



PLANT A **TREE**  
MAKE PAKISTAN **GREEN**

Annual Report 2018



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Lt Gen Syed Tariq Nadeem Gilani, HI (M) (Retd)  
Chairman / Non-Executive Director

Lt Gen Javed Iqbal, HI (M) (Retd)  
Non-Executive Director

Lt Gen Tariq Khan, HI (M) (Retd)  
Non-Executive Director

Dr. Nadeem Inayat  
Non-Executive Director

Mr. Rehan Laiq  
Non-Executive Director

Mr. Manzoor Ahmed  
Non-Executive Director / NIT Nominee

Mr. Kamal A. Chinoy  
Independent Director

Syed Ahmed Iqbal Ashraf  
Independent Director

Mr. Mushtaq Malik  
Independent Director

Brig. Saleem Ahmed Moeen, SI (Retd)  
Independent Director

Mr. Abid Sattar  
President & Chief Executive

## BOARD COMMITTEES

### AUDIT

Syed Ahmed Iqbal Ashraf - Chairman

Dr. Nadeem Inayat

Mr. Rehan Laiq

Mr. Manzoor Ahmed

### HUMAN RESOURCE & REMUNERATION

Lt Gen Javed Iqbal, HI (M) (Retd) - Chairman

Dr. Nadeem Inayat

Syed Ahmed Iqbal Ashraf

Mr. Mushtaq Malik

Mr. Kamal A. Chinoy

### RISK MANAGEMENT

Mr. Manzoor Ahmed - Chairman

Dr. Nadeem Inayat

Mr. Rehan Laiq

Brig. Saleem Ahmed Moeen, SI (Retd)

Mr. Abid Sattar

### INFORMATION TECHNOLOGY

Brig. Saleem Ahmed Moeen, SI (Retd) - Chairman

Dr. Nadeem Inayat

Mr. Abid Sattar

## AUDITORS

M/s A. F. Ferguson & Co. Chartered Accountants

## LEGAL ADVISORS

M/s RIAA, Barker Gillette

Advocates & Corporate Counsellors

## SHARIAH BOARD

Mufti Muhammad Zahid - Chairman

Mufti Ismatullah - Member

Dr. Muhammad Tahir Mansoori - Resident Shariah Board Member

## COMPANY SECRETARY

Mr. Shahid Abbasi, FCA

## REGISTERED OFFICE

AWT Plaza, The Mall, P. O. Box No. 1084

Rawalpindi - 46000, Pakistan

Tel: (92 51) 8092624

UAN: (92 51) 111 000 787

Fax: (92 51) 2857448

Email: [ir@askaribank.com.pk](mailto:ir@askaribank.com.pk)

## REGISTRAR & SHARE TRANSFER OFFICE

Central Depository Company of Pakistan Limited

Mezzanine Floor, South Tower, LSE Plaza

19-Khayaban-e-Aiwan-e-Iqbal, Lahore

Tel: Customer Support Services (Toll Free)

0800-CDCPL (23275)

Tel: (9242) 36362061-66

Fax: (92 42) 36300072

Email: [info@cdcpak.com](mailto:info@cdcpak.com)

Website: [www.cdcpakistan.com](http://www.cdcpakistan.com)

## ENTITY RATINGS

Long Term: AA+

Short Term: A1+

By PACRA

## WEBSITE

[www.akbl.com.pk](http://www.akbl.com.pk)

## SOCIAL MEDIA

[/askaribankpakistan](https://www.facebook.com/askaribankpakistan)

[/askari\\_bank](https://www.instagram.com/askari_bank)

# NOTICE OF THE 27TH ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting (AGM) of the shareholders of Askari Bank Limited (the “Bank”) will be held on Monday, March 25, 2019 at 10:00 am at Topi Rakh Complex (Galaxy Hall), Army Heritage Foundation, Ayub National Park, Jhelum Road, Rawalpindi to transact the following business:

## ORDINARY BUSINESS:

1. To confirm the minutes of the 26th Annual General Meeting held on March 30, 2018.
2. To receive, consider and adopt the financial statements of the Bank for the year ended December 31, 2018 together with the Directors’ and Auditors’ Reports thereon.
3. To appoint statutory auditors of the Bank and Wholesale Banking Branch (Bahrain) for the year ending December 31, 2019 and to fix their remuneration. The present auditors of the Askari Bank Limited and Wholesale Banking Branch (Bahrain), M/s A. F. Ferguson & Co., Chartered Accountants and PricewaterhouseCoopers (PWC) respectively, being eligible, have offered themselves for re-appointment.
4. To approve, as recommended by the Board of Directors, payment of final cash dividend @ 10% i.e., Re. 1 per share for the financial year ended December 31, 2018.

## SPECIAL BUSINESS:

5. To consider and approve amendments / alterations in the Articles of Associations of the Bank with or without any amendments, modifications or alterations, in light of the changes in the Companies Act, 2017, the Banking Companies Ordinance, 1962 and the applicable Prudential Regulations of the State Bank of Pakistan (SBP).

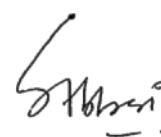
The Statement of Material Facts providing the information as required under Section 134(3) of the Companies Act 2017 is appended below.

## OTHER BUSINESS:

6. To consider any other business as may be placed before the meeting, with the permission of the Chair.

Rawalpindi  
March 1, 2019

By Order of the Board



Shahid Abbasi  
Company Secretary

# NOTICE OF THE 27TH ANNUAL GENERAL MEETING

## STATEMENT OF MATERIAL FACTS

### AGENDA ITEM 5: STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 – AMENDMENTS / ALTERNATIONS IN THE ARTICLES OF ASSOCIATION OF THE BANK

The statement sets out the material facts pertaining to the special business to be transacted at the 27th Annual General Meeting of the Bank to be held on Monday, March 25, 2019.

The existing Articles of Association (AoA) of Askari Bank Limited were required to be revised to align it with legislative changes and requirements brought about by the Companies Act, 2017, Listed Companies (Code of Corporate Governance) Regulations 2017, Securities Act 2015, Pakistan Stock Exchange Limited Regulations, other applicable rules & regulations and ensure its conformity with the Banking Companies Ordinance 1962, and various other requirements of the State Bank of Pakistan.

Accordingly, the existing document has been amended / altered and the revised AoA will be laid before the members in the Annual General Meeting scheduled on March 25, 2019. In accordance with the requirements of Section 134(3) of the Companies Act, 2017, the revised AoA along with the proposed special resolutions pertaining to the alteration in the AoA and comparative table of amendments are provided in the DVD, as integral part of this notice and are also placed on the Bank's website at <https://akbl.com.pk/investor-relations/shareholders>.

If approved by the members, the proposed Special Resolution(s), with or without modifications, will be adopted to approve revisions in the AoA.

## INTEREST OF THE DIRECTORS AND THEIR RELATIVES

None of the directors or their relatives have any personal interest in alternation / amendments / substitution of Articles of Association of the Bank except in their capacity as Shareholder or Directors of the Bank.

## INSPECTION OF DOCUMENTS

Copies of Memorandum & Articles of Association of the Bank, Statement under section 134 (3) of the Companies Act, 2017, financial statements and other related information / documents of the Bank which may be inspected / procured during business hours on any working day at the Head Office of the Bank from the date of publication of this notice till conclusion of the Annual General Meeting.

## NOTES

1. The Share Transfer books of the Bank will remain closed from March 19, 2019 to March 25, 2019 (both days inclusive). Transfers received at the Bank's Share Registrar Department, Central Depository Company of Pakistan Limited, Mezzanine Floor, South Tower, LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore the Registrar and Share Transfer Office of the Bank at the close of the business hours on March 18, 2019 will be treated in time.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him / her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan [GoP] or SBP or corporate entity may appoint a person who is not a member.
3. The instrument appointing a proxy should be signed by the member or his / her attorney duly authorized in writing. If the member is a corporate entity (other than GoP and SBP), its common seal should be affixed on the instrument.

4. The instrument appointing a proxy, together with attested copy of Power of Attorney or Board Resolution, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 4th Floor, NPT Building, F-8 Markaz, Islamabad not less than 48 hours before the time of holding the meeting.
5. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid. The proxy form shall be witnessed by two persons whose names, addresses and Computerized National Identity Card (CNIC) numbers shall be mentioned on the form.
6. Copy of the CNIC or passport of the beneficial owners shall be furnished with the proxy form. The proxy shall produce his / her original CNIC or original passport at the time of attending the meeting.
7. In case of individual shareholder, original CNIC or original passport while for the CDC account holder or sub-account holder and or the person whose securities are in group account and their registration details are uploaded as per the regulations, his / her authentication would be made by showing his / her original CNIC or original passport along with participant(s) ID Number and their account numbers. In case of GoP / SBP / corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.
8. The Government of Pakistan through the Finance Act, 2018 has made certain amendments in terms of Section 150 of the Income Tax Ordinance, 2001 whereby the rates are enhanced for deduction of withholding tax on the amount of dividend paid by the companies / banks. These rates are as follows:
  - a) For filers of income tax returns 15.00 %
  - b) For non-filers of income tax returns 20.00 %

And to enable the Bank to make tax deductions on the amount of cash dividend @ 15.00 % instead of 20.00% all shareholders, whose names are not entered into the Active Taxpayers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend (as and when declared) will be deducted @ 20.00% instead of 15.00%.

According to FBR, withholding tax will be determined separately on filer / non-filer status of principal shareholder as well as joint-shareholder(s) based on their shareholding proportions, in case of joint accounts, shareholders, who hold shares jointly, are requested to provide shareholding proportions of principal shareholder and joint holder(s) in respect of shares held by them to our Share Registrar M/s. Central Depository Company of Pakistan Limited, Lahore, in writing as follows:

Name of Principal Shareholder/Joint Holders	Shareholding (%age)	CNIC No. (copy attached)	Signature

The required information must reach our Share Registrar by March 15, 2019 otherwise it will be assumed that the shares are equally held.

# NOTICE OF THE 27TH ANNUAL GENERAL MEETING

## SPECIAL NOTES TO THE SHAREHOLDERS

### 9. Submission of Copies of CNIC (Mandatory)

Please note that as per SECP directives the payment of dividend to the shareholders whose CNIC are not available with the Share Registrar are being withheld. All shareholders having physical shareholding are, therefore, once again advised to submit a photocopy of their valid CNICs to our Share Registrar.

### 10. Payment of Cash Dividend Electronically (e-Dividend)

Section 242 of Companies Act, 2017, requires that in case of a listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account (International Bank Account Number-IBAN) designated by the entitled shareholders. Please note that provision of IBAN for cash dividend payments is mandatory and in order to comply with this regulatory requirement of direct credit of dividend amount in shareholder's IBAN detail, shareholders are requested to provide the relevant information to:

1. Their respective CDC Participant / CDC Investor Account Services (in case their shareholding is in Book Entry form); OR
2. Our Share Registrar M/s Central Depository Company of Pakistan Limited, Share Registrar Department, Mezzanine Floor, South Tower, LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore (in case their shareholding is in Physical Form)

### 11. Transmission of Audited Financial Statements and Notices to Members through email (Optional) or CD / DVD / USB

Annual Audited Financial Statements of the Bank for the financial year ended December 31, 2018 have also been placed on the Bank's website i.e. [www.akbl.com.pk](http://www.akbl.com.pk).

In accordance with the Shareholders' approval accorded in 25th AGM of the Bank held on March 31, 2017, DVDs have been dispatched to all shareholders. In addition, hard copies of Annual Report 2018 have also been dispatched to Shareholders as per their demand.

### 12. Consent for Video Conference Facility

In compliance of Circular No. 10 dated May 21, 2014 of SECP read with section 134(1) (b) of the Companies Act, 2017, shareholders of the Bank are informed that they can avail video conference facility in Karachi and Lahore. In this regard please fill the following form and submit the same with the Company Secretary, Askari Bank Limited, 4th Floor, NPT Building, F-8 Markaz, Islamabad at least ten (10) days before holding of general meeting. If the Bank receives consent from members holding in aggregate ten percent (10%) or more shareholding, the Bank will arrange video conference facility in that city subject to availability of such facility in that city.

I/We, ----- of ----- being a Member of Askari Bank Limited, holder of ----- Ordinary Share(s) as per Registered Folio No / CDC Sub-Account No.----- hereby opt for video conference facility at -----.

\_\_\_\_\_  
Signature of Member



**13. Change of Address / particulars**

Members are requested to immediately notify any change in their addresses to the Bank's Shares Registrar, M/s Central Depository Company of Pakistan Limited, Mezzanine Floor, South Tower, LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore. To facilitate the shareholders, a Form for Change of Particulars of Shareholders has been made available on the website of the Bank.

**14. Zakat Declaration (CZ-50)**

Zakat will be deducted from the dividends at source at the rate of 2.5 % of the paid-up value of the share (Rs. 10/- each) and will be deposited within the prescribed period with the relevant authority. In case of claiming exemption, please submit your Zakat Declarations under Zakat and Ushr Ordinance, 1980 and Rule 4 of Zakat (Deduction and Refund) Rules, 1981, CZ-50 Form with our Share Registrar mentioning Askari Bank's name and their respective Folio and CDC Account Nos.

**15. Unclaimed / Unpaid Dividend and Share Certificates**

In compliance of Section 244 of the Companies Act, 2017, a Final Notice was given by the Bank on January 26, 2018 that the shares of Askari Bank Limited / dividends declared by Askari Bank Limited; details whereof are appearing on the Bank's website [www.akbl.com.pk](http://www.akbl.com.pk) have remained unclaimed or unpaid for a period of three years from the date these have become due and payable. In case of non-receipt of any claim by respective shareholder(s) to above referred final notice, the Bank shall proceed to deposit the unclaimed / unpaid amount with the Federal Government pursuant to the provisions of sub-section (2) of section 244 of the Companies Act, 2017.

**16. Postal Ballot / E-voting:**

In accordance with the Companies (Postal Ballot) Regulations, 2018, for any agenda item subject to the requirements of Section 143 and 144 of the Companies Act, 2017, shareholders will be allowed to exercise their right of vote through postal ballot i.e. by post or e-voting, in the manner and subject to the conditions contained in the aforesaid regulations.

# SIX YEARS' STATISTICS

Rupees in million

December 31	2013	2014	2015	2016	2017	2018
<b>Assets</b>						
Advances - net	163,557	170,496	199,931	235,164	258,693	343,107
Investments - net	165,863	217,214	268,021	295,846	314,957	260,234
Cash, short term funds and statutory deposits with SBP	37,666	29,626	38,794	55,250	49,683	53,281
Fixed / intangible assets	8,567	8,299	9,230	11,020	10,729	13,533
Assets held for sale	-	54	-	262	81	81
Other assets	19,174	21,392	19,891	21,597	22,566	36,296
Total assets	394,827	447,083	535,867	619,139	656,708	706,532
Non-performing loans	33,120	31,376	31,484	28,535	26,753	26,657
Provisions for non-performing loans	28,614	28,169	28,482	26,959	25,647	26,152
<b>Liabilities</b>						
Deposits and other accounts	335,241	387,587	433,172	472,811	525,808	573,636
Refinance borrowings from SBP	8,953	7,954	10,327	12,891	16,839	18,967
Subordinated debts	3,994	7,993	4,997	4,995	4,993	9,994
Borrowings / other liabilities	27,911	19,841	60,518	95,866	76,632	70,426
Total liabilities	376,099	423,375	509,014	586,562	624,273	673,023
<b>Shareholders' funds</b>						
Share capital	12,603	12,603	12,603	12,603	12,603	12,603
Reserves	4,030	6,686	9,209	12,755	14,798	19,257
Surplus on revaluation of assets – net of tax	2,096	4,418	5,041	7,219	5,035	1,649
Total shareholders' funds	18,729	23,707	26,853	32,577	32,435	33,509
<b>Profitability</b>						
Interest income	27,961	34,604	36,592	35,512	36,267	43,670
Interest expenditure	19,363	22,711	21,690	20,497	20,072	25,060
Net interest income	8,597	11,893	14,902	15,016	16,195	18,610
(Reversal) / provision and impairment against non-performing assets	11,103	322	879	(659)	(1,205)	1,461
Fee and commission income	1,169	1,435	1,732	2,156	2,707	3,116
Other income	2,429	3,882	4,958	4,951	3,549	2,506
Non mark-up expenses	9,533	11,107	12,281	14,304	15,164	15,892
Profit / (loss) before taxation	(8,441)	5,781	8,432	8,477	8,492	6,879
Taxation	2,961	1,766	3,388	3,256	3,224	2,448
Profit / (loss) after taxation	(5,480)	4,015	5,043	5,221	5,268	4,431
Operating profit	2,663	6,103	9,311	7,818	7,287	8,340
Total income	31,559	39,921	43,283	42,619	42,523	49,292
Total expenditure	39,999	34,140	34,850	34,142	34,031	42,412
<b>Cash flows</b>						
Operating activities	22,906	36,639	67,461	42,479	26,131	(43,591)
Investing activities	(21,638)	(47,918)	(51,636)	(30,476)	(23,277)	43,701
Financing activities	1,479	2,752	(5,481)	(1,563)	(3,115)	4,989
Changes in cash & cash equivalents	2,864	(8,537)	10,355	10,433	(231)	5,098
Cash & cash equivalents at beginning of the year	33,299	36,163	27,626	37,981	48,414	48,183
Cash & cash equivalents at end of the year	36,163	27,626	37,981	48,414	48,183	53,281
<b>Business transacted</b> (Rupees in billion)						
Imports	196	177	200	279	358	394
Exports	111	140	144	124	155	215
Guarantees	82	64	78	132	137	150

December 31	2013	2014	2015	2016	2017	Percentage 2018
<b>Profitability ratios</b>						
Profit / (loss) before tax	(30.19)	16.71	23.04	23.87	23.41	15.75
Gross yield on average earning assets	8.67	9.25	7.90	6.71	6.42	7.14
Return on average assets (RoA)	(1.47)	0.95	1.03	0.90	0.83	0.65
Gross spread	30.75	34.37	40.72	42.28	44.66	42.62
Cost to income (CIR)	78.17	64.54	56.88	64.66	67.54	65.58
Return on average shareholders equity (RoE)	(31.94)	22.35	24.54	22.14	19.97	14.98
Return on average capital employed	(24.20)	16.76	18.65	18.27	16.79	11.95
<b>Liquidity ratios</b>						
Advance to deposits (CDR)	48.79	43.99	46.16	49.74	49.20	59.81
Current - times	1.91	1.79	1.62	1.38	1.59	2.03
Cash to current liabilities - times	0.23	0.17	0.19	0.20	0.21	0.23
<b>Investment / market ratios</b>						
Price earning (PE) - times	(2.37)	7.23	5.44	6.03	4.62	6.80
Price to book - times	0.04	0.07	0.05	0.05	0.04	0.04
Dividend yield	-	8.67	10.35	6.01	5.18	4.18
Dividend payout - times	-	0.63	0.56	0.36	0.24	0.28
Cash dividends - Interim (%)	-	10.00	10.00	-	10.00	-
- Final* (%)	-	10.00	12.50	15.00	-	10.00
Earnings per share (EPS)** - Rupees	(5.90)	3.19	4.00	4.14	4.18	3.52
Market value per share - year end - Rupees	14.00	23.07	21.74	24.95	19.31	23.92
Market value per share - high - Rupees	19.69	23.14	25.54	25.61	28.03	26.59
Market value per share - low - Rupees	10.76	13.37	16.26	17.50	17.75	19.20
<b>Capital structure ratios</b>						
Income / expense - times	0.79	1.17	1.24	1.25	1.25	1.16
Capital Adequacy (CAR)	10.39	13.03	12.51	12.50	12.09	12.51
Earning assets to total assets - gross	87.32	89.66	89.52	88.28	88.63	86.65
Weighted average cost of deposits	5.62	5.90	4.64	3.70	3.42	3.97
Net assets per share - Rupees	14.86	18.81	21.31	25.85	25.74	26.59
Fixed / intangible assets to average shareholders' funds	44.60	39.12	36.51	37.08	33.01	41.04
<b>Other information</b>						(Number)
Number of employees (Regular)	4,411	5,581	6,133	6,428	6,591	6,640
Number of branches	281	321	424	501	516	516

\*post balance sheet event \*\*based on weighted average number of shares outstanding at each year end

# CHAIRMAN'S REVIEW

Askari Bank's results for 2018 reflect a strategy with focus on balance sheet discipline, core earnings, optimal risk tolerance and performance against the overall corporate objectives. The Board provided oversight of this strategy and advice to management throughout the year, as the Bank's plans continue to deliver sustainable results and value to the shareholders.

2018 was a difficult year for Pakistan's economy amidst external and domestic challenges that were responded by an ongoing macroeconomic stabilization program, exchange rate adjustment and interest rate hike to curb inflation, reduce current account deficit and trade imbalance. In an environment of monetary tightening, macroeconomic uncertainty and low GDP growth, a strong competition persisted for securing credible and viable projects as banks were less keen on investing in long term paper and focused more on expanding private loan portfolios to park ample liquidity in the system.

Askari Bank proactively adapted to changes in the policy framework and financial markets while moving forward to leverage on available opportunities. Askari Bank reported an asset growth of 7 percent with a major change in the asset mix where loans and advances accounted for almost half of the total assets compared to 39 percent at last year end; the Bank pursued a sound approach to deploy capital ensuring to invest in line with the lending strategy. However, despite a notable 16 percent rise in operating profits, the EPS declined by 16 percent mainly due to a large provision on investments in stock market, which remained subdued for the second consecutive year. The Bank will continue to improve assets quality while growing the business portfolios within the leeway available to the Bank, effectively develop operations and processes, while promoting innovation balanced with prudent risk management.

The banking landscape is undergoing a major transformation with emerging technologies to embrace the digital realm in the financial sector; along with the change of mind sets, culture, habits, and smart-customer engagement. Our Bank is mindful of these developments and is continually assessing technological infrastructure to excel customer service, expand the scope of secured digital offerings, enhance efficiencies and increase the diverse business portfolios.

The Board welcomes Mr. Abid Sattar as our new President & Chief Executive from August 2018. The Board is confident that Mr. Sattar's leadership combined with his strategic thinking and extensive experience locally and overseas in the financial services industry will drive Askari Bank to success in the coming years.

I take this opportunity to convey my sincere gratitude to all our Customers who we consider our most valuable asset. I am also thankful to the State Bank of Pakistan for their continued support, to my colleagues on the Board for their valuable guidance, and to the entire team of employees led by the President, whose talents, unreserved effort and commitment propels the Bank to greater heights.

Lt Gen Syed Tariq Nadeem Gilani HI (M) (Retd)  
Chairman Board of Directors

February 21, 2019

# DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors present the 27th Annual Report of Askari Bank Limited along with the audited unconsolidated and consolidated financial statements of the Bank and Auditors' reports thereon, for the year ended December 31, 2018.

## ECONOMY:

Pakistan's economy experienced a slowdown during fiscal '18; the pace of revenue growth decelerated compared to expenditure, along with increased dependence on imports to meet growing demand which led to widening of twin deficits. The resulting record current account deficit increased pressures on foreign exchange reserves and exchange rate. At the same time, fiscal deficit remained high and was financed by domestic borrowing, which not only led to a faster accumulation in public debt, but also stoked inflation.

The economic challenges further intensified as the start of the new fiscal saw a rise in oil prices; which reinforced the already strong underlying inflationary pressures in the economy, and also eclipsed emerging improvements in the external sector along with the much needed balance of payment support. Fiscal pressures remained high as expenditure rigidities allowed limited space to the new Government to maneuver despite reduction in oil price in later part of the year.

Monetary policy shifted gears during 2018 with a cumulative 425 basis points increase since January 2018, after remaining at historic lows for a continued period of around 20 months. Credit to private sector saw a net expansion largely attributed to high cost of raw materials, capacity expansion in power and construction-allied industries particularly cement and steel.

The stabilization measures implemented during the recent months by the new political Government are taking shape as key monthly indicators are showing visible signs of deceleration in domestic demand. The current account deficit is narrowing, albeit slowly. Alongside, an increase in financial inflows is contributing to reduced pressures on external accounts. The Government is pursuing a fiscal consolidation program and has negotiated bilateral inflows to address foreign currency and ease pressures on the external front. A clear direction towards reduction in expenditures, focus on broadening the tax base instead of increasing burden on current tax payers and curtailment of losses and revival of PSEs through the initiative of a dedicated holding company are steps in the right direction to bolster macroeconomic stability. These developments indicate that the key factors have been identified and plans are in place to manage priorities. As the domestic demand decelerates, it appears that the economy will continue to move along with macroeconomic adjustment path for some time.

## PERFORMANCE OVERVIEW:

Askari Bank posted 16.5 percent growth in profits before provisions and taxation at Rs. 8.3 billion from Rs. 7.2 billion last year. This growth was supported by the rising interest rates resulting in improved margins. Business verticals contributed increase in fee based income with successful implementation of strategies in trade finance, transaction banking and a strong growth in foreign exchange income in an intensely competitive market. Profit after taxation declined by 15.9 percent to Rs. 4.4 billion primarily due to a net aggregate provision charge amounting to Rs. 1.5 billion on Bank's portfolio of equity investments and certain non-performing loans and advances. Consequently, the earnings per share for the current year declined and were reported at Rs. 3.52 as against Rs. 4.18 last year.

The Bank reported a net mark-up income amounting to Rs. 18.6 billion, registering a growth of 14.9 percent during the year under review. Mark-up earned increased by 20.4 percent with main contribution from loans and advances that registered a healthy increase of 40.1 percent, whereas revenue from investments declined by 3.0 percent reflecting a yield enhancement strategy coupled with a shift towards the shorter end of the curve – the Bank's portfolio of long term Pakistan Investment Bonds declined by 36.4 percent.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

Net mark-up income was also supported by 13.3 percent increase in aggregate current accounts along with efforts to shed expensive deposits in order to optimize the deposit profile and maintain cost of deposit at efficient levels, while building a sustainable low cost deposit base.

Trade and transaction related fee based income increased by 15.1 percent during the year and constituted 55.4 percent of the aggregate NFIs. Trade business related commissions increased by 9.1 percent as the Bank actively pursued corporate and commercial clientele. Commissions on ATMs / plastic cards witnessed a healthy 54.3 percent increase during the year in review. Income from foreign exchange registered almost a two fold increase to Rs. 1.6 billion amidst exchange rate volatility and well-managed trading positions, as well as improved clients' FX flows through the treasury desk. The increase of 89.3 percent income in foreign exchange during the year largely compensated for the 87.3 percent decline in gain on sale of securities.

Operating expenses increased by only 8.6 percent to Rs. 16.2 billion during the year. Property expense increased by 10.4 percent, mainly due to rent and utility expense escalations across the branch network. Other operating expenses increased by 16.7 percent in line with the build-up in business across all segments. Employees' compensation increased by 5.4 percent year on year. Other charges increased sharply from Rs. 23.6 million to Rs. 191.1 million on account of premium to Deposit Protection Corporation levied during the current year. The aggregate cost to income ratio improved from 67.9 to 65.6 percent.

During the year under review, the Bank recognized overall net provision charge of Rs. 1.5 billion against a net reversal of Rs. 1.3 billion last year. A provision of Rs. 1.0 billion was recorded on equity investments as the declining trend of the stock market continued for the second consecutive year with KSE 100 index losing 8.9 percent by close of the year. Also, the Bank recorded a net charge against non-performing loans amounting to Rs. 467 million. Specific coverage against non-performing loans improved from 93.3 to 94.2 percent. The adverse swing of Rs. 2.8 billion in overall provisions, (from a net reversal to a net charge) was the main reason for a year on year decline in profit before and after taxation of 18.9 and 15.9 percent, respectively.

The balance sheet for 2018 reflects rebalancing of the asset portfolios with a major shift towards credit expansion in selected areas in line with the Bank's corporate strategy amidst a changing macroeconomic environment; gross advances grew by 29.9 percent to Rs. 369.3 billion while investments declined by 17.4 percent to Rs. 260.2 billion. The loan growth strategy maintained focus on acquiring high quality assets, enhancing relationship yields and maintaining an efficient and optimal profile of risk weighted assets. Investment portfolio also remained concentrated in capital efficient government securities. Customer deposits increased by 9.1 percent to Rs. 573.6 billion while the aggregate current accounts increased by 13.3 percent reflecting the focus of branch banking strategy that seeks to drive efficiencies in the deposit portfolio by actively expanding current accounts and shedding expensive, non-core deposits.

The total assets grew by 6.6 percent reflecting a consolidation phase in view of the impact of capital ratios on the overall growth. While the trend of Bank's capital ratios belie the effective implementation of capital management initiatives, the same is mainly attributed to a sharp rise in market rates that came after the issue of Tier 1 capital during the year and was mainly the reason to dilute the positive impact enabled by such issue (the Bank issued its first ever additional Tier 1 capital in the form of listed, perpetual, unsecured, subordinated and non-cumulative debt instrument amounting to Rs. 6.0 billion). The Bank recognizes strengthening the capital structure as a key priority and efforts have already been initiated to improve capital ratios in the ensuing year.

#### APPROPRIATIONS:

The Board of Directors recommends the following appropriations for the year ended December 31, 2018:

Rs. in '000				
2018	2017	Year Ended December 31,	2018	2017
Consolidated			Unconsolidated	
4,429,310	5,121,863	Profit after taxation	4,431,278	5,267,887
2,001	(113,963)	Effect of recognition of actuarial gain / (loss)	3,095	(113,996)
165,812	9,824	Transfer from surplus on revaluation	165,812	9,824
4,597,123	5,017,724	Profit available for appropriation	4,600,185	5,163,715
–	(1,260,260)	Interim cash dividend - 10 percent	–	(1,260,260)
(886,256)	(1,053,577)	Transfer to statutory reserve	(886,256)	(1,053,577)
3,710,867	2,703,887	Accumulated profit carried forward	3,713,929	2,849,878
3.51	4.06	Earnings per share - Rupees	3.52	4.18

#### DIVIDEND:

In addition to the above, the Board has recommended a final cash dividend of 10 percent for the year ended December 31, 2018.

#### BRANCH NETWORK:

The branch network comprises of 515 branches across the country; 421 conventional branches (including 40 sub-branches), 94 Islamic branches (including 3 sub-branches) and a Wholesale Bank Branch in Bahrain. The branch network is supported by digital channels to extend the outreach to our customers spread across the country and further to unbanked areas to serve the national agenda of financial inclusion.

The Bank recognizes that enhancing customer experience is an area of strategic focus, whether they walk into our branches or engage remotely through the phone and digital channels. A pre-requisite is to ensure a comprehensive range of products and service offerings relevant to the needs of specific customer segments, and valuable insights are continually gained as to how value is delivered to the customers in a conducive environment. The Bank has initiated pragmatic customer engagement at multiple levels to initiate actions from these learnings for enhancing customer value proposition.

The digital journey continues with the use of technology to address stakeholder needs through a range of innovative products and also for process transformations. Growth of digital transaction volumes confirms the ease of use of our online platforms and customer confidence in using these for transactions. The Bank takes this responsibility very seriously, investing in enhancing cyber security to strengthen our systems to maintain confidentiality and discharge our responsibilities as custodians of trust. The digital banking will aggressively pursue initiatives to transform the systems to deliver enhanced analytical capability, process efficiencies and better customer experience.

#### RATINGS:

During the year, the Bank's entity ratings were maintained at 'AA+' by Pakistan Credit Rating Agency Limited (PACRA), the ratings reflect relative position of the Bank, driven by AKBL's strong sponsors, continuous improvement in cost of funds and assets quality supplemented by comfortable liquidity position. The short term rating was maintained at 'A1+', being the highest rating.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## RISK MANAGEMENT:

Risk management is fundamental to banking and is therefore embedded in everyday management of our business. Achieving the optimal trade-off between risk and return is the ultimate goal of our risk management strategies. Thus a sound risk management framework has been developed encompassing all areas of banking activities. The Risk Management Framework encompasses Board and senior management supervision, risk appetite guidelines, along with efficient policies and procedures. The Board of Directors have established oversight of the risk management function of the Bank through the Board Risk Management Committee and provides the strategic direction for effective risk management and ensures that a robust risk management framework remains in place.

The Bank continues to employ processes and methodologies to meet international and local best practices. The security of information and technology infrastructure is important in maintaining the integrity of banking processes, applications and to protect internal and external data.

The Bank will continue to strengthen its risk Infrastructure, through acquisition of risk automation solutions and IT security tools, in order to streamline risk processes and to bring these in line with regulatory guidelines and industry best practices. Continuous efforts are being made to implement security awareness programs and to create capacity to prevent, detect, and respond to cyber security threats.

The Bank is taking all necessary steps to remain fully compliant with the Basel III transition plan, which includes raising the capital adequacy ratio threshold to 12.5 percent by end 2019, along with the management of the leverage ratio as an additional capital standard. Capital management is regularly reviewed at the Asset and Liability Management Committee (ALCO) to ensure that the Bank remains compliant with the requirements.

## COMPLIANCE:

The compliance focus is dominating the global banking industry and our Bank is also proactive in ensuring that it remains compliant with the global standards. Compliance function strives to strengthen the compliance environment in collaboration with the management and strives to minimize compliance risks across the institution.

Compliance function has taken number of initiatives to improve the compliance standards in the Bank by implementing robust AML / CFT policy and procedures including but not limited to identification and reporting of suspicious transactions, compliance of UNSC resolutions & FATF recommendations, provision of appropriate training and awareness to the employees.

The Bank aims to build on existing compliance culture and seeks to further strengthen controls and governance with focus on people, processes and technology (PPT). In order to achieve the highest standards of compliance in PPT and to comply with the regulatory requirements, the Bank will implement automated compliance risk management solution and upgrade sanctions screening system. Also, the Bank is evaluating available solutions in the area of fraud detection and prevention.

## OUR PEOPLE:

Askari Bank remains committed to investing and building its human capital by attracting talent, investing extensively in developing / enhancing people skills, and creating an enabling environment. During the year, Human Resource function kept focus on induction of high quality talent pool by recruiting batches of Management Trainee Officers in addition to the induction of experienced and skilled resources.



Training and Development witnessed compliance to regulatory requirement and focus on technical skills as the priority for the year 2018. Keeping in view the importance of self-paced learning, new computer based training programs were developed and added to the in-house E-learning portal. As part of sustained focus on training and development 356 training programs were conducted during the year.

The Bank's strategic imperatives such as service excellence and sales focus, for which the primary conduit will be our people, underscored the importance of investments in training and development to enhance the value of our most valued asset. The re-engineering of our processes and the infusion of technology has begun to facilitate people empowerment. The ensuing year will witness our HR initiatives gaining more traction with focus on facilitating greater dialogue, encouraging innovation, charting paths for career advancement and mentoring; for individuals to take on more responsibility and become leaders in the industry.

#### **CORPORATE SOCIAL RESPONSIBILITY:**

As a socially responsible corporate entity, Askari Bank believes in taking initiatives which add value to peoples' lives and the communities around them. The Bank understands its obligation towards social development activities and is committed to contribute in CSR initiatives mainly in the areas of health, education, sports and culture. During the year, the Bank and its employees contributed towards the Diamer Bhasha and Mohmand Dams Fund. To support our national game, the Bank continued to provide honorary employment to the players and trainers of national hockey team. Contributions were also made for Care for Special Persons Foundation and Armed Forces Institute of Cardiology.

#### **CUSTOMER COMPLAINT MANAGEMENT:**

Askari Bank promotes a culture that values customer experience and customer satisfaction as absolute business imperatives. Complaint Management function at the Bank plays a vital role in achieving the objective of fair and timely resolution of customer complaints. The Bank has deployed a centralized Complaint Management System (CMS) to ensure proper monitoring and timely resolution of complaints. Each complaint registered in CMS is assigned a unique complaint number and an auto acknowledgement SMS is sent to the complainant at registered number. The turnaround time for complaint resolution is rigorously monitored and is supported by the escalation matrix defined in the system to ensure that complaints resolved in an efficient manner. A total of 44,594 complaints were registered during 2018 with an average resolution time 3.6 working days.

#### **CORPORATE GOVERNANCE:**

The Board of Directors of Askari Bank is committed to maintain high standards of corporate governance which has underpinned the Bank's long-term competitiveness, growth and sustainability. The requirements of Code of Corporate Governance as set out in the Pakistan Stock Exchange Limited Regulations in the rule book for the year ended December 31, 2018 have been fully adopted and have been duly complied with. A statement to this effect is annexed in annual report.

#### **CORPORATE AND FINANCIAL REPORTING FRAMEWORK:**

- The financial statements, prepared by the management of the Bank present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting, Islamic and Shariah Standards, as applicable to banking companies in Pakistan, have been followed in preparation of these financial statements and there is no departure from the said standards.

# DIRECTORS' REPORT TO THE SHAREHOLDERS

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- Key operating and financial data for the last six years, in a summarized form, is included in the annual report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2018, except as disclosed in annexed financial statements.
- Following is the fair value of investments as at December 31, 2018:
  - Provident Fund: Rs. 4,433 million, based on un-audited financial statements (December 31, 2017: Rs. 3,974 million, based on audited financial statements)
  - Gratuity Fund: Rs. 2,557 million, based on un-audited financial statements (December 31, 2017: Rs. 2,039 million, based on audited financial statements)
- During 2018, seven meetings of the Board of Directors were held. Attendance by each existing Director was as follows:

1.	Lt Gen Syed Tariq Nadeem Gilani, HI (M) (Retd) (Chairman)	6
2.	Lt Gen Tariq Khan, HI (M) (Retd)	2
3.	Lt Gen Javed Iqbal, HI (M) (Retd)	5
4.	Dr. Nadeem Inayat	7
5.	Mr. Manzoor Ahmed	7
6.	Mr. Kamal A Chinoy	4
7.	Brig Saleem Ahmed Moeen, SI (Retd)	2
8.	Syed Ahmed Iqbal Ashraf	7
9.	Mr. Mushtaq Malik	7
10.	Mr. Abid Sattar (President & CE)	3

Attendance by Directors resigned / retired during the year was as follows:

1.	Lt Gen Khalid Nawaz Khan, HI (M) (Retd) (Resigned on January 09, 2018)	1
2.	Lt Gen Shafqaat Ahmed, HI (M) (Retd) (Resigned on March 26, 2018)	Nil
3.	Justice (Retd) Sarmad Jalal Osmany (Resigned on March 28, 2018)	2
4.	Syed M. Husaini (President & CE) (Resigned on March 28, 2018)	2
5.	Mr. Qaiser Javed (Resigned on December 1, 2018)	6

- During the year 2018, eight meetings of Board Audit Committee, four meetings of Board Human Resource & Remuneration Committee, four meetings of Board Risk Management Committee and one meeting of Board Information Technology Committee were held. Detail of attendance by each Director is attached with Directors' report.

## OUTGOING CHAIRMAN:

Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar (Retd) resigned as the Chairman of the Board w.e.f. January 9, 2018. On behalf of the Board of Directors, we wish to place on record our sincerest appreciation for the contributions made by Lt Gen Khalid Nawaz Khan as Chairman of the Board of Askari Bank Limited.

#### **BOARD EVALUATION:**

The Bank has put in place an evaluation framework for evaluation of the board, its committees, individual directors and the chairman of the board, as a good governance practice and also to comply with relevant regulatory guidance. The evaluation is undertaken through a comprehensive questionnaire, bifurcated into different sections; board's composition, scope, functions, performance and process monitoring and objective contributions by individual directors. The evaluation of the board committees is primarily based on the assessment of the compliance with the terms of reference of each committee. The evaluation criteria for individual directors, is based on their participation, contribution and offering guidance to and understanding of the areas which were relevant to them in their capacity as Board members. The evaluation criteria for the Chairman of the Board in addition to the general criteria, also encompasses leadership abilities and effective management of meetings.

#### **PATTERN OF SHAREHOLDING:**

The pattern of shareholding at the close of December 31, 2018 is included in the annual report.

#### **TRADING IN SHARES:**

No trades in the shares of the Bank were carried out by the President & CE, CFO, Company Secretary their spouses and minor children during the year 2018.

#### **STATEMENT ON INTERNAL CONTROLS:**

The Board of Directors of the Bank is responsible for ensuring that an adequate and effective internal control system exists in the Bank and that the management of the Bank assumes responsibility of establishing and maintaining effective internal controls throughout the Bank and has made a statement on internal control in this annual report. The management's statement on internal control has been endorsed by the Board of Directors.

#### **AUDITORS:**

The present auditors, M/s A. F. Ferguson & Co., Chartered Accountants have completed their assignment for the year ended December 31, 2018 and shall retire at the conclusion of the 27th Annual General Meeting. Being eligible, they have offered themselves for reappointment. As advised by the Board's Audit Committee, the Board recommends appointment of M/s A. F. Ferguson & Co., Chartered Accountants, as auditors for the year ending December 31, 2019.

#### **EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION:**

There have not been any material events that occurred subsequent to the date of the Statement of Financial Position that require adjustments to the attached financial statements.

#### **LOOKING AHEAD:**

The economic growth is expected to pick up pace gradually over the medium term as the stabilization measures implemented so far gradually unfolds and confidence improves. In the shorter term, fiscal deficit and current account deficit are areas of concerns to fuel inflationary pressures and making 2019 a challenging year. These factors along with a net contraction in large-scale manufacturing and slowdown in agriculture will take toll on the economic performance and the real GDP growth is likely to be lower than the target.

Banking earnings will continue to be driven by interest rate dynamics, demand for advances, banks' investment strategies, and movement in money, capital and foreign exchange markets. The rising rates and USD / PKR parity will adversely impact the borrowing segment, particularly import based. While improving the banking spreads, the interest rate hike increases the risk of default particularly in the commercial, SME and consumer segments, with a relatively longer term adverse impact warranting stringent and

# DIRECTORS' REPORT TO THE SHAREHOLDERS

holistic measures to address asset quality concerns emanating from borrowers' repayment capacities. Funding cost will remain a key determinant for banking profits. Growth of agriculture and SMEs have been rightly assigned as areas of strategic priority for provision of credit to small and marginalised borrowers, while addressing the geographical and sectoral imbalances. The capacity building for SMEs is also vital to incubate the next generation of corporates who will have stronger support stimulating growth in exports and import substitution ventures, facilitating the socioeconomic progress of the country.

The Bank is buoyant on the prospects for the business segments and will continue to optimize and reallocate assets and resources to harness their full potential. Appreciating that technology is an imperative to enhance value creation and sustained competitiveness amidst rapidly changing life styles and landscapes of the financial industry; technology will continue to be leveraged for enhanced customer convenience and satisfaction.

## ACKNOWLEDGEMENTS:

On behalf of the Board, we express our sincere appreciation to the State Bank of Pakistan and other regulatory bodies for the guidance and support extended to Askari Bank during the year. We are also thankful to our investors for the trust that they have placed in the Bank. The results for 2018 would not have been possible without the loyalty of our customers who have continued to build stronger relationships and patronize our products and service offerings. On behalf of the Bank, we express our appreciation to all our customers and most importantly we would like to acknowledge our employees whose painstaking commitment, hard work and dedication has enabled successful delivery of our promise to all our stakeholders.



