**320,213**	279,309
Intangible assets	**36,395**	44,237
Deferred tax asset	**-**	151,840
Non current assets held for sale	**-**	-
Other assets	**185,524**	235,933
	542,132	711,319
Balance as per statement of financial position	**23,199,567**	24,839,675

Reconciliation to total liabilities

	2018	2017
	(Rupees in '000)	
Total financial liabilities	**19,702,093**	20,999,632
Add: Non financial liabilities		
Other liabilities	**128,763**	107,261
Deferred tax liabilities	**52,636**	-
	181,399	107,261
Balance as per statement of financial position	**19,883,492**	21,106,893

44.2.4.2 Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Bank is exposed to various risks associated with the effects of fluctuation in the prevailing levels of market interest rates on its financial position and cash flows. The Bank manages this risk by matching the re-pricing of assets and liabilities and off-balance sheet instruments.

44.3 Operational Risk

The Bank operates in a controlled manner and operational risk is generally managed effectively. With the evolution of operation risk management into a separate distinct discipline, the Bank's strategy is to further strengthen risk management system along new industry standards.

The Bank's operational risk management strategy takes guidance from Basel – II, Committee of Sponsoring Organization of Treadway Commission (COSO) publications, the SBP guidelines and standard industry practices. The operational risk management manual addresses enterprise wide risk drivers inclusive of technology infrastructure, software hardware and I.T. security.

The Bank's ORM framework includes Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Operational Risk Events Management, and Operational Risk Reporting. The ORM unit engages with Bank's business / support units and regularly collaborates in determining and reviewing the risks, and assessment of residual risk leading to improved quality of control infrastructure and strengthening of the processes (sub processes) & management information.

The Bank's business continuity plan includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event. The Bank's operational risk management infrastructure has been further strengthened through the establishment of a separate operational and risk control unit.

The Bank uses Basic Indicator Approach (BIA) for regulatory capital at risk calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the Bank over the past three years. Figures of capital charge of operation risk for the year is Rs. 122.67 million (2017: Rs. 119.57 million).

44.4 Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments.

Governance of Liquidity risk management

ALCO manages the liquidity position on a continuous basis.

Liquidity and related risks are managed through standardized processes established in the Bank. The management of liquidity risk within the Bank is undertaken within limits and other parameters set by BoD. The Bank's treasury function has the primary responsibility for assessing, monitoring and managing the Bank's liquidity and funding strategy while overall compliance is monitored and coordinated by the ALCO. Board and senior management are apprised of Bank's liquidity profile to ensure proactive liquidity management. Treasury Middle Office being part of the risk management division is responsible for the independent identification, monitoring and analysis of intrinsic risks of treasury business. The Bank has in place duly approved Treasury investment policy and strategy along with liquidity risk tolerance/appetite levels. These are communicated at various levels so as to ensure effective liquidity management for the Bank.

Funding Strategy

The Bank's liquidity model is based on "self-reliance" with an extensive branch network to diversify the Bank deposit base. Further, the Bank can also generate liquidity from Interbank market against government securities to fund its short term requirement, if any. The Bank as a policy invests significantly in highly liquid government securities that can be readily converted into cash to meet unforeseen liquidity requirements, besides yielding attractive returns. Furthermore, long term loans are generally kept at an amount lower than the Bank's capital / reserves.

Liquidity Risk Mitigation techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios which are monitored regularly against approved triggers and communicated to senior management and ALCO. Further, Bank also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time buckets. The Bank also ensures that statutory cash and liquidity requirements are maintained at all times.

Liquidity Stress Testing

As per SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under well-defined stress scenarios. Results of same are escalated at the senior level so as to enable the senior management to take proactive actions to avoid liquidity crunch for the Bank.

Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity management framework of the Bank which defines and identifies the factors that can instigate a liquidity crisis and the actions to be taken to manage the crisis. The Bank has a comprehensive liquidity contingency funding plan in place, which highlights liquidity management strategy to be followed under stress conditions. Contingency Event Management parameters and responsibilities are also incorporated in order to tackle the liquidity crisis. Moreover, CFP highlights possible funding sources focusing on self-reliance, in case of a liquidity crisis.