Abid Sattar  
President & Chief Executive

February 21, 2019  
Rawalpindi



Lt Gen Syed Tariq Nadeem Gilani  
HI (M) (Retd)  
Chairman Board of Directors

## ATTENDANCE OF DIRECTORS IN BOARD COMMITTEE MEETINGS

Board Committees		DATES OF MEETING																
		Attendance/ total meetings	BAC							BHR & RC				BRMC		BITC		
	21-Feb-18		29-Mar-18	17-Apr-18	5-Jul-18	15-Aug-18	25-Sep-18	22-Oct-18	17-Dec-18	19-Apr-18	4-Jul-18	3-Oct-18	1-Nov-18	6-Feb-18	30-May-18	2-Nov-18	6-Dec-18	16-Oct-18
BAC	Syed Ahmed Iqbal Ashraf	8/8	1	1	1	1	1	1	1	1								
	Mr. Qaiser Javed	7/8	1	1	1	1	1	1	1	y								
	Dr. Nadeem Inayat	8/8	1	1	1	1	1	1	1	1	1							
	Mr. Manzoor Ahmed	7/8	1	1	1	x	1	1	1	1								
BHR & RC	Lt Gen Javed Iqbal, HI (M) (Retd)	4/4								1	1	1	1					
	Dr. Nadeem Inayat	4/4								1	1	1	1					
	Mr. Kamal A. Chinoy	2/4								x	x	1	1					
	Syed Ahmed Iqbal Ashraf	4/4								1	1	1	1					
BRMC	Mr. Mushtaq Malik	3/4								x	1	1	1					
	Mr. Manzoor Ahmed	4/4												1	1	1	1	
	Mr. Qaiser Javed	3/4												1	1	1	y	
	Dr. Nadeem Inayat	2/4												z	z	1	1	
	Justice (Retd) Sarmad Jalal Osmany (Resigned on 28.03.18)	1/4												1	y	y	y	
	Brig Saleem Ahmed Moeen, SI (Retd) (Joined on 27.07.18)	0/4												z	z	z	z	
	Syed M. Husaini (Resigned on 28.03.18)	1/4												1	y	y	y	
Mr Abid Sattar (President & CE Joined on 14.06.18)	2/4												z	z	1	1		
BITC	Brig Saleem Ahmed Moeen, SI (Retd) (Joined on 27.07.18)	1/1																1
	Dr. Nadeem Inayat	1/1																1
	Mr Abid Sattar (President & CE Joined on 14.06.18)	1/1																1
Leave of Absence	x									BITC was constituted on October 8, 2018								
No more member	y																	
Was not member at that time	z																	

## فناختل پوزیشن کی ٹینٹ کی تاریخ کے بعد کے واقعات:

ایسے کوئی اہم واقعات نہیں جو فناختل پوزیشن کی ٹینٹ کی تاریخ کے بعد رونما ہوئے ہوں اور جنہیں منسلک مالیاتی گوشواروں میں ایڈجسٹ کرنے کی ضرورت ہو۔

## مستقبل پر جائزہ:

وسط مدت کے دوران اقتصادی ترقی میں رفتہ رفتہ تیزی متوقع ہے جیسا کہ اب تک نافذ کئے گئے معطلہ اقدامات واضح ہو رہے ہیں اور اعتماد میں بہتری آرہی ہے۔ مختصر مدت میں مالیاتی خسارہ اور کرنٹ اکاؤنٹ میں خسارہ تیل میں افراط زر کے دباؤ کے لیے خدشات کے حامل شعبے ہیں اور یہ 2019 کو ایک مشکل سال بناتے ہیں۔ ان عوامل کے ساتھ بڑے پیمانے کی مینوفیکچرنگ میں مجموعی کمی اور زراعت میں انحطاط اقتصادی کارکردگی کے لیے مضرت ثابت ہوں گے اور حقیقی جی ڈی پی نمو اپنے ہدف سے کم رہنے کا امکان ہے۔

بینکاری آمدنیوں میں انٹرسٹ ریٹ کے محرکات، ایڈوانسز کی طلب، بینکوں کی سرمایہ کاری حکمت عملیوں اور روپے میں نقل و حرکت، کپینٹل اور فارن ایکسچینج مارکیٹس کے عناصر کا فرما رہے ہیں۔ بڑھتی ہوئی شرح اور روپے کے مقابلے میں ڈالر کی قیمت میں اضافہ قرضوں خصوصاً درآمدی قرضوں کے حصول پر منفی اثرات مرتب کریں گے۔ بینکنگ سپریڈز میں بہتری کے ساتھ انٹرسٹ ریٹ کے بڑھنے سے بالخصوص کمرشل، ایس ایم ای اور کنزیومر شعبوں میں ناہندگی کا خطرہ بڑھ جاتا ہے۔ قرضوں کی ادائیگی کی صلاحیت سے متعلقہ اثاثوں کے معیار کے خدشات سے نمٹنے کے لیے نسبتاً طویل مدتی اثرات کے حامل سخت اور جامع اقدامات کرنے کی ضرورت ہے۔ فنڈنگ کی لاگت بینکاری میں منافع کے لیے ایک اہم عنصر رہے گا۔ جغرافیائی اور طبقاتی عدم توازن کو ختم کرتے ہوئے چھوٹے اور پسماندہ قرض داروں کو قرضوں کی فراہمی کے لیے زراعت اور ایس ایم ای میں ترقی کو اہم ترجیح کے شعبوں کے طور پر تقویس کیا گیا ہے۔ ایس ایم ای کی صلاحیت کی تعمیر بھی کاروباری طبقے کی اگلی نسل کی ترقی کے لیے اہم ہے جسے ملک کی سماجی و اقتصادی ترقی میں معاون، درآمدات اور برآمدات کے متبادل منصوبوں میں مضبوط ترقی کی حمایت حاصل ہوگی۔

بینک کاروباری شعبے کے لیے روشن امکانات کے لیے پر امید ہے اور اثاثہ جات اور وسائل میں ان کی صلاحیتوں کو بروئے کار لاتے ہوئے بہتری اور تقسیم جاری رکھے گا۔ تیزی سے بدلتے لائف سٹائل اور مالیاتی صنعت کے منظر نامے کے مابین قدر کی تخلیق کو بڑھانے اور پائیدار مسابقت کے لیے ٹیکنالوجی کو لازماً سراہا جانا چاہئے کیونکہ ٹیکنالوجی صارفین کی سہولت اور اطمینان میں اضافے کے لیے بہترین کردار ادا کرتی رہے گی۔

## اعترافات:

بورڈ کی طرف سے، ہم ٹیٹ بینک آف پاکستان اور دیگر ریگولیٹری اداروں کا تہدول سے شکر یہ ادا کرتے ہیں جنہوں نے عسکری بینک کی رہنمائی اور تعاون کیا۔ ہم اپنے سرمایہ کاروں کے بھی شکر گزار ہیں جنہوں نے عسکری بینک پر اپنے اعتماد کا اظہار کیا۔ سال 2018 کے بہترین نتائج، ہمارے صارفین کے خلوص کے بغیر ناممکن تھے جنہوں نے مضبوط تعلقات بنانے اور ہماری مصنوعات اور پیش کردہ خدمات کی سرپرستی جاری رکھی۔ ہم، بینک کی طرف سے، اپنے صارفین اور خصوصاً اپنے ملازمین کے تہدول سے شکر گزار ہیں جنہوں نے اپنی جانفشانی، عزم و حوصلے، انتھک محنت اور لگن سے ہمارے تمام ٹیک ہولڈرز تک ہمارے وعدے کی کامیاب فراہمی کو یقینی بنایا۔

سید ناصر حسین

لیٹنٹ سید طارق ندیم گیلانی  
ہلال امتیاز (ملری) (ریٹائرڈ)  
جنرل مین بورڈ آف ڈائریکٹرز

عابد ستار

صدر و چیف ایگزیکٹو

راولپنڈی

21 فروری 2019

## حصص داران کے لیے ڈائریکٹرز کی رپورٹ

سال کے دوران مستغفی اربنائر ہونے والے ڈائریکٹرز کی حاضری درج ذیل ہے:

1	لیفٹیننٹ جنرل خالد نواز خان، ہلال امتیاز (ملٹری)، (رینائرڈ) (9 جنوری 2018 کو مستغفی ہوئے)
2	جنس (رینائرڈ) سرد جلال عثمانی (28 مارچ 2018 کو مستغفی ہوئے)
2	جناب سید ایم حسینی (صدر چیف ایگزیکٹو) (28 مارچ 2018 کو مستغفی ہوئے)
ندارد	لیفٹیننٹ جنرل شفقت احمد، ہلال امتیاز (ملٹری)، (رینائرڈ) (26 مارچ 2018 کو مستغفی ہوئے)
6	جناب قیصر جاوید (کم ڈسمبر 2018 کو مستغفی ہوئے)

سال کے دوران مستغفی اربنائر ہونے والے ڈائریکٹرز کی حاضری درج ذیل ہے:

- سال 2018 کے دوران، بورڈ آڈٹ کمیٹی کے آٹھ اجلاس، بورڈ ہومس ریورس اینڈ ریونیویشن کمیٹی کے چار اجلاس، بورڈ رسک مینجمنٹ کمیٹی کے چار اجلاس اور بورڈ انفارمیشن ٹیکنالوجی کمیٹی کا ایک اجلاس منعقد ہوا۔ ہر ڈائریکٹر کی حاضری کی تفصیل ڈائریکٹرز کی رپورٹ میں موجود ہے۔

### رخصت ہونے والے چیئرمین:

لیفٹیننٹ جنرل خالد نواز خان، ہلال امتیاز (ملٹری)، ستارہ ایثار (رینائرڈ) 9 جنوری 2018 کو بطور چیئرمین آف بورڈ مستغفی ہوئے۔ عسکری بینک لمیٹڈ کے بورڈ کے چیئرمین کے طور پر لیفٹیننٹ جنرل خالد نواز خان کی خدمات کے اعتراف میں ہم بورڈ آف ڈائریکٹرز کی جانب سے انہیں جہدول سے خراج تحسین پیش کرتے ہیں۔

### بورڈ کی جانچ پڑتال

بینک نے بورڈ، اس کی کمیٹیوں، انفرادی ڈائریکٹرز اور بورڈ کے چیئرمین کی کارکردگی کے جائزے کے لیے جانچ پڑتال کا ایک فریم ورک، ایک اچھے گورننس طریقہ کار کے طور پر اور متعلقہ ریگولیٹری ہدایات کے مطابق بنایا ہوا ہے۔ جانچ پڑتال کا عمل ایک جامع سوالنامے کے ذریعے کیا جاتا ہے، جو کہ بورڈ کی تشکیل، دائرہ کار، فریکوئنسی، کارکردگی اور عمل کی گہرائی اور انفرادی ڈائریکٹرز کی جانب سے مقاصد میں شراکت سے متعلق مختلف شعبوں میں تقسیم ہے۔ بورڈ کمیٹیوں کی جانچ پڑتال بنیادی طور پر ہر کمیٹی کے فرمز آف ریفلیکس کی تعمیل کا جائزہ لینے پر مبنی ہے۔ انفرادی ڈائریکٹرز کی جانچ پڑتال کا معیار بورڈ کے ممبر کے طور پر ان کی صلاحیت سے متعلق شعبوں میں حصداری اور ہدایات کی پیشکش اور سمجھ بوجھ پر مبنی ہے۔ بورڈ کے چیئرمین کے لیے جانچ پڑتال کا عمومی معیار کے علاوہ قائدانہ صلاحیتوں اور اجلاسوں کا موثر انتظام کرنے پر اضافی توجہ مرکوز کرتا ہے۔

### شیر ہولڈنگ کا پیرن:

31 دسمبر 2018 کے اختتام پر شیر ہولڈنگ کا پیرن اس سالانہ رپورٹ میں شامل ہے۔

### شیرز میں ٹریڈنگ:

سال 2018 کے دوران صدر چیف ایگزیکٹو، ایف او، کمپنی سیکریٹری اور ان کے اہل خانہ اور چھوٹے بچوں کی طرف سے بینک کے حصص میں کوئی کاروبار نہیں کیا گیا۔

### انٹرنل کنٹرول پر بیان:

بینک کا بورڈ آف ڈائریکٹرز بینک میں ایک مناسب اور موثر انٹرنل کنٹرول سسٹم کی موجودگی کو یقینی بنانے کا ذمہ دار ہے اور بینک کی انتظامیہ بینک کے اندر موثر انٹرنل کنٹرول کے قیام اور بحالی کی ذمہ داری سنبھالے ہوئے ہے اور اس سالانہ رپورٹ میں انٹرنل کنٹرول پر ایک بیان تیار کیا ہے۔ انٹرنل کنٹرول پر بیان کی بورڈ آف ڈائریکٹرز کی طرف سے توثیق کی گئی ہے۔

### آڈیٹرز:

موجودہ آڈیٹرز، میسرز ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے 31 دسمبر 2018 کو ختم ہونے والے سال کے لیے اپنا کام مکمل کر لیا ہے اور یہ ستائیسویں سالانہ اجلاس عام کے اختتام پر رینائر ہو جائیں گے۔ اپنی اہلیت کی بنا پر، انہوں نے اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ کی آڈٹ کمیٹی کی ہدایت کے مطابق، بورڈ میسرز ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو 31 دسمبر 2019 کو ختم ہونے والے سال کے لیے بطور آڈیٹرز تعینات کرنے کی سفارش کرتے ہیں۔

## کارپوریٹ گورننس:

عسکری بینک کا بورڈ آف ڈائریکٹرز کارپوریٹ گورننس کے اعلیٰ معیارات کو برقرار رکھنے کے لیے پرعزم ہے، جس نے بینک کی طویل المدتی مسابقت، ترقی اور استحکام کی معاہدت کی ہے۔ 31 دسمبر 2018 کو ختم ہونے والے سال کے لیے رول بک میں پاکستان سٹاک ایکسچینج لمیٹڈ ریگولیشنز کی طرف سے مقرر کردہ کارپوریٹ گورننس کے ضابطے کی ضروریات کو عسکری بینک کی جانب سے مکمل طور پر اپنایا گیا اور اس پر عمل بھی کیا گیا۔ اس سلسلے میں ایک شیڈول اس سالانہ رپورٹ میں شامل کر دی گئی ہے۔

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

- بینک کی انتظامیہ کی جانب سے تیار کئے گئے مالیاتی گوشواروں میں اس کے مالی معاملات، اس کے آپریشنز کے نتائج، زیر گردش نقدی اور ایکویٹی میں تبدیلیوں کو موزوں طور پر ظاہر کیا گیا ہے۔
- بینک کے اکاؤنٹس کی مناسب کتابیں برقرار رکھی گئی ہیں۔
- ان مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیاں تسلسل کے ساتھ لاگو کی گئی ہیں اور اکاؤنٹنگ تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- پاکستان میں بینکاری کمپنوں میں رائج بین الاقوامی مالیاتی رپورٹنگ، اسلامک اور شریعہ معیارات کی ان مالیاتی گوشواروں کی تیاری میں بیرونی کی گئی ہے اور ان معیارات سے انحراف نہیں کیا گیا۔
- انٹرنل کنٹرول کا نظام اپنے ڈیزائن میں مستحکم ہے اور اسے مؤثر طریقے سے نافذ اور جانچ پڑتال کی گئی ہے۔
- بینک کے کاروباری معاملات جاری رہنے کی صلاحیت پر کوئی نمایاں شک و شبہ نہیں ہے۔
- گزشتہ چھ سال کا گلیڈی آپریشن اور مالیاتی ڈیٹا تفصیلاً شدہ صورت میں اس رپورٹ میں شامل ہے۔
- 31 دسمبر 2018 کو شیئرس، ڈیویڈنڈ، لیونز اور چارجز کی مدد میں کوئی ایسی قانونی ادائیگیاں نہیں جو بھٹایا ہوں، سوائے ان کے جن کا ذکر مالیاتی گوشواروں میں کیا گیا ہے۔
- 31 دسمبر 2018 تک سرمایہ کاریوں کی مصفاہ قدر درج ذیل ہے:

پروڈیونٹ فنڈ: 4,433 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر

(31 دسمبر 2017: 3,974 ملین روپے، آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر)

گریجویٹی فنڈ: 2,557 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر

(31 دسمبر 2017: 2,039 ملین روپے، آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر)

- سال 2018 کے دوران، بورڈ آف ڈائریکٹرز کے ساتھ اجلاس منعقد ہوئے۔ موجودہ ہر ڈائریکٹر کی حاضری درج ذیل ہے:

6	1. لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری)، (ریٹائرڈ) (چیرمین)
2	2. لیفٹیننٹ جنرل طارق خان، ہلال امتیاز (ملٹری)، (ریٹائرڈ)
5	3. لیفٹیننٹ جنرل جاوید اقبال، ہلال امتیاز (ملٹری)، (ریٹائرڈ)
7	4. ڈاکٹر ندیم عنایت
7	5. جناب منظور احمد
4	6. جناب کمال اے چٹائے
2	7. بریگیڈیئر سلیم احمد مہین ستارہ امتیاز (ریٹائرڈ)
7	8. جناب سید احمد اقبال اشرف
7	9. جناب مشتاق ملک
3	10. جناب عابد ستار (صدر و چیف ایگزیکٹو)



## حصص داران کے لیے ڈائریکٹر ز کی رپورٹ

### کمپلائنس:

کمپلائنس کی توجہ عالمی بینکاری صنعت سے ہم آہنگ رہنے پر مرکوز ہے اور ہمارا بینک بھی عالمی معیارات کے مطابق رہنے میں کوشاں ہے۔ کمپلائنس فنکشن منجمنٹ کے تعاون سے کمپلائنس کے ماحول کو مضبوط بنانے اور ادارے کے اندر کمپلائنس رسک میں کمی لانے کے لیے کوششیں کرتا ہے۔

کمپلائنس فنکشن نے مضبوط اے ایم ایل اسی ایف ٹی حکمت عملی اور طریقہ کار پر عمل درآمد کرتے ہوئے بینک میں کمپلائنس معیارات میں بہتری لانے کے لیے متعدد اقدامات اٹھائے ہیں، جن میں مشتبہ ٹرانزیکشن کی شناخت اور رپورٹنگ، UNSC، قرار دادوں اور FATF- سفارشات، ملازمین کو موزوں تربیت اور آگاہی کی فراہمی شامل ہیں۔

بینک کا مقصد موجودہ کمپلائنس کچھ کی تعمیر اور لوگوں، طریقہ کار اور ٹیکنالوجی (پی پی ٹی) پر توجہ مرکوز کرنے کے ساتھ ساتھ کنٹرولز اور گورننس کو مزید مضبوط کرنا ہے۔ پی پی ٹی میں کمپلائنس کے اعلیٰ معیارات کے حصول اور ریگولیٹری ضروریات کی تعمیل کے لیے بینک خود کار کمپلائنس رسک منجمنٹ سلوشن کا نفاذ اور سٹریٹجی سکریننگ کے نظام کو اپ گریڈ کرے گا۔ اس کے علاوہ، بینک مجلس اسی کے سرانجام اور تحفظ کے شعبے میں دستیاب سلوشنز کی جانچ پڑتال کر رہا ہے۔

### ہمارے لوگ:

عسکری بینک ٹیلنٹ بڑھانے اور اپنے لوگوں کی مہارت میں اضافے کے لیے وسیع پیمانے پر سرمایہ کاری اور ان کے لیے ایک سازگار ماحول کی تشکیل کر کے اپنے انسانی سرمائے کی تعمیر و ترقی کے لیے پرعزم ہے۔ سال کے دوران، ہیومن ریسورس فنکشن نے منجمنٹ ٹرینی آفیسرز کے چھ تعینات کر کے اعلیٰ معیار کے ٹیلنٹ کو شامل کرنے اور اس کے علاوہ تجربہ کار اور مہارت یافتہ انسانی وسائل کی شمولیت پر اپنی توجہ مرکوز رکھی۔

سال 2018 کے دوران ٹریننگ اور ڈیولپمنٹ پر ریگولیٹری ضروریات کے مطابق عمل کیا گیا اور تکنیکی مہارتوں کو ترجیحی بنیاد پر رکھا گیا۔ خود سے سیکھنے کی ضرورت کو مد نظر رکھتے ہوئے، کمپیوٹر پر مبنی نئے ٹریننگ پروگرام تیار کئے گئے اور ہمارے ای لرننگ پورٹل میں مہیا کئے گئے۔ ٹریننگ اور ڈیولپمنٹ پر مسلسل توجہ مرکوز کرتے ہوئے سال کے دوران 356 پروگرام منعقد کئے گئے۔

بینک کے سٹریٹجک ضروریات سروں میں بہتری اور سٹیز پر توجہ ہیں، جو ہمارے لوگوں کے ذریعے سے ہیں اور اس کے لیے ہمارے گراں قدر اثاثے کی قدر کو بڑھانے کے لیے اس کی ترقی اور تربیت پر سرمایہ کاری کرنے کی اہمیت پر زور دینا لازمی ہے۔ ہمارے پراسسز کی از سر نو تشکیل اور ٹیکنالوجی کی شمولیت نے لوگوں کو بااختیار بنانے کا آغاز کیا ہے۔ آئندہ سال میں ہمارا اہم کام نئے کی زیادہ سہولت فراہم کرنے، جدت کی حوصلہ افزائی کرنے، کیریئر کی ترقی اور افراد کے لیے رہنمائی فراہم کرنے پر توجہ مرکوز رکھے گا تاکہ وہ زیادہ ذمہ داری سے اس صنعت میں اپنا لوہا منوائیں۔

### کارپوریٹ سماجی ذمہ داری:

سماجی طور پر ایک ذمہ دار ادارہ ہونے کے ناطے، عسکری بینک ایسے اقدامات اٹھانے پر یقین رکھتا ہے جو لوگوں اور ان کے گرد و نواح کے طبقات کی زندگیوں میں اقدار کو فروغ دیں۔ بینک سماجی ترقی کی اپنی ذمہ داری کا ادراک رکھتا ہے اور خصوصاً صحت، تعلیم، بحیل اور ثقافت کے شعبوں میں سی ایس آر سرگرمیوں میں حصہ لینے میں پرعزم ہے۔ سال کے دوران، بینک اور اس کے ملازمین نے دیامر بھاشا اور مہندریز فنڈ میں حصہ ڈالا۔ ہمارے قومی بحیل کو فروغ دینے کے لیے، عسکری بینک قومی ہاکی ٹیم کے کھلاڑیوں اور ان کے ٹرینرز کو اعزازی ملازمت فراہم کرتا رہا ہے۔ کیرپوریشنل پرنسپلز اور آرمڈ فورسز انسٹیٹیوٹ آف کارڈیالوجی کے لیے بھی عطیات دیئے گئے۔

### صارفین کی شکایات کا نظام:

عسکری بینک ایک اعلیٰ کچھ کو فروغ دیتا ہے جہاں کی اقدار میں صارفین کے بہتر تجربے اور اطمینان کو اہم کاروباری ضروریات کے طور پر شامل ہیں۔ صارفین کی شکایات کے منصفانہ اور بروقت حل کرنے کے مقصد کے حصول میں کمپلائنس منجمنٹ فنکشن کلیدی کردار ادا کرتا ہے۔ شکایات کی باضابطہ نگرانی اور بروقت حل کو یقینی بنانے کے لیے بینک نے ایک مرکزی کمپلائنس منجمنٹ سسٹم (سی ایم ایس) نصب کیا ہے۔ سی ایم ایس میں درج کروائی گئی ہر شکایت کو ایک منفرد کمپلائنس نمبر تفویض کیا جاتا ہے اور شکایت کنندہ کے رجسٹرڈ نمبر پر وصولی کی اطلاع کے لیے ایک خود کار ایس ایم ایس ارسال کیا جاتا ہے۔ شکایت کے حل کے لیے درکار وقت کی سختی سے نگرانی کی جاتی ہے اور سسٹم میں واضح کردہ اسکیلیشن میٹریکس کی مدد سے ہر شکایت کا موثر انداز میں حل یقینی بنایا جاتا ہے۔ 2018 کے دوران کل 44,594 شکایات درج کروائی گئی اور اوسطاً 3.6 ایام کار کے وقت میں انہیں حل کیا گیا۔

## منافع مقسمہ:

درج بالا کے علاوہ، بورڈ نے 31 دسمبر 2018 کو ختم ہونے والے سال کے لیے 10 فیصد کے حتمی نقد منافع مقسمہ کی سفارش پیش کی ہے۔

## برانچ نیٹ ورک:

برانچ نیٹ ورک ملک بھر میں 515 برانچز، 521 روایتی برانچز (بشمول 40 ذیلی برانچز)، 194 اسلامی برانچز (بشمول 3 ذیلی برانچز) اور بحرین میں ایک ہول سیل بینک برانچ پر مشتمل ہے۔ ڈیجیٹل چینلوں کی مدد سے ملک بھر میں برانچ نیٹ ورک تک ہمارے صارفین کی رسائی کو وسعت ملتی ہے اور دور دراز علاقوں تک مالیاتی شمولیت کے قومی ایجنڈے کو تقویت ملتی ہے۔

بینک اس بات کا معترف ہے کہ کسٹمر کے تجربے کو بڑھانے کا شعبہ خاص توجہ کا حامل ہے، خواہ وہ ہماری برانچ میں آتے ہیں یا فون یا ڈیجیٹل چینلوں کے ذریعے دور دراز سے ہمارے ساتھ جڑے ہیں۔ اس کے لیے ضروری ہے کہ صارفین کے مخصوص طبقات کی ضروریات کے مطابق مصنوعات اور پیش کردہ خدمات کی ایک جامع رینج کو یقینی بنایا جائے اور مسلسل قابل قدر نگاہ حاصل کی جائے، کہ ایک سازگار ماحول میں صارفین کو قدر کیسے فراہم کی جاتی ہے۔ بینک نے صارفین میں اقدار کو بڑھانے کے لیے ان تعلیمات پر عمل کرنے کے لیے پیشتر سطحوں پر صارف کی عملی شمولیت کا آغاز کیا ہے۔

جدید مصنوعات کی وسیع رینج کے ذریعے ٹیکنالوجی کو بروئے کار لاتے ہوئے سٹیک ہولڈر کی ضروریات کو پورا کرنے اور پراسس میں تبدیلیوں کا ڈیجیٹل سفر جاری ہے۔ ڈیجیٹل لین دین کے حجم میں ترقی ہمارے آن لائن پلیٹ فارم کے باآسان استعمال کو یقینی بناتی ہے اور ٹرانزیکشن کے لیے ان کے استعمال میں صارف کے اعتماد کو بڑھاتی ہے۔ بینک اعتماد کا محافظ ہونے کے ناطے رازداری کو برقرار رکھنے کے لیے اپنے سسٹمز میں سائبر سکیورٹی کو مزید مضبوط بنا کر اپنی ذمہ داری انتہائی سنجیدگی سے سمجھتا ہے۔ ڈیجیٹل بینکنگ، اضافی تجزیاتی صلاحیت، عمل کی استعداد اور صارف کو بہتر تجربہ فراہم کرنے کے لیے سسٹمز کی تبدیلی کے جارحانہ اقدامات پر عمل پیرا ہوگی۔

## درجہ بندی:

سال کے دوران، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کی طرف سے مقرر کردہ بینک کی اسٹیبل ریٹنگ 'AA+' پر برقرار رکھی گئی۔ یہ ریٹنگ بینک کی تقابلی پوزیشن کی عکاس ہے، جو عسکری بینک کے مضبوط سپانسرز، فنڈز کی لاگت میں مسلسل بہتری اور بہترین لیکویڈیٹی پوزیشن کے اضافے کے ساتھ اثاثوں کے معیار کے ذریعے حاصل ہوئی۔ مختصر معیادہ ریٹنگ 'A1'، بطور اعلیٰ ترین ریٹنگ برقرار رکھی گئی ہے۔

## رسک منجمنٹ:

رسک منجمنٹ کاروبار میں کھیدی کردار ادا کرتا ہے اور اس وجہ سے ہمارے کاروبار کے روزمرہ انتظامات میں سرایت پذیر ہے۔ رسک اور میٹرن کے مابین ایک بہترین توازن کا حصول ہماری رسک منجمنٹ کی حکمت عملی کا مقصد ہے۔ اس لیے ایک مستحکم رسک منجمنٹ فریم ورک تیار کیا گیا ہے جو بینکنگ سرگرمیوں کے تمام شعبہ جات کا احاطہ کرتا ہے۔ رسک منجمنٹ فریم ورک بورڈ اور سینئر منجمنٹ کی جانب سے نگرانی، رسک طلب کی ہدایات، بعد موثر حکمت عملیوں اور طریقہ کار کا احاطہ کرتا ہے۔ بورڈ آف ڈائریکٹرز نے بورڈ رسک منجمنٹ کمیٹی کے ذریعے بینک کے رسک منجمنٹ فنکشن کی نگرانی کا قیام کیا ہے جو موثر رسک منجمنٹ کے لیے سٹرٹیجک سمت مہیا کرتا ہے اور ایک مضبوط رسک منجمنٹ فریم ورک برقرار رکھنے کو یقینی بناتا ہے۔

بینک بہترین بین الاقوامی اور مقامی معیار کے مطابق طریقہ کار پر عمل درآمد جاری رکھتا ہے۔ معلومات اور ٹیکنالوجی کے ڈھانچے کی سکیورٹی بینکنگ پراسسز کی سالمیت، اطلاق اور اندرونی اور بیرونی ڈیٹا کے تحفظ کو برقرار رکھنے کے لیے اہم ہے۔

رسک کے پراسسز کو منظم کرنے اور انہیں ریگولیٹری ہدایات اور صنعت کے بہترین طریقہ کار کے مطابق لانے کے لیے بینک رسک آڈیٹیشن سلسلہ اور آئی ٹی سکیورٹی ٹولز کے ذریعے اپنے رسک انفراسٹرکچر کو مضبوط بنانے میں مصروف عمل ہے۔ سکیورٹی سے آگاہی کے پروگرامز کے نفاذ اور سائبر سکیورٹی خطرات سے بچاؤ، سراغ لگانے اور رد عمل دینے کی صلاحیت کو مضبوط کرنے کے لیے مسلسل کوششیں جاری رہتی ہیں۔

بینک بازل III منتقلی پلان کے ساتھ مکمل مطابقت رکھنے کے لیے تمام ضروری اقدامات اٹھا رہا ہے، جن میں 2019 آخر تک کمپنیل اینڈیکس کی تناسب (CAR) کو 12.5 فیصد تک بڑھانے اور اس کے ساتھ ساتھ لیوریج تناسب کی منجمنٹ بطور اضافی کمپنیل سٹینڈرڈ شامل ہیں۔ بینک کا ضروری شرائط کے ساتھ تعمیل کو یقینی بنانے کے لیے کمپنیل منجمنٹ کی جانب سے ایسٹ اینڈ لائیکٹیٹی منجمنٹ کمیٹی (ALCO) میں باقاعدہ جائزہ لیا جاتا ہے۔

## حصص داران کے لیے ڈائریکٹرز کی رپورٹ

میں 1.6 ارب روپے کے ساتھ تقریباً دو گنا اضافہ ہوا۔ سال کے دوران غیر ملکی انکےجیج سے حاصل ہونے والی آمدن میں 89.3 فیصد اضافے کے ایک بڑے حصے سے سکیورٹیز کی فروخت سے حاصل ہونے والے منافع میں 87.3 فیصد کی تلافی کی گئی۔

سال کے دوران آپریٹنگ اخراجات صرف 8.6 فیصد اضافے کے ساتھ 16.2 ارب روپے رہے۔ پراپرٹی کے اخراجات میں 10.4 فیصد اضافہ ہوا، جس کی بنیادی وجہ براؤننگ نیٹ ورک میں کرایوں اور پیلٹیٹی اخراجات میں تیزی آنا ہے۔ کاروبار کے تمام شعبوں میں وسعت کے مطابق دیگر آپریٹنگ اخراجات میں 16.7 فیصد اضافہ ہوا۔ ملازمین کے معاوضہ میں 5.4 فیصد کا سالانہ اضافہ ہوا۔ رواں سال کے دوران ڈپازٹ پروٹیکشن کارپوریشن کی جانب سے لاگو کئے گئے پریئم کی مد میں دیگر چارجز 23.6 ملین روپے سے تیزی سے بڑھ کر 191.1 ملین روپے تک جا پہنچے۔ مجموعی کاسٹ ٹو اکٹم شرح میں 67.9 سے 65.6 فیصد بہتری ہوئی۔

زیر چارہ سال کے دوران، بینک نے گزشتہ سال کے 1.3 ارب روپے کے مجموعی ریورسل کے مقابلے میں 1.5 ارب روپے کے مجموعی پروویژن چارج کی منظوری دی۔ ایکویٹی انوسٹمنٹ پر 1.0 ارب روپے کی پروویژن ریکارڈ کی گئی جیسا کہ اسٹاک مارکیٹ میں مسلسل دوسرے سال کی کارہجان جاری رہا اور سال کے اختتام پر کے ایس ای 100 انڈیکس میں 8.9 فیصد زوال پڑی واقع ہوئی۔ اس کے علاوہ، بینک نے غیر فعال قرضہ جات کے عوض 467 ملین روپے کی مجموعی رقم چارج کی۔ غیر فعال قرضہ جات کے عوض مخصوص کورنچ میں 93.3 فیصد سے 94.2 فیصد تک بہتری آئی۔ مجموعی پروویژن میں 2.8 ارب روپے کی منفی تحریک (مجموعی ریورسل سے مجموعی چارج تک) 18.9 اور 15.9 فیصد کے باہر تیب قبل ازیکس اور بعد ازیکس منافع میں ساہا سال زوال پڑی کی ایک بڑی وجہ تھی۔

2018 کے لیے بیلنس شیٹ بینک کی کاروباری حکمت عملی کے مطابق منتخب شعبوں میں کرڈٹ کی وسعت کی جانب اہم منتقلی کے ساتھ اثاثہ جات کے پورٹ فولیو کی ری بیلنسنگ اور ایک بدلتے ہوئے بڑے معاشی ماحول کے مابین؛ مجموعی ایڈوانسز میں 369.3 ارب روپے کے ساتھ 29.9 فیصد اضافے جبکہ سرمایہ کاریوں میں 260.2 ارب روپے کے ساتھ 17.4 فیصد کی عکاسی کرتی ہے۔ قرضوں میں نمونہ حکمت عملی اعلیٰ معیاری اثاثہ جات کے حصول، آمدن تعلقات بڑھانے اور رسک ویٹڈ اثاثہ جات کی ایک موثر اور بہترین پروفائل کو برقرار رکھنے پر مرکوز رہی۔ انوسٹمنٹ پورٹ فولیو کی توجہ بھی سرمایہ کے لیے بہترین حکمت عملی سکیورٹیز پر مرکوز رہی۔ کسٹمر ڈپازٹس 9.1 فیصد کے اضافے کے ساتھ 573.6 ارب روپے رہے، جبکہ مجموعی کرنٹ ڈپازٹ اکاؤنٹس میں 13.3 فیصد اضافہ ہوا، جو کرنٹ اکاؤنٹس میں فعال طور پر توسیع اور گراں اور غیر اہم ڈپازٹس میں کمی کے ڈپازٹ پورٹ فولیو کی استعداد کار کو تیز کرنے کی براؤننگ بینکنگ حکمت عملی کی توجہ کا مظہر ہے۔

مجموعی اثاثہ جات میں 6.6 فیصد بڑھوتی ہوئی جو مجموعی نمونہ کیپٹل شرح کے اثر کے پیش نظر انضمام کے ایک مرحلے کی عکاس ہے۔ بینک کے کیپٹل تناسب کارہجان کیپٹل مینجمنٹ اقدامات کی موثر عمل درآمد سے قاصر رہی ہے اور بنیادی طور پر اسے مارکیٹ ریس میں تیزی کے ساتھ منسوب کیا جاتا ہے جو کہ سال کے دوران ٹیئر 1 کیپٹل کے اجراء کے بعد نمودار ہوئی اور اس اجراء (بینک نے پہلی بار اپنے 6.0 ارب روپے کے مندرجہ مستقل، غیر محفوظ، تابع شدہ، اور غیر مجموعی ڈیٹ انشرومنٹ کی صورت میں اضافی ٹیئر 1 کیپٹل جاری کیا) کے مثبت اثرات کو زائل کرنے کی بنیادی وجہ بھی یہی تھی۔ بینک کیپٹل سٹرکچر کو کلیدی ترجیح کے طور پر مضبوط کرنے کا مقصد ہے اور آئندہ سال کیپٹل تناسب میں بہتری لانے کے لیے پہلے سے ہی سرگرم عمل ہے۔

### تصرفات:

بورڈ آف ڈائریکٹرز 31 دسمبر 2018 کو ختم ہونے والے سال کے لیے درج ذیل تصرفات کی سفارش کرتا ہے:

(000 روپوں میں)		31 دسمبر کو اختتام شدہ سال	
2017	2018	2017	2018
غیر مدغم شدہ		مدغم شدہ	
5,267,887	4,431,278	5,121,863	4,429,310
(113,996)	3,095	(113,963)	2,001
9,824	165,812	9,824	165,812
5,163,715	4,600,185	5,017,724	4,597,123
(1,260,260)	-	(1,260,260)	-
(1,053,577)	(886,256)	(1,053,577)	(886,256)
2,849,878	3,713,929	2,703,887	3,710,867
4.18	3.52	4.06	3.51

## حصص داران کے لیے ڈائریکٹرز کی رپورٹ

ڈائریکٹرز 31 دسمبر 2018 کو ختم ہونے والے سال کے لیے عسکری بینک لمیٹڈ کی سٹائیسوس سالانہ رپورٹ سمیت بینک کی آڈٹ شدہ مدغم شدہ اور غیر مدغم مالیاتی گوشوارے اور آڈیٹرز کی رپورٹس پیش کرتے ہیں۔

### معیشت:

مالیاتی سال 2018 کے دوران پاکستان کی معیشت کو مست روی کا سامنا رہا، اخراجات کے مقابلے میں آمدن کی رفتار میں کمی اور بڑھتی ہوئی طلب کو پورا کرنے کے لیے درآمدات پر انحصار میں اضافہ ہوا، جو بڑھے ہوئے خسارے پر منتج ہوا۔ نتیجتاً کرنٹ اکاؤنٹ میں ریکارڈ خسارے کی وجہ سے غیر ملکی زرمبادلہ کے ذخائر اور ایکسیچ ریٹ پر دباؤ بڑھا۔ اسی دوران بلند سطح پر رہنے والے مالی خسارے کو اندرون ملکی قرضوں سے پورا کیا گیا جس کے نتیجے میں منصف پبلک ڈیبٹ میں تیزی سے اضافہ ہوا بلکہ افراط زر کی شرح میں بھی تیزی دیکھنے میں آئی۔

معاشی چیلنجز میں مزید شدت آئی جیسا کہ نئے مالیاتی سال کے آغاز میں ہی تیل کی قیمتوں میں اضافہ دیکھنے میں آیا، جس کی وجہ سے معیشت پر پہلے سے ہی بھاری اسامی افراط زر کو مزید تقویت ملی اور بیرونی شعبے میں ابھرتی ہوئی پیش رفت اور معاون ادائیگی کے انتہائی ضروری توازن میں بھی کمی ہوئی۔ مالی دباؤ بلند سطح پر رہا جیسا کہ اخراجات میں تیزی کی وجہ سے نئی حکومت کو سال کے آخری حصے میں تیل کی قیمتوں میں کمی کے باوجود حکمت عملی کی محدود گنجائش ملی۔

تقریباً تین ماہ کے عرصہ کے دوران تاریخ کی پست سطح کو مسلسل برقرار رکھنے کے بعد زری پالیسی کی سمت میں تبدیلی آئی اور سال 2018 میں مجموعی طور پر 425 بنیادی پوائنٹس کا جنوری 2018 سے اضافہ کیا گیا۔ پرائیویٹ سیکٹر قرضوں کی فراہمی میں مجموعی طور پر اضافہ دیکھنے میں آیا، جو کہ خام مال کی بڑھتی ہوئی قیمتوں، توانائی اور قیمتوں سے ملحقہ صنعتوں خصوصاً سینٹ اور ٹیکسٹائل کی استعداد میں اضافہ سے منسوب ہے۔

نئی سیاسی حکومت کی جانب سے حالیہ مہینوں کے دوران لاگو کئے گئے محکم اقدامات عملی شکل اختیار کر رہے ہیں، اہم ماہانہ اشارے داخلی طلب میں کمی کی واضح علامات ظاہر کر رہے ہیں۔ کرنٹ اکاؤنٹ خسارے میں رفتہ رفتہ کمی واقع ہو رہی ہے۔ اس کے ساتھ ساتھ، داخلی مالیاتی بہاؤ میں اضافہ بیرونی اکاؤنٹس پر دباؤ میں کمی لانے میں معاون ہے۔ حکومت مالی استحکام کے پروگرام پر عمل پیرا ہے اور غیر ملکی کرنسی اور بیرونی معاذ پر دباؤ کم کرنے کے لیے دو طرفہ خارجہ مالی معاملات طے کئے ہیں۔ اخراجات میں کمی کی جانب ایک واضح سمت، کرنٹ ٹیکس دہندگان پر بوجھ بڑھانے کے بجائے ٹیکس بنیاد کی وسعت پر توجہ مرکوز کرنا اور نقصانات میں تخفیف اور ایک مختص کردہ ہولڈنگ کمپنی کے اقدام کے ذریعے PSEs کی بحالی بڑے اقتصادنی استحکام کی حوصلہ افزائی کے لیے درست سمت کی جانب اقدامات ہیں۔ ان ترقیاتی پیش رفت سے ظاہر ہوتا ہے کہ اہم عوامل کی شناخت کی گئی ہے اور ترجیحات کو منظم کرنے کے لیے منصوبہ بندیوں پر عمل جاری ہے۔ داخلی طلب میں کمی اس بات کا اظہار ہے کہ معیشت کچھ عرصہ کیلئے معاشی اصلاحات کے اقدام سے رواں رہے گی۔

### کارکردگی کا جائزہ:

عسکری بینک نے گزشتہ سال کے 7.2 ارب روپے کے مقابلے میں 16.5 فیصد اضافے کے ساتھ 8.3 ارب روپے کا قبل از پروڈیون ٹیکس منافع پیش کیا۔ اس میں انٹرسٹ ریش کا اضافہ شامل تھا جس کے نتیجے میں مارجنز میں بہتری آئی۔ بینک کے کاروباری شعبہ جات نے ایک مسابقتی مارکیٹ میں ٹریڈ فنانس، ٹرانزیکشن بینکنگ اور غیر ملکی ایکسیچ آمدنی کی مضبوط نشوونما کرنے کی حکمت عملیوں پر کامیاب عمل درآمد کر کے فیس پر مبنی آمدنی میں اضافے میں معاونت کی۔ بعد از ٹیکس منافع 15.9 فیصد کمی کے ساتھ 4.4 ارب روپے تک رہا، جس کی بنیاد وجہ 1.5 ارب روپے کا مجموعی پروڈیون چارج ہے جو کہ بینک کے ایکٹیو سرمایہ کاریوں اور بعض غیر فعال قرضے اور ایڈوانسز کیلئے کیا گیا ہے۔ نتیجتاً، رواں سال کے لیے نیٹو آمدن میں کمی واقع ہوئی جو کہ گزشتہ سال کے 4.18 روپے کے مقابلے میں 3.52 روپے رہی۔

بینک نے زیر جائزہ سال کے دوران 14.9 فیصد ترقی کے ساتھ، 18.6 ارب روپے کی مجموعی مارک اپ آمدن پیش کی۔ حاصل شدہ مارک اپ میں 20.4 فیصد بڑھوتی ہوئی، جس میں اہم حصہ قرضوں اور ایڈوانسز کا ہے، جن میں 40.1 فیصد کا خاطر خواہ اضافہ ہوا، جبکہ سرمایہ کاریوں سے حاصل ہونے والی آمدنی میں 3.0 فیصد کمی دیکھنے میں آئی، جو آمدن بڑھانے کی حکمت عملی اور بینک کے پاکستان انوینسٹمنٹ بانڈز کے طویل المدتی پورٹ فولیو میں 36.4 فیصد زوال پذیری کی عکاسی کرتی ہے۔ مجموعی مارک اپ آمدنی میں مجموعی کرنٹ اکاؤنٹس میں 13.3 فیصد اضافے اور اس کے ساتھ ساتھ ڈپازٹ پروفاٹل کو بہتر بنانے کے لیے گراں ڈپازٹس کو روکنے کی کاوشوں اور ایک پائیدار کم قیمت ڈپازٹ بنیاد تعمیر کرتے ہوئے مؤثر سطح پر ڈپازٹ کی قیمتوں کو برقرار رکھنے کا بھی عمل دخل ہے۔

سال کے دوران ٹریڈ اور ٹرانزیکشن سے متعلقہ فیس پر مبنی آمدن میں 15.1 فیصد اضافہ ہوا اور اس سے 55.4 فیصد مجموعی Non Fund Income کی تشکیل ہوئی۔ جیسا کہ بینک نے کارپوریٹ اور کمرشل گاہکوں کے لیے مستعدی سے جستجو کی، اس وجہ سے تجارتی کاروبار سے متعلقہ کمیشنز میں 9.1 فیصد اضافہ ہوا۔ زیر جائزہ سال کے دوران ATMs/پلاسٹک کارڈز پر کمیشنز میں 54.3 فیصد کی خاطر خواہ بہتری دیکھنے میں آئی۔ ایکسیچ ریٹ میں اتار چڑھاؤ اور بہتر طور پر منظم تجارتی پوزیشنز کے مابین ٹریڈ ڈیک کے ذریعے گاہکوں کے غیر ملکی ایکسیچ کا بہاؤ کی وجہ سے غیر ملکی ایکسیچ سے حاصل ہونے والی آمدن

UNCONSOLIDATED FINANCIAL STATEMENTS OF  
**ASKARI BANK LIMITED**  
FOR THE YEAR ENDED DECEMBER 31, 2018

# STATEMENT OF INTERNAL CONTROLS

The Management of Askari Bank Limited (the Bank) assumes full responsibility for establishing and maintaining effective system of internal controls throughout the bank to ensure reliable, accurate and fair financial reporting, effectiveness of operations and compliance with the applicable laws and regulations. Management understands that the effective maintenance of the internal controls system is an ongoing process under the ownership of the management. All significant policies and procedural manuals are in place; and the review, revision, and improvement to keep them updated to cope with latest challenges is actively pursued by the management.

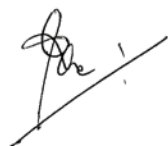
Architecture of the Bank's internal control system involves different levels of monitoring activities i.e. line management, Compliance Division (CD) and Internal Audit Division (IAD). The Bank's IAD is independent from line management and reviews the adequacy and implementation of control activities across the Bank as well as implementation of and compliance with all the prescribed policies and procedures.

All significant and material findings pointed out by the internal, external auditors and regulators are addressed on priority basis by CD. The function also actively monitors implementation of the corrective / remedial measure to ensure that identified risks are mitigated to safeguarding the interest of the Bank.

In compliance with the SBP's directives, the Bank had completed the implementation of road map regarding Internal Controls over Financial Reporting (ICFR) on September 30, 2012. This included detailed documentation of the existing processes, comprehensive evaluation of controls both at entity as well as activity level, development of detailed remedial action plans for the gaps identified as a result of such evaluation and devising comprehensive testing plans of the controls of all processes. Consequent to grant of exemption by the State Bank of Pakistan (SBP) from the requirement of submission of Long Form Report (LFR), the documentation including the testing results have been reviewed by internal auditors of the Bank, on the basis of which Annual Assessment Report duly approved by the Audit Committee was submitted to the SBP. Annual Assessment Report for the year 2018 is due for submission by March 31, 2019.

During the year under review, we have endeavored to follow the guidelines issued by SBP on internal controls for evaluation and management of significant risks and we will continue to endeavor for further improvements in the Internal Controls System.

While an internal controls system is effectively implemented and monitored; however, due to inherent limitations, internal controls system is designed to manage rather than eliminate the risk of failure to achieve the desired objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.



Saleem Anwar  
Chief Financial Officer



Abid Sattar  
President & Chief Executive

February 21, 2019  
Islamabad

# STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017  
FOR THE YEAR ENDED DECEMBER 31, 2018

The Bank has complied with the requirements of the Regulations in the following manners:

1. The total number of directors is 11 as per the following detail:

- a. Male: 11
- b. Female: 0

2. The composition of Board is as follows:

Category	Name
Independent Directors	Mr. Kamal A. Chinoy Syed Ahmed Iqbal Ashraf Mr. Mushtaq Malik Brig Saleem Ahmed Moeen, SI (Retd)
Non-Executive Directors	Lt Gen Syed Tariq Nadeem Gilani, HI (M) (Retd) - Chairman Lt Gen Javed Iqbal, HI (M) (Retd) Lt Gen Tariq Khan, HI (M) (Retd) Dr. Nadeem Inayat Mr. Rehan Laiq Mr. Manzoor Ahmed - Nominee NIT
Executive Director / President & CE	Mr. Abid Sattar

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including Askari Bank Limited (excluding the listed subsidiaries of listed holding companies where applicable) except Mr. Manzoor Ahmed (Nominee NIT), who is holding directorship in more than five listed companies and has been allowed relaxation by Securities & Exchange Commission of Pakistan (SECP).
4. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, overall corporate strategy and has approved significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating the minutes of meeting of Board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. All directors hold certifications under Directors' Training program offered by institutions that meet the criteria specified by the SECP. The Board has also arranged a Directors' Orientation Session for all directors during the year.
10. The Board has approved the appointments of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. The CFO and the President & CE duly endorsed the financial statements before approval of the Board.
12. The Board has formed following committees comprising of members given below:

#### Board Audit Committee (BAC)

1	Syed Ahmed Iqbal Ashraf	Chairman
2	Dr. Nadeem Inayat	Member
3	Mr. Rehan Laiq	Member
4	Mr. Manzoor Ahmed	Member

# STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017  
FOR THE YEAR ENDED DECEMBER 31, 2018

## Board Human Resource & Remuneration Committee (BHR & RC)

1	Lt Gen Javed Iqbal, HI (M) (Retd)	Chairman
2	Dr. Nadeem Inayat	Member
3	Mr. Kamal A Chinoy	Member
4	Syed Ahmed Iqbal Ashraf	Member
5	Mr. Mushtaq Malik	Member

## Board Risk Management Committee (BRMC)

1	Mr. Manzoor Ahmed	Chairman
2	Dr. Nadeem Inayat	Member
3	Mr. Rehan Laiq	Member
4	Brig Saleem Ahmed Moeen, SI (Retd)	Member
5	Mr. Abid Sattar	Member / President & CE

## Board Information Technology Committee (BITC)

1	Brig. Saleem Ahmed Moeen, SI (Retd)	Chairman
2	Dr. Nadeem Inayat	Member
3	Mr. Abid Sattar	Member / President & CE

The composition of the Board Human Resource & Remuneration Committee (the Committee) is in line with the Revised Guidelines on Remuneration Practices 2017 issued by the State Bank of Pakistan which allows a non-executive director to be the Chairman in case the majority members of the committee are independent directors. The Chairman of the Committee is not an independent Director, however, as per the guidelines majority members of the Committee are independent directors.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

14. The frequency of meetings (quarterly / half yearly / yearly) of the committees were as per following:

Board Committees	Frequency of meeting
Audit Committee	Quarterly
Risk Management Committee	Quarterly
Human Resource & Remuneration Committee	Twice in a year
Information Technology Committee	Quarterly

15. The Board has set-up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.

16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirements and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

For and on behalf on the Board

Lt Gen Syed Tariq Nadeem Gilani, HI (M) (Retd)  
Chairman

Rawalpindi  
February 21, 2019





## INDEPENDENT AUDITOR'S REVIEW REPORT

### TO THE MEMBERS OF ASKARI BANK LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Askari Bank Limited for the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2018.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

S.NO	Paragraph Reference	Description
I.	12	The composition of the Board Human Resource & Remuneration Committee (the Committee) is in line with the Revised Guidelines on Remuneration Practices 2017 issued by the State Bank of Pakistan which allows a non-executive director to be the Chairman in case the majority members of the committee are independent directors. The Chairman of the Committee is not an Independent Director, however, as per the guidelines majority members of the Committee are independent directors.

Chartered Accountants  
Islamabad:

Engagement partner: S. Haider Abbas  
February 21, 2019

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## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASKARI BANK LIMITED

REPORT ON THE AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

### OPINION

We have audited the annexed unconsolidated financial statements of Askari Bank Limited (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for twenty two branches which have been audited by us and Wholesale Bank Branch, Bahrain which have been audited by auditor's abroad and notes to the unconsolidated 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 unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement 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 December 31, 2018 and of the profit and loss and the 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 Unconsolidated 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.

### KEY AUDIT MATTER(S)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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■ KARACHI ■ LAHORE ■ ISLAMABAD

FOLLOWING ARE THE KEY AUDIT MATTER(S):

S. NO	NATURE OF THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
1	<p><b>Provision against advances</b> <i>(Refer note 9.4 to the unconsolidated financial statements)</i></p> <p>The Bank makes provision against advances on a time based criteria that involves ensuring all non-performing loans and advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time based criteria the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances. The PRs also require the creation of general provision for the consumer portfolio.</p> <p>Provision against advances of Wholesale Bank Branch, Bahrain is made as per the requirements of the regulatory regime in Bahrain.</p> <p>The Bank has recognized a net provision against advances amounting to Rs. 467 million in the unconsolidated profit and loss account in the current year. As at December 31, 2018, the Bank holds a provision of Rs. 26,152 million against advances.</p> <p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements/estimations and the materiality of advances relative to the overall statement of financial position of the Bank, we considered the area of provision against advances as a key audit matter.</p>	<p>Our audit procedures to verify provision against advances, amongst others, included the following:</p> <p>We reviewed the design and tested operating effectiveness of key controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing loans.</p> <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> <li>• automated (IT system based) controls over correct classification of non-performing advances on time based criteria;</li> <li>• controls over monitoring of advances with higher risk of default and correct classification of non-performing advances on subjective criteria;</li> <li>• controls over accurate computation and recording of provisions; and</li> <li>• controls over the governance and approval process related to provisions, including continuous reassessment by the management.</li> </ul> <p>In accordance with the regulatory requirement, we sampled and tested at least sixty percent of the total advances portfolio and performed the following substantive procedures for sample loan accounts:</p> <ul style="list-style-type: none"> <li>• verified repayment of loan/ mark-up installments and checked that non-performing loans have been correctly classified and categorized based on the number of days overdue.</li> <li>• examined watch list accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate.</li> </ul> <p>We checked the accuracy of specific provision made against non-performing advances and of general provision made against consumer finance by recomputing the provision amount in accordance with the criteria prescribed under the Prudential Regulations.</p> <p>We issued instructions to auditors of overseas branch, highlighting 'Provision against advances' as a significant risk. The auditors of this branch performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.</p>

**FOLLOWING ARE THE KEY AUDIT MATTER(S):**

S. NO	NATURE OF THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
2	<p><b>Taxation in respect of provision against non – performing loans and advances</b> <i>(Refer note 33.2 to the unconsolidated financial statements)</i></p> <p>The Bank has been contesting the matter of allowability of provision against Non-Performing Loans (NPLs) during tax years 1995 – 1996 to 2008, the period prior to enactment of the Seventh Schedule of the Income Tax Ordinance, 2001 at the Supreme Court of Pakistan. The Islamabad High Court (IHC) had previously disallowed these provisions. During the year, the Supreme Court of Pakistan upheld the decision of the Islamabad High Court of Pakistan (IHC) to disallow such provision. Consequently, the tax demand raised in re-assessment orders has been paid by the Bank. The Bank has recognized prior year tax charge against this disallowance net off actual write offs and recoveries in tax years 2009 to 2019 related to NPLs disallowed. In this respect, aggregate prior year tax expense recorded during the period was Rs. 1,660 million net of related deferred tax asset of Rs. 1,497 million.</p> <p>Due to the nature of this matter, size of amounts involved and significant development during the year, we consider it as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>obtained and reviewed the certified copy of order dated March 13, 2018 passed by IHC in respect of taxation related to provision against NPLs;</li> <li>obtained and reviewed legal opinion from Bank's tax advisors related to treatment of outcomes arising as a result of IHC Order.</li> <li>verified the amount of add back related to NPLs used in calculation of prior year tax charge from respective year audited unconsolidated financial statements and returns filed by the Bank.</li> <li>recomputed prior year tax charge arising as a result of Order passed by IHC.</li> <li>obtained the Order of the Supreme Court of Pakistan upholding the decision of IHC.</li> <li>checked the appropriateness and realizability of deferred tax asset based on projections provided by the Bank.</li> <li>checked that appropriate accounting treatment and disclosures have been made in the unconsolidated financial statements in accordance with the applicable financial reporting framework.</li> </ul>
3	<p><b>Change in format of the financial statements</b> <i>(Refer note 4.1.3 to the unconsolidated financial statements)</i></p> <p>The State Bank of Pakistan (SBP) has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ended December 31, 2018. Accordingly, the Bank has prepared these unconsolidated financial statements on the new format prescribed by SBP.</p> <p>As part of this transition to the new requirements, the management performed a gap analysis to identify differences between the previous and current format. The adoption of the new format required certain recognition requirements and reclassification of certain financial information. The amended format also introduced certain new disclosures in the unconsolidated financial statements.</p> <p>In view of the significant impact of the first time adoption of the revised format on these unconsolidated financial statements, we consider it as a key audit matter.</p>	<p>We reviewed and understood the requirements of the SBP's amended format of annual financial statements for banks. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>reviewed the management's process to identify the changes required in the unconsolidated financial statements to comply with the new format; and</li> <li>obtained relevant underlying supports relating to changes required in the unconsolidated financial statements consequent to the adoption of the new format to assess their appropriateness and verified them on a test basis.</li> </ul>

#### INFORMATION OTHER THAN THE UNCONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on other information obtained prior to the date of this auditor's report, 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 UNCONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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 UNCONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### 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 unconsolidated statement of financial position, the unconsolidated profit and loss account and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement 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.
2. 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 S. Haider Abbas.



Chartered Accountants  
Islamabad:  
Dated: February 21, 2019

# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION


## AS AT DECEMBER 31, 2018


Rupees in '000	Note	2018	2017 (Restated)	2016 (Restated)
<b>Assets</b>				
Cash and balances with treasury banks	5	49,187,645	44,239,325	42,568,141
Balances with other banks	6	4,093,402	3,193,835	5,845,748
Lendings to financial institutions	7	–	2,250,000	6,836,584
Investments	8	260,233,987	314,956,748	295,846,254
Advances	9	343,107,147	258,693,086	235,163,922
Fixed assets	10	12,791,827	9,885,958	10,132,940
Intangible assets	11	741,361	842,869	886,615
Assets held for sale	12	80,720	80,720	261,762
Deferred tax assets	13	3,773,779	100,755	–
Other assets	14	32,522,174	28,448,099	25,326,733
		706,532,042	662,691,395	622,868,699
<b>Liabilities</b>				
Bills payable	15	15,512,880	10,769,262	8,579,809
Borrowings	16	52,702,323	71,587,311	89,261,788
Deposits and other accounts	17	573,635,856	525,808,308	472,811,335
Liabilities against assets subject to finance lease		–	–	–
Subordinated debts	18	9,993,600	4,992,800	4,994,800
Deferred tax liabilities		–	–	526,430
Other liabilities	19	21,178,476	17,098,223	14,117,587
		673,023,135	630,255,904	590,291,749
<b>Net assets</b>		<b>33,508,907</b>	<b>32,435,491</b>	<b>32,576,950</b>
<b>Represented by</b>				
Share capital	20	12,602,602	12,602,602	12,602,602
Reserves		15,543,179	11,840,757	8,670,686
Surplus on revaluation of assets - net of tax	21	1,649,197	5,142,254	7,327,114
Unappropriated profit		3,713,929	2,849,878	3,976,548
		33,508,907	32,435,491	32,576,950

### Contingencies and commitments

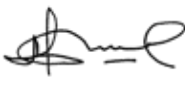
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The annexed notes 1 to 49 and Annexures I and II form an integral part of these unconsolidated financial statements.

  
Abid Sattar  
President & Chief Executive

  
Saleem Anwar  
Chief Financial Officer

  
Rehan Laiq  
Director

  
Syed Ahmed Iqbal Ashraf  
Director

  
Lt Gen (R) Syed Tariq Nadeem Gilani  
Chairman

# UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
Mark-up / return / interest earned	24	43,669,883	36,267,220
Mark-up / return / interest expensed	25	25,059,925	20,071,965
Net mark-up / interest income		18,609,958	16,195,255
<b>Non mark-up / interest income</b>			
Fee and commission income	26	3,116,070	2,706,794
Dividend income		231,312	302,894
Foreign exchange income		1,596,027	843,032
Income / (loss) from derivatives		-	-
Gain on securities	27	260,103	2,055,293
Other income	28	418,081	200,341
Total non-markup / interest income		5,621,593	6,108,354
<b>Total income</b>		<b>24,231,551</b>	<b>22,303,609</b>
<b>Non mark-up / interest expenses</b>			
Operating expenses	29	16,240,514	14,948,796
Workers' Welfare Fund	30	(540,060)	169,833
Other charges	31	191,067	23,568
Total non-markup / interest expenses		15,891,521	15,142,197
<b>Profit before provisions</b>		<b>8,340,030</b>	<b>7,161,412</b>
Provisions / (reversal of provisions) and write offs - net Extraordinary / unusual items	32	1,460,575	(1,330,390)
<b>Profit before taxation</b>		<b>6,879,455</b>	<b>8,491,802</b>
Taxation	33	(2,448,177)	(3,223,915)
<b>Profit after taxation</b>		<b>4,431,278</b>	<b>5,267,887</b>
Rupees			
<b>Basic earnings per share</b>	34	<b>3.52</b>	<b>4.18</b>

The annexed notes 1 to 49 and Annexures I and II form an integral part of these unconsolidated financial statements.



Abid Sattar  
President & Chief Executive



Saleem Anwar  
Chief Financial Officer



Rehan Laiq  
Director



Syed Ahmed Iqbal Ashraf  
Director



Lt Gen (R) Syed Tariq Nadeem Gilani  
Chairman



# UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	2018	2017 (Restated)
Profit after taxation for the year	4,431,278	5,267,887
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in Wholesale Bank Branch	186,164	30,336
Movement in deficit on revaluation of investments - net of tax	(4,488,014)	(2,378,635)
	(4,301,850)	(2,348,299)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit plan - net of tax	3,095	(113,996)
Movement in surplus on revaluation of operating fixed assets - net of tax	709,447	107,658
Movement in surplus on revaluation of non-banking assets - net of tax	285,510	193,775
	998,052	187,437
<b>Total comprehensive income</b>	<b>1,127,480</b>	<b>3,107,025</b>

The annexed notes 1 to 49 and Annexures I and II form an integral part of these unconsolidated financial statements.



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Rehan Laiq  
Director



Syed Ahmed Iqbal Ashraf  
Director




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Chairman

# UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of			Total
						Investments	Fixed / non-banking assets	Unappropriated profit / (loss)	
Balance as at January 1, 2017 - as previously reported	12,602,602	93,511	234,669	6,755,314	1,587,192	2,769,126	4,450,330	4,084,206	32,576,950
Effect of retrospective change in accounting policy with respect to accounting for surplus on revaluation of fixed assets	-	-	-	-	-	-	107,658	(107,658)	-
Balance as at January 1, 2017 - as restated	12,602,602	93,511	234,669	6,755,314	1,587,192	2,769,126	4,557,988	3,976,548	32,576,950
<b>Total comprehensive income for the year ended December 31, 2017</b>									
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	5,267,887	5,267,887
Other comprehensive income related to equity	-	30,336	-	-	-	(2,378,635)	193,775	(113,996)	(2,268,520)
Transfer to:									
Statutory reserve	-	-	-	1,053,577	-	-	-	(1,053,577)	-
General reserve	-	-	-	-	3,976,548	-	-	(3,976,548)	-
	-	-	-	1,053,577	3,976,548	-	-	(5,030,125)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	9,824	9,824
<b>Transaction with owners, recorded directly in equity</b>									
Final dividend 2016: Rs. 1.50 per share	-	-	-	-	(1,890,390)	-	-	-	(1,890,390)
Interim dividend 2017: Re. 1 per share	-	-	-	-	-	-	-	(1,260,260)	(1,260,260)
Balance as at January 1, 2018	12,602,602	123,847	234,669	7,808,891	3,673,350	390,491	4,751,763	2,849,878	32,435,491
Impact of IFRS 9 of Wholesale Bank Branch	-	(850)	-	-	(219,026)	-	-	-	(219,876)
Balance as at January 1, 2018 after impact of IFRS 9 of Wholesale Bank Branch	12,602,602	122,997	234,669	7,808,891	3,454,324	390,491	4,751,763	2,849,878	32,215,615
<b>Total comprehensive income for the year ended December 31, 2018</b>									
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	4,431,278	4,431,278
Other comprehensive income related to equity	-	186,164	-	-	-	(4,488,014)	994,957	3,095	(3,303,798)
Transfer to:									
Statutory reserve	-	-	-	886,256	-	-	-	(886,256)	-
General reserve	-	-	-	-	2,849,878	-	-	(2,849,878)	-
	-	-	-	886,256	2,849,878	-	-	(3,736,134)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	165,812	165,812
Balance as at December 31, 2018	12,602,602	309,161	234,669	8,695,147	6,304,202	(4,097,523)	5,746,720	3,713,929	33,508,907

The annexed notes 1 to 49 and Annexures I and II form an integral part of these unconsolidated financial statements.



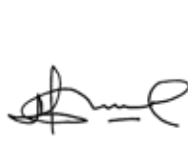
Abid Sattar  
President & Chief Executive



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Rehan Laiq  
Director



Syed Ahmed Iqbal Ashraf  
Director



Lt Gen (R) Syed Tariq Nadeem Gilani  
Chairman


# UNCONSOLIDATED CASH FLOW STATEMENT


## FOR THE YEAR ENDED DECEMBER 31, 2018


Rupees in '000	Note	2018	2017
<b>Cash flow from operating activities</b>			
Profit before taxation		6,879,455	8,491,802
Less: dividend income		(231,312)	(302,894)
		6,648,143	8,188,908
Adjustments:			
Depreciation		1,022,835	1,326,873
Amortization		195,294	196,038
Provisions / (reversal of provisions) and write offs - net		1,603,111	(1,183,261)
Gain on sale of asset held for sale		—	(216,000)
Charge for defined benefit plans		586,359	378,032
Loss on sale of fixed assets		5,253	10,551
		3,412,852	512,233
		10,060,995	8,701,141
(Increase) / decrease in operating assets			
Lendings to financial institutions		1,500,000	5,336,584
Advances		(85,084,938)	(22,233,996)
Other assets (excluding advance taxation)		(3,375,295)	(17,183)
		(86,960,233)	(16,914,595)
Increase / (decrease) in operating liabilities			
Bills payable		4,743,618	2,189,453
Borrowings		(18,884,988)	(17,674,477)
Deposits		47,827,548	52,996,973
Other liabilities (excluding current taxation)		4,246,359	486,725
		37,932,537	37,998,674
Cash (used in) / flow from operations		(38,966,701)	29,785,220
Payment made to defined benefit plan		(730,670)	(350,884)
Income tax paid		(3,894,037)	(3,303,583)
Net cash (used in) / flow from operating activities		(43,591,408)	26,130,753
<b>Cash flow from investing activities</b>			
Net investments in available for sale securities		51,626,569	(20,160,979)
Net investments in held to maturity securities		(5,030,369)	(2,747,351)
Sale proceeds of assets held for sale		—	551,000
Dividend received		236,639	311,839
Investments in operating fixed assets - net of adjustment		(3,334,399)	(1,249,674)
Proceeds from sale of fixed assets		16,104	18,133
Effect of translation of net investment in Wholesale Bank Branch		186,164	30,336
Net cash flow from / (used in) investing activities		43,700,708	(23,246,696)
<b>Cash flow from financing activities</b>			
Receipts / (payments) of subordinated debts - net		5,000,800	(2,000)
Dividend paid		(12,203)	(3,112,786)
Net cash flow / (used in) financing activities		4,988,597	(3,114,786)
Increase / (decrease) in cash and cash equivalents		5,097,897	(230,729)
Cash and cash equivalents at beginning of the year	35	48,183,160	48,413,889
Cash and cash equivalents at end of the year	35	53,281,057	48,183,160


The annexed notes 1 to 49 and Annexures I and II form an integral part of these unconsolidated financial statements.

  
Abid Sattar  
President & Chief Executive

  
Saleem Anwar  
Chief Financial Officer

  
Rehan Laiq  
Director

  
Syed Ahmed Iqbal Ashraf  
Director

  
Lt Gen (R) Syed Tariq Nadeem Gilani  
Chairman

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 1. STATUS AND NATURE OF BUSINESS

Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Pakistan Stock Exchange. The registered office of the Bank is situated at AWT Plaza, the Mall, Rawalpindi. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent shares of the Bank as on December 31, 2018. The ultimate parent of the Bank is Fauji Foundation. The Bank has 516 branches (2017: 516 branches); 515 in Pakistan and Azad Jammu and Kashmir (including 91 (2017: 91) Islamic Banking branches and 43 (2017: 43) sub-branches) and a Wholesale Bank Branch (WBB) in the Kingdom of Bahrain.

### 2. BASIS OF PRESENTATION

These unconsolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BPRD Circular No. 2 dated January 25, 2018.

These unconsolidated financial statements are separate financial statements of the Bank in which the investments in subsidiaries and associates are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees which is done in consolidated financial statements.

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

The financial results of the Islamic banking branches have been consolidated in these unconsolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key figures of the Islamic banking branches are disclosed in Annexure II to these unconsolidated financial statements.

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates. The unconsolidated financial statements are presented in Pak. Rupee, which is the Bank's functional and presentation currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

#### 2.1 STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the 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 Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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 IFRS or IFAS the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

SBP vide BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" (IAS 39) and International Accounting Standard 40, "Investment Property" (IAS 40), for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the International Financial Reporting Standard 7, "Financial Instruments: Disclosures" (IFRS 7), has not been made applicable for banks. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

The International Financial Reporting Standard 9, "Financial Instruments" (IFRS 9), was notified by the SECP, through SRO 1007(I)/2017 dated October 4, 2017, as applicable for accounting periods beginning on or after July 1, 2018.

During the current year, IFRS 9 became applicable for Wholesale Bank Branch of the Bank. The impact of the adoption of IFRS 9 on the Bank's financial statements is disclosed in note 4.1 below.

## 2.2 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 2	Share-based payment (Amendments)	January 1, 2018
IFRS 4	Insurance contracts	January 1, 2018
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018

## 2.3 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

- a) Following standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of their applicability in Pakistan:

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 1	First-Time Adoption of International Financial Reporting Standards (Amendments)	July 1, 2009
IFRS 14	Regulatory Deferral Accounts	January 1, 2016

- b) Following standards and amendments to published accounting standards will be effective in future periods and have not been early adopted by the Bank:

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 3	Business Combinations	January 1, 2019
IFRS 9	Financial Instruments	July 1, 2018
IFRS 11	Joint Arrangements	January 1, 2019
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IAS 12	Income Taxes	January 1, 2019
IAS 19	Employee Benefits	January 1, 2019
IAS 23	Borrowing Costs	January 1, 2019
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

The management does not anticipate early adoption of above standards and amendments and is currently evaluating the impact of adopting these standards.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of unconsolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The Bank uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follow:

- i) classification of investments (note 4.5)
- ii) provision against investments (note 4.5), advances (note 4.6), fixed assets (note 4.7) and other assets (note 4.16)
- iii) valuation of available for sale securities (note 4.5)
- iv) impairment of available for sale securities (note 4.16)
- v) useful life of property and equipment, intangible assets and revaluation of land (note 4.7) and non-banking assets acquired in satisfaction of claims (note 4.17)
- vi) staff retirement benefits (note 4.12)
- vii) taxation (note 4.15)

### 3. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention as modified for certain investments and compensated absences which are carried at fair value, non-banking assets acquired in satisfaction of claims, freehold and leasehold land which are shown at revalued amounts and staff retirement gratuity which is carried at present value of defined benefit obligations net of fair value of plan assets.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these unconsolidated financial statements.

#### 4.1 CHANGES IN ACCOUNTING POLICIES

- 4.1.1 Consequent to the enactment of the Companies Act, 2017 (the Act), the Bank has changed its accounting policy for treatment of deficit on revaluation of fixed assets wherein any decrease in carrying amount of fixed asset as a result of revaluation is charged to profit and loss account, however the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Previously, any decrease in the carrying amount of fixed assets was netted off against surplus on revaluation of any other fixed assets. The effect of this change in accounting policy, which is applied with retrospective effect, is summarized below:

Rupees in '000	December 31, 2017 (Restated)	January 1, 2017 (Restated)
<b>STATEMENT OF FINANCIAL POSITION</b>		
Increase in surplus on revaluation of fixed assets - net of tax	107,658	107,658
Decrease in unappropriated profit	107,658	107,658

- 4.1.2 As per the accounting policy of the Bank, provision against investments, balances with other banks, advances, other assets and off-balance sheet obligations of Wholesale Bank Branch is made as per the requirements of the respective regulatory regimes in which the branch operates. During the current year, IFRS 9 became applicable for Wholesale Bank Branch of the Bank. Under this financial reporting standard, provision against investments, balances with other banks, advances, other assets and off-balance sheet obligations is determined under the expected credit loss model whereas previously, it was determined under the incurred loss model. Accordingly, in respect of Wholesale Bank Branch, the Bank has changed its accounting policy and has followed the requirements of IFRS 9 while determining the requirements for recording provision against investments, balances with other banks, advances, other assets and off-balance sheet obligations.

The adoption of this standard by Wholesale Bank Branch resulted in an additional provision of Rs. 348,202 thousand (net of deferred tax amounting to Rs. 226,331 thousand) as at December 31, 2018. The amount of additional provision has been adjusted in the opening retained earnings (General reserve) as allowed under IFRS 9. The impact of change in policy is summarized as below:

Rupees in '000	As at	
	December 31, 2018	January 1, 2018
<b>IMPACT ON STATEMENT OF FINANCIAL POSITION</b>		
Balances with other banks	10	24
Investments	166,679	173,151
Advances	181,066	164,947
Other assets	447	149
	348,202	338,271
Less: related deferred tax	(121,871)	(118,395)
	226,331	219,876
<b>IMPACT ON PROFIT AND LOSS ACCOUNT</b>		
- Profit before tax would have been higher by - Rupees in '000		9,931
- Earnings per share would have been higher by - Rupee		0.01

4.1.3 The State Bank of Pakistan (SBP) through its BPRD Circular No. 2 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ended December 31, 2018. Accordingly, the Bank has prepared these unconsolidated financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format required remeasurement and reclassification of comparative information and accordingly a third unconsolidated statement of financial position has been presented at the beginning of the preceding period (i.e. January 1, 2017) in accordance with the requirement of International Accounting Standard 1 – Presentation of Financial Statements. The adoption of revised format has resulted in following significant changes:

- Acceptances amounting to Rs. 8,735,265 thousand (2017: Rs. 5,976,910 thousand, 2016: Rs. 3,723,390 thousand) which were previously shown as part of contingencies and commitments are now recognized on balance sheet both as assets and liabilities. They are included in 'Other assets' (note-14) and 'Other liabilities' (note-19) to these unconsolidated financial statements;
- Surplus on revaluation of assets amounting to Rs. 1,649,197 thousand (2017: Rs. 5,142,254 thousand, 2016: Rs. 7,327,114 thousand) which was previously shown below equity has now been included as part of equity;
- Intangibles (note-11) amounting to Rs. 741,361 thousand (2017: Rs. 842,869 thousand, 2016: Rs. 886,615 thousand) which were previously show and part of fixed assets (note-10) are now shown separately on the unconsolidated statement of financial position; and
- Certain reclassifications have been made in the unconsolidated profit and loss account which are summarized below:

Reclassification from account head	Reclassification to account head	For the year ended December 31,	
		2018	2017
Other income	Provisions and write offs - net	142,536	147,129
Other provisions / write offs	Provisions and write offs - net	87,006	21,832

#### 4.2 CASH AND CASH EQUIVALENTS

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

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 4.3 LENDINGS (REVERSE REPO)

Consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between purchase and resale price is recognized as mark-up / return earned on a time proportion basis. Reverse repo balances are reflected under lending to financial institutions.

### 4.4 BAI MUAJJAL RECEIVABLE FROM OTHER FINANCIAL INSTITUTIONS

In Bai Muajjal, the Bank sells sukuk on deferred payment basis to other financial institutions. The deferred price is agreed at the time of sale and such proceeds are received at the end of the credit period. Bai Muajjal balances are reflected under lending to financial institutions.

### 4.5 INVESTMENTS

Investments are classified as follows:

#### HELD FOR TRADING

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements.

#### AVAILABLE FOR SALE

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories.

#### HELD TO MATURITY

These represent securities acquired with the intention and ability to hold them upto maturity.

#### 4.5.1 INITIAL MEASUREMENT

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

In case of investments classified as held for trading, transaction costs are expensed through profit and loss account. Transaction costs associated with investments other than those classified as held for trading are included in the cost of investments.

#### 4.5.2 SUBSEQUENT MEASUREMENT

##### HELD FOR TRADING

These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements prescribed by the SBP through various circulars.

##### AVAILABLE FOR SALE

In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 4, 2000 and BPRD Circular No. 6 dated June 26, 2014, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is taken through "Statement of Comprehensive Income (OCI)" and is shown in the shareholders' equity in the unconsolidated statement of financial position.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest audited financial statements. If the break-up value is less than cost the difference is included in profit and loss account. Unquoted debt securities are valued using the market value of secondary market where available.

Investments in other unquoted securities are valued at cost less impairment losses.



#### **HELD TO MATURITY**

These are carried at amortized cost less impairment, determined in accordance with the requirements of Prudential Regulations issued by the SBP.

#### **INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

Investments in subsidiaries and associates are carried at cost less impairment, if any.

### **4.6 ADVANCES**

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the SBP from time to time. In addition, a general provision is maintained for advances other than consumer and small entities advances. General and specific provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries.

The provisions against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

Ijarahs booked under Islamic Financial Accounting Standard 2 - Ijarah (IFAS - 2) are stated at cost less accumulated depreciation and impairment if any, and are shown under advances.

Depreciation on Ijarah assets is charged to profit and loss account by applying the straight line method whereby the depreciable value of Ijarah assets is written off over the Ijarah period. The Bank charges depreciation from the date of delivery of respective assets to Mustajir upto the date of maturity / termination of Ijarah agreement.

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

In Murabaha transactions, the Bank purchases the goods after taking the physical / constructive possession, sells the same to the customer on cost plus profit basis.

In Salam, the seller undertakes to supply specific goods to the Bank at a future date in consideration of a price fully paid in advance at the time the contract of sale is made.

In Musharaka a relationship is established under a contract by the mutual consent of the Bank and the customer for sharing of profits and losses arising from a joint enterprise or venture.

Diminishing Musharaka (DM) is a form of co-ownership in which the Bank and the customer share the ownership of a tangible asset in an agreed proportion and customer undertakes to buy in periodic installments the proportionate share of the Bank until the title to such tangible asset is completely transferred to the customer.

In Istisna, a contract of sale is made whereby the Bank places an order, to manufacture, assemble or construct, specific commodity to be delivered at a future date.

### **4.7 FIXED ASSETS AND DEPRECIATION**

#### **CAPITAL WORK-IN-PROGRESS**

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

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### PROPERTY AND EQUIPMENT

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold / leasehold land. Land is carried at revalued amounts which is not depreciated. Land is revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation of fixed assets is credited to the surplus on revaluation of assets account and is shown under the shareholders' equity in the unconsolidated statement of financial position. Except to the extent actually realized on disposal of land which are revalued, the surplus on revaluation of land shall not be applied to set-off or reduce any deficit or loss, whether past, current or future, or in any manner applied, adjusted or treated so as to add to the income, profit or surplus of the Bank or utilized directly or indirectly by way of dividend or bonus.

### INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

### DEPRECIATION / AMORTIZATION

Depreciation / amortization is computed on a monthly basis over the estimated useful lives of the related assets at the rates set out in notes 10.2 and 11.1 respectively on a monthly basis. The cost of assets is depreciated / amortized on the diminishing balance method, except for computer equipment, vehicles, carpets, renovations, other assets and intangibles which are depreciated / amortized on a straight line basis. Depreciation / amortization is charged for the full month of purchase / acquisition / availability for use of an asset while no depreciation / amortization is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of fixed assets are taken to the profit and loss account.

In making estimates of the depreciation / amortization, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The useful life and the residual value are reviewed at each financial year end and any change in these estimates in future years might effect the carrying amounts of the respective item of fixed assets with the corresponding effect on depreciation / amortization charge.

#### 4.8 ASSETS HELD FOR SALE

Non-current assets and associated liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Assets designated as held for sale are carried at the lower of carrying amount at designation and fair value less costs to sell, if fair value can reasonably be determined.

#### 4.9 BORROWINGS (REPO)

Consideration received against securities sold under repurchase agreement (repo) are included in borrowings from financial institutions. The difference between sale and repurchase price is recognized as mark-up / return expensed on a time proportion basis.

#### 4.10 DEPOSITS

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

The Bank generates deposits in two modes i.e. "Qard" and "Modaraba" under Islamic Banking Operations. Deposits taken on Qard basis are classified as 'Current Accounts' and deposits generated on Modaraba basis are classified as 'Savings Accounts' and 'Fixed Deposit Accounts'.

#### 4.11 SUBORDINATED DEBTS

Subordinated debts are initially recorded at the amount of proceeds received. Mark-up on subordinated debts is charged to the profit and loss account over the period on accrual basis.

#### **4.12 STAFF RETIREMENT BENEFITS**

##### **DEFINED BENEFIT PLAN**

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method".

##### **DEFINED CONTRIBUTION PLAN**

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

##### **COMPENSATED ABSENCES**

The Bank provides compensated absences to all its regular employees. Liability for unfunded scheme is recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to unconsolidated profit and loss account. The amount recognized in the unconsolidated statement of financial position represents the present value of defined benefit obligations.

#### **4.13 FOREIGN CURRENCIES**

##### **FOREIGN CURRENCY TRANSACTIONS**

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the reporting date. Outstanding foreign bills purchased are valued at the rates applicable to the remaining maturities. Exchange gains and losses are included in unconsolidated profit and loss account currently.

##### **FOREIGN OPERATIONS**

The assets and liabilities of Wholesale Bank Branch are translated to Pak. Rupee at exchange rates prevailing at the date of unconsolidated statement of financial position. The results of foreign operations are translated at the average rate of exchange for the year.

##### **TRANSLATION GAINS AND LOSSES**

Translation gains and losses arising on revaluation of net investment in foreign operations are taken to equity under "Exchange Translation Reserve" through other comprehensive income and on disposal are recognized in unconsolidated profit and loss account.

##### **COMMITMENTS**

Commitments for outstanding forward foreign exchange contracts are valued at the rates applicable to the remaining maturities.

#### **4.14 REVENUE RECOGNITION**

Mark-up / interest on advances and return on investments is recognized on accrual basis except on classified advances and investments which is recognized on receipt basis. Mark-up / interest on rescheduled / restructured advances and investments is recognized as permitted by the regulations of the SBP or overseas regulatory authority of the country where branch operates, except where in the opinion of the management it would not be prudent to do so.

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

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

Gains and losses on sale of investments are included in income currently.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of the total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Repossessed vehicles on account of loan default are recorded in memorandum account.

Unrealized lease income is suspended on classified leases, in accordance with the requirements of the Prudential Regulations issued by the SBP. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

Profit on Murabaha sale transaction not due for the payment is deferred by recording a credit to the "Deferred Murabaha Income" account.

Profits on Musharaka and Diminishing Musharaka financings are recognized on accrual basis. Profit required to be suspended in compliance with the Prudential Regulations issued by SBP is recorded on receipt basis.

Revenue on Salam finance is recognized at the time of sale of al-muslim fihi (salam goods).

The rentals received / receivable on Ijarahs under IFAS-2 are recorded as income / revenue.

The Bank recognizes revenue on Istisna finance at the time of sale of Al-Masnoo (Istisna goods).

#### 4.15 TAXATION

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the unconsolidated profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income or below equity.

##### CURRENT

Provision for current tax is the expected tax payable on the taxable profit for the year using tax rates applicable at the date of unconsolidated statement of financial position.

##### PRIOR YEARS

The tax charge for prior years represents adjustments to the tax charge for prior years, arising from assessments, change in estimates and retrospectively applied changes to law, made during the year.

##### DEFERRED

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

Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus / deficit arising on such revaluation.

#### 4.16 IMPAIRMENT

##### AVAILABLE FOR SALE

The Bank determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The 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 case of listed securities. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by SBP.

#### **NON-FINANCIAL ASSETS**

The carrying amount of the Bank's assets are reviewed at the reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the unconsolidated profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **4.17 NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS**

Non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of such properties is credited to the 'surplus on revaluation of non-banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to profit and loss account and are not capitalized.

#### **4.18 OTHER PROVISIONS**

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

#### **4.19 OFF-SETTING**

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

#### **4.20 FINANCIAL ASSETS AND 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 asset and financial liability 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.

#### **4.21 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

#### **4.22 APPROPRIATIONS SUBSEQUENT TO DATE OF UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Appropriations subsequent to year end are recognized during the year in which those appropriations are made.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 4.23 DIVIDEND DISTRIBUTION AND APPROPRIATION

Dividends and appropriations (except for the appropriations required by law), made subsequent to the date of statement of financial position are considered as non-adjusting events and are recorded in the year in which these are approved / transfers are made.

### 4.24 EARNINGS PER SHARE

The Bank presents basic and diluted Earnings Per Share (EPS). Basic EPS 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.

### 4.25 SEGMENT REPORTING

A segment is a distinguishable component of the Bank that is engaged in providing products or services (business segment) or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

#### 4.25.1 BUSINESS SEGMENT

##### BRANCH BANKING

This segment consists of loans, deposits and other banking services to commercial, SME, agriculture and individual customers, including branchless banking services.

##### CORPORATE BANKING

Corporate banking includes project financing, trade financing and working capital to corporate customers. This segment is also involved in investment banking activities such as mergers and acquisition, underwriting, privatization, securitization, IPO's related activities and secondary private placements.

##### TREASURY

Treasury function is mainly engaged in money market activities, foreign exchange business and short term lendings and borrowings from counter-parties.

##### CONSUMER BANKING

Consumer banking segment provides both secured and unsecured loans to retail customers.

##### ISLAMIC BANKING

This segment provides banking services to its customers in compliance with Shariah rules and directives, instructions and guidelines issued by SBP.

##### FOREIGN OPERATIONS

Foreign operations consist of banking activities performed by Wholesale Bank Branch of the Bank.

##### HEAD OFFICE / OTHERS

This consists of activities not performed by any of above segments.

#### 4.25.2 GEOGRAPHICAL SEGMENTS

The Bank operates in two geographic regions; Pakistan and the Middle East.

Rupees in '000	Note	2018	2017
<b>5. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>IN HAND</b>			
Local currency		10,368,791	9,348,230
Foreign currencies		1,935,969	1,646,801
		12,304,760	10,995,031
<b>WITH THE STATE BANK OF PAKISTAN IN</b>			
Local currency current accounts	5.1	24,210,710	22,009,777
Foreign currency current account	5.1	2,829,226	2,781,713
Foreign currency deposit account	5.2	7,946,957	6,998,986
		34,986,893	31,790,476
<b>WITH NATIONAL BANK OF PAKISTAN IN</b>			
Local currency current accounts		1,883,326	1,442,060
Prize bonds		12,666	11,758
		49,187,645	44,239,325

5.1 These represent current accounts maintained with the SBP to comply with the statutory cash reserve requirements.

5.2 This represents special cash reserve maintained with the SBP and carries mark-up at the rate of 1.50% (2017: 0.56%) per annum.

Rupees in '000	Note	2018	2017
<b>6. BALANCES WITH OTHER BANKS</b>			
<b>IN PAKISTAN</b>			
In current accounts		354,396	337,755
In deposit accounts	6.1	291	1,000,152
		354,687	1,337,907
<b>OUTSIDE PAKISTAN</b>			
In current accounts		1,047,160	852,324
In deposit accounts	6.2	2,691,565	1,003,604
		3,738,725	1,855,928
Provision held against balances with other banks	6.3	(10)	–
		4,093,402	3,193,835

6.1 These represent placements with local banks, carrying interest rate of 8.0% (2017: 2.0% to 5.8%) per annum.

6.2 These represent placements with international correspondent banks, carrying interest rates upto 1.78% (2017: upto 2.04%) per annum.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>6.3</b>	<b>PROVISION HELD AGAINST BALANCES WITH OTHER BANKS</b>		
Opening balance		–	–
Provision under IFRS 9 related to WBB	6.4	24	–
Opening balance after IFRS 9 impact of WBB		24	–
Reversal of provision under IFRS 9 related to WBB	6.4	(14)	–
Closing balance		10	–

**6.4** This represents provision consequent to applicability of IFRS 9 on the Wholesale Bank Branch, Bahrain as described in note 4.1.2.

Rupees in '000	2018	2017
<b>7.</b>	<b>LENDINGS TO FINANCIAL INSTITUTIONS</b>	
Call / clean money lendings	–	750,000
Repurchase agreement lendings (reverse repo)	–	1,500,000
Purchase under resale arrangement of equity securities	148,606	148,606
	148,606	2,398,606
Provision held against lending to financial institutions	(148,606)	(148,606)
Lending to financial institutions - net of provision	–	2,250,000

### 7.1 PARTICULARS OF LENDING

In local currency	148,606	2,398,606
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### 7.2 SECURITIES HELD AS COLLATERAL AGAINST LENDING TO FINANCIAL INSTITUTIONS

Rupees in '000	2018			2017		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
Pakistan Investment Bonds	–	–	–	1,500,000	–	1,500,000
	–	–	–	1,500,000	–	1,500,000

### 7.3 CATEGORY OF CLASSIFICATION

Rupees in '000	2018		2017	
	Classified lending	Provision held	Classified lending	Provision held
Domestic Loss	148,606	148,606	148,606	148,606



## 8. INVESTMENTS

Rupees in '000	2018				2017			
	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
<b>8.1 INVESTMENTS BY TYPE:</b>								
Available for sale securities								
Federal Government Securities	244,060,807	(41,600)	(6,125,979)	237,893,228	295,321,140	–	1,503,492	296,824,632
Shares	5,898,588	(1,437,160)	(153,307)	4,308,121	4,546,848	(120,680)	(1,022,869)	3,403,299
Units of open end mutual funds	1,032,012	(2,376)	(58,190)	971,446	1,600,876	–	51,259	1,652,135
Fully paid preference shares	27,314	(7,139)	39,570	59,745	27,314	(2,214)	41,620	66,720
Non Government Debt Securities	6,957,717	(1,540,848)	(480)	5,416,389	8,300,057	(1,809,385)	27,418	6,518,090
Foreign securities	421,818	(2,659)	(5,496)	413,663	228,590	–	(164)	228,426
	258,398,256	(3,031,782)	(6,303,882)	249,062,592	310,024,825	(1,932,279)	600,756	308,693,302
Held to maturity securities								
Federal Government Securities	11,293,815	(122,420)	–	11,171,395	6,263,446	–	–	6,263,446
Non Government Debt Securities	110,000	(110,000)	–	–	110,000	(110,000)	–	–
	11,403,815	(232,420)	–	11,171,395	6,373,446	(110,000)	–	6,263,446
<b>Total investments</b>	<b>269,802,071</b>	<b>(3,264,202)</b>	<b>(6,303,882)</b>	<b>260,233,987</b>	<b>316,398,271</b>	<b>(2,042,279)</b>	<b>600,756</b>	<b>314,956,748</b>

Rupees in '000	2018				2017			
	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
<b>8.2 INVESTMENTS BY SEGMENTS:</b>								
Federal Government Securities								
Market Treasury Bills	124,708,053	–	(10,339)	124,697,714	129,957,532	–	(632)	129,956,900
Pakistan Investment Bonds	105,470,628	–	(6,430,011)	99,040,617	154,200,275	–	1,514,588	155,714,863
Euro Bonds	4,806,143	(67,251)	(10,724)	4,728,168	3,597,884	–	(1,624)	3,596,260
Ijarah Sukuks	20,369,798	(96,769)	325,095	20,598,124	13,828,895	–	(8,841)	13,820,054
	255,354,622	(164,020)	(6,125,979)	249,064,623	301,584,586	–	1,503,491	303,088,077
Shares								
Listed companies	5,592,908	(1,431,480)	(153,307)	4,008,121	4,522,808	(115,000)	(1,022,868)	3,384,940
Unlisted companies	305,680	(5,680)	–	300,000	24,040	(5,680)	–	18,360
	5,898,588	(1,437,160)	(153,307)	4,308,121	4,546,848	(120,680)	(1,022,868)	3,403,300
Units of open end mutual funds	1,032,012	(2,376)	(58,190)	971,446	1,600,876	–	51,259	1,652,135
Fully paid preference shares	27,314	(7,139)	39,570	59,745	27,314	(2,214)	41,620	66,720
Non Government Debt Securities								
Listed	1,433,411	(226,836)	3,706	1,210,281	1,700,205	(822,184)	26,500	904,521
Unlisted	5,634,306	(1,424,012)	(4,186)	4,206,108	6,709,852	(1,097,201)	918	5,613,569
	7,067,717	(1,650,848)	(480)	5,416,389	8,410,057	(1,919,385)	27,418	6,518,090
Foreign Securities								
Government securities	421,818	(2,659)	(5,496)	413,663	228,590	–	(164)	228,426
<b>Total investments</b>	<b>269,802,071</b>	<b>(3,264,202)</b>	<b>(6,303,882)</b>	<b>260,233,987</b>	<b>316,398,271</b>	<b>(2,042,279)</b>	<b>600,756</b>	<b>314,956,748</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>8.2.1</b>	<b>INVESTMENTS GIVEN AS COLLATERAL</b>		
Market Treasury Bills		12,793,905	28,799,131
Pakistan Investment Bonds		–	17,759,424
Euro Bonds		3,381,368	1,706,222
Bahrain International Bonds		144,747	–
Srilankan Investment Bonds		277,070	–
Ijarah Sukuks		8,369,037	1,054,208
		<b>24,966,127</b>	<b>49,318,985</b>
<b>8.3</b>	<b>PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS</b>		
<b>8.3.1</b>	Opening balance	2,042,279	1,933,928
	Provision under IFRS 9 related to WBB	8.3.1.1 173,151	–
	Opening balance after IFRS 9 impact of WBB	2,215,430	1,933,928
	Charge / (reversals)		
	Charge for the year	1,331,427	171,110
	Reversal of provision under IFRS 9 related to WBB	8.3.1.1 (6,472)	–
	Reversals for the year	(268,539)	(62,759)
	Reversal on disposals	(7,644)	–
		<b>1,048,772</b>	<b>108,351</b>
	Closing balance	<b>3,264,202</b>	<b>2,042,279</b>

8.3.1.1 This represents provision consequent to applicability of IFRS 9 on the Wholesale Bank Branch, Bahrain as described in note 4.1.2.

### 8.3.2 PARTICULARS OF PROVISION AGAINST DEBT SECURITIES

Rupees in '000	2018		2017	
	NPL	Provision	NPL	Provision
<b>CATEGORY OF CLASSIFICATION</b>				
Domestic				
Loss	1,650,848	1,817,527	1,919,385	1,919,385
Total	<b>1,650,848</b>	<b>1,817,527</b>	<b>1,919,385</b>	<b>1,919,385</b>

#### 8.4 QUALITY OF AVAILABLE FOR SALE SECURITIES

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

Rupees in '000	2018		2017	
	Cost	Breakup value	Cost	Breakup value
<b>FEDERAL GOVERNMENT SECURITIES - GOVERNMENT GUARANTEED</b>				
Market Treasury Bills	124,708,053		129,957,532	
Pakistan Investment Bonds	105,023,310		154,200,275	
Euro Bonds	1,049,793		573,033	
Ijarah Sukuks	13,279,651		10,590,300	
	<b>244,060,807</b>		<b>295,321,140</b>	
<b>SHARES</b>				
Listed Companies				
Commercial banks	978,868		1,045,847	
Chemicals	381,695		408,066	
Fertilizer	382,188		307,471	
Cement	660,776		461,571	
Power generation and distribution	971,289		807,465	
Investment banks / investment companies	12,956		12,956	
Leasing companies	38,162		38,162	
Paper and board	154,515		154,515	
Glass and ceramics	80,915		80,915	
Automobile parts and accessories	80,176		38,583	
Cable and electrical goods	73,304		73,304	
Automobile assembler	57,046		57,046	
Engineering	194,793		76,213	
Insurance	96,133		96,133	
Oil and gas marketing companies	455,040		238,592	
Refinery	99,065		–	
Oil and gas exploration	–		22,757	
Textile composite	140,610		35,840	
Pharmaceuticals	114,383		114,383	
Real estate investment trust	580,242		421,305	
Technology and communication	31,684		31,684	
Vanaspati and allied industries	9,068		–	
	<b>5,592,908</b>		<b>4,522,808</b>	
<b>UNLISTED COMPANIES</b>				
DHA Cogen Limited	–	–	–	–
Pakistan Export Finance Guarantee Agency Limited	5,680	–	5,680	–
Pakistan Mortgage Refinance Company Limited	300,000	–	18,360	–
	<b>305,680</b>	<b>–</b>	<b>24,040</b>	<b>–</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	2018		2017	
	Cost	Breakup value	Cost	Breakup value
<b>UNITS OF OPEN END MUTUAL FUNDS</b>				
Unlisted Companies				
NIT NIUT	500,000	444,531	500,000	494,882
NIT Islamic Equity Fund	50,000	41,621	50,000	49,976
Askari Islamic Asset Allocation Fund	53,226	50,868	53,226	56,381
Askari Asset Allocation Fund	100,846	101,668	100,846	110,429
Askari Equity Fund	53,988	45,691	53,988	52,978
Askari Islamic Income Fund	387	430	150,000	165,461
Askari High Yield Scheme	173,565	183,624	592,816	617,990
Askari Sovereign Yield Enhancer Fund	100,000	105,389	100,000	104,038
	1,032,012	973,822	1,600,876	1,652,135

Rupees in '000	2018		2017	
	Cost		Cost	
<b>FULLY PAID PREFERENCE SHARES</b>				
Listed Companies				
Banks		2,214		2,214
Textile		25,100		25,100
		27,314		27,314
<b>NON GOVERNMENT DEBT SECURITIES</b>				
Listed				
AAA		235,575		235,670
AA+, AA, AA-		771,000		1,017,128
A+, A, A-		200,000		–
CCC and below		226,836		447,407
		1,433,411		1,700,205
Unlisted				
AAA		2,604,170		2,669,170
AA+, AA, AA-		249,950		500,000
A+, A, A-		700,000		600,000
CCC and below		795,129		1,361,981
Unrated		1,175,057		1,468,701
		5,524,306		6,599,852

Rupees in '000	2018		2017	
	Cost	Rating	Cost	Rating
<b>FOREIGN SECURITIES</b>				
Government Securities				
Bahrain	144,748	B+	116,297	B+
Sri Lanka	277,070	B	112,293	B+
	421,818		228,590	

	2018	2017
Rupees in '000		Cost
<b>8.5 PARTICULARS RELATING TO HELD TO MATURITY SECURITIES ARE AS FOLLOWS:</b>		
<b>FEDERAL GOVERNMENT SECURITIES - GOVERNMENT GUARANTEED</b>		
Pakistan Investment Bonds	447,318	–
Government of Pakistan Euro Bonds	3,756,350	3,024,851
Ijarah Sukuks	6,059,093	3,238,595
GOP Bai Muajjal	1,031,054	–
	<b>11,293,815</b>	<b>6,263,446</b>
<b>NON GOVERNMENT DEBT SECURITIES</b>		
Listed		
CCC and below	110,000	110,000

**8.5.1** Market value of held to maturity securities other than classified investments as at December 31, 2018 is Rs. 11,029,123 thousand (2017: Rs. 6,342,916 thousand).