44.4.1 **Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank**

	Total	2018												
		Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	1,825,616	1,825,616	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	44,648	44,648	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,448,785	-	1,448,785	-	-	-	-	-	-	-	-	-	-	-
Investments	9,185,411	-	9,181,863	-	-	-	-	-	-	-	-	-	-	-
Advances	9,419,393	3,773,696	1,581	6,158	12,657	48,775	4,063,842	91,855	-	2,477	-	54	63	954
Fixed assets	320,213	89	535	625	1,517	2,499	2,766	8,176	40,893	10,801	71,244	337,266	548,225	412,400
Intangible assets	36,395	31	187	218	530	873	967	2,839	8,210	8,210	29,341	11,040	17,908	229,297
Deferred tax assets	-	-	-	-	-	-	-	-	2,870	2,870	11,385	5,261	7,940	424
Other assets	919,106	3,114	460	502,516	92,332	166,654	15,403	46,209	46,209	46,209	-	-	-	-
	23,199,567	5,647,194	10,633,411	509,517	107,036	218,801	4,082,978	149,079	98,182	70,567	111,970	353,621	574,136	643,075
Liabilities														
Bills payable	249,254	249,254	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	108,966	-	-	-	68	8,091	8,091	26,181	3,147	3,147	12,725	12,725	25,450	9,341
Deposits and other accounts	18,374,617	17,599,606	-	-	-	131,352	131,352	196,750	104,269	107,268	30,392	62,973	10,655	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	52,636	7	43	51	123	202	224	656	663	663	2,632	2,632	5,264	39,476
Other liabilities	1,098,019	153,845	1,172	890,427	3,320	5,468	6,053	17,770	9,982	9,982	-	-	-	-
	19,883,492	18,002,712	1,215	890,478	3,511	145,113	145,720	241,357	118,061	121,060	45,749	78,330	41,369	48,817
Net assets	3,316,075	(12,355,518)	10,632,196	(380,961)	103,525	73,688	3,937,258	(92,278)	(19,879)	(50,493)	66,221	275,291	532,767	594,258
Share capital	3,994,113													
Reserves	307,717													
Surplus/(Deficit) on revaluation of assets	176,457													
Unappropriated profit	(1,162,212)													
	3,316,075													

	Total	2017												
		Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	1,438,429	1,438,429	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	65,616	65,616	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	13,587,722	2,578,353	2,578,353	2,578,353	2,578,353	1,634,841	1,634,841	4,492	-	-	-	-	-	-
Advances	8,875,631	858,399	858,399	858,399	858,399	2,035,268	2,035,268	20,798	14,152	14,152	211,020	104,848	136	-
Fixed assets	279,309	678	678	678	678	2,713	2,713	13,131	8,138	8,138	32,552	32,556	650,580	355,949
Intangible assets	44,237	11,226	11,227	11,227	10,556	-	-	-	-	-	-	-	41,958	134,700
Deferred tax assets	151,840	6	37	43	99	56	56	166	400	400	24,983	24,983	48,104	-
Other assets	396,891	51,548	51,536	51,536	51,536	16,644	24,297	49,932	49,931	49,931	-	-	-	52,507
	24,839,675	5,004,255	3,500,230	3,500,236	3,499,621	3,689,522	3,697,175	88,519	72,621	72,621	268,555	162,387	740,778	543,156
Liabilities														
Bills payable	561,594	561,594	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	3,903,832	945,515	945,515	945,515	945,515	13,407	13,407	17,114	3,114	3,114	12,455	12,455	24,910	21,796
Deposits and other accounts	16,229,349	2,975,845	3,006,233	3,006,233	3,006,233	222,909	222,909	783,349	251,015	251,015	349,083	819,889	1,334,637	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	412,118	93,158	91,062	91,062	91,070	7,589	15,241	15,318	424	424	1,692	1,694	3,384	-
	21,106,893	4,576,112	4,042,810	4,042,810	4,042,818	243,905	251,557	815,781	254,552	254,552	363,230	834,038	1,362,931	21,796
Net assets	3,732,782	428,143	(542,580)	(542,574)	(543,197)	3,445,617	3,445,618	(727,262)	(181,932)	(181,932)	(94,675)	(671,651)	(622,153)	521,360
Share capital	3,994,113													
Reserves	307,717													
Surplus/(Deficit) on revaluation of assets	130,315													
Unappropriated profit	(699,363)													
	3,732,782													

Above maturity profile has been prepared in accordance with International Financial Reporting Standard 7, Financial Instruments: Disclosures, based on contractual maturities. Consequently, all demand assets and liabilities such as running finance, current accounts and saving accounts are shown as having a maturity up to one month. However, based on historical behaviour, management is of the opinion that the possibility of these inflows / outflows actually occurring entirely within one month is remote, as these flows normally occur over a longer period of time.