## 9. ADVANCES

Rupees in '000	Performing		Non performing		Total	
	2018	2017	2018	2017	2018	2017
Loans, cash credits, running finances, etc. - note 9.1	279,232,463	213,846,455	26,166,223	26,260,410	305,398,686	240,106,865
Islamic financing and related assets - note 3 of Annexure II	46,583,103	34,318,955	435,096	436,842	47,018,199	34,755,797
Bills discounted and purchased	16,786,319	9,421,233	55,767	55,775	16,842,086	9,477,008
Advances - gross	342,601,885	257,586,643	26,657,086	26,753,027	369,258,971	284,339,670
Provision against advances						
- Specific	–	–	(25,113,169)	(24,962,069)	(25,113,169)	(24,962,069)
- General	(1,038,655)	(684,515)	–	–	(1,038,655)	(684,515)
	(1,038,655)	(684,515)	(25,113,169)	(24,962,069)	(26,151,824)	(25,646,584)
Advances - net of provision	341,563,230	256,902,128	1,543,917	1,790,958	343,107,147	258,693,086

### 9.1 INCLUDES NET INVESTMENT IN FINANCE LEASE AS DISCLOSED BELOW:

Rupees in '000	2018				2017			
	Non later than one year	Later than one and less than five year	Over five years	Total	Non later than one year	later than one and less than five year	Over five years	Total
Lease rentals receivable	3,090,048	3,165,598	8,224	6,263,870	2,946,733	3,440,986	26,830	6,414,549
Residual value	872,487	2,071,589	27,690	2,971,766	685,688	2,150,963	75,022	2,911,673
Minimum lease payments	3,962,535	5,237,187	35,914	9,235,636	3,632,421	5,591,949	101,852	9,326,222
Financial charges for future periods	(364,904)	(301,495)	(375)	(666,774)	(339,257)	(333,782)	(1,153)	(674,192)
Present value of minimum lease payments	3,597,631	4,935,692	35,539	8,568,862	3,293,164	5,258,167	100,699	8,652,030

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	2018	2017
<b>9.2 PARTICULARS OF ADVANCES (GROSS)</b>		
In local currency	347,815,947	269,949,664
In foreign currencies	21,443,024	14,390,006
	<b>369,258,971</b>	<b>284,339,670</b>

9.3 Advances include Rs. 26,657,086 thousand (2017: Rs. 26,753,027 thousand) which have been placed under non-performing status as detailed below:

Rupees in '000	2018		2017	
	Non-performing loans	Provision	Non-performing loans	Provision
<b>CATEGORY OF CLASSIFICATION</b>				
Domestic				
Other Assets Especially Mentioned - note 9.3.1	90,038	1,883	137,409	–
Substandard	286,591	23,421	118,878	15,600
Doubtful	429,231	187,411	701,369	280,067
Loss	25,851,226	24,900,454	25,795,371	24,666,402
	<b>26,657,086</b>	<b>25,113,169</b>	<b>26,753,027</b>	<b>24,962,069</b>

9.3.1 This represents classification for Agricultural, Mortgage and Small Entities finances.

### 9.4 PARTICULARS OF PROVISION AGAINST ADVANCES

Rupees in '000	Note	2018				2017			
		Specific	General	Consumer financing – General	Total	Specific	General	Consumer financing – General	Total
Opening balance		24,962,069	236,940	447,575	25,646,584	26,353,791	236,944	368,599	26,959,334
Provision under IFRS 9 related to WBB	9.4.1	–	164,947	–	164,947	–	–	–	–
Opening balance after IFRS 9 impact of WBB		24,962,069	401,887	447,575	25,811,531	26,353,791	236,944	368,599	26,959,334
Charge for the year		2,413,023	81,302	102,568	2,596,893	891,105	37,450	90,267	1,018,822
Provision under IFRS 9 related to WBB	9.4.1	–	16,119	–	16,119	–	–	–	–
Reversals for the year		(2,134,869)	(879)	(9,917)	(2,145,665)	(2,159,610)	(37,454)	(11,291)	(2,208,355)
		278,154	96,542	92,651	467,347	(1,268,505)	(4)	78,976	(1,189,533)
Amounts written off	9.5	–	–	–	–	–	–	–	–
Amounts charged off - agriculture financing	9.6	(127,054)	–	–	(127,054)	(123,217)	–	–	(123,217)
Closing balance		25,113,169	498,429	540,226	26,151,824	24,962,069	236,940	447,575	25,646,584

9.4.1 This represents provision consequent to applicability of IFRS 9 on the Wholesale Bank Branch, Bahrain as described in note 4.1.2.

#### 9.4.2 PARTICULARS OF PROVISION AGAINST ADVANCES

Rupees in '000	2018				2017			
	Specific	General	Consumer financing – General	Total	Specific	General	Consumer financing – General	Total
In local currency	24,748,225	317,363	540,226	25,605,814	24,414,467	236,940	447,575	25,098,982
In foreign currencies	364,944	181,066	–	546,010	547,602	–	–	547,602
	25,113,169	498,429	540,226	26,151,824	24,962,069	236,940	447,575	25,646,584

**9.4.3** The net FSV benefit already availed has been reduced by Rs. 187,900 thousand, which has resulted in increased charge for specific provision for the year by the same amount. Had the FSV benefit not reduced, before and after tax profit for the year would have been higher by Rs. 187,900 thousand (2017: Rs. 295,191 thousand) and Rs. 122,135 thousand (2017: Rs. 191,874 thousand) respectively. Further, at December 31, 2018, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 598,068 thousand (December 31, 2017: Rs. 720,203 thousand) under BSD Circular No. 1 of 2011 dated October 21, 2011. Reserves and unappropriated profit to that extent are not available for distribution by way of cash or stock dividend.

**9.4.4** The Bank has availed the relaxation of Rs. 102,460 thousand (2017: Rs. 102,460 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations.

#### 9.5 DETAILS OF LOANS WRITTEN OFF - 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 December 31, 2018 is given in Annexure I.

#### 9.6 AMOUNTS CHARGED OFF - AGRICULTURE FINANCING

This represents agriculture loans charged off as per time based criteria prescribed by the State Bank of Pakistan in Annexure II of Regulation R - 11 of Prudential Regulations for Agriculture Financing.

Rupees in '000	Note	2018	2017
<b>10. FIXED ASSETS</b>			
Capital work-in-progress	10.1	53,738	121,294
Property and equipment	10.2	12,738,089	9,764,664
		12,791,827	9,885,958

**10.1** This represents advances to suppliers and contractors.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 10.2 PROPERTY AND EQUIPMENT

		2018												
Rupees in '000		Land-freehold-note 10.3	Land-leasehold-note 10.3	Buildings on freehold land	Buildings on leasehold land	Renovation of premises	Furniture and office equipment	Carpets	Machine and equipment	Computer equipment	Vehicles	Other assets	Operating lease - vehicles	Total
<b>AS AT JANUARY 1, 2018</b>														
Cost / revalued amount		2,909,012	1,880,715	887,251	966,160	3,541,624	1,283,421	50,395	3,083,133	2,789,319	201,400	45,761	1,834	17,640,025
Accumulated depreciation		-	-	396,072	392,423	2,445,248	480,126	30,110	1,673,358	2,266,753	144,230	45,207	1,834	7,875,361
Net book value		2,909,012	1,880,715	491,179	573,737	1,096,376	803,295	20,285	1,409,775	522,566	57,170	554	-	9,764,664
<b>YEAR ENDED DECEMBER 31, 2018</b>														
Opening net book value		2,909,012	1,880,715	491,179	573,737	1,096,376	803,295	20,285	1,409,775	522,566	57,170	554	-	9,764,664
Additions		-	2,585,064	-	-	225,257	102,600	10,002	266,416	105,387	13,051	-	-	3,307,777
Movement in surplus on assets revalued during the year		317,051	392,396	-	-	-	-	-	-	-	-	-	-	709,447
Disposals		-	-	-	-	(7,190)	(6,268)	(790)	(7,089)	-	(20)	-	-	(21,357)
Depreciation charge		-	-	(24,002)	(28,039)	(378,407)	(82,080)	(8,781)	(290,064)	(186,907)	(24,421)	(133)	-	(1,022,834)
Other adjustments / transfers		-	-	-	-	28	(305)	326	(68)	437	(26)	-	-	392
Closing net book value		3,226,063	4,858,175	467,177	545,698	936,064	817,242	21,042	1,378,970	441,483	45,754	421	-	12,738,089
<b>AS AT DECEMBER 31, 2018</b>														
Cost / revalued amount		3,226,063	4,858,175	887,251	966,160	3,693,653	1,366,715	52,558	3,303,655	2,870,807	206,147	45,761	1,834	21,478,779
Accumulated depreciation		-	-	420,074	420,462	2,757,589	549,473	31,516	1,924,685	2,429,324	160,393	45,340	1,834	8,740,690
Net book value		3,226,063	4,858,175	467,177	545,698	936,064	817,242	21,042	1,378,970	441,483	45,754	421	-	12,738,089
<b>RATE OF DEPRECIATION (PERCENTAGE)</b>														
		-	-	5	5	20	10	20	20	20	20	20	20	20
		2017												
Rupees in '000		Land-freehold-note 10.3	Land-leasehold-note 10.3	Buildings on freehold land	Buildings on leasehold land	Renovation of premises	Furniture and office equipment	Carpets	Machine and equipment	Computer equipment	Vehicles	Other assets	Operating lease - vehicles	Total
<b>AS AT JANUARY 1, 2017</b>														
Cost / revalued amount		2,909,012	1,880,715	887,251	901,110	3,190,332	1,100,889	51,488	2,710,384	2,656,190	202,366	45,196	1,834	16,536,767
Accumulated depreciation		-	-	371,265	363,216	2,153,660	411,532	30,408	1,454,163	1,730,087	123,830	45,103	1,834	6,685,098
Net book value		2,909,012	1,880,715	515,986	537,894	1,036,672	689,357	21,080	1,256,221	926,103	78,536	93	-	9,851,669
<b>YEAR ENDED DECEMBER 31, 2017</b>														
Opening net book value		2,909,012	1,880,715	515,986	537,894	1,036,672	689,357	21,080	1,256,221	926,103	78,536	93	-	9,851,669
Additions		-	-	-	65,050	393,887	194,869	7,996	437,816	158,097	2,700	565	-	1,260,980
Movement in surplus on assets revalued during the year		-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals		-	-	-	-	(9,105)	(6,937)	(1,148)	(10,746)	(748)	-	-	-	(28,684)
Depreciation charge		-	-	(24,807)	(29,207)	(324,378)	(76,103)	(7,764)	(276,974)	(563,032)	(24,066)	(104)	-	(1,326,435)
Other adjustments / transfers		-	-	-	-	(700)	2,109	121	3,458	2,146	-	-	-	7,134
Closing net book value		2,909,012	1,880,715	491,179	573,737	1,096,376	803,295	20,285	1,409,775	522,566	57,170	554	-	9,764,664
<b>AS AT DECEMBER 31, 2017</b>														
Cost / revalued amount		2,909,012	1,880,715	887,251	966,160	3,541,624	1,283,421	50,395	3,083,133	2,789,319	201,400	45,761	1,834	17,640,025
Accumulated depreciation		-	-	396,072	392,423	2,445,248	480,126	30,110	1,673,358	2,266,753	144,230	45,207	1,834	7,875,361
Net book value		2,909,012	1,880,715	491,179	573,737	1,096,376	803,295	20,285	1,409,775	522,566	57,170	554	-	9,764,664
<b>RATE OF DEPRECIATION (PERCENTAGE)</b>														
		-	-	5	5	20	10	20	20	20	20	20	20	20
		2016												
Rupees in '000		Land-freehold-note 10.3	Land-leasehold-note 10.3	Buildings on freehold land	Buildings on leasehold land	Renovation of premises	Furniture and office equipment	Carpets	Machine and equipment	Computer equipment	Vehicles	Other assets	Operating lease - vehicles	Total
10.2.1	Cost of fully depreciated property and equipment													
	2018	-	-	-	-	1,745,242	1,974	11,757	26,094	1,955,689	78,718	45,100	1,834	3,866,408
	2017	-	-	-	-	1,720,433	2,198	9,980	8,375	1,927,367	79,555	45,100	1,834	3,794,842



- 10.3** The Bank's freehold and leasehold land was revalued by the valuers approved by the Pakistan Banks' Association on December 31, 2018 on the basis of their professional assessment of present market value. The amount of revaluation surplus after valuation of land is Rs. 3,649,575 thousand. The information relating to location of revalued land is as follows:

City	Revalued Amount Rupees in '000	Name of Valuers
Karachi	1,086,577	K.G. Traders (Pvt) Limited
Lahore	1,758,663	- do -
Islamabad	2,994,840	- do -
Rawalpindi	1,663,520	- do -
Peshawar	21,613	- do -
Quetta	559,025	- do -
	8,084,238	

- 10.4** Had the land not been revalued, the carrying amount of land as at December 31, 2018 would have been Rs. 4,542,321 thousand.

Rupees in '000	2018	2017
<b>11. INTANGIBLE ASSETS</b>		
Software	704,885	827,931
Less: Provision against intangibles	(24,404)	(24,404)
	680,481	803,527
Capital work in progress	60,880	39,342
	741,361	842,869
<b>11.1 SOFTWARE</b>		
<b>AS AT JANUARY 1,</b>		
Cost	2,070,599	1,968,448
Accumulated amortization	1,242,668	1,046,236
Net book value	827,931	922,212
<b>YEAR ENDED DECEMBER 31,</b>		
Opening net book value	827,931	922,212
Additions		
- directly purchased	72,248	102,195
Amortization charge	(195,294)	(196,476)
Closing net book value	704,885	827,931
<b>AS AT DECEMBER 31,</b>		
Cost	2,142,847	2,070,599
Accumulated amortization	1,437,962	1,242,668
Net book value	704,885	827,931
<b>RATE OF AMORTIZATION (PERCENTAGE)</b>	10	10
<b>USEFUL LIFE</b>	10 years	10 years

- 11.1.1** Cost of fully amortized intangible assets still in use amounts to Rs. 139,831 thousand (2017: Rs. 75,927 thousand).

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 12. ASSETS HELD FOR SALE

The Bank has only one subsidiary company namely Askari Securities Limited (ASL) representing 74% shareholding (17,020,000 ordinary shares of Rs. 10 each) which is classified as held for sale as at December 31, 2018.

Rupees in '000	Cost	Provision Held	Carrying Value
2018	114,789	34,069	80,720
2017	114,789	34,069	80,720

Rupees in '000	Note	2018			
		At January 1, 2018	Recognized in P&L A/C	Recognized in OCI	At December 31, 2018
<b>13. DEFERRED TAX ASSETS</b>					
Deductible temporary differences on					
- Post retirement employee benefits		165,267	-	(1,667)	163,600
- Deficit on revaluation of investments		-	-	2,206,359	2,206,359
- Impact under IFRS 9 related to WBB	13.1	-	3,476	458	3,934
- Provision against advances, off-balance sheet		521,455	1,046,552	-	1,568,007
		686,722	1,050,028	2,205,150	3,941,900
- Impact under IFRS 9 related to WBB	13.1	-	-	-	117,937
		686,722	1,050,028	2,205,150	4,059,837
Taxable temporary differences on					
- Surplus on revaluation of investments		(210,265)	-	210,265	-
- Accelerated tax depreciation		(375,702)	89,644	-	(286,058)
		(585,967)	89,644	210,265	(286,058)
		100,755	1,139,672	2,415,415	3,773,779

Rupees in '000	2017			
	At January 1, 2017	Recognized in P&L A/C	Recognized in OCI	At December 31, 2017
Deductible temporary differences on				
- Post retirement employee benefits	103,884	-	61,383	165,267
- Provision against advances, off-balance sheet	1,398,680	(877,225)	-	521,455
	1,502,564	(877,225)	61,383	686,722
Taxable temporary differences on				
- Surplus on revaluation of investments	(1,491,068)	-	1,280,803	(210,265)
- Accelerated tax depreciation	(537,926)	162,224	-	(375,702)
	(2,028,994)	162,224	1,280,803	(585,967)
	(526,430)	(715,001)	1,342,186	100,755

13.1 This represents deferred tax impact consequent to applicability of IFRS 9 on the Wholesale Bank Branch, Bahrain as described in note 4.1.2.

Rupees in '000	Note	2018	2017 (Restated)
<b>14. OTHER ASSETS</b>			
Income / mark-up accrued in local currency - net of provision	14.1	9,793,092	9,276,297
Income / mark-up accrued in foreign currencies		477,756	323,568
Advances, deposits, advance rent and other prepayments		1,321,871	1,343,586
Advance taxation (payments less provisions)		5,918,572	5,612,384
Non-banking assets acquired in satisfaction of claims	14.3	3,201,319	3,189,936
Mark to market gain on forward foreign exchange contracts - net		607,925	732,738
Suspense account		48,637	47,159
Stationary and stamps in hand		105,007	60,258
Dividend receivable	14.2	1,139	6,466
Acceptances		8,735,265	5,976,910
Others		472,257	339,727
		30,682,840	26,909,029
Provision held against other assets	14.4	(257,811)	(272,565)
Other assets - net of provision		30,425,029	26,636,464
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		2,097,145	1,811,635
Other assets - total		32,522,174	28,448,099

14.1 This balance is net of interest in suspense amounting to Rs. 10,057,089 thousand (2017: Rs. 10,903,151 thousand).

14.2 This balance is net of dividend in suspense amounting to Rs. 81,020 thousand (2017: Rs. 81,020 thousand).

Rupees in '000	2018	2017
<b>14.3</b> Market value of non-banking assets acquired in satisfaction of claims	5,298,464	5,001,571

The Bank's non-banking assets were revalued by the valuers approved by the Pakistan Banks' Association on December 31, 2018 on the basis of their professional assessment of present market value. The amount of revaluation surplus after valuation of non-banking assets acquired in satisfaction of claims is Rs. 2,104,333 thousand. The information relating to location of revalued non-banking assets acquired in satisfaction of claims is as follows:

City	Revalued Amount Rupees in '000	Name of Valuers
Karachi	428,198	K.G. Traders (Pvt) Limited
Lahore	717,316	-do-
Islamabad	3,209,644	-do-
Faisalabad	540,723	-do-
Quetta	396,708	-do-
Sheikhupura	413,447	-do-
	5,706,036	

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>14.3.1 NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS</b>			
Opening balance		5,001,571	4,938,757
Additions		550,224	–
Revaluation		452,228	203,599
Disposals		(629,580)	(54,924)
Adjustments		(16,907)	(53,989)
Depreciation		(59,072)	(31,872)
Closing balance		5,298,464	5,001,571
<b>14.3.2 GAIN ON DISPOSAL OF NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS</b>			
Disposal proceeds		845,207	59,247
Less			
- Carrying value		(629,580)	(54,924)
- Depreciation		11,165	–
		(618,415)	(54,924)
Gain		226,792	4,323
<b>14.4 PROVISION HELD AGAINST OTHER ASSETS</b>			
Income / mark-up accrued in local currency		–	506
Advances, deposits, advance rent and other prepayments		142,470	148,695
Non-banking assets acquired in satisfaction of claims		15,952	15,952
Suspense account		34,408	34,308
Dividend receivable		–	3,407
Provision under IFRS 9 related to WBB	14.4.1.1	447	–
Others		64,534	69,697
		257,811	272,565
<b>14.4.1 MOVEMENT IN PROVISION HELD AGAINST OTHER ASSETS</b>			
Opening balance		272,565	242,040
Provision under IFRS 9 related to WBB	14.4.1.1	149	–
Opening balance after IFRS 9 impact of WBB		272,714	242,040
Charge for the year		230	36,571
Provision under IFRS 9 related to WBB	14.4.1.1	298	–
Reversals for the year		(15,431)	(3,546)
Amount written off		–	(2,500)
		(14,903)	30,525
Closing balance		257,811	272,565

14.4.1.1 This represents provision consequent to applicability of IFRS 9 on the Wholesale Bank Branch, Bahrain as described in note 4.1.2.

Rupees in '000	2018	2017
<b>15. BILLS PAYABLE</b>		
In Pakistan	15,512,880	10,769,262

Rupees in '000	Note	2018	2017
<b>16. BORROWINGS</b>			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	16.1.1	12,455,680	12,029,461
Long term financing facility	16.1.2	6,281,267	4,673,546
Financing facility for storage of agricultural produce	16.1.3	5,833	9,167
Renewable energy financing facility	16.1.4	224,077	126,427
		18,966,857	16,838,601
Repurchase agreement borrowings			
State Bank of Pakistan	16.1.5	–	40,522,945
Financial institutions	16.1.6	20,766,755	8,622,609
		20,766,755	49,145,554
Refinance from Pakistan Mortgage Refinance Company	16.1.7	1,000,000	–
<b>Total secured</b>		<b>40,733,612</b>	<b>65,984,155</b>
Unsecured			
Call borrowings	16.1.8	10,851,663	5,599,688
Overdrawn nostro accounts		1,117,048	3,468
<b>Total unsecured</b>		<b>11,968,711</b>	<b>5,603,156</b>
		<b>52,702,323</b>	<b>71,587,311</b>

- 16.1.1** This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 1% to 3% (2017: 1% to 2%) per annum payable on a quarterly basis.
- 16.1.2** This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 2.0% to 8.4% (2017: 2.0% to 8.4%) per annum payable on a quarterly basis.
- 16.1.3** These are secured against pledge of Government Securities and carry mark-up of 3.25% (2017: 3.25%) per annum and have maturities upto 2020.
- 16.1.4** These are secured against pledge of Government Securities and carry mark-up of 2% (2017: 2%) per annum and have maturities upto 2027.
- 16.1.5** These are secured against pledge of Government Securities and carry mark-up of NIL (2017: 5.81% to 5.85%) per annum and have maturities upto NIL (2017: 1 month).
- 16.1.6** These are secured against pledge of Government Securities and carry mark-up of 3.40% to 10.35% (2017: 2.55% to 5.85%) per annum and have maturities upto 1 month (2017: 6 months).
- 16.1.7** This is secured against mortgage finance portfolio of the Bank and carry mark-up of 10.71% per annum and has maturity upto 2021.
- 16.1.8** These carry mark-up of 1.35% to 9.55% (2017: 2.50% to 5.85%) per annum and having maturity upto 6 months (2017: 7 months).

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	2018	2017
<b>16.2 PARTICULARS OF BORROWINGS WITH RESPECT TO CURRENCIES</b>		
In local currency	40,876,145	65,123,725
In foreign currencies	11,826,178	6,463,586
	<b>52,702,323</b>	<b>71,587,311</b>

### 17. DEPOSITS AND OTHER ACCOUNTS

Rupees in '000	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
<b>CUSTOMERS</b>						
Current accounts - non-remunerative	146,665,829	16,404,508	163,070,337	129,425,106	14,256,608	143,681,714
Current accounts - remunerative	589,527	–	589,527	751,535	–	751,535
Savings deposits	284,295,933	30,842,212	315,138,145	263,396,417	28,131,518	291,527,935
Fixed deposits	80,061,600	5,961,134	86,022,734	76,680,258	4,854,849	81,535,107
Special exporters' account	–	236,081	236,081	–	150,636	150,636
Margin accounts	3,623,587	7,676	3,631,263	3,509,049	5,698	3,514,747
Others	1,218,199	–	1,218,199	1,163,372	–	1,163,372
	<b>516,454,675</b>	<b>53,451,611</b>	<b>569,906,286</b>	<b>474,925,737</b>	<b>47,399,309</b>	<b>522,325,046</b>
<b>FINANCIAL INSTITUTIONS</b>						
Current accounts - non-remunerative	840,366	–	840,366	665,983	–	665,983
Savings deposits	1,451,157	–	1,451,157	1,386,279	–	1,386,279
Fixed deposits	1,438,047	–	1,438,047	1,431,000	–	1,431,000
	<b>3,729,570</b>	<b>–</b>	<b>3,729,570</b>	<b>3,483,262</b>	<b>–</b>	<b>3,483,262</b>
	<b>520,184,245</b>	<b>53,451,611</b>	<b>573,635,856</b>	<b>478,408,999</b>	<b>47,399,309</b>	<b>525,808,308</b>

Rupees in '000	2018	2017
<b>17.1 COMPOSITION OF DEPOSITS</b>		
- Individuals	225,474,253	202,145,869
- Government (Federal and Provincial)	187,851,067	168,770,000
- Public sector entities	41,581,294	40,344,475
- Banking companies	107	125
- Non-banking financial institutions	3,729,463	3,483,137
- Private sector	114,999,672	111,064,702
	<b>573,635,856</b>	<b>525,808,308</b>

17.2 Total deposits include eligible deposits of Rs. 259,578,178 thousand (2017: Rs. 237,700,985 thousand) as required by the Deposit Protection Corporation's (a subsidiary of SBP) Circular No. 4 dated June 22, 2018.

Rupees in '000	2018	2017
<b>18. SUBORDINATED DEBTS</b>		
Term Finance Certificates - IV	–	997,600
Term Finance Certificates - V	3,993,600	3,995,200
Term Finance Certificates - VI (ADT-1)	6,000,000	–
	<b>9,993,600</b>	<b>4,992,800</b>

18.1 The Bank has raised unsecured subordinated loans through issuance of Term Finance Certificates to improve the Bank's capital adequacy. Liability to the TFC holders is subordinated to and rank inferior to all other indebtedness of the Bank including deposits and is not redeemable before maturity without prior approval of the SBP. The salient features of outstanding issues are as follows:

	Term Finance Certificates - V	Term Finance Certificates - VI (ADT-1)
Outstanding amount - Rupees in '000	3,993,600	6,000,000
Issue amount	Rupees 4,000 million	Rupees 6,000 million
Issue date	September 30, 2014	July 3, 2018
Maturity date	September 29, 2024	Perpetual
Rating	AA-	AA-
Security	Unsecured	Unsecured
Listing	Unlisted	Unlisted
Profit payment frequency	Payable six monthly	Payable six monthly
Redemption	6 - 108th month: 0.36% 109 - 120th month: 99.64%	Perpetual
Profit rate	Base rate plus 1.20% Base rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Base rate plus 1.50% Base rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Call option	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Lock-in-clause	NIL	Payment of profit will be subject to the condition that such payment will not result in breach of the Bank's regulatory Minimum Capital Requirement or Capital Adequacy Ratio set by SBP from time to time. Any inability to exercise lock-in-clause or the non-cumulative features will subject these TFCs to mandatory conversion into common shares / write off at the discretion of SBP.
Loss absorption clause	NIL	The instrument will be subject to loss absorption if Bank's Common Equity Tier (CET-1) ratio falls to or below 6.625% of Risk Weighted Assets or at the option of SBP.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>19. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		3,167,365	2,601,197
Mark-up / return / interest payable in foreign currencies		166,309	139,760
Unearned commission and income on bills discounted		558,086	255,495
Accrued expenses		1,125,210	935,879
Advance payments		439,176	389,031
Acceptances		8,735,265	5,976,910
Dividends payable		127,053	139,256
Branch adjustment account		310,170	285,884
Payable to defined benefit plan		52,851	489,526
Provision against off-balance sheet obligations	19.1	108,025	6,116
Security deposit against lease / Ijarah financing		4,473,848	4,156,902
Withholding taxes payable		134,361	84,679
Federal excise duty payable		68,562	48,507
Workers' Welfare Fund	30	130,000	670,060
Switch fee payable		747,778	393,394
Others		834,417	525,627
		<b>21,178,476</b>	<b>17,098,223</b>

<b>19.1 PROVISION AGAINST OFF-BALANCE SHEET OBLIGATIONS</b>			
Opening balance		6,116	6,116
Charge for the year		101,909	–
Closing balance		<b>108,025</b>	<b>6,116</b>

## 20. SHARE CAPITAL

### 20.1 AUTHORIZED CAPITAL

2018		2017	2018		2017
Number of shares			Rupees in '000		
2,000,000,000	1,600,000,000	Ordinary shares of Rs. 10 each	20,000,000	16,000,000	

20.2 Pursuant to approval of shareholders in the 26th Annual General Meeting, the Bank's authorized share capital has been increased to Rs. 20,000,000 thousand from Rs. 16,000,000 thousand divided into 2,000,000,000 ordinary shares.

### 20.3 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018		2017	2018		2017
Number of shares			Rupees in '000		
514,689,096	514,689,096	Fully paid in cash	5,146,891	5,146,891	
717,297,769	717,297,769	Issued as bonus shares	7,172,978	7,172,978	
28,273,315	28,273,315	Issued on Askari Leasing Limited merger	282,733	282,733	
<b>1,260,260,180</b>	<b>1,260,260,180</b>		<b>12,602,602</b>	<b>12,602,602</b>	

20.4 The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent of ordinary shares of the Bank as on December 31, 2018.



Rupees in '000		2018	2017 (Restated)	
<b>21.</b>	<b>SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
	Surplus / (deficit) on revaluation of:			
	- Available for sale securities	(6,303,882)	600,756	
	- Fixed assets	3,649,575	2,940,128	
	- Non-banking assets acquired in satisfaction of claims	2,097,145	1,811,635	
		(557,162)	5,352,519	
	Deferred tax on (deficit) / surplus on revaluation of available for sale securities	2,206,359	(210,265)	
		1,649,197	5,142,254	
<b>21.1</b>	<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
	Surplus on revaluation of fixed assets as at January 1,	2,940,128	2,940,128	
	Recognized during the year	709,447	-	
	Surplus on revaluation of fixed assets as at December 31,	3,649,575	2,940,128	
<b>21.2</b>	<b>SURPLUS ON REVALUATION OF NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS</b>			
	Surplus on revaluation as at January 1,	1,811,635	1,617,860	
	Recognized during the year	452,228	203,599	
	Realized on disposal during the year	(165,184)	(3,278)	
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(628)	(6,546)	
	Adjustment during the year	(906)	-	
	Surplus on revaluation as at December 31,	2,097,145	1,811,635	
Rupees in '000		2018	2017	
	Note			
<b>22.</b>	<b>CONTINGENCIES AND COMMITMENTS</b>			
	- Guarantees	22.1	177,859,159	147,353,703
	- Commitments	22.2	311,761,473	275,268,665
	- Other contingent liabilities	22.3	792,879	771,897
			490,413,511	423,394,265
<b>22.1</b>	<b>GUARANTEES</b>			
	Financial guarantees		77,942,385	70,976,864
	Performance guarantees		82,128,279	56,176,690
	Other guarantees		17,788,495	20,200,149
			177,859,159	147,353,703

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>22.2 COMMITMENTS</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		212,101,045	173,837,361
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	58,918,497	35,438,198
- forward lending	22.2.2	40,682,738	65,592,271
Commitments for acquisition of:			
- operating fixed assets		28,565	80,182
- intangible assets		30,628	39,013
Other commitments	22.2.3	–	281,640
		311,761,473	275,268,665
<b>22.2.1 COMMITMENTS IN RESPECT OF FORWARD FOREIGN EXCHANGE CONTRACTS</b>			
Purchase		36,434,542	26,354,478
Sale		22,483,955	9,083,720
		58,918,497	35,438,198
The above commitments have maturities falling within one year.			
<b>22.2.2 COMMITMENTS IN RESPECT OF FORWARD LENDING</b>			
Forward repurchase agreement lending		20,806,907	50,765,763
Undrawn commitments	22.2.2.1	19,875,831	14,826,508
		40,682,738	65,592,271
22.2.2.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.			
Rupees in '000		2018	2017
<b>22.2.3 OTHER COMMITMENTS</b>			
This represents participation in the equity of a proposed Mortgage Refinance Company		–	281,640
<b>22.3 OTHER CONTINGENT LIABILITIES</b>			
These represent certain claims by third parties against the Bank, which are being contested in the courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.		792,879	771,897

## 23. DERIVATIVE INSTRUMENTS

The Bank at present does not offer derivative products such as Interest Rate Swaps, Cross Currency Swaps, Forward Rate Agreements or Foreign Exchange Options. The Bank's Treasury and Investment Banking Groups buy and sell derivative instruments such as Forward Exchange Contracts (FECs) and Equity Futures (EFs).

### 23.1 FORWARD EXCHANGE CONTRACTS

FECs is a product offered to clients to hedge foreign exchange risk. The traders use this product to hedge themselves from unfavourable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favourable movements in that currency.

FECs is a contract between the obligor and the Bank in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement over more than two business days after the FECs is entered into (the day on which settlement occurs is called the value date). FECs is entered with those obligors whose credit worthiness has already been assessed, and they have underlined trade transactions.

If the relevant exchange rate moves unfavourably, the Bank will lose money, and obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank manages its exposure by hedging forward position in inter-bank foreign exchange.

### 23.2 EQUITY FUTURES

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

The Bank uses equity futures as a hedging instrument to hedge its equity portfolio against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Bank either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates. Maximum exposure limit to the equity futures is 10% of Tier I Capital of the Bank, based on prevailing SBP Regulations.

The Risk Management Division monitors the Bank's exposure in equity futures and forward exchange contracts. Positions in equity futures and forward exchange contracts are marked-to-market and are included in measures of portfolio volatility including Value at Risk (VaR). Forward exchange contracts and equity futures are also included in capital charge and Risk Weighted Asset calculation in accordance with SBP Regulations.

The accounting policies used to recognize and disclose derivatives are given in note 4.21.

Rupees in '000	2018	2017
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>		
On:		
a) Loans and advances	23,859,186	17,035,031
b) Investments	18,436,042	18,854,826
c) Lendings to financial institutions	93,870	189,798
d) Balances with banks	106,818	99,183
e) Securities purchased under resale agreements	1,173,967	88,382
	43,669,883	36,267,220
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	22,104,113	17,253,701
Borrowings	2,302,209	2,442,229
Subordinated debts	653,603	376,035
	25,059,925	20,071,965

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>26. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		415,748	328,076
Consumer finance related fees		80,538	85,378
Card related fees (debit and credit cards)		809,492	524,761
Credit related fees		123,343	135,549
Investment banking fees		186,465	272,179
Commission on trade		592,296	509,239
Commission on guarantees		502,400	494,130
Commission on remittances including home remittances		96,994	73,319
Commission on bancassurance		228,946	231,821
Others		79,848	52,342
		<b>3,116,070</b>	<b>2,706,794</b>
<b>27. GAIN ON SECURITIES</b>			
Realized gain / (loss) on:			
Federal Government securities		237,818	1,392,979
Shares		(10,631)	598,758
Non Government debt securities		1,780	–
Mutual funds		31,136	63,556
		<b>260,103</b>	<b>2,055,293</b>
<b>28. OTHER INCOME</b>			
Rent of property		9,359	13,485
Loss on sale of fixed assets	28.1	(5,253)	(10,551)
Rent of lockers		38,525	30,228
Gain on sale of non-banking assets	28.2	226,792	4,323
Recovery of expenses from customers		148,658	162,856
		<b>418,081</b>	<b>200,341</b>

28.1 This includes an amount of Rs. Nil (2017: Rs. Nil) on account of surplus on revaluation of fixed assets realized on disposal.

### 28.2 GAIN ON SALE OF NON-BANKING ASSETS

Name of party	2018				
	Cost	Revalued amount	Cash received	Gain on sale	Mode of disposal
Rupees '000					
A.H. International (Pvt) Limited	395,292	517,566	735,000	217,434	Buy back
Shafi Exports (Pvt) Limited	69,104	100,849	110,207	9,358	Buy back
	<b>464,396</b>	<b>618,415</b>	<b>845,207</b>	<b>226,792</b>	
Name of party	2017				
	Cost	Revalued amount	Cash received	Gain on sale	Mode of disposal
Rupees '000					
A.H. International (Pvt) Limited	3,686	5,000	5,000	–	Buy back
Shafi Exports (Pvt) Limited	47,960	49,924	54,247	4,323	Buy back
	<b>51,646</b>	<b>54,924</b>	<b>59,247</b>	<b>4,323</b>	

Rupees in '000	Note	2018	2017
<b>29. OPERATING EXPENSES</b>			
<b>TOTAL COMPENSATION EXPENSES</b>	29.1	8,502,023	8,064,405
<b>PROPERTY EXPENSE</b>			
Rent and taxes		1,692,027	1,477,504
Insurance		93,144	94,814
Utilities cost		547,660	495,135
Security (including guards)		546,841	531,780
Repair and maintenance (including janitorial charges)		230,124	228,038
Depreciation		430,449	378,391
		3,540,245	3,205,662
<b>INFORMATION TECHNOLOGY EXPENSE</b>			
Software maintenance		256,653	(100,543)
Hardware maintenance		41,898	32,676
Depreciation		186,905	563,034
Amortization		195,294	196,476
Network charges		221,761	162,221
		902,511	853,864
<b>OTHER OPERATING EXPENSES</b>			
Directors' fees, allowances		8,250	6,494
Fees and allowances to Shariah Board		4,940	3,965
Rent, taxes, insurance etc.		186,866	162,357
Legal and professional charges		110,524	104,951
Brokerage and commission		81,567	55,523
NIFT clearing charges		53,463	57,494
Repair and maintenance		254,147	250,389
Communications		417,668	380,369
Stationery and printing		216,611	178,977
Marketing, advertisement and publicity		114,548	152,296
Donations	29.2	43,388	–
Auditors' remuneration	29.3	13,126	11,319
Travelling and conveyance		872,272	703,591
Depreciation		405,481	385,010
Security service charges		204,716	148,125
Subscriptions		32,567	29,098
Training and development		19,305	19,767
Other expenditure		256,296	175,140
		3,295,735	2,824,865
		16,240,514	14,948,796

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>29.1</b>	<b>TOTAL COMPENSATION EXPENSES</b>		
Managerial remuneration			
i) Fixed		4,007,601	3,934,080
ii) Variable			
- Cash bonus / awards etc.		665,984	621,248
		4,673,585	4,555,328
Charge for defined benefit plans	29.1.1	586,359	378,032
Contribution to defined contribution plan	38	263,112	255,175
Rent and house maintenance		1,578,787	1,535,987
Utilities		345,968	337,546
Medical		485,054	474,313
Conveyance		344,721	310,477
Other staff cost	29.1.2	224,437	217,547
		8,502,023	8,064,405

29.1.1 This includes charge for gratuity fund and leave encashment.

29.1.2 This includes EOBI contribution by the Bank, incentive to consumer sales staff, dearness allowance, cash handling allowance and staff group insurance etc.

29.2 This includes donation given for 'Diamer Bhasha and Mohmand Dams Fund' and contribution made to Armed Forces Institute of Cardiology through Fauji Foundation amounting to Rs. 42,523 thousand and purchase of Suzuki Bolan along with allied expense for 'Care for Special Persons Foundation' of Rs. 865 thousand. Donation was not given to any donee in which the Bank or any of its directors or their spouses had any interest.

Rupees in '000	Note	2018	2017
<b>29.3</b>	<b>AUDITORS' REMUNERATION</b>		
Statutory auditors of the Bank			
Audit fee		3,795	3,300
Fee for the audit of provident and gratuity funds		300	220
Special certifications, half year review, audit of consolidated financial statements and sundry advisory services		4,781	4,200
Out of pocket expenses		1,321	1,219
		10,197	8,939
Auditors of Wholesale Bank Branch, Bahrain			
Audit fee		2,929	2,380
		13,126	11,319
<b>30.</b>	<b>WORKERS' WELFARE FUND</b>		
Opening balance		670,060	500,227
Charge for the year		159,940	169,833
Reversal during the year	30.1	(700,000)	—
		(540,060)	169,833
Closing balance		130,000	670,060

30.1 The Supreme Court of Pakistan vide its order dated November 10, 2016 held that the amendment made in the law introduced by the Federal Government for the levy of Workers' Welfare Fund (WWF) was ultra vires of the constitution. The Federal Board of Revenue has filed review petition against this order which is currently pending. During 2015, the Sindh Workers' Welfare Fund Act, 2014 (the Sindh Act) was promulgated under which the applicability of WWF has only been affected in the Province of Sindh. Based on legal advice obtained, the Bank has reversed outstanding provision of WWF amounting to Rs. 700,000 thousand pertaining to areas other than Sindh province and carried the provision relating to province of Sindh amounting to Rs. 130,000 thousand.

Rupees in '000	Note	2018	2017
<b>31. OTHER CHARGES</b>			
Penalties imposed by the State Bank of Pakistan		905	23,568
Premium paid to Deposit Protection Corporation - (subsidiary of SBP)	31.1	190,162	–
		191,067	23,568

**31.1** This premium is paid as required by the Deposit Protection Corporation's (a subsidiary of SBP) Circular No. 4 dated June 22, 2018.

Rupees in '000	Note	2018	2017
<b>32. PROVISIONS / (REVERSAL OF PROVISIONS) AND WRITE OFFS - NET</b>			
Provision for diminution in value of investments	8.3.1	1,048,772	108,351
Provision / (reversal of provision) against loans and advances	9.4	467,347	(1,189,533)
Impairment loss on available for sale investments		–	30,047
(Reversal) / provision against other assets	14.4.1	(14,903)	33,025
Reversal of provision against intangible assets		–	(11,193)
Provision against off-balance sheet obligations	19.1	101,909	–
Reversal of provision against assets held for sale		–	(153,958)
Recovery of written off / charged off bad debts		(142,536)	(147,129)
Reversal of provision against cash and bank balances	6.3	(14)	–
		1,460,575	(1,330,390)

<b>33. TAXATION</b>			
Current		2,009,641	2,265,570
Prior years'		1,578,208	243,344
Deferred		(1,139,672)	715,001
		2,448,177	3,223,915

<b>33.1 RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT</b>			
Profit before taxation		6,879,455	8,491,802
Tax at applicable tax rate of 35 percent (2017: 35 percent)		2,407,809	2,972,131
Effect of:			
- charge for prior years		39,183	243,344
- permanent differences		1,185	8,440
		2,448,177	3,223,915

**33.2** The Honourable Islamabad High Court (IHC) in its order dated March 13, 2018, disallowed provision against Non-Performing Loans (NPLs) during tax years 1995 – 1996 to 2008, the period prior to enactment of the Seventh Schedule of the Income Tax Ordinance, 2001. The Honourable Supreme Court of Pakistan has also upheld the IHC order. Consequently, the tax demand raised in re-assessment orders has been paid by the Bank. The Bank has recognized prior year tax charge against this disallowance net off actual write offs and recoveries from tax years 2009 to 2019 related to NPLs disallowed. In this respect, aggregate prior year tax expense recorded during the year is Rs. 1,660 million along with the related deferred tax asset of Rs. 1,497 million.

### **33.3 TAX STATUS**

i) The Bank has filed tax returns for and up to tax year 2018 (year ended December 31, 2017). The assessments for and up to tax year 2017 were amended by the tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income.

Tax payments made in relation to the matters currently pending are being carried forward as receivable, as management is confident of their realization as and when the appeals are decided.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

- ii) Consequent upon the amalgamation with and into the Bank, the outstanding tax issues relating to Askari Leasing Limited (ALL) are as follows:

Tax returns of ALL have been filed for and up to tax year 2010. The returns for the tax years 2003 to 2010 were amended by the tax authorities mainly in the matter of admissibility of initial allowance claimed on leased vehicles. On appeals filed by ALL, partial relief was provided by the CIR(A) by allowing initial allowance on commercial vehicles. Re-assessment has not yet been carried out by the tax department. A tax demand is however not likely to arise after re-assessment.

For and up to the assessment years 2002-2003, reference applications filed by the tax authorities in the matter of computation of lease income are pending decisions by the Islamabad High Court. However, the likelihood of an adverse decision is considered low due to a favourable decision of the High Court in parallel cases.

	2018	2017
<b>34. BASIC EARNINGS PER SHARE</b>		
Profit for the year - Rupees in '000	4,431,278	5,267,887
Weighted average number of ordinary shares - numbers	1,260,260,180	1,260,260,180
Basic earnings per share - Rupees	3.52	4.18

There is no dilutive effect on the basic earnings per share of the Bank, therefore dilutive earnings per share have not been presented separately.

Rupees in '000	2018	2017
<b>35. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	49,187,645	44,239,325
Balances with other banks	4,093,412	3,193,835
Call money lendings	-	750,000
	53,281,057	48,183,160

	2018	2017
<b>36. STAFF STRENGTH</b>		
		<b>NUMBER OF EMPLOYEES</b>
Permanent	6,640	6,591
On Bank's contract	898	943
Total staff strength	7,538	7,534

In addition to the above, out of total employees, 5 (2017: 6) employees are working abroad.

### 37. DEFINED BENEFIT PLAN

#### 37.1 GENERAL DESCRIPTION

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

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

- 37.2 The number of employees covered under the defined benefit scheme are 6,611 employees (2017: 6,582 employees).



### 37.3 PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation was carried out for the year ended December 31, 2018 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

		2018	2017
Discount rate - per annum		10.75%	9.25%
Expected rate of increase in salaries - per annum		10.25%	8.75%
Expected rate of return on plan assets - per annum		10.75%	9.25%
Duration		10.84 years	11.18 years
Mortality rate		SLIC 2001 - 2005 mortality table	SLIC 2001 - 2005 mortality table

Rupees in '000	Note	2018	2017
<b>37.4 RECONCILIATION OF PAYABLE TO DEFINED BENEFIT PLAN</b>			
Present value of defined benefit obligation		2,782,116	2,505,491
Fair value of plan assets		(2,741,274)	(2,042,650)
Benefits payable		12,009	26,685
<b>Net liability</b>		<b>52,851</b>	<b>489,526</b>
<b>37.5 MOVEMENT IN DEFINED BENEFIT OBLIGATIONS</b>			
Obligation at the beginning of the year		2,505,491	2,192,580
Current service cost		278,585	261,864
Interest cost		224,074	189,648
Re-measurement (gain) / loss		(47,892)	58,839
Benefits paid by the Bank		(166,133)	(170,755)
Benefits payable		(12,009)	(26,685)
<b>Obligation at the end of the year</b>		<b>2,782,116</b>	<b>2,505,491</b>
<b>37.6 MOVEMENT IN FAIR VALUE OF PLAN ASSETS</b>			
Fair value at the beginning of the year		2,042,650	1,808,216
Interest income on plan assets		203,902	170,845
Re-measurements: Net return on plan assets over interest income gain / (loss)	37.8.2	(43,130)	(116,540)
Contributions by employer		730,670	350,884
Benefits paid		(166,133)	(170,755)
Benefits payable - opening		(26,685)	-
<b>Fair value at the end of the year</b>		<b>2,741,274</b>	<b>2,042,650</b>
<b>37.7 MOVEMENT IN (RECEIVABLE) / PAYABLE UNDER DEFINED BENEFIT SCHEME</b>			
Opening balance		489,526	384,364
Charge for the year		298,757	280,667
Contribution by the Bank - net		(730,670)	(350,884)
Re-measurement (gain) / loss recognized in OCI during the year	37.8.2	(4,762)	175,379
<b>Closing balance</b>		<b>52,851</b>	<b>489,526</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	2018	2017
<b>37.8 CHARGE FOR DEFINED BENEFIT PLAN</b>		
<b>37.8.1 COST RECOGNIZED IN PROFIT AND LOSS</b>		
Current service cost	278,585	261,864
Net interest income on defined benefit liability	20,172	18,803
	<b>298,757</b>	<b>280,667</b>
<b>37.8.2 RE-MEASUREMENTS RECOGNIZED IN OCI DURING THE YEAR</b>		
(Gain) / loss on obligation - experience adjustments	(47,892)	58,839
Return on plan assets over interest income	43,130	116,540
Total re-measurements recognized in OCI	<b>(4,762)</b>	<b>175,379</b>
<b>37.9 COMPONENTS OF PLAN ASSETS</b>		
Cash and cash equivalents	183,901	3,263
Government securities	1,859,754	1,396,646
Term Finance Certificates	274,926	207,802
Shares	89,646	79,755
Mutual funds	333,047	355,184
	<b>2,741,274</b>	<b>2,042,650</b>

### 37.10 AMOUNTS FOR CURRENT AND PREVIOUS FOUR ANNUAL PERIODS ARE AS FOLLOWS:

Rupees in '000	2018	2017	2016	2015	2014
As at December 31,					
Defined benefit obligation	2,782,116	2,505,491	2,192,580	1,813,892	1,492,354
Plan assets	(2,741,274)	(2,042,650)	(1,808,216)	(1,813,892)	(1,492,354)
Benefits payable	12,009	26,685	-	-	-
Deficit	<b>52,851</b>	<b>489,526</b>	<b>384,364</b>	<b>-</b>	<b>-</b>
Experience adjustments					
Actuarial (gain) / loss on obligations	(47,892)	58,839	-	51,437	135,344
Actuarial gain / (loss) on plan assets	-	-	-	-	-
Return on plan assets, excluding amounts included in interest income	(43,130)	(116,540)	-	34,266	(2,296)

### 37.11 SENSITIVITY ANALYSIS

Sensitivity analysis is performed by changing only one assumption at a time while keeping the other assumptions constant. Sensitivity analysis of key assumptions is given below:

Assumptions	Change in assumption	Impact on Defined Benefit Obligations	
		Increase in assumption	Decrease in assumption
Rupees in '000			
Discount rate	1.00%	(278,353)	324,722
Salary increase	1.00%	337,119	(293,176)
Mortality rate change	1 year	579	(583)

Rupees in '000		
37.12	Expected contributions to be paid to the funds in the next financial year	298,401
37.13	Expected charge for the next financial year	298,072

#### 37.14 MATURITY PROFILE

Rupees in '000		Undiscounted payments
Periods		
Year 1		134,086
Year 2		117,187
Year 3		131,646
Year 4		155,321
Year 5		129,328
Year 6 to year 10		1,555,253
Year 11 and above		10,030,443

#### 37.15 FUNDING POLICY

The Bank carries out the actuarial valuation of its defined benefit plan on a periodic basis using "Projected Unit Credit Method". Contributions are made annually in accordance with the actuarial recommendations.

#### 37.16 SIGNIFICANT RISKS ASSOCIATED WITH THE STAFF RETIREMENT BENEFIT SCHEME:

Investment risk	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
Longevity risk	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.
Salary increase risk	The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Withdrawal risk	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

#### 38. DEFINED CONTRIBUTION PLAN

The Bank operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund. The total assets of the fund as at December 31, 2017 were Rs. 4,250,161 thousand (December 31, 2016: Rs. 3,902,384 thousand) as per latest available audited financial statements of the fund.

#### 38.1 THE DETAILS OF SIZE AND INVESTMENT OF THE PROVIDENT FUND ARE AS FOLLOWS:

Rupees in '000	2018	2017
	Un-audited	Audited
Size of the Fund	4,658,185	4,212,443
Cost of investments	4,588,893	3,960,838
Fair value of investments	4,433,191	3,973,840
Percentage of investments	98.51%	94.03%

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 38.2 BREAKUP OF PROVIDENT FUND INVESTMENTS

	2018 (Un-audited)		2017 (Audited)	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Pakistan Investment Bonds	2,368,394	51.61	2,948,567	74.44
Market Treasury Bills	894,144	19.49	–	–
Term Finance Certificates	368,000	8.02	–	–
Mutual funds	708,724	15.44	762,640	19.26
Shares	249,631	5.44	249,631	6.30
	4,588,893	100.00	3,960,838	100.00

All the investments out of Provident Fund Trust have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

### 39. COMPENSATED ABSENCES

#### 39.1 GENERAL DESCRIPTION

The Bank grants compensated absences to all its regular employees as per effective service rules. Provisions are recorded in accordance with the actuarial recommendations.

Under this unfunded scheme, regular employees are entitled to 30 days privilege leave for each completed year of service. This policy has been revised during 2018 and now unutilized privilege leaves are accumulated upto a maximum of 90 days (previously 120 days) out of which 45 days (previously 60 days) are encashable at the time of separation from service on the basis of last drawn gross salary.

#### 39.2 PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation was carried out for the year ended December 31, 2018 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2018 was Rs. 574,690 thousand (2017: Rs. 357,931 thousand). Expense for the year of Rs. 287,602 thousand (2017: Rs 97,365 thousand) has been included in administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2018	2017
Discount rate - per annum	10.75%	9.25%
Expected rate of increase in salaries - per annum	10.25%	8.75%
Leave accumulation factor - days	8	8

### 40. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President & Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
Fees	–	–	8,250	6,494	–	–
Managerial remuneration	32,125	50,287	–	–	1,197,118	1,092,109
Allowances	2,359	5,360	–	–	195,736	182,143
Charge for defined benefit plan	1,634	3,898	–	–	71,041	71,155
Contribution to defined contribution plan	1,330	3,897	–	–	70,658	65,810
Rent and house maintenance	7,064	14,034	–	–	406,311	381,044
Utilities	1,810	3,859	–	–	95,785	90,173
Medical	1,671	3,508	–	–	88,741	83,331
Bonus	11,695	17,398	–	–	193,888	183,259
Others	11,524	3,974	–	–	14,786	1,989
	71,212	106,215	8,250	6,494	2,334,064	2,151,013
Number of persons	2	1	12	15	454	428

Executive means all executive employees, other than the President & Chief Executive, whose annual basic salary exceeds rupees twelve hundred thousand. President & Chief Executive and certain other executives are provided with the Bank maintained vehicles.

Further, senior executives are entitled to certain additional benefits in accordance with the Bank's policy.

Directors' boarding and lodging expenses for attending meetings of the Bank are borne by the Bank and are included in administrative expenses.

#### 41. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Bank as 'held to maturity'. Securities classified as held to maturity are carried at amortized cost. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.6.

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

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

##### 41.1 FAIR VALUE OF FINANCIAL ASSETS

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets (Pakistan Stock Exchange) 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) available at Mutual Fund Association of Pakistan (MUFAP), Reuters page, Redemption prices and determined by valuers on the panel of Pakistan Banks' Association.

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

Valuation techniques used in determination of fair values within level 2 and level 3

Federal Government securities	The fair values of Federal Government securities are determined on the basis of rates / prices sourced from Reuters.
Non Government debt securities	Non Government debt securities are valued on the basis of rates announced by MUFAP.
Foreign Government debt securities	Foreign Government debt securities are valued on the basis of rates taken from custodian of the securities which are usually drawn from Bloomberg.
Unit of mutual funds	Fair values of mutual funds are determined based on their net asset values as published at the close of reporting period.
Fixed assets and non-banking assets acquired in satisfaction of claims	Land and non-banking assets acquired in satisfaction of claims are valued on a periodic basis using professional valuers. The valuation is based on their assessments of the market value of the assets.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

The table below analyses the financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP.

Rupees in '000	2018			
	Level 1	Level 2	Level 3	Total
<b>ON-BALANCE SHEET FINANCIAL INSTRUMENTS</b>				
<b>FINANCIAL ASSETS - MEASURED AT FAIR VALUE</b>				
Investments				
Federal Government securities	–	237,893,228	–	237,893,228
Shares	4,002,441	–	305,680	4,308,121
Units of open end mutual funds	–	971,446	–	971,446
Fully paid preference shares	59,745	–	–	59,745
Non Government debt securities	–	1,210,281	4,206,108	5,416,389
Foreign securities	–	413,663	–	413,663
<b>FINANCIAL ASSETS - DISCLOSED BUT NOT MEASURED AT FAIR VALUE</b>				
Investments				
Federal Government securities	–	11,171,395	–	11,171,395
<b>OFF-BALANCE SHEET FINANCIAL INSTRUMENTS - MEASURED AT FAIR VALUE</b>				
Forward purchase of foreign exchange	–	36,434,542	–	36,434,542
Forward sale of foreign exchange	–	22,483,955	–	22,483,955
Forward agreements for lending	–	–	–	–
Forward agreements for borrowing	–	–	20,806,907	20,806,907

Rupees in '000	2017			
	Level 1	Level 2	Level 3	Total
<b>ON-BALANCE SHEET FINANCIAL INSTRUMENTS</b>				
<b>FINANCIAL ASSETS - MEASURED AT FAIR VALUE</b>				
Investments				
Federal Government securities	–	296,824,632	–	296,824,632
Shares	3,379,259	–	24,040	3,403,299
Units of open end mutual funds	–	1,652,135	–	1,652,135
Fully paid preference shares	66,720	–	–	66,720
Non Government debt securities	–	904,521	5,613,569	6,518,090
Foreign securities	–	228,426	–	228,426
<b>FINANCIAL ASSETS - DISCLOSED BUT NOT MEASURED AT FAIR VALUE</b>				
Investments				
Federal Government securities	–	6,263,446	–	6,263,446
<b>OFF-BALANCE SHEET FINANCIAL INSTRUMENTS - MEASURED AT FAIR VALUE</b>				
Forward purchase of foreign exchange	–	26,354,478	–	26,354,478
Forward sale of foreign exchange	–	9,083,720	–	9,083,720
Forward agreements for lending	–	–	1,515,752	1,515,752
Forward agreements for borrowing	–	–	49,250,012	49,250,012

The Bank's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels 1 and 2 during the year.

Rupees in '000	2018 Level 3	2017 Level 3
<b>41.2 FAIR VALUE OF NON-FINANCIAL ASSETS</b>		
Fixed assets		
Property and equipment (freehold and leasehold land)	8,084,238	4,789,727
Other assets		
Non-banking assets acquired in satisfaction of claims	5,298,464	5,001,571

#### 42. SEGMENT INFORMATION

##### 42.1 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

Rupees in '000	2018							Total
	Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head office / others	
<b>PROFIT AND LOSS</b>								
Net mark-up / return / profit	(13,701,567)	10,796,536	16,911,770	2,041,682	1,864,845	581,932	114,760	18,609,958
Inter segment revenue - net	25,378,081	(8,182,335)	(16,582,367)	(1,213,144)	-	221,706	378,059	-
Non mark-up / return / interest income	2,084,341	1,501,007	1,366,088	217,419	226,417	2,322	223,999	5,621,593
<b>TOTAL INCOME</b>	<b>13,760,855</b>	<b>4,115,208</b>	<b>1,695,491</b>	<b>1,045,957</b>	<b>2,091,262</b>	<b>805,960</b>	<b>716,818</b>	<b>24,231,551</b>
Segment direct expenses	9,332,509	369,262	179,674	625,997	1,821,327	81,455	3,481,297	15,891,521
Inter segment expense allocation	108,216	475,004	3,706	97,104	-	-	(684,030)	-
<b>TOTAL EXPENSES</b>	<b>9,440,725</b>	<b>844,266</b>	<b>183,380</b>	<b>723,101</b>	<b>1,821,327</b>	<b>81,455</b>	<b>2,797,267</b>	<b>15,891,521</b>
Provisions	708,445	577,302	(8)	20,058	37,358	9,931	107,489	1,460,575
<b>PROFIT BEFORE TAX</b>	<b>3,611,685</b>	<b>2,693,640</b>	<b>1,512,119</b>	<b>302,798</b>	<b>232,577</b>	<b>714,574</b>	<b>(2,187,938)</b>	<b>6,879,455</b>
<b>STATEMENT OF FINANCIAL POSITION</b>								
Cash and bank balances	17,756,676	810,416	29,951,560	-	3,809,342	874,204	78,849	53,281,047
Investments	-	13,389,091	223,738,330	-	8,169,564	13,627,192	1,309,810	260,233,987
Net inter segment lending	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-
Advances - performing - net of provision	36,991,679	222,393,797	-	19,304,293	46,549,799	9,621,704	6,701,958	341,563,230
Advances - non-performing - net of provision	787,659	547,041	-	148,992	60,225	-	-	1,543,917
Others	2,291,938	10,957,788	3,457,096	585,079	2,173,734	189,483	30,254,743	49,909,861
<b>TOTAL ASSETS</b>	<b>57,827,952</b>	<b>248,098,133</b>	<b>257,146,986</b>	<b>20,038,364</b>	<b>60,762,664</b>	<b>24,312,583</b>	<b>38,345,360</b>	<b>706,532,042</b>
Borrowings	4,373,261	13,569,235	12,789,274	1,000,000	8,999,361	10,854,144	1,117,048	52,702,323
Subordinated debts	-	-	-	-	-	-	9,993,600	9,993,600
Deposits and other accounts	453,347,498	77,602,229	-	29,564	42,338,600	272,887	45,078	573,635,856
Net inter segment balances	(415,539,554)	138,536,860	242,645,941	17,070,983	-	11,386,676	5,899,094	-
Others	12,035,062	15,696,169	199,652	1,535,279	5,239,249	1,039,532	946,413	36,691,356
<b>TOTAL LIABILITIES</b>	<b>54,216,267</b>	<b>245,404,493</b>	<b>255,634,867</b>	<b>19,635,826</b>	<b>56,577,210</b>	<b>23,553,239</b>	<b>18,001,233</b>	<b>673,023,135</b>
Equity	3,611,685	2,693,640	1,512,119	402,538	4,185,454	759,344	20,344,127	33,508,907
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>57,827,952</b>	<b>248,098,133</b>	<b>257,146,986</b>	<b>20,038,364</b>	<b>60,762,664</b>	<b>24,312,583</b>	<b>38,345,360</b>	<b>706,532,042</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>67,749,459</b>	<b>336,263,367</b>	<b>71,602,764</b>	<b>-</b>	<b>5,934,661</b>	<b>8,011,980</b>	<b>851,280</b>	<b>490,413,511</b>

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## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	2017							Total
	Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head office / others	
<b>PROFIT AND LOSS</b>								
Net mark-up / return / profit	(11,442,303)	8,541,663	15,801,186	1,531,403	1,374,345	418,736	(29,775)	16,195,255
Inter segment revenue - net	20,417,408	(6,391,304)	(13,378,199)	(786,421)	-	124,536	13,980	-
Non mark-up / return / interest income	1,664,286	1,893,007	1,896,634	206,009	153,264	60,927	234,227	6,108,354
<b>TOTAL INCOME</b>	<b>10,639,391</b>	<b>4,043,366</b>	<b>4,319,621</b>	<b>950,991</b>	<b>1,527,609</b>	<b>604,199</b>	<b>218,432</b>	<b>22,303,609</b>
Segment direct expenses	8,547,121	343,266	170,907	752,791	1,636,462	90,836	3,600,814	15,142,197
Inter segment expense allocation	102,374	399,665	-	-	-	-	(502,039)	-
<b>TOTAL EXPENSES</b>	<b>8,649,495</b>	<b>742,931</b>	<b>170,907</b>	<b>752,791</b>	<b>1,636,462</b>	<b>90,836</b>	<b>3,098,775</b>	<b>15,142,197</b>
Provisions	(904,458)	(489,166)	28	20,635	126,285	-	(83,714)	(1,330,390)
<b>PROFIT BEFORE TAX</b>	<b>2,894,354</b>	<b>3,789,601</b>	<b>4,148,686</b>	<b>177,565</b>	<b>(235,138)</b>	<b>513,363</b>	<b>(2,796,629)</b>	<b>8,491,802</b>
<b>STATEMENT OF FINANCIAL POSITION</b>								
Cash and bank balances	15,773,246	508,445	26,731,274	-	4,159,061	261,003	131	47,433,160
Investments	-	12,359,208	285,671,765	-	6,733,697	8,491,804	1,700,274	314,956,748
Net inter segment lending	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	1,500,000	-	750,000	-	-	2,250,000
Advances - performing - net of provision	31,012,422	160,703,218	-	17,606,037	34,292,726	8,355,925	4,931,800	256,902,128
Advances - non-performing - net of provision	657,091	837,912	-	192,745	103,210	-	-	1,790,958
Others	2,950,000	5,381,646	6,891,913	560,919	1,965,779	167,005	21,441,139	39,358,400
<b>TOTAL ASSETS</b>	<b>50,392,759</b>	<b>179,790,429</b>	<b>320,794,952</b>	<b>18,359,701</b>	<b>48,004,473</b>	<b>17,275,737</b>	<b>28,073,344</b>	<b>662,691,394</b>
Borrowings	5,345,571	10,982,878	46,385,125	-	2,410,152	6,460,118	3,467	71,587,311
Subordinated debts	-	-	-	-	-	-	4,992,800	4,992,800
Deposits and other accounts	438,457,965	49,474,030	-	38,373	37,650,774	180,020	7,146	525,808,308
Net inter segment balances	(410,068,145)	110,478,917	270,116,165	15,671,631	-	9,937,548	3,863,884	-
Others	13,763,014	5,065,003	144,976	2,472,294	4,452,181	81,550	1,888,467	27,867,485
<b>TOTAL LIABILITIES</b>	<b>47,498,405</b>	<b>176,000,828</b>	<b>316,646,266</b>	<b>18,182,298</b>	<b>44,513,107</b>	<b>16,659,236</b>	<b>10,755,764</b>	<b>630,255,904</b>
Equity	2,894,354	3,789,601	4,148,686	177,403	3,491,366	616,501	17,317,580	32,435,490
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>50,392,759</b>	<b>179,790,429</b>	<b>320,794,952</b>	<b>18,359,701</b>	<b>48,004,473</b>	<b>17,275,737</b>	<b>28,073,344</b>	<b>662,691,394</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>222,794,437</b>	<b>108,165,341</b>	<b>81,797,991</b>	<b>-</b>	<b>6,667,661</b>	<b>2,798,378</b>	<b>1,170,457</b>	<b>423,394,265</b>



## 42.2 SEGMENT DETAILS WITH RESPECT TO GEOGRAPHICAL LOCATIONS

Rupees in '000	2018		
	Pakistan	Middle East	Total
<b>PROFIT AND LOSS</b>			
Net mark-up / return / profit	18,028,026	581,932	18,609,958
Inter segment revenue - net	(221,706)	221,706	–
Non mark-up / return / interest income	5,619,271	2,322	5,621,593
<b>TOTAL INCOME</b>	<b>23,425,591</b>	<b>805,960</b>	<b>24,231,551</b>
Segment direct expenses	15,810,066	81,455	15,891,521
Inter segment expense allocation	–	–	–
<b>TOTAL EXPENSES</b>	<b>15,810,066</b>	<b>81,455</b>	<b>15,891,521</b>
Provisions	1,450,644	9,931	1,460,575
<b>PROFIT BEFORE TAX</b>	<b>6,164,881</b>	<b>714,574</b>	<b>6,879,455</b>
<b>STATEMENT OF FINANCIAL POSITION</b>			
Cash and bank balances	52,406,843	874,204	53,281,047
Investments	246,606,795	13,627,192	260,233,987
Net inter segment lending	–	–	–
Lendings to financial institutions	–	–	–
Advances - performing - net of provision	331,941,526	9,621,704	341,563,230
Advances - non-performing - net of provision	1,543,917	–	1,543,917
Others	49,720,378	189,483	49,909,861
<b>TOTAL ASSETS</b>	<b>682,219,459</b>	<b>24,312,583</b>	<b>706,532,042</b>
Borrowings	41,848,179	10,854,144	52,702,323
Subordinated debts	9,993,600	–	9,993,600
Deposits and other accounts	573,362,969	272,887	573,635,856
Net inter segment balances	(11,386,676)	11,386,676	–
Others	35,651,824	1,039,532	36,691,356
<b>TOTAL LIABILITIES</b>	<b>649,469,896</b>	<b>23,553,239</b>	<b>673,023,135</b>
Equity	32,749,563	759,344	33,508,907
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>682,219,459</b>	<b>24,312,583</b>	<b>706,532,042</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>482,401,531</b>	<b>8,011,980</b>	<b>490,413,511</b>

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## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	2017		
	Pakistan	Middle East	Total
<b>PROFIT AND LOSS</b>			
Net mark-up / return / profit	15,776,519	418,736	16,195,255
Inter segment revenue - net	(124,536)	124,536	–
Non mark-up / return / interest income	6,047,427	60,927	6,108,354
<b>TOTAL INCOME</b>	<b>21,699,410</b>	<b>604,199</b>	<b>22,303,609</b>
Segment direct expenses	15,051,361	90,836	15,142,197
Inter segment expense allocation	–	–	–
<b>TOTAL EXPENSES</b>	<b>15,051,361</b>	<b>90,836</b>	<b>15,142,197</b>
Provisions	(1,330,390)	–	(1,330,390)
<b>PROFIT BEFORE TAX</b>	<b>7,978,439</b>	<b>513,363</b>	<b>8,491,802</b>
<b>STATEMENT OF FINANCIAL POSITION</b>			
Cash and bank balances	47,172,157	261,003	47,433,160
Investments	306,464,944	8,491,804	314,956,748
Net inter segment lending	–	–	–
Lendings to financial institutions	2,250,000	–	2,250,000
Advances - performing - net of provision	248,546,203	8,355,925	256,902,128
Advances - non-performing - net of provision	1,790,958	–	1,790,958
Others	39,191,396	167,005	39,358,401
<b>TOTAL ASSETS</b>	<b>645,415,658</b>	<b>17,275,737</b>	<b>662,691,395</b>
Borrowings	65,127,193	6,460,118	71,587,311
Subordinated debts	4,992,800	–	4,992,800
Deposits and other accounts	525,628,288	180,020	525,808,308
Net inter segment balances	(9,937,548)	9,937,548	–
Others	27,785,935	81,550	27,867,485
<b>TOTAL LIABILITIES</b>	<b>613,596,668</b>	<b>16,659,236</b>	<b>630,255,904</b>
Equity	31,818,990	616,501	32,435,491
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>645,415,658</b>	<b>17,275,737</b>	<b>662,691,395</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>420,595,887</b>	<b>2,798,378</b>	<b>423,394,265</b>

### 43. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, the Bank acts as security agent for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

### 44. RELATED PARTY TRANSACTIONS

Fauji Consortium comprising of Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited (the Parent) holds 71.91% of the Bank's share capital at the year end. The Bank has related party relationships with entities under common directorship, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

Rupees in '000	2018						2017					
	Parent	Director	Key management personnel	Subsidiary	Companies with common directorship, having equity under 20%	Other related parties	Parent	Director	Key management personnel	Subsidiary	Companies with common directorship, having equity under 20%	Other related parties
<b>Investments</b>												
Opening balance	-	-	-	-	217,634	-	-	-	-	-	1,732,635	-
Investment made during the year	-	-	-	-	154,796	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	(26,322)	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	(296,975)	-	-	-	-	-	(1,515,001)	-
Closing balance	-	-	-	-	49,133	-	-	-	-	-	217,634	-
<b>Advances</b>												
Opening balance	781,073	695	397,255	-	3,797,303	-	799,921	114	311,909	-	4,534,697	-
Addition during the year / adjustment	97,898,658	27,104	70,238	-	32,784,743	-	83,124,716	10,030	175,934	-	18,746,267	-
Repaid during the year / adjustment	(89,098,452)	(63,482)	(74,429)	-	(31,663,208)	-	(83,143,564)	(10,356)	(135,736)	-	(20,352,242)	-
Transfer in / (out) - net	-	36,134	(60,524)	-	(1,115,375)	-	-	907	45,148	-	868,581	-
Closing balance	9,581,279	451	332,540	-	3,803,463	-	781,073	695	397,255	-	3,797,303	-
<b>Other Assets</b>												
Interest / mark-up receivable	52,483	3,671	65,415	-	23,533	-	-	-	56,346	-	27,229	-
Security deposits receivable	3,600	-	-	-	-	-	3,600	-	-	-	-	-
Assets held for sale - net of provision	-	-	-	80,720	-	-	-	-	-	80,720	-	-
<b>Subordinated debts</b>												
Opening balance	-	-	-	-	24,970	-	-	-	-	-	24,980	-
Redemption / sold during the year	-	-	-	-	(10)	-	-	-	-	-	(10)	-
Closing balance	-	-	-	-	24,960	-	-	-	-	-	24,970	-
<b>Deposits and other accounts</b>												
Opening balance	5,770,715	29,001	186,588	3,251	7,210,018	3,042,573	5,462,689	13,377	147,552	9,008	7,296,044	1,106,985
Received during the year / adjustment	356,365,334	310,892	704,636	130,345	248,876,185	18,009,853	273,936,342	104,743	1,017,896	208,445	193,985,526	8,330,529
Withdrawn during the year / adjustment	(352,326,164)	(299,993)	(676,343)	(104,666)	(251,057,728)	(17,858,065)	(273,628,316)	(85,151)	(986,380)	(210,259)	(193,534,427)	(7,132,435)
Transfer in / (out) - net	-	(15,008)	(55,165)	-	159,156	-	-	(3,968)	7,520	(3,943)	(537,125)	737,494
Closing balance	9,809,885	24,892	159,716	28,930	5,187,631	3,194,361	5,770,715	29,001	186,588	3,251	7,210,018	3,042,573
<b>Other Liabilities</b>												
Interest / mark-up payable	16,717	68	1,390	-	37,455	8,840	20,651	20	1,592	-	16,598	6,513
Payable to staff retirement fund	-	-	-	-	-	52,851	-	-	-	-	-	489,526
Security deposits payable	-	-	287	-	161,946	-	494	-	504	-	59,772	-
<b>Contingencies and Commitments</b>												
Other contingencies	55,910	-	-	-	1,525,313	-	50,000	-	-	-	1,878,456	-

In addition to above, rent free sub-branch is operating at FFC head office, Sona Tower.

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Rupees in '000	2018						2017					
	Parent	Director	Key management personnel	Subsidiary	Companies with common directorship, having equity under 20%	Other related parties	Parent	Director	Key management personnel	Subsidiary	Companies with common directorship, having equity under 20%	Other related parties
<b>Income</b>												
Mark-up / return / interest earned	127,757	3,250	13,055	-	325,324	-	43,474	141	13,254	-	321,600	-
Fee and commission received	83	-	-	-	23,881	-	80	-	-	-	44,025	-
Dividend income	-	-	-	-	7,963	-	-	-	-	-	7,785	-
Net gain on sale of assets held for sale	-	-	-	-	-	-	-	-	-	216,000	-	-
Other income	-	-	-	-	749	-	-	-	-	-	-	-
<b>Expense</b>												
Mark-up / return / interest expensed	685,007	649	5,677	-	583,493	231,679	268,101	643	4,907	144	408,832	103,285
Contribution to employees funds	-	-	-	-	-	561,869	-	-	-	-	-	535,842
Remuneration and allowances paid	-	-	423,612	-	-	4,940	-	-	480,361	-	-	3,965
Post employment benefits	-	-	23,914	-	-	-	-	-	30,160	-	-	-
Fee and commission paid	-	-	-	-	261	22,125	-	-	-	-	62	19,755
Fee paid	-	8,250	-	-	-	-	-	6,494	250	-	-	-
Rent of property / service charges paid	23,321	904	-	-	-	-	24,285	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	2,265,705	6	222	-	-	-

#### 45. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Rupees in '000	2018	2017
<b>MINIMUM CAPITAL REQUIREMENT (MCR):</b>		
Paid-up capital (net of losses)	12,602,602	12,602,602
<b>CAPITAL ADEQUACY RATIO (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	28,990,178	25,345,249
Eligible Additional Tier 1 (ADT 1) Capital	5,736,610	-
Total Eligible Tier 1 Capital	34,726,788	25,345,249
Eligible Tier 2 Capital	5,075,159	7,576,374
Total Eligible Capital (Tier 1 + Tier 2)	39,801,947	32,921,623
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	268,963,104	217,254,950
Market Risk	9,771,875	19,252,086
Operational Risk	39,356,590	35,845,034
Total	318,091,569	272,352,070
Common Equity Tier 1 Capital Adequacy Ratio	9.11%	9.31%
Tier 1 Capital Adequacy Ratio	10.92%	9.31%
Total Capital Adequacy Ratio	12.51%	12.09%

As of December 2018, the Bank must meet a Tier 1 to RWA ratio and CAR, including CCB, of 9.4% and 11.90% respectively.

Standardized Approach is used for calculating the Capital Adequacy for Market and Credit Risk while Basic Indicator Approach (BIA) is used for Operational Risk.

Rupees in '000	2018	2017
<b>LEVERAGE RATIO (LR):</b>		
Eligible Tier 1 Capital	34,726,788	25,345,249
Total Exposures	1,157,808,940	1,064,294,767
Leverage Ratio	3.00%	2.38%
<b>LIQUIDITY COVERAGE RATIO (LCR):</b>		
Total High Quality Liquid Assets	278,917,759	283,558,343
Total Net Cash Outflow	154,131,589	153,812,783
Liquidity Coverage Ratio	180.96%	184.35%
<b>NET STABLE FUNDING RATIO (NSFR):</b>		
Total Available Stable Funding	584,918,449	536,617,394
Total Required Stable Funding	312,211,738	243,419,172
Net Stable Funding Ratio	187.35%	220.45%

The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at <http://akbl.com.pk>.

#### 46. RISK MANAGEMENT

The Bank believes that effective risk management is key to achieving desired level of return while maintaining acceptable level of risk exposure. Robust risk management processes and framework are in place to achieve the Bank's overall objectives through a well thought out strategy, which enables the Bank to effectively manage Credit, Market, Operational and Liquidity risk in a proactive manner.

The Bank's approach is to ensure that risk management is deeply and firmly embedded in the culture of the Bank. All employees are therefore considered responsible for identification, measurement, monitoring and controlling risks within the scope of their assigned responsibilities. As a result of changing risk environment, the Bank continuously monitors and conducts holistic assessment of complex transactions on an integrated basis.

The Bank has a Board Risk Management Committee (BRMC) in place and is updated regularly by the Bank's Risk Management Division. BRMC is responsible for reviewing the extent of design and adequacy of risk management framework. BRMC oversight ensures that risks are managed within the level of tolerance and risk appetite of the Bank.

##### 46.1 CREDIT RISK:

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

The Bank has built and maintains a sound loan portfolio in terms of a well defined Risk Management Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Advances portfolio constitutes around 49% of the total asset base and is also the largest source of credit risk for the Bank. Moreover, more than 80% of Bank's capital requirement pertains to credit risk. The Bank's advances portfolio is well diversified across various business segments, industries and geographical locations.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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Risk mitigants have been put in place at all stages of credit risk cycle i.e. identification, measurement, monitoring, controlling and reporting for effective risk management. Accordingly, portfolio monitoring function is in place at the Bank with dedicated resources to ensure that risk is not only minimized but is optimized in risk / return perspective.

Credit Risk Review is conducted at obligor as well as at portfolio level to ensure adherence to regulatory as well as the Bank's policies and procedures. The review process ensures that a sound and proactive risk management culture is maintained across the Bank. Scope of Pre-Approval Risk Assessment has been enhanced, covering the entire Corporate, Commercial and SME portfolios along with consumer and Agri Finance within discretionary powers of Head Office Credit Committee (HOCC). Internal audit division is reviewing the advances portfolio on a post approval basis.

### CREDIT RISK - GENERAL DISCLOSURES

The Bank follows the Standardized Approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit ratings or type of exposure, whichever is applicable.

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counter-parties by External Credit Assessment Institutions (ECAIs) duly recognized by the SBP. The Bank selects particular ECAIs for each type of exposure. The Bank utilizes the credit ratings assigned by Pakistan Credit Rating Agency (PACRA), Japan Credit Rating Company Limited – Vital Information Systems (JCR-VIS), Fitch, Moody's and Standard & Poors (S&P).

### TYPES OF EXPOSURE AND ECAIS USED

	FITCH	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
Corporates	–	✓	–	✓	✓	–
Banks	✓	✓	✓	✓	✓	–
Public sector enterprises	–	–	–	✓	✓	–

FITCH, Moody's and S&P ratings (as applicable) are used where sovereign exposures are denominated in USD.

### MAPPING TO SBP RATING GRADES

For all exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to the SBP rating grades are given below:

### LONG TERM RATING GRADES MAPPING

SBP Rating grade	FITCH	Moody's	S & P	PACRA	JCR-VIS	ECA scores
1	AAA	Aaa	AAA	AAA	AAA	0, 1
	AA+	Aa1	AA+	AA+	AA+	
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5, 6
	B	B2	B	B	B	
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

Particulars of the Bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analyzed as follows:

Rupees in '000	Gross lending		Non-performing lending		Provision held	
	2018	2017	2018	2017	2018	2017
<b>46.1.1 LENDINGS TO FINANCIAL INSTITUTIONS</b>						
Credit risk by public / private sector						
Public / Government	–	–	–	–	–	–
Private	148,606	2,398,606	148,606	148,606	148,606	148,606
	148,606	2,398,606	148,606	148,606	148,606	148,606

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Rupees in '000	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
<b>46.1.2 INVESTMENT IN DEBT SECURITIES</b>						
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	420,000	–	–	–	–	–
Textile	336,970	370,644	336,972	370,644	336,972	370,644
Chemical and Pharmaceuticals	1,068,271	1,634,165	1,068,270	1,074,165	1,068,270	1,074,165
Automobile and Transportation equipment	–	–	18,770	27,170	18,770	27,170
Electronics and Electrical appliances	–	284,874	–	–	–	–
Power (electricity), Gas, Water, Sanitary	2,604,170	2,604,170	–	–	–	–
Transport, Storage and Communication	656,175	1,093,625	–	–	–	–
Telecommunication	226,836	261,481	226,836	261,481	226,836	261,481
Banks and Financial Institutions	1,736,525	1,947,998	–	–	–	–
Government	255,354,622	301,584,589	–	–	164,020	–
Foreign government	421,818	228,590	–	–	2,659	–
Others	18,770	213,097	–	185,925	–	185,925
	262,844,157	310,223,233	1,650,848	1,919,385	1,817,527	1,919,385
<b>CREDIT RISK BY PUBLIC / PRIVATE SECTOR</b>						
Public / Government	255,354,622	301,584,589	–	–	164,020	–
Private	7,489,535	8,638,644	1,650,848	1,919,385	1,653,507	1,919,385
	262,844,157	310,223,233	1,650,848	1,919,385	1,817,527	1,919,385

Rupees in '000	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
<b>46.1.3 ADVANCES</b>						
Agriculture, Forestry, Hunting and Fishing	6,052,398	4,685,884	351,035	497,180	196,686	253,532
Mining and Quarrying	2,274,965	1,668,097	–	–	–	–
Textile	48,018,815	41,707,804	12,335,315	12,000,289	11,696,354	11,280,933
Chemical and Pharmaceuticals	20,292,417	9,251,785	211,248	16,464	211,248	15,549
Cement	5,911,502	4,482,630	401	401	401	401
Sugar	9,166,459	7,181,562	6,190	–	1,548	–
Footwear and Leather garments	1,485,763	1,647,088	404,057	62,083	404,057	41,519
Automobile and transportation equipment	944,527	869,820	447,278	242,224	424,497	219,443
Electronics and electrical appliances	3,547,871	2,647,185	1,113,552	1,116,900	1,113,552	1,116,900
Construction	5,126,602	3,884,905	645,001	657,364	625,303	636,304
Power (electricity), Gas, Water, Sanitary	28,193,363	22,138,997	1,671,611	1,675,648	1,671,611	1,675,648
Wholesale and Retail Trade	9,822,151	9,301,176	564,157	573,524	474,639	476,626
Exports / Imports	285,452	62,557	–	–	–	–
Transport, Storage and Communication	7,840,196	6,906,053	505,905	732,530	350,664	502,141
Financial	11,880,936	5,670,568	–	–	–	–
Insurance	90,055	100,228	–	–	–	–
Services	9,004,661	11,298,355	585,846	495,927	554,056	460,497
Individuals	33,516,454	29,753,031	2,111,521	2,004,025	1,958,569	1,809,240
Public / Government	116,597,785	86,590,715	–	–	–	–
Edible oil and ghee	4,474,849	2,677,099	549,956	460,614	706,946	460,614
Rice Processing (husking, semi-wholly milled etc.)	6,506,316	6,145,409	2,505,178	2,314,493	2,402,950	2,161,590
Refined petroleum and products	5,696,168	1,931,457	16,841	637,606	14,773	634,503
Basic iron and steel	9,939,210	8,129,835	484,825	883,630	449,834	880,647
Others	22,590,056	15,607,430	2,147,169	2,382,125	1,855,481	2,335,982
	369,258,971	284,339,670	26,657,086	26,753,027	25,113,169	24,962,069
<b>CREDIT RISK BY PUBLIC / PRIVATE SECTOR</b>						
Public / Government	116,597,785	86,590,715	–	–	–	–
Private	252,661,186	197,748,955	26,657,086	26,753,027	25,113,169	24,962,069
	369,258,971	284,339,670	26,657,086	26,753,027	25,113,169	24,962,069



Rupees in '000	2018	2017
<b>46.1.4 CONTINGENCIES AND COMMITMENTS</b>		
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	6,130,430	521,678
Mining and Quarrying	19,021	1,969,910
Textile	7,382,976	7,512,284
Chemical and Pharmaceuticals	6,264,673	8,991,322
Cement	2,378,667	2,115,251
Sugar	784,968	150,583
Footwear and Leather garments	682,761	1,586,669
Automobile and transportation equipment	614,480	470,370
Electronics and electrical appliances	3,445,319	1,471,734
Construction	17,770,222	19,964,673
Power (electricity), Gas, Water, Sanitary	19,719,704	6,450,221
Wholesale and Retail Trade	936,488	7,574,547
Exports/Imports	100,000	–
Transport, Storage and Communication	551,784	2,913,793
Banks and Financial Institutions	151,847,195	38,724,527
Telecommunication	328,041	328,037
Financial	–	1,073,379
Insurance	12,899	5,000
Food and allied	3,025,000	158,751
Services	3,879,607	5,355,056
Individuals	2,409,179	3,077,528
Public / Government	207,044,313	210,218,866
Others	55,085,784	102,760,086
	<b>490,413,511</b>	<b>423,394,265</b>
<b>CREDIT RISK BY PUBLIC / PRIVATE SECTOR</b>		
Public / Government	207,044,313	210,218,866
Private	283,369,198	213,175,399
	<b>490,413,511</b>	<b>423,394,265</b>

#### 46.1.5 CONCENTRATION OF ADVANCES

The Bank's top 10 exposures on the basis of total funded and non-funded exposures aggregated to Rs. 277,045,219 thousand (2017: Rs. 206,278,955 thousand) are as following:

Rupees in '000	2018	2017
Funded	99,159,075	67,864,752
Non-funded	177,886,144	138,414,203
Total exposure	<b>277,045,219</b>	<b>206,278,955</b>

The sanctioned limits against these top 10 exposures aggregated to Rs. 337,790,859 thousand (2017: Rs. 301,124,868 thousand).

The above does not include any classified exposure.

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### 46.1.6 ADVANCES - PROVINCE / REGION-WISE DISBURSEMENT AND UTILIZATION

Rupees in '000	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
<b>PROVINCE / REGION</b>							
Punjab	724,902,945	682,459,555	26,971,774	3,146,499	54,116	12,230,609	40,392
Sindh	473,805,677	4,599,423	463,372,536	3,118,712	37,409	2,674,137	3,460
KPK including FATA	5,023,212	99,349	8,530	4,901,075	4,300	4,172	5,786
Baluchistan	358,865	25,284	4,880	4,953	318,646	4,002	1,100
Islamabad	70,640,639	7,940,268	2,326,342	90,723	47,335	60,218,496	17,475
AJK including Gilgit-Baltistan	533,400	42,153	2,665	145,312	600	1,716	340,954
<b>Total</b>	<b>1,275,264,738</b>	<b>695,166,032</b>	<b>492,686,727</b>	<b>11,407,274</b>	<b>462,406</b>	<b>75,133,132</b>	<b>409,167</b>

Rupees in '000	2017						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
<b>PROVINCE / REGION</b>							
Punjab	543,154,676	519,231,646	11,262,373	2,486,665	63,885	10,074,478	35,629
Sindh	410,066,784	5,691,615	400,877,250	2,153,227	21,564	1,322,008	1,120
KPK including FATA	3,718,177	81,581	21,645	3,377,757	2,200	230,395	4,599
Baluchistan	249,470	26,126	12,992	2,000	205,852	1,700	800
Islamabad	47,775,274	11,256,490	1,047,582	111,536	18,062	35,332,138	9,466
AJK including Gilgit-Baltistan	685,281	47,984	7,558	266,564	5,952	9,785	347,438
<b>Total</b>	<b>1,005,649,662</b>	<b>536,335,442</b>	<b>413,229,400</b>	<b>8,397,749</b>	<b>317,515</b>	<b>46,970,504</b>	<b>399,052</b>

### 46.2 MARKET RISK:

Market risk is the risk that the value of on and off-balance sheet positions of a financial institution will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices and credit spreads, resulting in a loss to earnings and capital.

The Bank is exposed to market risk from both its banking and trading books. Trading book for the Bank includes all Held for Trading assets along with Available for Sale securities that are held with intention of short term trade. All assets not included in trading book are included within the Banking book.

The Bank's Risk Management Process seeks to identify, measure, monitor and control market risks in order to shield against adverse movements in market factors and to attain an efficient risk / return profile of its open positions. The Risk Management Division has developed and implemented market risk policy and risk measurement / monitoring methodology for review and reporting of market risk.

The Bank makes use of the globally established Value at Risk (VaR) methodology to measure traded market risk. Additionally, sensitivity analysis is carried out to gauge the impact of extreme market movements on traded exposures, such as fixed income securities and equity capital market instruments.

Further, stress testing is used to analyze the impact of both the abnormal market movements across different portfolios as well as to assess non-traded market risk, in particular interest rate risk in the banking book. The performance of the Bank's traded portfolios is evaluated through the use of risk / return analysis. Risk is kept under check through the revaluation of all traded market risk exposed positions on a daily basis, and controlled by ensuring that these positions do not breach regulatory limits and the Bank's own internally established risk tolerance limits.

Basel III Standardized Approach is used for calculating the Capital Adequacy for market risk.

Total capital charge for market risk is Rs. 781,750 thousand (2017: Rs. 1,540,167 thousand).

#### 46.2.1 BALANCE SHEET SPLIT BY TRADING AND BANKING BOOKS

Rupees in '000	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Cash and balances with treasury banks	49,187,645	–	49,187,645	44,239,325	–	44,239,325
Balances with other banks	4,093,402	–	4,093,402	3,193,835	–	3,193,835
Lendings to financial institutions	–	–	–	2,250,000	–	2,250,000
Investments	248,254,020	11,979,967	260,233,987	275,041,009	39,915,739	314,956,748
Advances	343,107,147	–	343,107,147	258,693,086	–	258,693,086
Fixed assets	12,791,827	–	12,791,827	9,885,958	–	9,885,958
Intangible assets	741,361	–	741,361	842,869	–	842,869
Assets held for sale	80,720	–	80,720	80,720	–	80,720
Deferred tax assets	3,773,779	–	3,773,779	100,755	–	100,755
Other assets	32,522,174	–	32,522,174	28,448,099	–	28,448,099
	694,552,075	11,979,967	706,532,042	622,775,656	39,915,739	662,691,395

#### 46.2.2 FOREIGN EXCHANGE RISK

Foreign exchange risk, or the risk that the Bank's earnings and / or capital can fluctuate due to changes in foreign exchange rates, arises out from the Bank's foreign exchange exposure which consists of foreign currency cash in hand, nostro / vostro accounts, forward contracts, forward bookings with exporters, foreign bills purchased, foreign currency placements with SBP and the Bank's Wholesale Bank Branch, foreign currency lendings / deposits and capital investments in offshore operations.

The Bank's treasury manages consolidated foreign exchange exposure by matching foreign currency assets and liabilities in spot and forward. The foreign exchange exposure and nostro balances are maintained within regulatory limits and VaR is calculated for consolidated foreign exchange exposure on a daily basis. The impact of a change in USD / PKR parity on the net open position is also determined through daily sensitivity analysis.

(Rupees in '000)	2018			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
United States Dollar	53,156,310	62,261,533	8,866,423	(238,800)
Pound Sterling	388,758	4,401,088	3,930,921	(81,409)
Japanese Yen	6,880	418	(7,758)	(1,296)
Euro	716,843	2,748,793	1,168,113	(863,837)
Other European currencies	6,763	–	–	6,763
Other currencies	1,149,276	382,172	(7,112)	759,992
	55,424,830	69,794,004	13,950,587	(418,587)

(Rupees in '000)	2017			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
United States Dollar	38,383,247	51,443,407	12,538,446	(521,714)
Pound Sterling	538,559	4,155,268	3,400,780	(215,929)
Japanese Yen	10,542	12	(9,462)	1,068
Euro	439,188	1,920,550	1,341,001	(140,361)
Other European currencies	19,136	–	(6)	19,130
Other currencies	629,917	122,038	–	507,879
	40,020,589	57,641,275	17,270,759	(349,927)

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

(Rupees in '000)	2018		2017	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	–	142,766	–	178,832
- Other comprehensive income	–	–	–	–

### 46.2.3 EQUITY POSITION RISK

Equity position risk is the risk that the value of equity positions inside the trading book and banking book will change as a result of general and specific equity market movements. Equity positions are monitored on daily basis through management action triggers.

The Bank classifies its direct equity investments into held for trading, available for sale, and held to maturity. Held for trading equity exposures are of a short term nature and are undertaken to earn profit by exploiting market imperfections and short term price fluctuations. Equities held in the available for sale portfolio are kept with the intent of earning profit due to underlying fundamental strength of each security. Strategic investments are undertaken in line with the long-term strategy of the Bank, i.e. to build strategic interest in other concerns. The Bank may also carry indirect equity exposure through financing against shares and reverse repos against shares.