44.4.2 **Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank (as per the workings prepared by the Asset and liability Management Committee (ALCO) of the bank)**

	Total	2018								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	1,825,616	1,825,616	-	-	-	-	-	-	-	-
Balances with other banks	44,648	44,648	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,448,785	1,448,785	-	-	-	-	-	-	-	-
Investments	9,185,411	9,181,864	-	-	3,430	-	-	-	-	-
Advances	9,419,393	1,757,006	4,727,642	1,024,921	20,115	38,623	54	63	-	-
Fixed assets	320,213	2,776	5,265	8,176	16,420	29,341	335,907	414,660	1,002,874	97,645
Intangible assets	36,395	967	1,840	2,839	5,740	11,385	11,040	17,909	48,320	180,966
Deferred tax assets	-	-	-	-	-	-	5,261	7,940	423	-
Other assets	919,106	93,445	608,411	121,835	95,415	-	-	-	-	-
	23,199,567	14,355,107	5,343,158	1,157,771	141,120	79,349	352,262	440,572	1,051,617	278,611
Liabilities										
Bills payable	249,254	249,254	-	-	-	-	-	-	-	-
Borrowings	108,966	68	16,182	26,181	6,294	12,725	12,725	25,450	9,341	-
Deposits and other accounts	18,374,617	112,753	493,164	516,426	858,087	927,103	1,222,317	6,066,661	7,226,826	951,280
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	52,636	224	425	656	1,327	2,632	2,632	5,264	13,159	26,317
Other liabilities	1,098,019	451,334	515,180	13,201	28,134	25,179	25,179	25,179	7,319	7,314
	19,883,492	813,633	1,024,951	556,464	893,842	967,639	1,262,853	6,122,554	7,256,645	984,911
Net assets	3,316,075	13,541,474	4,318,207	601,307	(752,722)	(888,290)	(910,591)	(5,681,982)	(6,205,028)	(706,300)
Share capital/ Head office capital account	3,994,113									
Reserves	307,717									
Unappropriated/ Unremitted profit	176,457									
Surplus/(Deficit) on revaluation of assets	(1,162,212)									
	3,316,075									

	Total	2017								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	1,438,429	1,438,429	-	-	-	-	-	-	-	-
Balances with other banks	65,616	65,616	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	13,587,722	10,313,413	3,269,681	4,492	-	-	-	-	-	-
Advances	8,875,631	3,433,594	4,070,536	20,798	28,304	211,020	104,848	136	-	-
Fixed assets	279,309	2,147	4,115	11,166	12,347	19,749	24,697	650,580	255,575	100,376
Intangible assets	44,237	564	1,310	1,965	3,929	12,803	7,859	26,151	40,384	138,553
Deferred tax assets	151,840	91	148	711	427	21,852	26,853	15,807	-	-
Other assets	396,891	206,145	33,288	57,597	99,861	-	-	115,440	(6,211)	(7,471)
	24,839,675	15,459,999	7,379,078	96,729	144,868	265,424	164,257	808,114	289,748	231,458
Liabilities										
Bills payable	561,594	561,594	-	-	-	-	-	-	-	-
Borrowings	3,903,832	3,782,061	26,814	17,114	6,227	12,455	12,455	24,910	21,796	-
Deposits and other accounts	16,229,349	11,994,544	445,818	783,349	502,029	349,083	819,889	1,334,637	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	412,118	366,343	15,176	22,980	847	1,694	1,694	3,384	-	-
	21,106,893	16,704,542	487,808	823,443	509,103	363,232	834,038	1,362,931	21,796	-
Net assets	3,732,782	(1,244,543)	6,891,270	(726,714)	(364,235)	(97,808)	(669,781)	(554,817)	267,952	231,458
Share capital	3,994,113									
Reserves	307,717									
Unappropriated profit	130,315									
Surplus/(Deficit) on revaluation of assets	(699,363)									
	3,732,782									

45. GENERAL - corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by State Bank of Pakistan vide BPRD circular no. 2 of 2018.

Besides other major reclassifications included bills payable of Rs. 3.01 million as of 31 December 2017 have been reclassified and adjusted against Balances with Other Banks, Rs. 28.292 million have been reclassified from Deposits and Other Accounts to Bills Payable, and Rs. 16.552 million has been reclassified from Foreign Exchange Income to Mark-up Income on Investments.

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 21 OCT 2022 by the Board of Directors of the Bank.

Chief Financial Officer	President / Chief Executive	Director	Director	Director