At the end of financial year 2018 Bank's entire equity investment portfolio was classified as available for sale. Pretax impact of 5% change in equity prices on other comprehensive income are provided below;

(Rupees in '000)	2018		2017	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
- Profit and loss account	–	–	–	–
- Other comprehensive income	(196,161)	–	(165,259)	–

### 46.2.4 YIELD / INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)-BASEL III SPECIFIC

The Bank's interest rate exposure arises out from its investment, lending and borrowing activities. Interest Rate Risk in the Banking Book (IRRBB) in its various forms is the risk of adverse changes in earnings and / or capital due to (i) timing differences or mismatches in the maturity / repricing period of financial assets and liabilities (repricing risk), (ii) differences in the basis used for calculating interest rates received and paid (basis risk), (iii) and options implicit or explicit in the Bank's financial assets and liabilities (options risk). The Asset and Liability Management Committee of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities on an ongoing basis through its regular meetings. The Market Risk Management Department monitors interest rate in the banking book from an earnings and economic value perspective.

Key IRRBB measures include:

1. Interest Earnings at Risk (IAR): the rolling 12 months impact of a parallel shift in interest rates on Net Interest Margin.
2. Change in Economic Value of Equity (EVE): the impact of a parallel shift in interest rates on the present value of the Bank's cash flows.
3. Repricing Gaps: mismatch between the Bank's assets and liabilities in terms of repricing time bands. Repricing assumptions for non-contractual assets and liabilities have been set based on a behavioral study.

(Rupees in '000)	2018		2017	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on				
- Profit and loss account	187,870	–	(83,402)	–
- Other comprehensive income	241,914	(112,193)	(640,181)	(1,174,622)

#### 46.2.5 MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

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

		2018										
		Effective Yield / Interest rate	Exposed to yield / interest risk								Non-interest bearing financial instruments	
Rupees in '000	Total		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
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	49,187,645	7,946,957	-	-	-	-	-	-	-	-	-	41,240,688
Balances with other banks	3.40%	4,093,402	2,691,856	-	-	-	-	-	-	-	-	1,401,546
Lendings to financial institutions	8.18%	-	-	-	-	-	-	-	-	-	-	-
Investments	6.70%	260,233,987	86,382,408	39,143,162	38,521,376	22,131,591	33,514,316	14,817,524	6,880,302	12,084,638	-	6,758,670
Advances	7.52%	343,107,147	108,727,112	169,371,785	40,163,309	13,505,710	2,113,630	1,549,035	2,565,112	1,422,033	3,689,421	-
Assets held for sale		80,720	-	-	-	-	-	-	-	-	-	80,720
Other assets		10,749,320	-	-	-	-	-	-	-	-	-	10,749,320
		667,452,221	205,748,333	208,514,947	78,684,685	35,637,301	35,627,946	16,366,559	9,445,414	13,506,671	3,689,421	60,230,944
<b>Liabilities</b>												
Bills payable		15,512,880	-	-	-	-	-	-	-	-	-	15,512,880
Borrowings	4.75%	52,702,323	44,932,094	1,404,603	5,176,884	-	62,914	62,914	1,062,914	-	-	-
Deposits and other accounts	3.97%	573,635,856	172,941,149	111,528,281	92,767,054	24,332,148	2,589,341	127,439	354,198	-	-	168,996,246
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debts	8.66%	9,993,600	-	3,993,600	6,000,000	-	-	-	-	-	-	-
Other liabilities		11,178,294	-	-	-	-	-	-	-	-	-	11,178,294
		663,022,953	217,873,243	116,926,484	103,943,938	24,332,148	2,652,255	190,353	1,417,112	-	-	195,687,420
On-balance sheet gap		4,429,268	(12,124,910)	91,588,463	(25,259,253)	11,305,153	32,975,691	16,176,206	8,028,302	13,506,671	3,689,421	(135,456,476)
<b>Off-balance sheet financial instruments</b>												
Purchase and resale agreements		-	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	7.75%	20,806,907	20,806,907	-	-	-	-	-	-	-	-	-
Commitments to extend credits		19,875,831	19,875,831	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(40,682,738)	(40,682,738)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(52,807,648)	91,588,463	(25,259,253)	11,305,153	32,975,691	16,176,206	8,028,302	13,506,671	3,689,421	(135,456,476)
Cumulative yield / interest risk sensitivity gap				38,780,815	13,521,562	24,826,715	57,802,406	73,978,612	82,006,914	95,513,585	99,203,006	

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### MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

		2017										
Rupees in '000	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
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks		44,239,325	6,998,986	-	-	-	-	-	-	-	-	37,240,339
Balances with other banks	2.66%	3,193,835	2,003,756	-	-	-	-	-	-	-	-	1,190,079
Lendings to financial institutions	5.53%	2,250,000	1,750,000	-	500,000	-	-	-	-	-	-	-
Investments	6.54%	314,956,748	60,251,726	79,866,091	14,146,848	8,228,874	50,162,004	40,729,450	37,923,117	16,694,789	1,736,110	5,217,739
Advances	6.35%	258,693,086	83,331,819	126,461,094	29,914,352	10,196,771	1,550,144	1,004,557	1,423,423	1,331,078	3,479,848	-
Assets held for sale		80,720	-	-	-	-	-	-	-	-	-	80,720
Other assets		9,946,063	-	-	-	-	-	-	-	-	-	9,946,063
		633,359,777	154,336,287	206,327,185	44,561,200	18,425,645	51,712,148	41,734,007	39,346,540	18,025,867	5,215,958	53,674,940
<b>Liabilities</b>												
Bills payable		10,769,262	-	-	-	-	-	-	-	-	-	10,769,262
Borrowings	4.70%	71,587,311	60,815,038	5,705,697	4,926,146	-	46,811	46,811	46,808	-	-	-
Deposits and other accounts	3.42%	525,808,308	161,728,302	103,925,087	89,083,222	19,769,822	1,564,786	141,245	419,392	-	-	149,176,452
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debts	7.53%	4,992,800	-	3,995,200	997,600	-	-	-	-	-	-	-
Other liabilities		9,381,543	-	-	-	-	-	-	-	-	-	9,381,543
		622,539,224	222,543,340	113,625,984	95,006,968	19,769,822	1,611,597	188,056	466,200	-	-	169,327,257
On-balance sheet gap		10,820,553	(68,207,053)	92,701,201	(50,445,768)	(1,344,177)	50,100,551	41,545,951	38,880,340	18,025,867	5,215,958	(115,652,317)
<b>Off-balance sheet financial instruments</b>												
Purchase and resale agreements	6.08%	1,515,752	1,000,668	-	515,084	-	-	-	-	-	-	-
Sale and repurchase agreements	5.67%	49,250,012	47,593,754	1,048,963	607,295	-	-	-	-	-	-	-
Commitments to extend credits		14,826,508	14,826,508	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(62,560,768)	(61,419,594)	(1,048,963)	(92,211)	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(129,626,647)	91,652,238	(50,537,979)	(1,344,177)	50,100,551	41,545,951	38,880,340	18,025,867	5,215,958	(115,652,317)
Cumulative yield / interest risk sensitivity gap				(37,974,409)	(88,512,388)	(89,856,565)	(39,756,014)	1,789,937	40,670,277	58,696,144	63,912,102	

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

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

46.2.5.3 Assets do not include fixed assets of Rs. 12,791,827 thousand (2017: Rs. 9,885,958 thousand), Intangible assets of Rs. 741,361 thousand (2017: Rs. 842,869 thousand) and other assets consisting of advances, advance rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, mark to market gain on forward foreign exchange contracts-net, suspense account, stationary and stamps in hand and acceptances of Rs. 19,938,596 thousand (2017: Rs. 16,962,971 thousand).

46.2.5.4 Liabilities do not include other liabilities consisting of unearned commission and income, advance payments, acceptances, branch adjustment account, mark to market loss on forward foreign exchange contracts-net, provision against off-balance sheet items, withholding taxes payable, federal excise duty and Workers' Welfare Fund of Rs. 10,483,645 thousand (2017: Rs. 7,716,682 thousand).

### 46.3 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The Bank strives to manage operational risk within acceptable levels through sound operational risk management practices.

Board Risk Management Committee defines the operational risk appetite and tolerance limits. Operational risk governance structure adopted by Bank is embedded within three lines of defense: Strategic, Macro and Micro.

The Bank already has in place an Operational Risk Management framework which is aligned with global best market practices. The Bank has dedicated functions to manage Operational Risk, Business Continuity Risk and Information Security Risk governed through comprehensive frameworks in line with international best practices.

#### 46.3.1 OPERATIONAL RISK-DISCLOSURES BASEL II SPECIFIC

Basel II Basic Indicator Approach is used for calculating the Capital Adequacy for Operational Risk.

#### 46.4 LIQUIDITY RISK

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

#### 46.4.1 MATURITIES OF ASSETS AND LIABILITIES - BASED ON CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES OF THE BANK

		2018													
			Over 1	Over 7	Over 14	Over 1	Over 2	Over 3	Over 6	Over 9	Over 1	Over 2	Over 3	Over	
		Total	Upto 1	to 7	to 14	to 1	to 2	to 3	to 6	to 9	to 1 year	to 2	to 3	to 5	Over
Rupees in '000			day	days	days	month	months	months	months	months	months	years	years	years	5 year
<b>Assets</b>															
	Cash and balances with treasury banks	49,187,645	1,586,698	9,520,189	11,106,888	26,973,870	-	-	-	-	-	-	-	-	-
	Balances with other banks	4,093,402	109,648	1,352,200	767,539	1,864,015	-	-	-	-	-	-	-	-	-
	Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Investments	260,233,987	62,177	86,516,957	361,264	542,581	40,533,223	2,886,925	4,026,462	262,539	104,257,406	2,413,496	4,288,116	6,103,385	7,979,456
	Advances	343,107,147	335,040	428,844	729,689	82,796,069	32,221,636	38,851,857	26,100,582	19,715,054	12,634,306	14,550,131	18,164,056	41,303,180	55,276,703
	Fixed assets	12,791,827	4,100	24,601	28,701	69,703	72,617	72,617	212,980	207,556	207,556	692,277	532,730	611,512	10,054,877
	Intangible assets	741,361	2,503	15,021	17,524	42,559	16,724	16,724	49,439	48,006	48,006	188,395	116,358	99,695	80,407
	Assets held for sale	80,720	-	-	-	-	-	-	-	-	80,720	-	-	-	-
	Deferred tax assets	3,773,779	71,173	427,037	498,210	1,209,939	14,872	14,873	44,619	44,619	166,490	139,272	416,276	726,399	-
	Other assets	32,522,174	-	-	-	7,610,189	-	-	-	-	-	5,073,459	5,073,459	4,920,605	9,844,462
		706,532,042	2,171,339	98,284,849	13,509,815	121,108,925	72,859,072	41,842,996	30,434,082	20,277,774	117,394,484	23,057,030	28,590,995	53,764,776	83,235,905
<b>Liabilities</b>															
	Bills payable	15,512,880	164,696	988,174	1,152,870	2,799,827	188,160	188,160	564,479	4,733,257	4,733,257	-	-	-	-
	Borrowings	52,702,323	518,324	25,569,337	9,239,492	8,811,509	702,302	702,302	5,970,618	-	-	62,813	62,813	1,062,813	-
	Deposits and other accounts	573,635,856	2,160,920	13,818,088	17,902,958	39,123,700	12,587,223	26,239,505	13,398,674	5,970,289	18,466,782	102,518,050	99,867,856	105,237,308	116,344,503
	Liabilities against assets subject to														
	finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Subordinated debts	9,993,600	-	-	-	-	-	800	-	-	800	1,600	1,600	3,200	9,985,600
	Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Other liabilities	21,178,476	362,867	2,177,202	2,540,069	6,159,514	-	-	-	-	-	4,969,412	2,484,706	1,242,353	1,242,353
		673,023,135	3,206,807	42,552,801	30,835,389	56,894,550	13,477,685	27,130,767	19,933,771	10,703,546	23,200,839	107,551,875	102,416,975	107,545,674	127,572,456
	Net assets	33,508,907	(1,035,468)	55,732,048	(17,325,574)	64,214,375	59,381,387	14,712,229	10,500,311	9,574,228	94,193,645	(84,494,845)	(73,825,980)	(53,780,898)	(44,336,551)
	Share Capital	12,602,602													
	Reserves	15,543,179													
	Unappropriated profit	3,713,929													
	Surplus on revaluation of assets	1,649,197													
		33,508,907													

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		2017												
			Over 1	Over 7	Over 14	Over 1	Over 2	Over 3	Over 6	Over 9	Over 1	Over 2	Over 3	Over
Rupees in '000		Total	Upto 1	to 7	to 14	to 2	to 3	to 6	to 9	months	to 2	to 3	to 5	Over
			day	days	days to 1	months	months	months	months	to 1 year	years	years	year	5 year
<b>Assets</b>														
Cash and balances with treasury banks	44,239,325	1,427,075	8,562,450	9,989,525	24,280,275	-	-	-	-	-	-	-	-	-
Balances with other banks	3,193,835	97,684	586,105	683,789	1,660,631	-	-	165,626	-	-	-	-	-	-
Lendings to financial institutions	2,250,000	-	1,000,000	-	750,000	-	-	500,000	-	-	-	-	-	-
Investments	314,956,748	63,475	28,314,037	220,562	32,197,226	61,757,769	17,074,105	3,075,234	8,716,783	407,022	56,242,768	42,856,480	41,230,252	22,801,035
Advances	258,693,086	5,028,057	1,467,846	1,422,503	46,474,935	20,179,166	30,694,415	17,552,562	16,618,023	14,327,592	14,729,617	12,857,348	27,889,001	49,452,021
Fixed assets	9,885,958	6,174	37,047	43,221	104,965	69,195	69,195	203,614	197,515	197,515	755,058	621,056	760,844	6,820,559
Intangible assets	842,869	1,807	10,841	12,647	30,715	16,654	16,654	48,898	48,407	48,407	185,473	181,207	155,102	86,057
Assets held for sale	80,720	-	-	-	-	-	-	-	-	80,720	-	-	-	-
Deferred tax assets	100,755	-	-	-	(210,265)	-	-	-	-	165,267	71,277	416,278	(841,802)	-
Other assets	28,448,099	214,769	1,288,613	1,503,382	3,651,071	-	-	-	-	-	4,438,556	4,438,556	4,304,384	8,608,768
	662,691,395	6,839,041	41,266,939	13,875,629	108,919,553	82,022,784	47,854,369	21,545,934	25,580,728	15,226,523	76,422,749	61,370,925	73,997,781	87,768,440
<b>Liabilities</b>														
Bills payable	10,769,262	114,334	686,005	800,339	1,943,679	130,623	130,622	391,870	3,285,895	3,285,895	-	-	-	-
Borrowings	71,587,311	-	46,391,734	2,104,172	12,315,664	2,429,178	3,276,518	4,929,612	-	-	46,811	46,811	46,811	-
Deposits and other accounts	525,808,308	2,905,125	13,219,559	16,821,804	35,025,032	12,615,755	24,076,473	14,849,262	9,522,028	11,948,534	92,310,926	91,051,010	96,193,979	105,268,821
Liabilities against assets subject to														
finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debts	4,992,800	-	-	-	-	-	800	200	-	1,000	2,000	500,000	501,600	3,987,200
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	17,098,223	292,717	1,756,300	2,049,016	4,976,186	-	-	-	-	-	4,012,001	2,006,001	1,003,001	1,003,001
	630,255,904	3,312,176	62,053,598	21,775,331	54,280,561	15,175,556	27,484,413	20,170,944	12,807,923	15,235,429	96,371,738	93,603,822	97,745,391	110,259,022
Net assets	32,435,491	3,526,865	(20,786,659)	(7,899,702)	54,658,992	66,847,228	20,369,956	1,374,990	12,772,805	(8,906)	(19,948,989)	(32,232,897)	(23,747,610)	(22,490,562)
Share Capital	12,602,602													
Reserves	11,840,757													
Unappropriated profit	2,849,678													
Surplus on revaluation of assets	5,142,254													
	32,435,491													



**46.4.2 MATURITIES OF ASSETS AND LIABILITIES - BASED ON EXPECTED MATURITY OF ASSETS AND LIABILITIES OF THE BANK**

2018										
Rupees in '000	Total	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
<b>Assets</b>										
Cash and balances with treasury banks	49,187,645	49,187,645	-	-	-	-	-	-	-	-
Balances with other banks	4,093,402	4,093,402	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	260,233,987	88,383,514	42,425,539	24,205,589	23,100,535	35,988,493	16,346,609	9,887,679	16,430,673	3,465,356
Advances	343,107,147	72,521,543	72,679,471	40,739,515	37,366,880	25,146,525	24,174,350	25,495,064	24,636,501	20,347,298
Fixed assets	12,791,827	127,105	145,233	212,980	415,111	692,277	532,730	611,512	606,164	9,448,715
Intangible assets	741,361	77,607	33,448	49,438	96,011	188,395	116,359	99,695	80,408	-
Assets held for sale	80,720	-	-	-	80,720	-	-	-	-	-
Deferred tax assets	3,773,779	2,206,359	29,745	44,619	211,109	139,272	416,276	726,399	-	-
Other assets	32,522,174	7,611,308	-	-	-	5,074,206	5,074,206	4,920,818	4,920,818	4,920,818
	706,532,042	224,208,483	115,313,436	65,252,141	61,270,366	67,229,168	46,660,530	41,741,167	46,674,564	38,182,187
<b>Liabilities</b>										
Bills payable	15,512,880	5,105,567	-	940,799	9,466,514	-	-	-	-	-
Borrowings	52,702,323	44,932,093	1,404,603	5,176,884	-	62,914	62,914	1,062,915	-	-
Deposits and other accounts	573,635,856	74,515,512	38,650,491	13,503,597	24,332,148	102,319,759	99,857,857	105,060,562	57,697,965	57,697,965
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debts	9,993,600	-	800	-	800	1,600	1,600	3,200	3,985,600	6,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	21,178,476	11,239,653	-	-	-	4,969,412	2,484,706	1,242,353	621,176	621,176
	673,023,135	135,792,825	40,055,894	19,621,280	33,799,462	107,353,685	102,407,077	107,369,030	62,304,741	64,319,141
<b>Net assets</b>	<b>33,508,907</b>	<b>88,415,658</b>	<b>75,257,542</b>	<b>45,630,861</b>	<b>27,470,904</b>	<b>(40,124,517)</b>	<b>(55,746,547)</b>	<b>(65,627,863)</b>	<b>(15,630,177)</b>	<b>(26,136,954)</b>
Share Capital	12,602,602									
Reserves	15,543,179									
Unappropriated profit	3,713,929									
Surplus on revaluation of assets	1,649,197									
	33,508,907									

2017										
Rupees in '000	Total	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
<b>Assets</b>										
Cash and balances with treasury banks	44,239,325	44,239,325	-	-	-	-	-	-	-	-
Balances with other banks	3,193,835	3,193,835	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,250,000	1,750,000	-	500,000	-	-	-	-	-	-
Investments	314,956,748	61,706,100	78,056,410	2,505,045	9,062,963	56,587,498	42,894,352	40,835,242	20,307,688	3,001,450
Advances	258,693,086	48,336,014	55,687,484	26,349,408	27,535,609	20,769,064	16,773,598	24,290,768	22,376,564	16,574,577
Fixed assets	9,885,958	191,407	138,390	203,614	395,029	755,058	621,056	760,844	611,749	6,208,811
Intangible assets	842,869	56,010	33,308	48,898	96,814	185,473	181,207	155,102	86,057	-
Assets held for sale	80,720	-	-	-	80,720	-	-	-	-	-
Deferred tax assets	100,755	(210,265)	-	-	165,267	71,277	416,278	(341,802)	-	-
Other assets	28,448,099	6,657,835	-	-	-	4,438,556	4,438,556	4,304,384	4,304,384	4,304,384
	662,691,395	165,920,261	133,915,592	29,606,965	37,336,402	82,806,926	65,325,047	70,004,538	47,686,442	30,089,222
<b>Liabilities</b>										
Bills payable	10,769,262	3,544,357	-	653,116	6,571,789	-	-	-	-	-
Borrowings	71,587,311	60,815,038	5,705,697	4,926,143	-	46,811	46,811	46,811	-	-
Deposits and other accounts	525,808,308	69,477,571	36,423,266	15,666,785	19,769,822	92,309,926	90,886,385	96,099,115	52,587,720	52,587,718
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debts	4,992,800	-	800	200	1,000	2,000	500,000	501,600	3,987,200	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	17,098,223	9,074,217	-	-	-	4,012,003	2,006,002	1,003,001	501,500	501,500
	630,255,904	142,911,183	42,129,763	21,246,244	26,342,611	96,370,740	93,439,198	97,650,527	57,076,420	53,089,218
<b>Net assets</b>	<b>32,435,491</b>	<b>23,009,078</b>	<b>91,785,829</b>	<b>8,360,721</b>	<b>10,993,791</b>	<b>(13,563,814)</b>	<b>(28,114,151)</b>	<b>(27,645,989)</b>	<b>(9,389,978)</b>	<b>(22,999,996)</b>
Share Capital	12,602,602									
Reserves	11,840,757									
Unappropriated profit	2,849,878									
Surplus on revaluation of assets	5,142,254									
	32,435,491									

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 46.5 DERIVATIVE RISK

The Bank at present does not offer structured derivative products such as interest rate swaps, forward rate swaps, forward rate agreements or foreign exchange options nor does it deal in market making and foreign exchange hedging.

Bank's derivative exposure is limited to hedging transactions undertaken by Treasury in instruments such as forward exchange contracts.

The Risk Management Division monitors Bank's overall derivative exposure in forward exchange contracts, which are marked to market and are included in Bank's overall portfolio measures of volatility including Value at Risk (VaR). Further, VaR is separately monitored for forward exchange contracts. Derivative exposures are also included in Bank's capital charge and risk weighted assets calculation in accordance with SBP Regulations.

### 47. GENERAL

#### 47.1 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 21, 2019 has proposed the following appropriations, which will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2018 do not include the effect of the appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2019 as follows:

Rupees in '000	2018	2017
Transfer from unappropriated profit to:		
Proposed final cash dividend - Re. 1 per share (2017: NIL)	1,260,260	—
General reserve	2,453,669	2,849,878

47.2 Captions as prescribed by BPRD Circular No. 2 dated January 25, 2018 issued by the SBP in respect of which there are no amounts have not been reproduced in these unconsolidated financial statements except for the unconsolidated statement of financial position and unconsolidated profit and loss account.

### 48. RECLASSIFICATION OF COMPARATIVE FIGURES

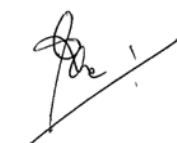
There have been no significant reclassifications in these unconsolidated financial statements except amount of Rs. 6,116 thousand for the year ended December 31, 2017, which has been reclassified from other assets to other liabilities.

### 49. DATE OF AUTHORIZATION

These unconsolidated financial statements were authorized for issue on February 21, 2019 by the Board of Directors of the Bank.



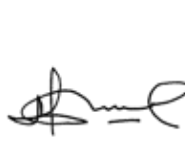
Abid Sattar  
President & Chief Executive



Saleem Anwar  
Chief Financial Officer



Rehan Laiq  
Director



Syed Ahmed Iqbal Ashraf  
Director



Lt Gen (R) Syed Tariq Nadeem Gilani  
Chairman

# ANNEXURE-1

## DECEMBER 31, 2018

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of Rs 500,000 or above allowed to a person(s) during the year ended December 31, 2018 as referred to in note 9.5 to these financial statements.

(Rupees in '000)										
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year			Principal Written-off	Interest / Mark-up Waived-off / Written-off	Other Financial relief provided	Total
				Principal	Interest / Mark-up	Other than Interest / Mark-up				
1	Muhammad Tanveer Haji Pura Road, Bogarah, Sialkot	Muhammad Tanveer 34603-8477298-7	Muhammad Rafique	-	589	-	589	-	589	589
2	Tele Medic (Pvt) Ltd. 160-B, Ahmed Block, New Garden Town, Lahore	Jawad Iqbal 34202-7990009-9 Raja Imran Ashfaq 37405-8677058-1 Irfan Bashir 42201-0665722-5	Muzaffar Iqbal  Raja M. Ashfaq  Muhammad Bashir	4,988	2,302	-	7,290	-	1,791	1,791
3	Sardar Qamar Hayat Moza Matta P.O Khas Tehsil & Distt. Kasur	Sardar Qamar Hayat 35102-5817370-3	Sardar Muhammad Hayat	2,000	2,662	-	4,662	-	1,997	1,997
4	Waseem Akram Muhalla Farooqia Kot Radha Kishan Distt. Kasur	Waseem Akram 35104-0357250-5	Karim	3,000	3,093	-	6,093	-	2,165	2,165
5	Izhar ul Haq Cheema 33 SL 02 Near Sheikh Hospital, Ferozwala Distt. Sheikhpura	Izhar ul Haq Cheema 35401-5565383-7	Asghar Ali	1,000	902	-	1,902	-	702	702
6	Muhammad Yaqoob / Intakhab Ahmad Mouza Shamor P/O & Tehsil Kamoki Distt. Gujranwala	Muhammad Yaqoob / Intakhab Ahmad 34102-66899585-1 / 34102-5880708-3	Abdul Khan/ Muhammad Yaqoob	1,496	938	-	2,434	-	554	554
7	Ahmad Yar Bukhari Tehsil & Distt. Chiniot	Ahmad Yar 33201-1538097-9	Noora	1,500	1,733	-	3,233	-	1,297	1,297
8	Saadat Yar Khan Tareen Mathoo Bair Khazam Tehsil Ahmadpur Sharqia	Saadat Yar Khan Tareen 33201-2263158-3	Hamid Yar Khan Tareen	1,000	856	-	1,856	-	633	633
9	Abdul Rauf Anjum Bukhari, Tehsil & Distt. Chiniot	Abdul Rauf Anjum 33201-1532659-7	Ahmad Yar	1,000	1,196	-	2,196	-	896	896
10	Muhammad Anwar Ward # 09, Dijkot, Faisalabad	Muhammad Anwar 33103-2467998-1	Muhammad Ayub	54	225	1,331	1,610	-	141	1,294
11	Madni Poly Corporation Near Irshad Hospital G.T Road Sadhoki, Gujranwala	Muhammad Aslam Shahid 34101-0228356-3 Muhammad Akram 34101-2395844-1 Muhammad Ashraf 34101-2725085-5	Sheikh Allah Bushk  Sheikh Allah Bushk  Sheikh Allah Bushk	-	-	834	834	-	-	834
12	Madni Poly Tex Pvt. Ltd. Near Irshad Hospital G.T Road Sadhoki, Gujranwala	Muhammad Aslam Shahid 34101-0228356-3 Muhammad Akram 34101-2395844-1 Muhammad Ashraf 34101-2725085-5	Sheikh Allah Bushk  Sheikh Allah Bushk  Sheikh Allah Bushk	-	-	1,275	1,275	-	-	1,275
13	Mazhar Ali Zaidi House # B-15, Dara Khusham Villa Karachi	Mazhar Ali Zaidi 42201-4025527-5	Syed Haziq Ali Zaidi	605	217	1,788	2,610	-	217	1,733
14	Sakhawat Ali Shah H # 1638-C, Fawwara Chowk Peoples Colony # 2 Faisalabad	Sakhawat Ali Shah 61101-3535440-3	Syed Azhar Hussain	246	41	4,638	4,925	-	22	4,604
15	Muhammad Hanif Transport Company 155 Hazrat Bilal Colony Sector 8/A Korangi, Karachi	M Hanif 42201-0367389-7	Ameer Rehman Khan	1,455	603	4,588	6,646	-	570	4,477
16	Muhammad Javed Iqbal Tarhana Chak No 659 GB PO Chak 535GB Tehsil & Distt. Faisalabad	Muhammad Javed Iqbal Tarhana 35201-8785829-3	Mehar Khan Muhammad Tarhana	3,000	2,726	-	5,726	-	2,044	2,044

# ANNEXURE-1

## DECEMBER 31, 2018

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year			Principal Written-off	Interest / Mark-up Waived-off /	Other Financial relief provided	Total	
				Principal	Interest / Mark-up	Other than Interest / Mark-up					
17	Rai Ijaz Ahmad Moza Abaidwala Tehsil & Distt. Nankana Sahib	Rai Ijaz Ahmad 35402-7708760-7	Rai Zulfiqar Ahmad	2,469	3,710	-	6,179	-	2,597	-	2,597
18	Zuhra Khanum Moza Ratta Khanna Tehsil Depalpur Distt. Okara	Zuhra Khanum 35301-1916436-2	Aman Ullah Khan	2,000	1,307	-	3,307	-	914	-	914
19	Muhammad Arshad Dograna Wala Millian P/O Chak Choudary Distt. Gujranwala	Muhammad Arshad 34103-1445845-7	Muhammad Sadique Virk	2,400	2,976	-	5,376	-	2,232	-	2,232
20	Lt Gen Saifdar Hussain H #03, St #03, Sec-D DHA Phase-01, Rawalpindi	Lt Gen Saifdar Hussain 61101-1980354-5	Muhammad Iqbal	-	8,774	-	8,774	-	4,387	-	4,387
21	Amir Hussain H # B-18, Blok N, North Nazimabad, Karachi	Amir Hussain 42101-8061397-5	Zahid Hussain	14,719	3,040	1,455	19,214	-	2,037	1,004	3,041
22	Aftab Shabir St # 3-B, Bilal Colony Old Shujabad Road, Multan	Aftab Shabir 36302-7785339-1	Bashir Ahmad	425	271	4,368	5,064	-	228	4,305	4,533
23	Ahtisham Ahmed H#52-B, Settelite Town, Gujranwala	Ahtisham Ahmed 34603-6269804-9	Shafique Ahmed	339	86	285	710	-	259	285	544
24	Kamlish Kumar Flat # K-803, 8th Floor, Sea Breeze Condominium Sub Plot # FF-3 Block 2 KDA Scheme # 5 Clifton, Karachi	Kamlish Kumar 42000-0561533-3	Bhagwan Das	2,478	1,006	142	3,626	-	484	142	626
25	Kanwal Javed H # 3-A, St # 10, Sector F-8/3, Islamabad	Kanwal Javed 17301-6418807-4	Mudassir Babar	961	524	268	1,753	-	513	268	781
26	Al Madina Transport Co Plot# 440, Sec-4 Biji Nager, Karachi	Yousaf Khan 42401-3763532-3	Dilawar Khan	2,286	-	8,058	10,344	-	-	8,058	8,058
27	Nisar Filling Station Sheikhupura Road Near Bakar Mandi, Gujranwala	Zubair Ahmed 34101-3871613-9	Nisar Ahmed	195	1,522	1,713	3,430	-	-	1,713	1,713
28	Pervaiz Iqbal Chak # 88/10 R, Allama Iqbal Town, Khanewal	Pervaiz Iqbal 36102-1937152-5	Mureed Hussain	806	1,037	120	1,963	-	829	44	873
29	Chaudhry Khurram Imran House # 36, Rehman Garden Block W Mauza Qila Ameer Sing, Sheikhupura	Chaudhry Khurram Imran 35404-1563592-7	Ch Muhammad Shafi	2,390	850	283	3,523	-	609	163	772
30	Soft Marketing & Real Estate Shop No.201, Panorama Centre, Saddar, Karachi	Abdul Mateen 42301-1985555-9	Ahmed	2,960	1,585	-	4,545	-	1,123	-	1,123
31	Leisure Textiles Limited 136-H, Canal View Cooperative Housing Society, Lahore.	Azhar Iqbal 35200-1456813-9 Azeem Zafar 91506-0126909-7	Chaudhry Muhammad Iqbal  Zafar Iqbal Chaudhry	50,000	6,970	-	56,970	-	6,970	-	6,970
32	Afzaal Bari Cheema House No.32, Street No.1, Habiba Colony, Mustafabad, Lahore.	Afzaal Bari Cheema 35200-6886039-1	Ghulam Bari	4,371	24,798	-	29,169	-	11,358	-	11,358
33	Magna Steel (Pvt) Ltd 19 Banglore Town, Block 7/8 KCHS, Main Shahrah-e-Faisal, Karachi	Muhammad Tariq Iqbal Mughal 35201-9057040-1 Abdul Ghani Dada 42401-0336246-7	Bashir Ahmed Mughal  Haji Abdul Ghaffar	414,016	102,066	-	516,082	-	97,593	-	97,593

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Waived-off / Written-off	Interest / Mark-up / Written-off	Other Financial relief provided	Total
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
34	Globe Textile Mills (OE) Ltd 105, 1st Floor, Ibrahim Trade Tower, Shahrah-e- Faisal, Karachi	Gul Bano Haji Habib 42201-4820491-3 Arshad Arif 42000-0517024-2 Arif Haji Habib 42301-0946950-1 Farzana Arif 42301-0861851-0 Misbah Arif 42301-0874206-0 Humaira Arshad 42301-5162481-4 Saman Arif 42301-4794484-4 Maroon 42201-2232952-0	Haji Habib  Arif  Haji Habib  Arif  Arif  Arshad  Arif  Haji Habib	38,192	28,088	-	66,280	-	28,558	-	28,558
35	Popular Board (Pvt) Ltd. 1/1/3 Siddiq Wahab Road, Timber Market, Karachi	Ahsan Elahi 42201-5775907 -3 Abdul Aziz 42201-824469-1 Adnan Iqbal 42201-8719969-1 Adeel Iqbal 42201-8729564-1	Iqbal  Iqbal  Iqbal  Iqbal	17,247	11,338	-	28,585	-	4,034	-	4,034
36	Sherwani Engineering Sales & Services Plot # N-4 situated in Sindh Industrial Trading Estate, Kotri & Plot # 1052, Pathan Goth, Hyderabad	Tasneem Ahmed Khan 41303-5439451-9	Fareed Ahmed Khan	3,000	2,337	-	5,337	-	1,837	-	1,837
37	Muhammad Mehboob Khan Moza Saldera Tehsil Burewala Distt. Vehari	Muhammad Mehboob Khan 36601-1560192-5	Muhammad Akram	2,200	1,639	-	3,839	-	1,253	-	1,253
38	Ghulam Murtaza Kot Pannah P/O Khas Tehsil & Distt. Hafizabad	Ghulam Murtaza 34301-4063092-7	Zafar Ullah	842	887	-	1,729	-	665	-	665
39	Kareem Baksh Noshehra PO Bhowana Tehsil Chiniot Distt. Jhung	Kareem Baksh 33201-1861588-9	Muhabat Khan	490	807	-	1,297	-	605	-	605
40	Khalid Hussain Kot Chiaan P.O. pindi Bharay Tehsil 7 Distt. Hafizabad	Khalid Hussain 34301-2667455-9	Ghulam Muhammad	3,000	2,783	-	5,783	-	2,783	-	2,783
41	Salman Liaqat Kalayar Chak # 352, GB Jaranwala Faisalabad	Salman Liaqat Kalayar 34603-39420246-1	Liaqat Ali Khan Shaheen	999	1,091	-	2,090	-	818	-	818
42	Malik Rizwan Akbar H # 167-B, Sector 2 Cantt View Housing Colony Gujranwala	Malik Rizwan Akbar 34603-2161546-3	Malik Saeed Ahmed	3,000	719	301	4,020	-	539	207	746
43	Insha Amin H # 52-F, Gulberg II Lahore	Insha Amin 35202-6642959-1	Ch Muhammad Amin	458	253	378	1,089	-	320	302	622
44	Imran Khan Jadoon SSTL Office Near Wapda Greed Station Murree Road Abbotabad	Imran Khan Jadoon 17301-9087579-3	Masiab Khan Jadoon	1,655	808	97	2,560	-	542	52	594
45	Muhammad Tahir H # 163, Madina Colony Near Grain Market Opposite Government Johar High School Multan	Muhammad Tahir 36302-0485902-3	Altaf Ur Rehman	2,160	721	147	3,028	-	721	147	868
46	AL-Aziz Route Transport Co Old KTC Bus Depot, Dawood Chowrangri Landhi, Karachi	Ismail Hasni 42201-1471046-3	Kareem Hasni	2,103	-	8,369	10,472	-	-	8,440	8,440
47	Khyber Flying Coach H # 742, St #17, Qasimabad, Rawalpindi	Sohail Anjum 37405-7009188-9	Abdul Mannan	828	85	6,893	7,806	-	85	6,913	6,998

# ANNEXURE-1

## DECEMBER 31, 2018

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written-off	Interest / Mark-up Waived-off / Written-off	Other Financial relief provided	Total
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
48	Al-Munaf Garments Shop No.107 & 108, 2nd Floor, Mateen Plaza, Tariq Road, Karachi	Muhammad Munaf 42101-2381014-1	Abdul Sattar	125	944	-	1,069	-	883	-	883
49	Imran Haider P-1180/8 Street # 6, Mohallah Siddique Abad, Faisalabad.	Imran Haider 33100-0715400-3	Ghulam Muhammad	-	1,257	-	1,257	-	1,257	-	1,257
50	Lash Trading 440 FF, Phase IV, DHA, Lahore. Ch. Muhammad Boota Road, Nai Abadi, Pacca Garha, Sialkot.	Saim Maqsood 34603-2286953-5 Aisha Bilal 34603-9324415-2	Maqsood Ahmad Saim Maqsood	5,000	1,820	-	6,820	-	1,820	-	1,820
51	Khawaja Touqeer 77 - Kashmir Block, Allama Iqbal Town, Lahore.	Khawaja Touqeer 35202-2289796-8	Khawaja Abdul Rauf	1,999	1,337	-	3,336	-	1,286	-	1,286
52	Muhammad Tasleem Moaza Lala Mehar Chand Tehsil Kamalia Distt. TTS	Muhammad Tasleem 33302-9755489-9	Muhammad Ibrahim	69	715	-	784	-	536	-	536
53	Zulfiqar Ali Cheema House # 55, Umar Block Allama Iqbal Town Lahore	Zulfiqar Ali Cheema 35202-1500138-7	Ch Sana Ullah	1,000	1,326	-	2,326	-	-	995	995
54	Iftikhar Ahmad & Zulfiqar Ali Batak P/O Basir Pur Tehsil Depal Pur Distt. Okara	Iftikhar Ahmad & Zulfiqar Ali 35301-3559995-3, 35301-1917395-3	Zulfiqar Ali & Sharif u Din	1,592	847	-	2,439	-	508	-	508
55	Khaliq Dad Bukhari Tehsil & Distt. Chiniot	Khaliq Dad 33201-7568160-3	M Khursheed Alam	2,000	2,324	-	4,324	-	1,743	-	1,743
56	Muhammad Zashan Aslam PO Mandi Shah Jevna Kilcha Tehsil & Distt. Jhung	Muhammad Zashan Aslam 33202-0641622-7	Muhammad Afzal	2,000	1,860	-	3,860	-	1,390	-	1,390
57	Ghulam Batool PO Mandi Shah Jevna Kilcha Thsil & Distt. Jhung	Ghulam Batool 33100-0887166-8	Muhammad Afzal	1,000	1,046	-	2,046	-	784	-	784
58	Muhammad Amin Mian Chak # 130/E.B. Tehsil Burewala Distt. Vehari	Muhammad Amin Mian 36601-6444727-9	Ch Barkat Ali	448	805	-	1,253	-	563	-	563
59	Muhammad Hussain Moaza Thatha Gajju Tehsil Pindi Bhatian Distt. Hafizabad	Muhammad Hussain 34302-4230234-7	Dost Muhammad	396	820	-	1,216	-	615	-	615
60	Ch Ali Ijaz Samra Mallan Wala P/O Ghaee Wala Tehsil Wazirabad Distt. Gujranwala	Ch Ali Ijaz Samra 34104-2340218-7	Ch Ijaz Ahmad Samra	2,724	1,808	-	4,532	-	1,248	-	1,248
61	A. D. Media Consultant Mehran Centre, Near Three Swords, Clifton, Karachi	Syed Mumtaz Hassan Zaidi 42000-8565515-1	Syed Wasi Hassan Zaidi	784	1,076	-	1,860	-	1,054	-	1,054
62	Seven Seas International C-3, Fish Harbour, West Wharf, Karachi	Syed Anwar Iftikhar Zaidi 42301-1096180-5	Syed Iftikhar Ahmed Zaidi	26,000	775	-	26,775	-	1,051	-	1,051
63	J. A. Sons Qazi Building, Chabba Street, Jodia Bazar, Karachi	Javed Ali 42301-5849454-3	Wazeer Ali	6,940	1,432	-	8,372	-	1,117	-	1,117
64	Husnain Cotex Ltd. 242-Ahmad Block, New Garden Town, Lahore	Husnain Yousaf 33202-0601133-3 Jahanzeb Masood 33202-1186603-7 Ammar Ali 35202-8834511-1 Sajjad Hussain 42401-3665606-9	Muhammad Yousaf Muhammad Masood Muhammad Aamer Yameen Khan Noor Muhammad	-	24,697	-	24,697	-	24,667	-	24,667

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Waived-off / Written-off	Interest / Mark-up / Written-off	Other Financial relief provided	Total
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
65	Mira Pakistan 242-Ahmad Block, New Garden Town, Lahore	Husnain Yousaf 33202-0601133-3 Jahanzeb Masood 33202-1186603-7 Ammar Ali 35202-8834511-1 Sajjad Hussain 42401-3665606-9	Muhammad Yousaf  Muhammad Masood  Muhammad Amer' Yameen Khan  Noor Muhammad	-	1,854	-	1,854	-	1,854	-	1,854
66	Ahsan Mills (Pvt) Ltd. Lahore Multan Road, Chak No. 136/9-L, Sahiwal 274-B-1, 1st Floor, Alpha Tower, High Street, Sahiwal	Shaikh Ashfaq Ahmad 36502-1378032-3 Saima Sadaf 36502-1305750-0	Bashir Ahmad  Shaikh Ashfaq Ahmad	6,310	13,991	-	20,301	-	13,991	-	13,991
67	Lalazar Textile Mills (Pvt) Ltd. 274-B-1, 1st Floor, Alpha Tower, High Street, Sahiwal	Shaikh Ashfaq Ahmad 36502-1378032-3 Saima Sadaf 36502-1305750-0	Bashir Ahmad  Shaikh Ashfaq Ahmad	-	4,499	-	4,499	-	4,499	-	4,499
68	Capital Steel Mills 17-Km Sheikhpura Road Lahore	Muhammad Saleem 35202-5040211-3 Zafar Masood 35202-3528815-7 Muhammad Amin 35202-9530057-3	Mian Noor Muhammad  Sher Muhammad  Mian Noor Muhammad	5,996	3,062	-	9,058	-	2,422	-	2,422
69	Samin Textiles Limited 8-KM, Off Manga Raiwind Road, Tehsil & Distt. Kasur	Jahanzeb Amin 35202-0678117-5 Mehrash Amin 35202-7529469-4 Safdar Hussain Tariq 35202-7560182-5 Jamil Masood 61101-1880963-1 Tariq Jillani 35201-2601114-9 Sheharyar Amin 35202-3737616-9 Qamber Hamid 35201-2796208-1	Sarmad Amin  Amin  Jaffar Hussain  Iqbal Masood  Mian Ghulam Jillani  Amin  Hamid	114,995	4,103	-	119,098	-	1,434	-	1,434
70	Ashiq Hussain H # 230, Jhelum Block D.C Colony, Gujranwala	Ashiq Hussain 45501-1865218-9	Rehmat Ali	5,795	1,612	538	7,945	-	403	538	941
71	Farzana Shoukat House # 12, Lane # 14, Sector H, Phase II DHA, Islamabad	Farzana Shoukat 13101-0879048-0	Brig (R) Shaukat Mehmood	3,466	999	156	4,621	-	499	156	655
72	Ataf Shahrugh & Company Off # 512, 5th Flr Uni Shopping Centre, Karachi	Muhammad Hanif 42201-3381308-7	Muhammad Sulaman	7,246	1,715	33,256	42,217	-	1,663	33,141	34,804
73	Ataf Shahrugh & Company Off # 512, 5th Flr Uni Shopping Centre, Karachi	Muhammad Hanif 42201-3381308-7	Muhammad Sulaman	17,818	5,218	84,742	107,778	-	5,166	84,677	89,843
74	Bilal Ahmed BB-583, St#1, Imam Bargah, Rawalpindi	Bilal Ahmed 37405-0584153-9	Muhammad Shafique	-	102	407	509	-	102	407	509
TOTAL				814,036	312,205	166,430	1,292,671	-	261,066	166,174	427,240

# ANNEXURE-2

## REPORT OF SHARIAH BOARD FOR THE YEAR 2018

In the name of Allah, the Beneficent, the Merciful.

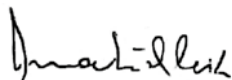
1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Askari Ikhlas Islamic Banking are conducted in a manner that comply with Shariah Principles at all times, we are required by the SBP's Shariah Governance Framework to submit a report on the overall Shariah compliance environment of Askari Ikhlas Islamic Banking.
2. To form our opinion as expressed in this report, the Shariah Compliance Department of the bank carried out reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed the Shariah audit reports.

Based on above, we are of the view that:

- i. Askari Ikhlas Islamic Banking has complied with the Shariah rules and principles in the light of fatawa, rulings and guidelines issued by its Shariah Board.
  - ii. Askari Ikhlas Islamic Banking has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
  - iii. Askari Ikhlas Islamic Banking has a comprehensive mechanism in place to ensure Shariah compliance in their overall operations.
  - iv. Askari Ikhlas Islamic Banking has a well-defined system in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized. During the Year 2018 charity amount of Rs. 25.15million was realized, out of which Rs. 0.43million was due to Shariah non-compliance.
  - v. Askari Ikhlas Islamic Banking has complied with the SBP instructions on profit and loss distribution and pool management.
  - vi. The BoD appreciates the importance of Shariah compliance in the products and processes of the bank and the same shall be further strengthened through orientation sessions / trainings.
  - vii. The Shariah Board has been provided adequate resources enabling it to discharge its duties, effectively.
3. Training and capacity building remains the key area which requires improvement. It is imperative to arrange trainings and orientation sessions for the staff and the management to further enhance their level of awareness, capacity and understanding about Islamic banking and importance of Shariah Compliance.



Mufti Muhammad Zahid  
Chairman Shariah Board



Mufti Ismatullah  
Member Shariah Board



Dr. Muhammad Tahir  
Resident Shariah Board Member

Date of Report: February 8, 2019



# شریعتہ بورڈ کی رپورٹ

برائے سال 2018ء

بسم اللہ الرحمن الرحیم!

اسٹیٹ بینک آف پاکستان کی جاری کردہ ہدایات کی رو سے یہ بورڈ آف ڈائریکٹرز اور انتظامیہ کی ذمہ داری ہے کہ وہ اس بات کو یقینی بنائے کہ عسکری بینک لمیٹڈ اخلاص اسلامی بینکاری کی تمام سرگرمیاں شریعت کے اصولوں کے مطابق ہیں۔ اسی طرح شریعت بورڈ کی ذمہ داری ہے کہ وہ بینک کے بورڈ آف ڈائریکٹرز کو آگاہ کرے کہ سال 2018ء میں اخلاص اسلامی بینکاری کی سرگرمیاں کس حد تک شریعت کے اصولوں سے ہم آہنگ رہی ہیں۔ شریعت بورڈ نے اپنی رپورٹ مرتب کرنے کے لیے شریعت ڈیپارٹمنٹ اور آڈٹ ڈیپارٹمنٹ کی رپورٹس کا بغور جائزہ لیا ہے۔ ان حقائق و معلومات کی روشنی میں ہماری رائے یہ ہے کہ:-

- ۱- اسلامی بینکاری کی خدمات فراہم کرتے ہوئے بینک نے شریعت بورڈ کے فتاویٰ اور ہدایات کو ملحوظ رکھا ہے۔
- ۲- اسلامی بینکاری کی خدمات فراہم کرتے ہوئے بینک نے اسٹیٹ بینک آف پاکستان اور اس کے شریعت بورڈ کی جاری کردہ ہدایات اور احکامات کی پاسداری کی ہے۔
- ۳- شرعی اصولوں کی پاسداری کے حوالے سے بینک میں اسلامی بینکاری سروسز کا ایک جامع اور مربوط نظام رائج ہے۔
- ۴- عسکری بینک لمیٹڈ اخلاص اسلامی بینکاری کے پاس ایک ایسا واضح اور جامع نظام موجود ہے جس کے تحت غیر شرعی ذرائع سے حاصل شدہ آمدن صرف خیراتی مقاصد میں استعمال ہوتی ہے اور وہ بینک کی آمدن کا حصہ نہیں بنتی۔ سال 2018ء میں 15.15 بلین روپے چیریٹی کی مد میں وصول کئے گئے، جس میں سے 4 لاکھ 30 ہزار روپے کی رقم غیر شرعی ٹرانزیکشن کے نتیجے میں چیریٹی فنڈ میں ٹرانسفر کی گئی۔
- ۵- اس سارے عرصے میں رب المال (کھاتہ داران) کو نفع کی تقسیم اسٹیٹ بینک آف پاکستان کی جاری کردہ ہدایات اور احکامات کے مطابق ہوئی۔
- ۶- بورڈ آف ڈائریکٹرز اسلامی بینکاری کے متعلق مناسب اور معقول آگاہی رکھتے ہیں۔ تربیتی پروگرامز کے ذریعے اسے مزید تقویت دی جائے گی۔
- ۷- بینک انتظامیہ نے شریعت بورڈ کو اس کے فرائض کی انجام دہی کے لیے مطلوبہ وسائل مہیا کر رکھے ہیں۔

ہماری رائے میں اسٹاف اور انتظامیہ کی اسلامی بینکاری سے آگاہی اور اہلیت میں بہتری لانے کی ضرورت ہے۔ اس حوالے سے تربیتی پروگرامز کے تسلسل کے ساتھ انعقاد کی ضرورت ہے۔ ان پروگرامز سے اسٹاف اور انتظامیہ کی اسلامی بینکاری کی فہم اور شریعت کی پیمائش کی صورت حال کو مزید بہتر بنانے میں مدد مل سکے گی۔

مفتی محمد زاہد

چیرمین شریعت بورڈ

ڈاکٹر محمد طاہر

ریزیڈنٹ سنیٹ شریعت بورڈ ممبئی

مفتی عصمت اللہ

ممبر شریعت بورڈ

مورخہ: ۸ فروری 2019ء

## ANNEXURE-2

### ISLAMIC BANKING BUSINESS - STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

The Bank is operating 94 Islamic banking branches including 3 sub-branches at the end of 2018 as compared to 94 Islamic banking branches including 3 sub-branches at the end of 2017.

Rupees in '000	Note	2018	2017
<b>ASSETS</b>			
Cash and balances with treasury banks		3,302,392	2,996,103
Balances with other banks		506,950	1,162,958
Due from financial Institutions	1	–	750,000
Investments	2	8,169,564	6,733,697
Islamic financing and related assets - net	3	46,610,024	34,395,936
Fixed assets		547,807	654,384
Intangible		–	–
Other assets		1,625,927	1,311,395
<b>Total assets</b>		<b>60,762,664</b>	<b>48,004,473</b>
<b>LIABILITIES</b>			
Bills payable		757,821	775,764
Due to financial institutions		8,999,361	2,410,152
Deposits and other accounts	4	42,338,600	37,650,774
Due to head office		2,168,060	1,868,060
Other liabilities		2,313,368	1,808,357
		56,577,210	44,513,107
<b>NET ASSETS</b>		<b>4,185,454</b>	<b>3,491,366</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		4,600,000	4,100,000
(Deficit) / Surplus on revaluation of assets		(30,306)	8,183
Unappropriated loss	5	(384,240)	(616,817)
		4,185,454	3,491,366
<b>CONTINGENCIES AND COMMITMENTS</b>	6	<b>5,934,661</b>	<b>6,667,661</b>

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2018 is as follows:

Rupees in '000	Note	2018	2017
Profit / return earned	7	3,615,500	2,584,413
Profit / return expensed	8	1,750,655	1,210,068
<b>Net profit / return</b>		<b>1,864,845</b>	<b>1,374,345</b>
<b>Other income</b>			
Fee and commission income		160,952	113,111
Dividend income		–	–
Foreign exchange income		26,705	7,217
Income / (loss) from derivatives		–	–
Gain / (loss) on securities		–	–
Other income		38,760	32,936
<b>Total other income</b>		<b>226,417</b>	<b>153,264</b>
<b>Total Income</b>		<b>2,091,262</b>	<b>1,527,609</b>
<b>Other expenses</b>			
Operating expenses		1,798,811	1,635,312
Workers' Welfare Fund		–	–
Other charges		22,516	1,150
<b>Total other expenses</b>		<b>1,821,327</b>	<b>1,636,462</b>
Profit / (loss) before provisions		269,935	(108,853)
Provisions and write offs - net		37,358	126,285
<b>Profit / (loss) before taxation</b>		<b>232,577</b>	<b>(235,138)</b>

Rupees in '000	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
<b>1. DUE FROM FINANCIAL INSTITUTIONS</b>						
Secured	-	-	-	-	-	-
Unsecured	-	-	-	750,000	-	750,000
Bai Muajjal Receivable from other Financial Institutions	-	-	-	-	-	-
Bai Muajjal Receivable from State Bank of Pakistan	-	-	-	-	-	-
Others	-	-	-	-	-	-
	-	-	-	750,000	-	750,000

Rupees in '000	2018				2017			
	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
<b>2. INVESTMENTS BY SEGMENTS</b>								
<b>FEDERAL GOVERNMENT SECURITIES</b>								
- Ijarah Sukuks	5,539,756	-	(32,130)	5,507,626	5,577,454	-	483	5,577,937
- GOP Bai Muajjal	1,031,054	-	-	1,031,054	-	-	-	-
	6,570,810	-	(32,130)	6,538,680	5,577,454	-	483	5,577,937
<b>NON GOVERNMENT DEBT SECURITIES</b>								
- Listed	210,000	-	1,824	211,824	280,000	-	7,700	287,700
- Unlisted	2,047,942	(628,882)	-	1,419,060	1,502,836	(634,776)	-	868,060
	2,257,942	(628,882)	1,824	1,630,884	1,782,836	(634,776)	7,700	1,155,760
Total Investments	8,828,752	(628,882)	(30,306)	8,169,564	7,360,290	(634,776)	8,183	6,733,697

Rupees in '000	Note	2018	2017
<b>3. ISLAMIC FINANCING AND RELATED ASSETS</b>			
Ijarah	3.1	4,159,292	3,504,530
Murabaha	3.2	5,163,391	4,968,620
Musharaka		16,689,289	8,606,677
Diminishing Musharaka		9,489,949	8,625,354
Salam		6,209,050	5,394,534
Istisna		2,128,828	2,062,034
Receivable against sale of Istisna / Salam inventory		-	50,000
Service Ijarah		390,477	671,429
Other Islamic Modes (Executive Car Finance-Qarz-e-Hasana)		74,351	60,569
Advances against Islamic assets	3.3	1,919,753	399,586
Inventory related to Islamic financing	3.4	793,819	412,464
Gross Islamic financing and related assets		47,018,199	34,755,797
Less: provision against Islamic financings			
- Specific		374,871	333,633
- General		33,304	26,228
		408,175	359,861
Islamic financing and related assets - net of provision		46,610,024	34,395,936

# ANNEXURE-2

## ISLAMIC BANKING BUSINESS - STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

Rupees in '000	2018								
	Cost				Depreciation				Book value as at December 31, 2018
	As at January 1, 2018	Additions	(Deletions)	As at December 31, 2018	As at January 1, 2018	Charge for the year	Adjustments / (Deletions)	As at December 31, 2018	
<b>3.1 IJARAH</b>									
Plant and machinery	915,581	151,373	(357,712)	709,242	432,751	141,893	(256,990)	317,654	391,588
Vehicles	4,230,457	2,014,540	(969,722)	5,275,275	1,338,487	838,069	(562,157)	1,614,399	3,660,876
Equipment	65,235	-	(3,310)	61,925	26,951	18,708	(2,648)	43,011	18,914
<b>Total</b>	<b>5,211,273</b>	<b>2,165,913</b>	<b>(1,330,744)</b>	<b>6,046,442</b>	<b>1,798,189</b>	<b>998,670</b>	<b>(821,795)</b>	<b>1,975,064</b>	<b>4,071,378</b>

Rupees in '000	2017								
	Cost				Depreciation				Book value as at December 31, 2017
	As at January 1, 2017	Additions	(Deletions)	As at December 31, 2017	As at January 1, 2017	Charge for the year	Adjustments / (Deletions)	As at December 31, 2017	
Plant and machinery	929,523	299,058	(313,000)	915,581	422,632	194,152	(184,033)	432,751	482,830
Vehicles	3,240,387	1,599,830	(609,760)	4,230,457	877,688	702,610	(241,811)	1,338,487	2,891,970
Equipment	68,442	-	(3,207)	65,235	7,695	19,023	233	26,951	38,284
<b>Total</b>	<b>4,238,352</b>	<b>1,898,888</b>	<b>(925,967)</b>	<b>5,211,273</b>	<b>1,308,015</b>	<b>915,785</b>	<b>(425,611)</b>	<b>1,798,189</b>	<b>3,413,084</b>

Rupees in '000	2018				2017			
	Not later than 1 year	Later than 1 year and less than 5 year	Over five years	Total	Not later than 1 year	Later than 1 year and less than 5 year	Over five years	Total
	<b>NET INVESTMENT UNDER IJARAH</b>							
Ijarah rentals receivable	89,767	-	-	89,767	93,275	-	-	93,275
Residual value	1,788	-	-	1,788	1,969	-	-	1,969
Minimum Ijarah payments	91,555	-	-	91,555	95,244	-	-	95,244
Profit for future periods	(3,641)	-	-	(3,641)	(3,798)	-	-	(3,798)
<b>Net Assets / Investments in Ijarah</b>	<b>87,914</b>	<b>-</b>	<b>-</b>	<b>87,914</b>	<b>91,446</b>	<b>-</b>	<b>-</b>	<b>91,446</b>

Rupees in '000	2018				2017			
	Not later than 1 year	Later than 1 year and less than 5 year	Over five years	Total	Not later than 1 year	Later than 1 year and less than 5 year	Over five years	Total
	Ijarah rentals receivable	1,458,343	2,402,358	29,866	3,890,567	1,199,573	1,886,531	22,627

Rupees in '000	Note	2018		2017
<b>3.2 MURABAHA</b>				
Murabaha financing	3.2.1		3,351,076	3,724,973
Inventory for Murabaha			-	-
Advances for Murabaha			1,812,315	1,243,647
			<b>5,163,391</b>	<b>4,968,620</b>
<b>3.2.1 Murabaha receivable - gross</b>	<b>3.2.3</b>		<b>3,471,782</b>	<b>3,825,048</b>
Less: Deferred murabaha income	3.2.4		54,709	50,838
Profit receivable shown in other assets			65,997	49,237
<b>Murabaha financings</b>			<b>3,351,076</b>	<b>3,724,973</b>
<b>3.2.2 The movement in Murabaha financing during the year is as follows:</b>				
Opening balance			3,724,973	4,287,491
Sales during the year			13,041,068	12,645,962
Adjusted during the year			(13,414,965)	(13,208,480)
<b>Closing balance</b>			<b>3,351,076</b>	<b>3,724,973</b>

Rupees in '000		2018	2017
<b>3.2.3</b>	Murabaha sale price	3,471,782	3,825,048
	Murabaha purchase price	(3,351,076)	(3,724,973)
		120,706	100,075
<b>3.2.4</b>	<b>DEFERRED MURABAHA INCOME</b>		
	Opening balance	50,838	66,786
	Arising during the year	349,146	273,415
	Less: Recognised during the year	345,275	289,363
	Closing balance	54,709	50,838

Rupees in '000		Ijarah	Musharaka	Diminishing Musharaka	Salam	Istisna	Total
<b>3.3</b>	<b>ADVANCE AGAINST ISLAMIC ASSETS</b>						
	2018	303,763	–	1,615,990	–	–	1,919,753
	2017	346,380	–	53,206	–	–	399,586

Rupees in '000		Ijarah	Musharaka	Diminishing Musharaka	Salam	Istisna	Total
<b>3.4</b>	<b>INVENTORY RELATED TO ISLAMIC FINANCING</b>						
	2018	–	–	–	126,178	667,641	793,819
	2017	–	–	–	103,885	308,579	412,464

Rupees in '000		2018			2017		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
<b>4.</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>						
	<b>CUSTOMERS</b>						
	Current deposits - non remunerative	14,510,450	430,218	14,940,668	12,572,870	405,328	12,978,198
	Current deposits - remunerative	589,527	–	589,527	751,535	–	751,535
	Savings deposits	18,927,957	362,480	19,290,437	16,068,811	385,526	16,454,337
	Term deposits	6,395,547	–	6,395,547	5,824,785	–	5,824,785
	Others	504,486	8,725	513,211	496,315	1,253	497,568
		40,927,967	801,423	41,729,390	35,714,316	792,107	36,506,423
	<b>FINANCIAL INSTITUTIONS</b>						
	Current deposits - non remunerative	9,376	509	9,885	4,797	–	4,797
	Savings deposits	474,325	–	474,325	609,554	–	609,554
	Term deposits	125,000	–	125,000	530,000	–	530,000
		608,701	509	609,210	1,144,351	–	1,144,351
		41,536,668	801,932	42,338,600	36,858,667	792,107	37,650,774

Rupees in '000		2018	2017
<b>4.1</b>	<b>COMPOSITION OF DEPOSITS</b>		
	- Individuals	25,078,234	23,510,975
	- Government / Public Sector Entities	4,781,433	2,592,671
	- Banking Companies	72	92
	- Non-Banking Financial Institutions	609,138	1,144,259
	- Private Sector	11,869,723	10,402,777
		42,338,600	37,650,774

## ANNEXURE-2

### ISLAMIC BANKING BUSINESS - STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

4.2 This includes deposits of Rs. 32,258,004 thousand (2017: Rs. 28,136,730 thousand) eligible to be covered under Shariah compliant deposits protection mechanism of Deposit Protection Corporation, State Bank of Pakistan.

Rupees in '000	2018	2017
<b>5. ISLAMIC BANKING BUSINESS UNAPPROPRIATED LOSS</b>		
Opening balance	(616,817)	(381,679)
Add: Islamic Banking profit for the period	232,577	(235,138)
Closing Balance	(384,240)	(616,817)
<b>6. CONTINGENCIES AND COMMITMENTS</b>		
- Transaction-related contingent liabilities	3,356,190	2,508,921
- Trade-related contingent liabilities	2,465,459	2,574,577
- Commitments in respect of forward exchange contracts	112,220	1,581,889
- Commitments for the acquisition of operating fixed assets	792	2,274
	5,934,661	6,667,661
<b>7. PROFIT / RETURN EARNED ON FINANCING, INVESTMENTS AND PLACEMENTS</b>		
Profit earned on:		
Financing	3,172,049	2,084,443
Investments	401,899	316,394
Placements	41,552	183,576
	3,615,500	2,584,413
<b>8. PROFIT ON DEPOSITS AND OTHER DUES EXPENSED</b>		
Deposits and other accounts	1,356,667	1,138,431
Due to financial institutions	312,528	35,166
Due to Head Office	81,460	36,471
	1,750,655	1,210,068
<b>9. CHARITY FUND</b>		
Opening Balance	6,304	9,257
Additions during the period		
- Received from customers on account of delayed payment	24,659	9,261
- Non-Shariah compliant income	433	375
- Profit on charity saving account	3	2
- Others	59	97
	25,154	9,735
Payments / utilization during the period		
- Education	(1,139)	(2,250)
- Community welfare	(1,850)	(3,700)
- Health	(4,233)	(4,684)
- Orphanage	(1,027)	(2,054)
	(8,249)	(12,688)
Closing Balance	23,209	6,304
<b>9.1 CHARITY IN EXCESS OF RS. 500,000 WAS PAID TO FOLLOWING INSTITUTIONS:</b>		
Al Khidmat Foundation Pakistan, Lahore	1,850	3,700
Al Murshad Hospital, Karachi	-	1,500
Bali Memorial Trust, Lahore	1,027	2,054
Child Life Foundation, Karachi	1,000	-
Fatimid Foundation, Multan	1,468	2,884
Hamza Foundation Welfare Hospital, Peshawar	965	-
Quality School Foundation	-	1,500
The Helppcare Society, Lahore	900	750
	7,210	12,388

## 10. POOL MANAGEMENT

10.1 The Bank generates deposit on the basis of following two modes:

1. Qard
2. Mudaraba

Deposits taken on Qard Basis are classified as 'Current Account' and deposits generated on Mudaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

The Bank also accepted / acquired customer and inter-bank funds, for short term liquidity requirement under Musharaka mode. Profits realized in Musharaka pools are distributed in pre agreed profit sharing ratio. Besides above, the bank also accept funds from State Bank of Pakistan in Islamic Export Refinance pool under Musharaka mode. The features, risk and reward of this Musharaka pool are in accordance with the SBP Islamic Export Refinance Scheme (IERS) and circulars issued from time to time.

Asset pools are created at the Bank's discretion and the Bank can add, amend, and transfer an asset to any other pool in the interest of deposit holders. During the year following three Mudaraba based pools were maintained by the Bank having below mentioned key features:

### A. GENERAL POOL

The objective of the pool is to invest funds on a Shariah Compliant basis and maximize profits for the Rabb-ul-Mal on a Gross Mudaraba basis. In this pool, portfolio diversification strategy has been used to mitigate the risk of loss. Diversification may marginally reduce returns but it also spreads risk by reducing chances of loss.

### B. FOREIGN CURRENCY POOL

The objective of the pool is to invest funds on a Shariah Compliant basis and maximize profits for the Rabb-ul-Mal i.e. depositors in foreign currency: US dollars on a Gross Mudaraba basis. Due to dearth and limitations of foreign denominated investment opportunities available to Islamic Banks operating in Pakistan, the returns would be linked with an earning assets pool comprising of Shariah Compliant assets, with reliance mainly on placement(s) with other known Islamic Financial Institutions.

### C. FINANCIAL INSTITUTIONS (FI) POOL

The objective of the pool is to obtain and invest funds primarily from conventional side of the Bank, on a Shariah Compliant Gross Mudaraba basis, mainly to meet liquidity needs in line with business requirements and banking norms. The FI pool is linked with an earning assets pool comprising mainly of investments in sovereign risk, i.e. GOP guaranteed Statutory Liquidity Requirement (SLR) eligible Sukuk.

Under the above Mudaraba based pools, the Bank accepted funds on Mudaraba basis from depositors (Rabb-ul-Mal) where the Bank acted as Manager (Mudarib) and invested the funds in Shariah Compliant modes of financings, investments and placements. Also, as allowed, the Bank at its discretion commingled its own funds including current accounts as equity with the depositors' funds in all the pools. However, for investment purposes, Rabb-ul-Mal's funds were given priority over own funds (equity).

The net profit of each deposit pool is calculated on all the remunerative assets booked by utilizing the funds from the pool after deduction of direct expenses as approved by Shariah Board, if any. The directly related costs comprise of depreciation on Ijarah assets, Wakalah tul Istismar fee, brokerage fee paid for placement of funds under Islamic modes, Takaful / Insurance expense, registration expense and commission to car Ijarah dealers, staff & others. The general and specific provisions created against non-performing financings and diminution in the value of investments shall be borne by the Bank as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to respective pool(s) along with other direct expenses. Provisions / write offs shall revert to Mudarib / pool(s) to which it was originally charged. From the net return, profit is paid to the Mudarib in the ratio of Mudarib's equity in the pool to the total pool. The Mudarib's share is deducted from this profit to calculate distributable profit. Rabb-ul-Mal's share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

# ANNEXURE-2

## ISLAMIC BANKING BUSINESS - STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

In order to remain competitive in the industry and to retain existing customer / mobilize deposits from new customers, the Bank as a Mudarib distributed part of its share of profit to Rabb-ul-Mal as HIBA.

Income generated from banking operations (e.g. fee and commission income etc.) is not shared with depositors.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of Investments.

### 10.2 THE BANK MANAGED FOLLOWING GENERAL AND SPECIFIC POOLS :

2018										
Mudaraba Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Profit rate / return earned	Profit rate / return distributed	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of mudarib share transferred through hiba	Amount of mudarib share transferred through hiba
								Rupees	Rupees	
General Pool	PKR	Monthly	50%	7.26%	5.11%	0.90	2.92	969,681,012	40%	388,991,520
Financial Institution Pool	PKR	Monthly	50%	5.68%	3.63%	0.70	1.90	64,046,368	28%	17,838,060
Foreign Currency Pool	USD	Monthly	50%	1.82%	0.91%	1.00	1.00	3,359,165	-	-

2017										
Mudaraba Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Profit rate / return earned	Profit rate / return distributed	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of mudarib share transferred through hiba	Amount of mudarib share transferred through hiba
								Rupees	Rupees	
General Pool	PKR	Monthly	50%	6.23%	4.48%	0.90	1.98	789,722,422	44%	346,824,498
Financial Institution Pool	PKR	Monthly	50%	5.36%	2.85%	0.70	1.55	33,867,086	6%	2,146,240
Foreign Currency Pool	USD	Monthly	50%	1.49%	0.76%	1.00	1.00	2,280,104	-	-

2018										
Musharaka Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Profit rate / return earned	Profit rate / return distributed	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of mudarib share transferred through hiba	Amount of mudarib share transferred through hiba
								Rupees	Rupees	
Interbank Borrowing Pool	PKR	As required	*	6.53%-12.22%	5.53%-9.75%	-	-	-	N/A	N/A
IERS Pool	PKR	Monthly	*	4.82%	2.29%	-	-	-	N/A	N/A
Special Musharaka Certificate Pool	PKR	As required	*	6.88%-10.60%	1.15%-8.00%	-	-	-	N/A	N/A

2017										
Musharaka Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Profit rate / return earned	Profit rate / return distributed	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of mudarib share transferred through hiba	Amount of mudarib share transferred through hiba
								Rupees	Rupees	
Interbank Borrowing Pool	PKR	As required	*	6.79%-9.15%	5.00%-5.95%	-	-	-	N/A	N/A
IERS Pool	PKR	Monthly	*	4.23%	2.15%	-	-	-	N/A	N/A
Special Musharaka Certificate Pool	PKR	As required	-	-	-	-	-	-	-	-

\* The investment ratio and profit sharing ratio varies on case to case / monthly basis



### 10.3 MATURITY PROFILE OF FUNDS MOBILISED UNDER VARIOUS MODES:

Rs in '000			2018									
Type	Currency	Mode	Upto 1 month	Over 1 month upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 2 years	Over 2 years upto 3 years	Over 3 years upto 5 years	Over 5 years upto 10 years	Over 10 years	Total
Fixed deposit account	PKR	Mudaraba	1,373,882	1,809,926	1,214,769	1,885,337	24,360	50,525	125,695	-	-	6,484,494
Savings account	PKR	Mudaraba	2,217,091	401,835	-	-	3,928,391	3,928,391	4,714,069	2,401,016	2,401,016	19,991,809
Savings account	USD	Mudaraba	40,200	7,286	-	-	71,227	71,227	85,472	43,534	43,534	362,480
Mudaraba funds from HO	PKR	Mudaraba	300,000	-	-	1,868,060	-	-	-	-	-	2,168,060
Interbank borrowing	PKR	Musharaka	7,975,000	-	-	-	-	-	-	-	-	7,975,000
Special Musharaka Certificate	PKR	Musharaka	-	36,053	-	-	-	-	-	-	-	36,053
IERS borrowing from SBP	PKR	Musharaka	-	520,000	504,361	-	-	-	-	-	-	1,024,361
			11,906,173	2,775,100	1,719,130	3,753,397	4,023,978	4,050,143	4,925,236	2,444,550	2,444,550	38,042,257

Rs in '000			2017									
Type	Currency	Mode	Upto 1 month	Over 1 month upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 2 years	Over 2 years upto 3 years	Over 3 years upto 5 years	Over 5 years upto 10 years	Over 10 years	Total
Fixed deposit account	PKR	Mudaraba	3,341,996	574,950	730,839	1,555,316	66,723	29,860	55,101	-	-	6,354,785
Savings account	PKR	Mudaraba	1,932,974	350,341	-	-	3,424,976	3,424,976	4,109,971	2,093,331	2,093,331	17,429,900
Savings account	USD	Mudaraba	42,753	7,749	-	-	75,756	75,756	90,906	46,303	46,303	385,526
Mudaraba funds from HO	PKR	Mudaraba	-	-	-	1,868,060	-	-	-	-	-	1,868,060
Interbank borrowing	PKR	Musharaka	1,900,000	-	-	-	-	-	-	-	-	1,900,000
Special Musharaka Certificate	PKR	Musharaka	-	-	-	-	-	-	-	-	-	-
IERS borrowing from SBP	PKR	Musharaka	200,000	-	310,152	-	-	-	-	-	-	510,152
			7,417,723	933,040	1,040,991	3,423,376	3,567,455	3,530,592	4,255,978	2,139,634	2,139,634	28,448,423

Rupees in '000		2018	2017
<b>10.4 CLASS OF ASSETS BY SOURCES OF FINANCING:</b>			
Jointly financed by the Bank and PLS deposit account holders.			
Murabaha		3,351,076	3,724,973
Ijarah		4,509,389	4,146,225
Diminishing Musharaka		8,863,570	8,120,397
Salam		6,209,050	5,394,534
Musharaka		16,689,289	8,606,677
Istisna		2,128,828	2,062,034
Receivables against sale of Salam / Istisna Inventory		-	50,000
Balances with other & treasury banks		2,199,572	2,964,164
Sukuk		7,237,735	6,725,514
Bai Muajjal-GOP		1,031,054	-
Due from financial institutions		-	750,000
		<b>52,219,563</b>	<b>42,544,518</b>

## ANNEXURE-2

### ISLAMIC BANKING BUSINESS - STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

#### 10.5 SECTORS OF ECONOMY USED FOR DEPLOYMENT OF MUDARABA BASED PKR DEPOSITS ALONGWITH EQUITY

	2018		2017	
	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / Agribusiness	1,316,891	3.19	950,015	2.43
Automobiles & Allied	54,551	0.13	22,132	0.06
Cables / Electronics	280,020	0.68	68,876	0.18
Cements	508,881	1.23	152,842	0.39
Chemicals / Pharmaceuticals	1,395,604	3.38	896,620	2.30
Fertilizers	210,000	0.51	285,280	0.73
Food and Allied	703,883	1.70	889,485	2.28
Fuel / Energy	1,257,211	3.04	744,134	1.91
Ghee and Edible Oil	1,201,099	2.91	703,819	1.80
GOP Ijarah Sukuk ( Airport & Highway Land)	5,539,756	13.40	5,577,454	14.29
GOP Bai Muajjal	1,031,054	2.49	—	—
Individuals	3,950,795	9.56	3,125,975	8.01
Investment Banks / Scheduled Banks	551,001	1.33	1,529,052	3.92
Leather Products and Shoes	33,857	0.08	45,910	0.12
Plastic Products	549,826	1.33	117,490	0.30
Real Estate / Construction	246,318	0.60	344,485	0.88
Rice Processing and Trading	250,000	0.60	257,000	0.66
Services (Other than Financial, Hoteling & Traveling)	123,317	0.30	96,047	0.25
Sugar	3,661,243	8.86	2,611,366	6.69
Textile	3,470,240	8.39	3,050,792	7.82
Transport and Communication	1,002,959	2.43	1,145,639	2.94
Public Sector / Government	9,396,972	22.73	11,675,289	29.92
Others	4,604,282	11.14	4,733,385	12.13
	41,339,760	100.00	39,023,087	100.00

#### 10.6 SECTORS OF ECONOMY USED FOR DEPLOYMENT OF MUDARABA BASED USD DEPOSITS ALONGWITH EQUITY

	2018		2017	
	Rupees in '000	Percent	Rupees in '000	Percent
Investment Banks / Scheduled Banks	482,430	92.37	358,719	89.43
Public Sector / Government	39,873	7.63	42,408	10.57
	522,303	100.00	401,127	100.00

CONSOLIDATED FINANCIAL STATEMENTS OF  
**ASKARI BANK LIMITED**  
FOR THE YEAR ENDED DECEMBER 31, 2018



## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASKARI BANK LIMITED

### OPINION

We have audited the annexed consolidated financial statements of Askari Bank Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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.

### KEY AUDIT MATTER(S)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**FOLLOWING ARE THE KEY AUDIT MATTER(S):**

S. NO	NATURE OF THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
1	<p><b>Provision against advances</b> <i>(Refer note 9.4 to the consolidated financial statements)</i></p> <p>The Group makes provision against advances on a time based criteria that involves ensuring all non-performing loans and advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time based criteria the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The PRs also require the creation of general provision for the consumer portfolio.</p> <p>Provision against advances of Wholesale Bank Branch, Bahrain is made as per the requirements of the regulatory regime in Bahrain.</p> <p>The Group has recognized a net provision against advances amounting to Rs. 467 million in the consolidated profit and loss account in the current year. As at December 31, 2018, the Group holds a provision of Rs. 26,152 million against advances.</p> <p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements/estimations and the materiality of advances relative to the overall statement of financial position of the Group, we considered the area of provision against advances as a key audit matter.</p>	<p>Our audit procedures to verify provision against advances, amongst others, included the following:</p> <p>We reviewed the design and tested operating effectiveness of key controls established by the Group to identify loss events and for determining the extent of provisioning required against non -performing loans.</p> <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> <li>• automated (IT system based) controls over correct classification of non-performing advances on time based criteria;</li> <li>• controls over monitoring of advances with higher risk of default and correct classification of non-performing advances on subjective criteria;</li> <li>• controls over accurate computation and recording of provisions; and</li> <li>• controls over the governance and approval process related to provisions, including continuous reassessment by the management.</li> </ul> <p>In accordance with the regulatory requirement, we sampled and tested at least sixty percent of the total advances portfolio and performed the following substantive procedures for sample loan accounts:</p> <ul style="list-style-type: none"> <li>• verified repayments of loan/ mark-up installments and checked that non-performing loans have been correctly classified and categorized based on the number of days overdue.</li> <li>• examined watch list accounts and, based on review of the individual facts and circumstances, discussions with management and our assessment of financial conditions of the borrowers, formed a judgement as to whether classification of these accounts as performing was appropriate.</li> </ul> <p>We checked the accuracy of specific provision made against non-performing advances and of general provision made against consumer finance by recomputing the provision amount in accordance with the criteria prescribed under the PRs.</p> <p>We issued instructions to auditors of overseas branch, highlighting 'Provision against advances' as a significant risk. The auditors of this branch performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.</p>

**FOLLOWING ARE THE KEY AUDIT MATTER(S):**

S. NO	NATURE OF THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
2	<p><b>Taxation in respect of provision against non – performing loans and advances</b>  <i>(Refer note 33.2 to the consolidated financial statements)</i></p> <p>Askari Bank Limited (the Bank) has been contesting the matter of allowability of provision against Non-Performing Loans (NPLs) during tax years 1995 – 1996 to 2008, the period prior to enactment of the Seventh Schedule of the Income Tax Ordinance, 2001 at the Supreme Court of Pakistan. The Islamabad High Court (IHC) had previously disallowed these provisions. During the year, the Supreme Court of Pakistan upheld the decision of the Islamabad High Court of Pakistan (IHC) to disallow such provision. Consequently, the tax demand raised in re-assessment orders has been paid by the Bank. The Bank has recognized prior year tax charge against this disallowance net off actual write offs and recoveries in tax years 2009 to 2019 related to NPLs disallowed. In this respect, aggregate prior year tax expense recorded during the period was Rs. 1,660 million net of related deferred tax asset of Rs. 1,497 million.</p> <p>Due to the nature of this matter, size of amounts involved and significant development during the year, we consider it as a key audit matter.</p>	<p>Our audit procedures related to this key audit matter included the following:</p> <ul style="list-style-type: none"> <li>obtained and reviewed the certified copy of order dated March 13, 2018 passed by IHC in respect of taxation related to provision against NPLs;</li> <li>obtained and reviewed legal opinion from Bank’s tax advisors related to treatment of outcomes arising as result of IHC Order.</li> <li>verified the amount of add back related to NPLs used in calculation of prior year tax charge from respective year audited consolidated financial statements and returns filed by the Bank.</li> <li>recomputed prior year tax charge arising as a result of Order passed by IHC.</li> <li>obtained the Order of the Supreme Court of Pakistan upholding the decision of IHC.</li> <li>checked the appropriateness and realizability of deferred tax asset based on projections provided by the Bank.</li> <li>checked that appropriate accounting treatment and disclosures have been made in the consolidated financial statements in accordance with the applicable financial reporting framework.</li> </ul>
3	<p><b>Change in format of the financial statements</b>  <i>(Refer note 4.1.3 to the consolidated financial statements)</i></p> <p>The State Bank of Pakistan (SBP) has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ending December 31, 2018. Accordingly, the Group has prepared these consolidated financial statements on the new format prescribed by the State Bank of Pakistan.</p> <p>As part of this transition to the new requirements, the management performed a gap analysis to identify differences between the previous and current format. The adoption of the new format required certain recognition requirements and reclassification of certain financial information. The amended format also introduced certain new disclosures in the consolidated financial statements.</p> <p>In view of the significant impact of the first time adoption of the revised format on these consolidated financial statements, we consider it as a key audit matter.</p>	<p>We reviewed and understood the requirements of the SBP’s amended format of annual financial statements for banks. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>reviewed the management’s process to identify the changes required in the consolidated financial statements to comply with the new format; and</li> <li>obtained relevant underlying supports relating to changes required in the consolidated financial statements consequent to the adoption of the new format to assess their appropriateness and verified them on a test basis.</li> </ul>

#### INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on other information obtained prior to the date of this auditor's report, 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 CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is S. Haider Abbas.



Chartered Accountants  
Islamabad:  
Dated:



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT DECEMBER 31, 2018

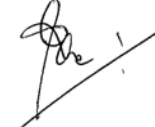
Rupees in '000	Note	2018	2017 (Restated)	2016 (Restated)
<b>Assets</b>				
Cash and balances with treasury banks	5	49,187,645	44,239,325	42,568,141
Balances with other banks	6	4,093,402	3,193,835	5,845,748
Lendings to financial institutions	7	—	2,250,000	6,836,584
Investments	8	260,233,987	314,956,748	295,846,254
Advances	9	343,107,147	258,693,086	235,163,922
Fixed assets	10	12,791,827	9,885,958	10,132,940
Intangible assets	11	741,361	842,869	886,615
Deferred tax assets	12	3,773,779	100,755	—
Other assets	13	32,522,174	28,448,099	25,325,830
		706,451,322	662,610,675	622,606,034
Assets attributable to discontinued operations	14	214,757	327,949	796,570
		706,666,079	662,938,624	623,402,604
<b>Liabilities</b>				
Bills payable	15	15,512,880	10,769,262	8,579,809
Borrowings	16	52,702,323	71,587,311	89,261,788
Deposits and other accounts	17	573,596,926	525,805,051	472,803,094
Liabilities against assets subject to finance lease		—	—	—
Subordinated debts	18	9,993,600	4,992,800	4,994,800
Deferred tax liabilities		—	—	526,430
Other liabilities	19	21,178,476	17,098,223	14,115,858
		672,984,205	630,252,647	590,281,779
Liabilities associated with discontinued operations	14	81,513	140,741	267,254
		673,065,718	630,393,388	590,549,033
<b>Net assets</b>		<b>33,600,361</b>	<b>32,545,236</b>	<b>32,853,571</b>
<b>Represented by</b>				
Share capital	20	12,602,602	12,602,602	12,602,602
Reserves		15,588,694	12,032,263	8,855,953
Surplus on revaluation of assets - net of tax				
Continued operations	21	1,649,197	5,142,254	7,327,114
Discontinued operations		5,723	19,877	47,207
Unappropriated profit		3,710,867	2,703,887	3,982,787
		33,557,083	32,500,883	32,815,663
Non-controlling interest		43,278	44,353	37,908
		33,600,361	32,545,236	32,853,571

### Contingencies and commitments

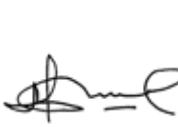
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The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

  
Abid Sattar  
President & Chief Executive

  
Saleem Anwar  
Chief Financial Officer

  
Rehan Laiq  
Director

  
Syed Ahmed Iqbal Ashraf  
Director

  
Lt Gen (R) Syed Tariq Nadeem Gilani  
Chairman

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

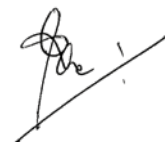
## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
Mark-up / return / interest earned	24	43,669,883	36,267,220
Mark-up / return / interest expensed	25	25,059,925	20,071,958
Net mark-up / interest income		18,609,958	16,195,262
<b>Non mark-up / interest income</b>			
Fee and commission income	26	3,116,070	2,706,794
Dividend income		231,312	302,894
Foreign exchange income		1,596,027	843,032
Income / (loss) from derivatives		-	-
Gain on securities	27	260,103	2,063,043
Other income	28	418,081	200,341
Total non-markup / interest income		5,621,593	6,116,104
<b>Total income</b>		<b>24,231,551</b>	<b>22,311,366</b>
<b>Non mark-up / interest expenses</b>			
Operating expenses	29	16,240,514	14,948,796
Workers' welfare fund	30	(540,060)	169,833
Other charges	31	191,067	23,568
Total non-markup / interest expenses		15,891,521	15,142,197
<b>Profit before provisions</b>		<b>8,340,030</b>	<b>7,169,169</b>
Provisions / (reversal of provisions) and write offs - net Extraordinary / unusual items	32	1,460,575	(1,176,432)
		-	-
<b>Profit before taxation</b>		<b>6,879,455</b>	<b>8,345,601</b>
Taxation	33	(2,448,177)	(3,223,915)
<b>Profit after taxation - continued operations</b>		<b>4,431,278</b>	<b>5,121,686</b>
<b>(Loss) / profit after taxation - discontinued operations</b>	14	<b>(2,659)</b>	<b>6,611</b>
		4,428,619	5,128,297
<b>Attributable to:</b>			
Equity holders of the Bank		4,429,310	5,121,863
Non-controlling interest		(691)	6,434
		4,428,619	5,128,297
		Rupees	
<b>Basic earnings per share</b>	34	<b>3.51</b>	<b>4.06</b>

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



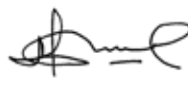
Abid Sattar  
President & Chief Executive



Saleem Anwar  
Chief Financial Officer



Rehan Laiq  
Director



Syed Ahmed Iqbal Ashraf  
Director




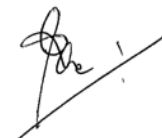



Lt Gen (R) Syed Tariq Nadeem Gilani  
Chairman

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	2018	2017 (Restated)
Profit after taxation for the year	4,428,619	5,128,297
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in Wholesale Bank Branch	186,164	30,336
Movement in deficit on revaluation of investments - net of tax		
Continued operations	(4,488,014)	(2,378,635)
Discontinued operations	(14,154)	(27,330)
	(4,316,004)	(2,375,629)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit plan - net of tax		
Continued operations	3,095	(113,996)
Discontinued operations	(1,478)	44
Movement in surplus on revaluation of operating fixed assets - net of tax	709,447	107,658
Movement in surplus on revaluation of non-banking assets - net of tax	285,510	193,775
	996,574	187,481
<b>Total comprehensive income</b>	<b>1,109,189</b>	<b>2,940,149</b>
Attributable to:		
Equity holders of the Bank	1,113,944	2,940,809
Non-controlling interest	(4,755)	(660)
	1,109,189	2,940,149
Total comprehensive income arises from:		
Continued operations	1,127,480	2,960,824
Discontinued operations	(18,291)	(20,675)
	1,109,189	2,940,149

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

 Abid Sattar President & Chief Executive	 Saleem Anwar Chief Financial Officer	 Rehan Laiq Director	 Syed Ahmed Iqbal Ashraf Director	 Lt Gen (R) Syed Tariq Nadeem Gilani Chairman
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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Share capita	Exchange translation reserve	Share premium account	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of Investments			un-appropriated profit / (loss)	Sub total	Non-controlling interest	Total
						Continued operations	Discontinued operations	Fixed / non-banking assets				
Balance as at January 1, 2017 - as previously reported	12,602,602	93,511	234,669	6,755,314	1,772,459	2,769,126	47,207	4,450,330	4,090,445	32,815,663	37,908	32,853,571
Effect of retrospective change in accounting policy with respect to accounting for surplus on revaluation of fixed assets	-	-	-	-	-	-	-	107,658	(107,658)	-	-	-
Balance as at January 1, 2017 - as restated	12,602,602	93,511	234,669	6,755,314	1,772,459	2,769,126	47,207	4,557,988	3,982,787	32,815,663	37,908	32,853,571
Total comprehensive income for the year ended December 31, 2017												
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	-	5,121,863	5,121,863	6,434	5,128,297
Other comprehensive income related to equity	-	30,336	-	-	-	(2,378,635)	(27,330)	193,775	(113,963)	(2,295,817)	11	(2,295,806)
Transfer to:												
Statutory reserve	-	-	-	1,053,577	-	-	-	-	(1,053,577)	-	-	-
General reserve	-	-	-	-	3,982,787	-	-	-	(3,982,787)	-	-	-
	-	-	-	1,053,577	3,982,787	-	-	-	(5,036,364)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	9,824	9,824	-	9,824
Transaction with owners, recorded directly in equity												
Final dividend 2016: Rs. 1.50 per share	-	-	-	-	(1,890,390)	-	-	-	-	(1,890,390)	-	(1,890,390)
Interim dividend 2017: Re. 1 per share	-	-	-	-	-	-	-	-	(1,260,260)	(1,260,260)	-	(1,260,260)
Balance as at January 1, 2018	12,602,602	123,847	234,669	7,808,891	3,864,856	390,491	19,877	4,751,763	2,703,887	32,500,883	44,353	32,545,236
Impact of IFRS 9 of Wholesale Bank Branch	-	(850)	-	-	(219,026)	-	-	-	-	(219,876)	-	(219,876)
Balance as at January 1, 2018 after impact of IFRS 9 of Wholesale Bank Branch	12,602,602	122,997	234,669	7,808,891	3,645,830	390,491	19,877	4,751,763	2,703,887	32,281,007	44,353	32,325,360
Total comprehensive income for the year ended December 31, 2018												
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	-	4,429,310	4,429,310	(691)	4,428,619
Other comprehensive income related to equity	-	186,164	-	-	-	(4,488,014)	(14,154)	994,957	2,001	(3,319,046)	(384)	(3,319,430)
Transfer to:												
Statutory reserve	-	-	-	886,256	-	-	-	-	(886,256)	-	-	-
General reserve	-	-	-	-	2,703,887	-	-	-	(2,703,887)	-	-	-
	-	-	-	886,256	2,703,887	-	-	-	(3,590,143)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	165,812	165,812	-	165,812
Balance as at December 31, 2018	12,602,602	309,161	234,669	8,695,147	6,349,717	(4,097,523)	5,723	5,746,720	3,710,867	33,557,083	43,278	33,600,361

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



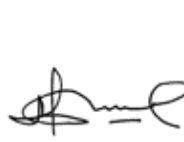
Abid Sattar  
President & Chief Executive



Saleem Anwar  
Chief Financial Officer



Rehan Laiq  
Director



Syed Ahmed Iqbal Ashraf  
Director




Lt Gen (R) Syed Tariq Nadeem Gilani  
Chairman

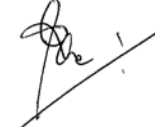
# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED DECEMBER 31, 2018


Rupees in '000	Note	2018	2017
<b>Cash flow from operating activities</b>			
Profit before taxation		6,879,455	8,345,601
Less: dividend income		(231,312)	(302,894)
		6,648,143	8,042,707
Adjustments:			
Depreciation		1,022,835	1,326,873
Amortization		195,294	196,038
Provisions / (reversal of provisions) and write offs - net		1,603,111	(1,031,803)
Charge for defined benefit plans		586,359	378,032
Loss on sale of fixed assets		5,253	10,551
		3,412,852	879,691
		10,060,995	8,922,398
(Increase) / decrease in operating assets			
Lendings to financial institutions		1,500,000	5,336,584
Advances		(85,084,938)	(22,233,996)
Other assets (excluding advance taxation)		(3,375,295)	(15,586)
		(86,960,233)	(16,912,998)
Increase / (decrease) in operating liabilities			
Bills payable		4,743,618	2,189,453
Borrowings		(18,884,988)	(17,674,477)
Deposits		47,791,875	53,001,957
Other liabilities (excluding current taxation)		4,246,359	488,498
		37,896,864	38,005,431
Discontinued operations		52,608	(20,561)
Cash (used in) / flow from operations		(38,949,766)	29,994,270
Payment made to defined benefit plan		(730,670)	(350,884)
Income tax paid		(3,894,037)	(3,303,583)
Net cash (used in) / flow from operating activities		(43,574,473)	26,339,803
<b>Cash flow from investing activities</b>			
Net investments in available for sale securities		51,626,569	(20,160,979)
Net investments in held to maturity securities		(5,030,369)	(2,747,351)
Dividend received		236,639	311,839
Investments in operating fixed assets - net of adjustment		(3,334,399)	(1,249,674)
Proceeds from sale of fixed assets		16,104	18,133
Effect of translation of net investment in Wholesale Bank Branch		186,164	30,336
Discontinued operations		(16,935)	341,950
Net cash flow from / (used in) investing activities		43,683,773	(23,455,746)
<b>Cash flow from financing activities</b>			
Receipts / (payments) of subordinated debts - net		5,000,800	(2,000)
Dividend paid		(12,203)	(3,112,786)
Net cash flow / (used in) financing activities		4,988,597	(3,114,786)
Increase / (decrease) in cash and cash equivalents		5,097,897	(230,729)
Cash and cash equivalents at beginning of the year	35	48,183,160	48,413,889
Cash and cash equivalents at end of the year	35	53,281,057	48,183,160


The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

  
Abid Sattar  
President & Chief Executive

  
Saleem Anwar  
Chief Financial Officer

  
Rehan Laiq  
Director

  
Syed Ahmed Iqbal Ashraf  
Director

  
Lt Gen (R) Syed Tariq Nadeem Gilani  
Chairman

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 1. STATUS AND NATURE OF BUSINESS

- 1.1 The Group consists of Askari Bank Limited, the holding company and Askari Securities Limited, a partly owned subsidiary.
- 1.2 Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Pakistan Stock Exchange. The registered office of the Bank is situated at AWT Plaza, the Mall, Rawalpindi. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent shares of the Bank as on December 31, 2018. The ultimate parent of the Bank is Fauji Foundation. The Bank has 516 branches (2017: 516 branches); 515 in Pakistan and Azad Jammu and Kashmir (including 91 (2017: 91) Islamic Banking branches and 43 (2017: 43) sub-branches) and a Wholesale Bank Branch (WBB) in the Kingdom of Bahrain.
- 1.3 Askari Securities Limited (ASL) was incorporated in Pakistan on October 1, 1999 under the repealed Companies Ordinance, 1984 as a public limited company. The Bank holds 74% ordinary shares of ASL. The principal activity includes share brokerage, investment advisory and consultancy services. The registered office of ASL is situated in Islamabad.

### 2. BASIS OF PRESENTATION

These consolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BPRD Circular No. 2 dated January 25, 2018.

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

The financial results of the Islamic banking branches have been consolidated in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key figures of the Islamic banking branches are disclosed in Annexure II to unconsolidated financial statements.

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pak. Rupee, which is the Group's functional and presentation currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

#### 2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the 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 Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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 IFRS or IFAS the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.”

SBP vide BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" (IAS 39) and International Accounting Standard 40, "Investment Property" (IAS 40), for banking companies till further instructions. Further, according to the notification of SECP dated APRIL 28, 2008, the International Financial Reporting Standard 7, "Financial Instruments: Disclosures" (IFRS 7), has not been made applicable for banks. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

The International Financial Reporting Standard 9, "Financial Instruments" (IFRS 9), was notified by the SECP, through SRO 1007(I)/2017 dated October 4, 2017, as applicable for accounting periods beginning on or after July 1, 2018.

During the current year, IFRS 9 became applicable for Wholesale Bank Branch of the Group. The impact of the adoption of IFRS 9 on the Group's financial statements is disclosed in note 4.1 below.

## 2.2 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 2	Share-based payment (Amendments)	January 1, 2018
IFRS 4	Insurance contracts	January 1, 2018
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018

## 2.3 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

a) Following standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of their applicability in Pakistan:

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 1	First-Time Adoption of International Financial Reporting Standards (Amendments)	July 1, 2009
IFRS 14	Regulatory Deferral Accounts	January 1, 2016

b) Following standards and amendments to published accounting standards will be effective in future periods and have not been early adopted by the Group:

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 3	Business Combinations	January 1, 2019
IFRS 9	Financial Instruments	July 1, 2018
IFRS 11	Joint Arrangements	January 1, 2019
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IAS 12	Income Taxes	January 1, 2019
IAS 19	Employee Benefits	January 1, 2019
IAS 23	Borrowing Costs	January 1, 2019
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

The management does not anticipate early adoption of above standards and amendments and is currently evaluating the impact of adopting these standards.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Group uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follow:

- i) classification of investments (note 4.6)
- ii) provision against investments (note 4.6), advances (note 4.7), fixed assets (note 4.8) and other assets (note 4.17)
- iii) valuation of available for sale securities (note 4.6)
- iv) impairment of available for sale securities (note 4.17)
- v) useful life of property and equipment, intangible assets and revaluation of land (note 4.8) and non-banking assets acquired in satisfaction of claims (note 4.18)
- vi) staff retirement benefits (note 4.13)
- vii) taxation (note 4.16)

### 3. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention as modified for certain investments and compensated absences which are carried at fair value, non-banking assets acquired in satisfaction of claims, freehold and leasehold land which are shown at revalued amounts and staff retirement gratuity which is carried at present value of defined benefit obligations net of fair value of plan assets.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### 4.1 CHANGES IN ACCOUNTING POLICIES

- 4.1.1 Consequent to the enactment of the Companies Act, 2017 (the Act), the Group has changed its accounting policy for treatment of deficit on revaluation of fixed assets wherein any decrease in carrying amount of fixed asset as a result of revaluation is charged to profit and loss account, however the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Previously, any decrease in the carrying amount of fixed assets was netted off against surplus on revaluation of any other fixed assets. The effect of this change in accounting policy, which is applied with retrospective effect, is summarized below:

	December 31, 2017 (Restated)	January 31, 2017 (Restated)
<b>STATEMENT OF FINANCIAL POSITION</b>		
Increase in surplus on revaluation of fixed assets - net of tax	107,658	107,658
Decrease in unappropriated profit	107,658	107,658

- 4.1.2 As per the accounting policy of the Group, provision against investments, balances with other banks, advances, other assets and off-balance sheet obligations of Wholesale Bank Branch is made as per the requirements of the respective regulatory regimes in which the branch operates. During the current year, IFRS 9 became applicable for Wholesale Bank Branch of the Group. Under this financial reporting standard, provision against investments, balances with other banks, advances, other assets and off-balance sheet obligations is determined under the expected credit loss model whereas previously, it was determined under the incurred loss model. Accordingly, in respect of Wholesale Bank Branch, the Group has changed its accounting policy and has followed the requirements of IFRS 9 while determining the requirements for recording provision against investments, balances with other banks, advances, other assets and off-balance sheet obligations.



The adoption of this standard by Wholesale Bank Branch resulted in an additional provision of Rs. 348,202 thousand (net of deferred tax amounting to Rs. 226,331 thousand) as at December 31, 2018. The amount of additional provision has been adjusted in the opening retained earnings (General reserve) as allowed under IFRS 9. The impact of change in policy is summarized as below:

Rupees in '000	As at	
	December 31, 2018	January 1, 2018
<b>IMPACT ON STATEMENT OF FINANCIAL POSITION</b>		
Balances with other banks	10	24
Investments	166,679	173,151
Advances	181,066	164,947
Other assets	447	149
	348,202	338,271
Less: related deferred tax	(121,871)	(118,395)
	226,331	219,876
<b>IMPACT ON PROFIT AND LOSS ACCOUNT</b>		
- Profit before tax would have been higher by - Rupees in '000		9,931
- Earnings per share would have been higher by - Rupee		0.01

4.1.3 The State Bank of Pakistan (SBP) through its BPRD Circular No. 2 of 2018 dated January 25, 2018 has amended the format of annual financial statements of banks. All banks are directed to prepare their annual financial statements on the revised format effective from the accounting year ended December 31, 2018. Accordingly, the Group has prepared these unconsolidated financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format required remeasurement and reclassification of comparative information and accordingly a third consolidated statement of financial position has been presented at the beginning of the preceding period (i.e. January 1, 2017) in accordance with the requirement of International Accounting Standard 1 – Presentation of Financial Statements. The adoption of revised format has resulted in following significant changes:

- Acceptances amounting to Rs. 8,735,265 thousand (2017: Rs. 5,976,910 thousand, 2016: Rs. 3,723,390 thousand) which were previously shown as part of contingencies and commitments are now recognized on balance sheet both as assets and liabilities. They are included in 'Other assets' (note-13) and 'Other liabilities' (note-19) to these consolidated financial statements;
- Surplus on revaluation of assets amounting to Rs. 1,649,197 thousand (2017: Rs. 5,142,254 thousand, 2016: Rs. 7,327,114 thousand) which was previously shown below equity has now been included as part of equity;
- Intangibles (note-11) amounting to Rs. 741,361 thousand (2017: Rs. 842,869 thousand, 2016: Rs. 886,615 thousand) which were previously show and part of fixed assets (note-10) are now shown separately on the consolidated statement of financial position; and
- Certain reclassifications have been made in the unconsolidated profit and loss account which are summarized below.

Reclassification from account head	Reclassification to account head	For the year ended December 31,	
		2018	2017
		Rupees in '000	
Other income	Provisions and write offs - net	142,536	147,129
Other provisions / write offs	Provisions and write offs - net	87,006	21,832

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Bank and its subsidiary company, ASL with 74% holding (2016: 74%) collectively referred to as “the Group”.

Subsidiary is that enterprise in which the holding company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has the power to elect and appoint more than 50% of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of subsidiary company have been accounted for as per the requirements of International Financial Reporting Standard 5, “Non-current assets held for sale and discontinued operations” and hence not been consolidated on a line by line basis. The carrying value of investment held by the holding company is eliminated against holding company’s share in paid up capital of the subsidiary.

Material intra-group balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of the subsidiary attributable to interests which are not owned by the Bank. Non-controlling interests are presented as separate item in the consolidated financial statements.

### 4.3 CASH AND CASH EQUIVALENTS

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

### 4.4 LENDINGS (REVERSE REPO)

Consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between purchase and resale price is recognized as mark-up / return earned on a time proportion basis. Reverse repo balances are reflected under lending to financial institutions.

### 4.5 BAI MUAJJAL RECEIVABLE FROM OTHER FINANCIAL INSTITUTIONS

In Bai Muajjal, the Group sells sukuk on deferred payment basis to other financial institutions. The deferred price is agreed at the time of sale and such proceeds are received at the end of the credit period. Bai Muajjal balances are reflected under lending to financial institutions.

### 4.6 INVESTMENTS

Investments are classified as follows:

#### HELD FOR TRADING

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements.

#### AVAILABLE FOR SALE

These represent securities which do not fall under ‘held for trading’ or ‘held to maturity’ categories.

#### HELD TO MATURITY

These represent securities acquired with the intention and ability to hold them upto maturity.

#### 4.6.1 INITIAL MEASUREMENT

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at trade date, which is the date at which the Group commits to purchase or sell the investments except for money market and foreign exchange contracts, other than ready market transactions, which are recognized at settlement date.

In case of investments classified as held for trading, transaction costs are expensed through profit and loss account. Transaction costs associated with investments other than those classified as held for trading are included in the cost of investments.

#### 4.6.2 SUBSEQUENT MEASUREMENT

##### HELD FOR TRADING

These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements prescribed by the SBP through various circulars.

##### AVAILABLE FOR SALE

In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 4, 2000 and BPRD Circular No. 6 dated June 26, 2014, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is taken through "Statement of Comprehensive Income (OCI)" and is shown in the shareholders' equity in the consolidated statement of financial position.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest audited financial statements. If the break-up value is less than cost the difference is included in profit and loss account. Unquoted debt securities are valued using the market value of secondary market where available.

##### HELD TO MATURITY

These are carried at amortized cost less impairment, determined in accordance with the requirements of Prudential Regulations issued by the SBP.

#### 4.7 ADVANCES

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the SBP from time to time. In addition, a general provision is maintained for advances other than consumer and small entities advances. General and specific provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries.

The provisions against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

Ijarahs booked under Islamic Financial Accounting Standard 2 - Ijarah (IFAS - 2) are stated at cost less accumulated depreciation and impairment if any, and are shown under advances.

Depreciation on Ijarah assets is charged to profit and loss account by applying the straight line method whereby the depreciable value of Ijarah assets is written off over the Ijarah period. The Group charges depreciation from the date of delivery of respective assets to Mustajir upto the date of maturity / termination of Ijarah agreement.

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

In Murabaha transactions, the Bank purchases the goods after taking the physical / constructive possession, sells the same to the customer on cost plus profit basis.

In Salam, the seller undertakes to supply specific goods to the Group at a future date in consideration of a price fully paid in advance at the time the contract of sale is made.

In Musharaka a relationship is established under a contract by the mutual consent of the Group and the customer for sharing of profits and losses arising from a joint enterprise or venture.

Diminishing Musharaka (DM) is a form of co-ownership in which the Group and the customer share the ownership of a tangible asset in an agreed proportion and customer undertakes to buy in periodic installments the proportionate share of the Group until the title to such tangible asset is completely transferred to the customer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

In Istisna, a contract of sale is made whereby the Group places an order, to manufacture, assemble or construct, specific commodity to be delivered at a future date.

### 4.8 FIXED ASSETS AND DEPRECIATION

#### CAPITAL WORK-IN-PROGRESS

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

#### PROPERTY AND EQUIPMENT

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold / leasehold land. Land is carried at revalued amounts which is not depreciated. Land is revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation of fixed assets is credited to the surplus on revaluation of assets account and is shown under the shareholders' equity in the consolidated statement of financial position. Except to the extent actually realized on disposal of land which are revalued, the surplus on revaluation of land shall not be applied to set-off or reduce any deficit or loss, whether past, current or future, or in any manner applied, adjusted or treated so as to add to the income, profit or surplus of the Group or utilized directly or indirectly by way of dividend or bonus.

#### INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any.

#### DEPRECIATION / AMORTIZATION

Depreciation / amortization is computed on a monthly basis over the estimated useful lives of the related assets at the rates set out in notes 10.2 and 11.1 respectively on a monthly basis. The cost of assets is depreciated / amortized on the diminishing balance method, except for computer equipment, vehicles, carpets, renovations, other assets and intangibles which are depreciated / amortized on a straight line basis. Depreciation / amortization is charged for the full month of purchase / acquisition / availability for use of an asset while no depreciation / amortization is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of fixed assets are taken to the profit and loss account.

In making estimates of the depreciation / amortization, the management uses useful life and residual value which reflects the pattern in which economic benefits are expected to be consumed by the Group. The useful life and the residual value are reviewed at each financial year end and any change in these estimates in future years might effect the carrying amounts of the respective item of fixed assets with the corresponding effect on depreciation / amortization charge.

### 4.9 ASSETS HELD FOR SALE

Non-current assets and associated liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable. Assets designated as held for sale are carried at the lower of carrying amount at designation and fair value less costs to sell, if fair value can reasonably be determined.

### 4.10 BORROWINGS (REPO)

Consideration received against securities sold under repurchase agreement (repo) are included in borrowings from financial institutions. The difference between sale and repurchase price is recognized as mark-up / return expensed on a time proportion basis.

### 4.11 DEPOSITS

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

The Group generates deposits in two modes i.e. "Qard" and "Modaraba" under Islamic Banking Operations. Deposits taken on Qard basis are classified as 'Current Accounts' and deposits generated on Modaraba basis are classified as 'Savings Accounts' and 'Fixed Deposit Accounts'.

#### **4.12 SUBORDINATED DEBTS**

Subordinated debts are initially recorded at the amount of proceeds received. Mark-up on subordinated debts is charged to the profit and loss account over the period on accrual basis.

#### **4.13 STAFF RETIREMENT BENEFITS**

##### **DEFINED BENEFIT PLAN**

The Group operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method".

##### **DEFINED CONTRIBUTION PLAN**

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

ASL operates funded provident fund scheme for all its regular employees for which equal monthly contributions are made by ASL and the employees at the rate of 10% of basic salary of the employee.

##### **COMPENSATED ABSENCES**

The Bank and ASL provides compensated absences to all its regular employees. Liability for unfunded scheme is recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to consolidated profit and loss account. The amount recognized in the consolidated statement of financial position represents the present value of defined benefit obligations.

#### **4.14 FOREIGN CURRENCIES**

##### **FOREIGN CURRENCY TRANSACTIONS**

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the reporting date. Outstanding foreign bills purchased are valued at the rates applicable to the remaining maturities. Exchange gains and losses are included in consolidated profit and loss account currently.

##### **FOREIGN OPERATIONS**

The assets and liabilities of Wholesale Bank Branch are translated to Pak. Rupee at exchange rates prevailing at the date of consolidated statement of financial position. The results of foreign operations are translated at the average rate of exchange for the year.

##### **TRANSLATION GAINS AND LOSSES**

Translation gains and losses arising on revaluation of net investment in foreign operations are taken to equity under "Exchange Translation Reserve" through other comprehensive income and on disposal are recognized in consolidated profit and loss account.

##### **COMMITMENTS**

Commitments for outstanding forward foreign exchange contracts are valued at the rates applicable to the remaining maturities.

#### **4.15 REVENUE RECOGNITION**

Mark-up / interest on advances and return on investments is recognized on accrual basis except on classified advances and investments which is recognized on receipt basis. Mark-up / interest on rescheduled / restructured advances and investments is recognized as permitted by the regulations of the SBP or overseas regulatory authority of the country where branch operates, except where in the opinion of the management it would not be prudent to do so.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

Gains and losses on sale of investments are included in income currently.

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of the total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Repossessed vehicles on account of loan default are recorded in memorandum account.

Unrealized lease income is suspended on classified leases, in accordance with the requirements of the Prudential Regulations issued by the SBP. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

Profit on Murabaha sale transaction not due for the payment is deferred by recording a credit to the "Deferred Murabaha Income" account.

Profits on Musharaka and Diminishing Musharaka financings are recognized on accrual basis. Profit required to be suspended in compliance with the Prudential Regulations issued by SBP is recorded on receipt basis.

Revenue on Salam finance is recognized at the time of sale of al-muslim fihi (salam goods).

The rentals received / receivable on Ijarahs under IFAS-2 are recorded as income / revenue.

The Group recognizes revenue on Istisna finance at the time of sale of Al-Masnoo (Istisna goods).

#### 4.16 TAXATION

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the consolidated profit and loss account, except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income or below equity.

##### CURRENT

Provision for current tax is the expected tax payable on the taxable profit for the year using tax rates applicable at the date of consolidated statement of financial position.

##### PRIOR YEARS

The tax charge for prior years represents adjustments to the tax charge for prior years, arising from assessments, change in estimates and retrospectively applied changes to law, made during the year.

##### DEFERRED

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

Deferred tax, on revaluation of investments, if any, is recognized as an adjustment to surplus / deficit arising on such revaluation.

#### **4.17 IMPAIRMENT**

##### **AVAILABLE FOR SALE**

The Group determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price in case of listed securities. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by SBP.

##### **NON-FINANCIAL ASSETS**

The carrying amount of the Group's assets are reviewed at the reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the consolidated profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **4.18 NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS**

Non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of such properties is credited to the 'surplus on revaluation of non-banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to profit and loss account and are not capitalized.

#### **4.19 OTHER PROVISIONS**

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

#### **4.20 OFF-SETTING**

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

#### **4.21 FINANCIAL ASSETS AND LIABILITIES**

Financial assets and financial liabilities are recognized at the time when the Group 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 asset and financial liability 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.

#### **4.22 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 4.23 APPROPRIATIONS SUBSEQUENT TO DATE OF UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

Appropriations subsequent to year end are recognized during the year in which those appropriations are made.

### 4.24 DIVIDEND DISTRIBUTION AND APPROPRIATION

Dividends and appropriations (except for the appropriations required by law), made subsequent to the date of statement of financial position are considered as non-adjusting events and are recorded in the year in which these are approved / transfers are made.

### 4.25 EARNINGS PER SHARE

The Group presents basic and diluted Earnings Per Share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group 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.

### 4.26 SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format of reporting is based on business segments.

#### 4.26.1 BUSINESS SEGMENT

##### BRANCH BANKING

This segment consists of loans, deposits and other banking services to commercial, SME, agriculture and individual customers, including branchless banking services.

##### CORPORATE BANKING

Corporate banking includes project financing, trade financing and working capital to corporate customers. This segment is also involved in investment banking activities such as mergers and acquisition, underwriting, privatization, securitization, IPO's related activities and secondary private placements.

##### TREASURY

Treasury function is mainly engaged in money market activities, foreign exchange business and short term lendings and borrowings from counter-parties.

##### CONSUMER BANKING

Consumer banking segment provides both secured and unsecured loans to retail customers.

##### ISLAMIC BANKING

This segment provides banking services to its customers in compliance with Shariah rules and directives, instructions and guidelines issued by SBP.

##### FOREIGN OPERATIONS

Foreign operations consist of banking activities performed by Wholesale Bank Branch of the Bank.

##### HEAD OFFICE / OTHERS

This consists of activities not performed by any of above segments.

#### 4.26.2 GEOGRAPHICAL SEGMENTS

The Group operates in two geographic regions; Pakistan and the Middle East.



Rupees in '000	Note	2018	2017
<b>5. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>IN HAND</b>			
Local currency		10,368,791	9,348,230
Foreign currencies		1,935,969	1,646,801
		12,304,760	10,995,031
<b>WITH THE STATE BANK OF PAKISTAN IN</b>			
Local currency current accounts	5.1	24,210,710	22,009,777
Foreign currency current account	5.1	2,829,226	2,781,713
Foreign currency deposit account	5.2	7,946,957	6,998,986
		34,986,893	31,790,476
<b>WITH NATIONAL BANK OF PAKISTAN IN</b>			
Local currency current accounts		1,883,326	1,442,060
Prize bonds		12,666	11,758
		49,187,645	44,239,325

5.1 These represent current accounts maintained with the SBP to comply with the statutory cash reserve requirements.

5.2 This represents special cash reserve maintained with the SBP and carries mark-up at the rate of 1.50% (2017: 0.56%) per annum.

Rupees in '000	Note	2018	2017
<b>6. BALANCES WITH OTHER BANKS</b>			
<b>IN PAKISTAN</b>			
In current accounts		354,396	337,755
In deposit accounts	6.1	291	1,000,152
		354,687	1,337,907
<b>OUTSIDE PAKISTAN</b>			
In current accounts		1,047,160	852,324
In deposit accounts	6.2	2,691,565	1,003,604
		3,738,725	1,855,928
Provision held against balances with other banks	6.3	(10)	–
		4,093,402	3,193,835

6.1 These represent placements with local banks, carrying interest rate of 8.0% (2017: 2.0% to 5.8%) per annum.

6.2 These represent placements with international correspondent banks, carrying interest rates upto 1.78% (2017: upto 2.04%) per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>6.3</b>	<b>PROVISION HELD AGAINST BALANCES WITH OTHER BANKS</b>		
Opening balance		–	–
Provision under IFRS 9 related to WBB	6.4	24	–
Opening balance after IFRS 9 impact of Wholesale Bank Branch		24	–
Reversal of provision under IFRS 9 related to WBB	6.4	(14)	–
Closing balance		10	–

**6.4** This represents provision consequent to applicability of IFRS 9 on the Wholesale Bank Branch, Bahrain as described in note 4.1.2.

Rupees in '000	2018	2017
<b>7.</b>	<b>LENDINGS TO FINANCIAL INSTITUTIONS</b>	
Call / clean money lendings	–	750,000
Repurchase agreement lendings (reverse repo)	–	1,500,000
Purchase under resale arrangement of equity securities	148,606	148,606
	148,606	2,398,606
Provision held against lending to financial institutions	(148,606)	(148,606)
Lending to financial institutions - net of provision	–	2,250,000
<b>7.1</b>	<b>PARTICULARS OF LENDING</b>	
In local currency	148,606	2,398,606

**7.2** Securities held as collateral against lending to financial institutions

Rupees in '000	2018			2017		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
Pakistan Investment Bonds	–	–	–	1,500,000	–	1,500,000
	–	–	–	1,500,000	–	1,500,000

**7.3** CATEGORY OF CLASSIFICATION

Rupees in '000	2018		2017	
	Classified lending	Provision held	Classified lending	Provision held
<b>DOMESTIC</b>				
Loss	148,606	148,606	148,606	148,606

## 8. INVESTMENTS

Rupees in '000	2018				2017			
	Cost /	Provision for	Surplus /	Carrying	Cost /	Provision for	Surplus /	Carrying
	amortized cost	diminution	(deficit)	value	amortized cost	diminution	(deficit)	value
<b>8.1 INVESTMENTS BY TYPE:</b>								
Available for sale securities								
Federal Government Securities	244,060,807	(41,600)	(6,125,979)	237,893,228	295,321,140	–	1,503,492	296,824,632
Shares	5,898,588	(1,437,160)	(153,307)	4,308,121	4,546,848	(120,680)	(1,022,869)	3,403,299
Units of open end mutual funds	1,032,012	(2,376)	(58,190)	971,446	1,600,876	–	51,259	1,652,135
Fully paid preference shares	27,314	(7,139)	39,570	59,745	27,314	(2,214)	41,620	66,720
Non Government Debt Securities	6,957,717	(1,540,848)	(480)	5,416,389	8,300,057	(1,809,385)	27,418	6,518,090
Foreign securities	421,818	(2,659)	(5,496)	413,663	228,590	–	(164)	228,426
	258,398,256	(3,031,782)	(6,303,882)	249,062,592	310,024,825	(1,932,279)	600,756	308,693,302
Held to maturity securities								
Federal Government Securities	11,293,815	(122,420)	–	11,171,395	6,263,446	–	–	6,263,446
Non Government Debt Securities	110,000	(110,000)	–	–	110,000	(110,000)	–	–
	11,403,815	(232,420)	–	11,171,395	6,373,446	(110,000)	–	6,263,446
<b>Total investments</b>	<b>269,802,071</b>	<b>(3,264,202)</b>	<b>(6,303,882)</b>	<b>260,233,987</b>	<b>316,398,271</b>	<b>(2,042,279)</b>	<b>600,756</b>	<b>314,956,748</b>

Rupees in '000	2018				2017			
	Cost /	Provision for	Surplus /	Carrying	Cost /	Provision for	Surplus /	Carrying
	amortized cost	diminution	(deficit)	value	amortized cost	diminution	(deficit)	value
<b>8.2 INVESTMENTS BY SEGMENTS:</b>								
Federal Government Securities								
Market Treasury Bills	124,708,053	–	(10,339)	124,697,714	129,957,532	–	(632)	129,956,900
Pakistan Investment Bonds	105,470,628	–	(6,430,011)	99,040,617	154,200,275	–	1,514,588	155,714,863
Euro Bonds	4,806,143	(67,251)	(10,724)	4,728,168	3,597,884	–	(1,624)	3,596,260
Ijarah Sukuks	20,369,798	(96,769)	325,095	20,598,124	13,828,895	–	(8,841)	13,820,054
	255,354,622	(164,020)	(6,125,979)	249,064,623	301,584,586	–	1,503,491	303,088,077
Shares								
Listed companies	5,592,908	(1,431,480)	(153,307)	4,008,121	4,522,808	(115,000)	(1,022,868)	3,384,940
Unlisted companies	305,680	(5,680)	–	300,000	24,040	(5,680)	–	18,360
	5,898,588	(1,437,160)	(153,307)	4,308,121	4,546,848	(120,680)	(1,022,868)	3,403,300
Units of open end mutual funds	1,032,012	(2,376)	(58,190)	971,446	1,600,876	–	51,259	1,652,135
Fully paid preference shares	27,314	(7,139)	39,570	59,745	27,314	(2,214)	41,620	66,720
Non Government Debt Securities								
Listed	1,433,411	(226,836)	3,706	1,210,281	1,700,205	(822,184)	26,500	904,521
Unlisted	5,634,306	(1,424,012)	(4,186)	4,206,108	6,709,852	(1,097,201)	918	5,613,569
	7,067,717	(1,650,848)	(480)	5,416,389	8,410,057	(1,919,385)	27,418	6,518,090
Foreign Securities								
Government securities	421,818	(2,659)	(5,496)	413,663	228,590	–	(164)	228,426
<b>Total investments</b>	<b>269,802,071</b>	<b>(3,264,202)</b>	<b>(6,303,882)</b>	<b>260,233,987</b>	<b>316,398,271</b>	<b>(2,042,279)</b>	<b>600,756</b>	<b>314,956,748</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>8.2.1</b>	<b>INVESTMENTS GIVEN AS COLLATERAL</b>		
Market Treasury Bills		12,793,905	28,799,131
Pakistan Investment Bonds		–	17,759,424
Euro Bonds		3,381,368	1,706,222
Bahrain International Bonds		144,747	–
Srilankan Investment Bonds		277,070	–
Ijarah Sukuks		8,369,037	1,054,208
		<b>24,966,127</b>	<b>49,318,985</b>
<b>8.3</b>	<b>PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS</b>		
<b>8.3.1</b>	Opening balance	2,042,279	1,933,928
	Provision under IFRS 9 related to WBB	8.3.1.1 173,151	–
	Opening balance after IFRS 9 impact of WBB	2,215,430	1,933,928
	Charge / (reversals)		
	Charge for the year	1,331,427	171,110
	Reversal of provision under IFRS 9 related to WBB	8.3.1.1 (6,472)	–
	Reversals for the year	(268,539)	(62,759)
		(7,644)	–
		<b>1,048,772</b>	<b>108,351</b>
	Closing balance	<b>3,264,202</b>	<b>2,042,279</b>

8.3.1.1 This represents provision consequent to applicability of IFRS 9 on the Wholesale Bank Branch, Bahrain as described in note 4.1.2.

### 8.3.2 PARTICULARS OF PROVISION AGAINST DEBT SECURITIES

Rupees in '000	2018		2017	
	NPL	Provision	NPL	Provision
<b>CATEGORY OF CLASSIFICATION</b>				
Domestic				
Loss	1,650,848	1,817,527	1,919,385	1,919,385
Total	<b>1,650,848</b>	<b>1,817,527</b>	<b>1,919,385</b>	<b>1,919,385</b>

#### 8.4 QUALITY OF AVAILABLE FOR SALE SECURITIES

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

Rupees in '000	2018		2017	
	Cost	Breakup value	Cost	Breakup value
<b>FEDERAL GOVERNMENT SECURITIES - GOVERNMENT GUARANTEED</b>				
Market Treasury Bills	124,708,053		129,957,532	
Pakistan Investment Bonds	105,023,310		154,200,275	
Euro Bonds	1,049,793		573,033	
Ijarah Sukuks	13,279,651		10,590,300	
	<b>244,060,807</b>		<b>295,321,140</b>	
<b>SHARES</b>				
Listed Companies				
Commercial banks	978,868		1,045,847	
Chemicals	381,695		408,066	
Fertilizer	382,188		307,471	
Cement	660,776		461,571	
Power generation and distribution	971,289		807,465	
Investment banks / investment companies	12,956		12,956	
Leasing companies	38,162		38,162	
Paper and board	154,515		154,515	
Glass and ceramics	80,915		80,915	
Automobile parts and accessories	80,176		38,583	
Cable and electrical goods	73,304		73,304	
Automobile assembler	57,046		57,046	
Engineering	194,793		76,213	
Insurance	96,133		96,133	
Oil and gas marketing companies	455,040		238,592	
Refinery	99,065		–	
Oil and gas exploration	–		22,757	
Textile composite	140,610		35,840	
Pharmaceuticals	114,383		114,383	
Real estate investment trust	580,242		421,305	
Technology and communication	31,684		31,684	
Vanaspati and allied industries	9,068		–	
	<b>5,592,908</b>		<b>4,522,808</b>	
<b>UNLISTED COMPANIES</b>				
DHA Cogen Limited	–	–	–	–
Pakistan Export Finance Guarantee Agency Limited	5,680	–	5,680	–
Pakistan Mortgage Refinance Company Limited	300,000	–	18,360	–
	<b>305,680</b>	<b>–</b>	<b>24,040</b>	<b>–</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	2018		2017	
	Cost	Breakup value	Cost	Breakup value
<b>UNITS OF OPEN END MUTUAL FUNDS</b>				
Unlisted Companies				
NIT NIUT	500,000	444,531	500,000	494,882
NIT Islamic Equity Fund	50,000	41,621	50,000	49,976
Askari Islamic Asset Allocation Fund	53,226	50,868	53,226	56,381
Askari Asset Allocation Fund	100,846	101,668	100,846	110,429
Askari Equity Fund	53,988	45,691	53,988	52,978
Askari Islamic Income Fund	387	430	150,000	165,461
Askari High Yield Scheme	173,565	183,624	592,816	617,990
Askari Sovereign Yield Enhancer Fund	100,000	105,389	100,000	104,038
	1,032,012	973,822	1,600,876	1,652,135

Rupees in '000	2018		2017	
	Cost		Cost	
<b>FULLY PAID PREFERENCE SHARES</b>				
Listed Companies				
Banks		2,214		2,214
Textile		25,100		25,100
		27,314		27,314
<b>NON GOVERNMENT DEBT SECURITIES</b>				
Listed				
AAA		235,575		235,670
AA+, AA, AA-		771,000		1,017,128
A+, A, A-		200,000		–
CCC and below		226,836		447,407
		1,433,411		1,700,205
Unlisted				
AAA		2,604,170		2,669,170
AA+, AA, AA-		249,950		500,000
A+, A, A-		700,000		600,000
CCC and below		795,129		1,361,981
Unrated		1,175,057		1,468,701
		5,524,306		6,599,852

Rupees in '000	2018		2017	
	Cost	Rating	Cost	Rating
<b>FOREIGN SECURITIES</b>				
Government Securities				
Bahrain	144,748	B+	116,297	B+
Sri Lanka	277,070	B	112,293	B+
	421,818		228,590	

	2018	2017
Rupees in '000		Cost
<b>8.5 PARTICULARS RELATING TO HELD TO MATURITY SECURITIES ARE AS FOLLOWS:</b>		
<b>FEDERAL GOVERNMENT SECURITIES - GOVERNMENT GUARANTEED</b>		
Pakistan Investment Bonds	447,318	–
Government of Pakistan Euro Bonds	3,756,350	3,024,851
Ijarah Sukuks	6,059,093	3,238,595
GOP Bai Muajjal	1,031,054	–
	<b>11,293,815</b>	<b>6,263,446</b>
<b>NON GOVERNMENT DEBT SECURITIES</b>		
Listed		
CCC and below	110,000	110,000

**8.5.1** Market value of held to maturity securities other than classified investments as at December 31, 2018 is Rs. 11,029,123 thousand (2017: Rs. 6,342,916 thousand).

## 9. ADVANCES

Rupees in '000	Performing		Non performing		Total	
	2018	2017	2018	2017	2018	2017
Loans, cash credits, running finances, etc - note 9.1	279,232,463	213,846,455	26,166,223	26,260,410	305,398,686	240,106,865
Islamic financing and related assets - note 3 of Annexure II	46,583,103	34,318,955	435,096	436,842	47,018,199	34,755,797
Bills discounted and purchased	16,786,319	9,421,233	55,767	55,775	16,842,086	9,477,008
Advances - gross	342,601,885	257,586,643	26,657,086	26,753,027	369,258,971	284,339,670
Provision against advances						
- Specific	–	–	(25,113,169)	(24,962,069)	(25,113,169)	(24,962,069)
- General	(1,038,655)	(684,515)	–	–	(1,038,655)	(684,515)
	(1,038,655)	(684,515)	(25,113,169)	(24,962,069)	(26,151,824)	(25,646,584)
Advances - net of provision	341,563,230	256,902,128	1,543,917	1,790,958	343,107,147	258,693,086

### 9.1 INCLUDES NET INVESTMENT IN FINANCE LEASE AS DISCLOSED BELOW:

Rupees in '000	2018				2017			
	Non later than one year	Later than one and less than five year	Over five years	Total	Non later than one year	later than one and less than five year	Over five years	Total
Lease rentals receivable	3,090,048	3,165,598	8,224	6,263,870	2,946,733	3,440,986	26,830	6,414,549
Residual value	872,487	2,071,589	27,690	2,971,766	685,688	2,150,963	75,022	2,911,673
Minimum lease payments	3,962,535	5,237,187	35,914	9,235,636	3,632,421	5,591,949	101,852	9,326,222
Financial charges for future periods	(364,904)	(301,495)	(375)	(666,774)	(339,257)	(333,782)	(1,153)	(674,192)
Present value of minimum lease payments	3,597,631	4,935,692	35,539	8,568,862	3,293,164	5,258,167	100,699	8,652,030

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	2018	2017
<b>9.2 PARTICULARS OF ADVANCES (GROSS)</b>		
In local currency	347,815,947	269,949,664
In foreign currencies	21,443,024	14,390,006
	<b>369,258,971</b>	<b>284,339,670</b>

**9.3** Advances include Rs. 26,657,086 thousand (2017: Rs. 26,753,027 thousand) which have been placed under non-performing status as detailed below:

Rupees in '000	2018		2017	
	Non-performing loans	Provision	Non-performing loans	Provision
Other Assets Especially Mentioned - note 9.3.1	90,038	1,883	137,409	–
Substandard	286,591	23,421	118,878	15,600
Doubtful	429,231	187,411	701,369	280,067
Loss	25,851,226	24,900,454	25,795,371	24,666,402
	<b>26,657,086</b>	<b>25,113,169</b>	<b>26,753,027</b>	<b>24,962,069</b>

**9.3.1** This represents classification for Agricultural, Mortgage and Small Entities finances.

### 9.4 PARTICULARS OF PROVISION AGAINST ADVANCES

Rupees in '000	Note	2018				2017			
		Specific	General	Consumer financing – General	Total	Specific	General	Consumer financing – General	Total
Opening balance		24,962,069	236,940	447,575	25,646,584	26,353,791	236,944	368,599	26,959,334
Provision under IFRS 9 related to WBB	9.4.1	–	164,947	–	164,947	–	–	–	–
Opening balance after IFRS 9 impact of WBB		24,962,069	401,887	447,575	25,811,531	26,353,791	236,944	368,599	26,959,334
Charge for the year		2,413,023	81,302	102,568	2,596,893	891,105	37,450	90,267	1,018,822
Provision under IFRS 9 related to WBB	9.4.1	–	16,119	–	16,119	–	–	–	–
Reversal for the year		(2,134,869)	(879)	(9,917)	(2,145,665)	(2,159,610)	(37,454)	(11,291)	(2,208,355)
		278,154	96,542	92,651	467,347	(1,268,505)	(4)	78,976	(1,189,533)
Amounts written off	9.5	–	–	–	–	–	–	–	–
Amounts charged off- agriculture financing	9.6	(127,054)	–	–	(127,054)	(123,217)	–	–	(123,217)
Closing balance		25,113,169	498,429	540,226	26,151,824	24,962,069	236,940	447,575	25,646,584

**9.4.1** This represents provision consequent to applicability of IFRS 9 on the Wholesale Bank Branch, Bahrain as described in note 4.1.2.



#### 9.4.2 PARTICULARS OF PROVISION AGAINST ADVANCES

Rupees in '000	2018				2017			
	Specific	General	Consumer financing – General	Total	Specific	General	Consumer financing – General	Total
In local currency	24,748,225	317,363	540,226	25,605,814	24,414,467	236,940	447,575	25,098,982
In foreign currencies	364,944	181,066	–	546,010	547,602	–	–	547,602
	25,113,169	498,429	540,226	26,151,824	24,962,069	236,940	447,575	25,646,584

**9.4.3** The net FSV benefit already availed has been reduced by Rs. 187,900 thousand, which has resulted in increased charge for specific provision for the year by the same amount. Had the FSV benefit not reduced, before and after tax profit for the year would have been higher by Rs. 187,900 thousand (2017: Rs. 295,191 thousand) and Rs. 122,135 thousand (2017: Rs. 191,874 thousand) respectively. Further, at December 31, 2018, cumulative net of tax benefit availed for Forced Saled Value (FSV) was Rs. 598,068 thousand (December 31, 2017: Rs. 720,203 thousand) under BSD Circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

**9.4.4** The Group has availed the relaxation of Rs. 102,460 thousand (2017: Rs. 102,460 thousand) allowed by the SBP for maintaining provisions as per time based criteria of prudential regulations.

#### 9.5 DETAILS OF LOANS WRITTEN OFF - 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 December 31, 2018 is given in Annexure I.

#### 9.6 AMOUNTS CHARGED OFF - AGRICULTURE FINANCING

This represents agriculture loans charged off as per time based criteria prescribed by the State Bank of Pakistan in Annexure II of Regulation R - 11 of Prudential Regulations for Agriculture Financing.

Rupees in '000	Note	2018	2017
<b>10. FIXED ASSETS</b>			
Capital work-in-progress	10.1	53,738	121,294
Property and equipment	10.2	12,738,089	9,764,664
		12,791,827	9,885,958

**10.1** This represents advances to suppliers and contractors.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 10.2 PROPERTY AND EQUIPMENT

		2018												
Rupees in '000		Land-freehold-note 10.3	Land-leasehold-note 10.3	Buildings on freehold land	Buildings on leasehold land	Renovation of premises	Furniture and office equipment	Carpets	Machine and equipment	Computer equipment	Vehicles	Other assets	Operating lease - vehicles	Total
<b>AS AT JANUARY 1, 2018</b>														
Cost / Revalued Amount		2,909,012	1,880,715	887,251	966,160	3,541,624	1,283,421	50,395	3,083,133	2,789,319	201,400	45,761	1,834	17,640,025
Accumulated Depreciation		-	-	396,072	392,423	2,445,248	480,126	30,110	1,673,358	2,266,753	144,230	45,207	1,834	7,875,361
Net book value		2,909,012	1,880,715	491,179	573,737	1,096,376	803,295	20,285	1,409,775	522,566	57,170	554	-	9,764,664
<b>YEAR ENDED DECEMBER 31, 2018</b>														
Opening net book value		2,909,012	1,880,715	491,179	573,737	1,096,376	803,295	20,285	1,409,775	522,566	57,170	554	-	9,764,664
Additions		-	2,585,064	-	-	225,257	102,600	10,002	266,416	105,387	13,051	-	-	3,307,777
Movement in surplus on assets revalued during the year		317,051	392,396	-	-	-	-	-	-	-	-	-	-	709,447
Disposals		-	-	-	-	(7,190)	(6,268)	(790)	(7,089)	-	(20)	-	-	(21,357)
Depreciation charge		-	-	(24,002)	(28,039)	(378,407)	(82,080)	(8,781)	(290,064)	(186,907)	(24,421)	(133)	-	(1,022,834)
Other adjustments / transfers		-	-	-	-	28	(305)	326	(68)	437	(26)	-	-	392
Closing net book value		3,226,063	4,858,175	467,177	545,698	936,064	817,242	21,042	1,378,970	441,483	45,754	421	-	12,738,089
<b>AS AT DECEMBER 31, 2018</b>														
Cost / Revalued Amount		3,226,063	4,858,175	887,251	966,160	3,693,653	1,366,715	52,558	3,303,655	2,870,807	206,147	45,761	1,834	21,478,779
Accumulated Depreciation		-	-	420,074	420,462	2,757,589	549,473	31,516	1,924,685	2,429,324	160,393	45,340	1,834	8,740,690
Net book value		3,226,063	4,858,175	467,177	545,698	936,064	817,242	21,042	1,378,970	441,483	45,754	421	-	12,738,089
<b>RATE OF DEPRECIATION (PERCENTAGE)</b>		-	-	5	5	20	10	20	20	20	20	20	20	
		2017												
Rupees in '000		Land-freehold-note 10.3	Land-leasehold-note 10.3	Buildings on freehold land	Buildings on leasehold land	Renovation of premises	Furniture and office equipment	Carpets	Machine and equipment	Computer equipment	Vehicles	Other assets	Operating lease - vehicles	Total
<b>AS AT JANUARY 1, 2017</b>														
Cost / Revalued Amount		2,909,012	1,880,715	887,251	901,110	3,190,332	1,100,889	51,488	2,710,384	2,656,190	202,366	45,196	1,834	16,536,767
Accumulated Depreciation		-	-	371,265	363,216	2,153,660	411,532	30,408	1,454,163	1,730,087	123,830	45,103	1,834	6,685,098
Net book value		2,909,012	1,880,715	515,986	537,894	1,036,672	689,357	21,080	1,256,221	926,103	78,536	93	-	9,851,669
<b>YEAR ENDED DECEMBER 31, 2017</b>														
Opening net book value		2,909,012	1,880,715	515,986	537,894	1,036,672	689,357	21,080	1,256,221	926,103	78,536	93	-	9,851,669
Additions		-	-	-	65,050	393,887	194,869	7,996	437,816	158,097	2,700	565	-	1,260,980
Movement in surplus on assets revalued during the year		-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals		-	-	-	-	(9,105)	(6,937)	(1,148)	(10,746)	(748)	-	-	-	(28,684)
Depreciation charge		-	-	(24,807)	(29,207)	(324,378)	(76,103)	(7,764)	(276,974)	(563,032)	(24,066)	(104)	-	(1,326,435)
Other adjustments / transfers		-	-	-	-	(700)	2,109	121	3,458	2,146	-	-	-	7,134
Closing net book value		2,909,012	1,880,715	491,179	573,737	1,096,376	803,295	20,285	1,409,775	522,566	57,170	554	-	9,764,664
<b>AS AT DECEMBER 31, 2017</b>														
Cost / Revalued Amount		2,909,012	1,880,715	887,251	966,160	3,541,624	1,283,421	50,395	3,083,133	2,789,319	201,400	45,761	1,834	17,640,025
Accumulated Depreciation		-	-	396,072	392,423	2,445,248	480,126	30,110	1,673,358	2,266,753	144,230	45,207	1,834	7,875,361
Net book value		2,909,012	1,880,715	491,179	573,737	1,096,376	803,295	20,285	1,409,775	522,566	57,170	554	-	9,764,664
<b>RATE OF DEPRECIATION (PERCENTAGE)</b>		-	-	5	5	20	10	20	20	20	20	20	20	
		2016												
Rupees in '000		Land-freehold-note 10.3	Land-leasehold-note 10.3	Buildings on freehold land	Buildings on leasehold land	Renovation of premises	Furniture and office equipment	Carpets	Machine and equipment	Computer equipment	Vehicles	Other assets	Operating lease - vehicles	Total
10.2.1	Cost of fully depreciated property and equipment													
	2018	-	-	-	-	1,745,242	1,974	11,757	26,094	1,955,689	78,718	45,100	1,834	3,866,408
	2017	-	-	-	-	1,720,433	2,198	9,980	8,375	1,927,367	79,555	45,100	1,834	3,794,842

- 10.3 The Group's freehold and leasehold land was revalued by the valuers approved by the Pakistan Banks Association on December 31, 2018 on the basis of their professional assessment of present market value. The amount of revaluation surplus after valuation of land is Rs. 3,649,575 thousand. The information relating to location of revalued land is as follows:

City	Revalued Amount Rupees in '000	Name of Valuers
Karachi	1,086,577	K.G. Traders (Pvt) Limited
Lahore	1,758,663	- do -
Islamabad	2,994,840	- do -
Rawalpindi	1,663,520	- do -
Peshawar	21,613	- do -
Quetta	559,025	- do -
	8,084,238	

- 10.4 Had the land not been revalued, the carrying amount of land as at December 31, 2018 would have been Rs. 4,542,321 thousand.

Rupees in '000	2018	2017
<b>11. INTANGIBLE ASSETS</b>		
Software	704,885	827,931
Less: Provision against intangibles	(24,404)	(24,404)
	680,481	803,527
Capital work in progress	60,880	39,342
	741,361	842,869
<b>11.1 SOFTWARE</b>		
<b>AS AT JANUARY 1,</b>		
Cost	2,070,599	1,968,448
Accumulated amortization	1,242,668	1,046,236
Net book value	827,931	922,212
<b>YEAR ENDED DECEMBER 31,</b>		
Opening net book value	827,931	922,212
Additions		
- directly purchased	72,248	102,195
Amortization charge	(195,294)	(196,476)
Closing net book value	704,885	827,931
<b>AS AT DECEMBER 31,</b>		
Cost	2,142,847	2,070,599
Accumulated amortization	1,437,962	1,242,668
Net book value	704,885	827,931
<b>RATE OF AMORTIZATION (PERCENTAGE)</b>	10	10
Useful life	10 years	10 years

- 11.1.1 Cost of fully amortized intangible assets still in use amounts to Rs. 139,831 thousand (2017: Rs. 75,927 thousand).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

		2018			
Rupees in '000	Note	At January 1, 2018	Recognized in P&L A/C	Recognized in OCI	At December 31, 2018
<b>12. DEFERRED TAX ASSETS</b>					
Deductible temporary differences on					
- Post retirement employee benefits		165,267	–	(1,667)	163,600
- Deficit on revaluation of investments		–	–	2,206,359	2,206,359
- Impact under IFRS 9 related to WBB	12.1	–	3,476	458	3,934
- Provision against advances, off balance sheet		521,455	1,046,552	–	1,568,007
		686,722	1,050,028	2,205,150	3,941,900
- Impact under IFRS 9 related to WBB	12.1	–	–	–	117,937
		686,722	1,050,028	2,205,150	4,059,837
Taxable temporary differences on					
- Surplus on revaluation of investments		(210,265)	–	210,265	–
- Accelerated tax depreciation		(375,702)	89,644	–	(286,058)
		(585,967)	89,644	210,265	(286,058)
		100,755	1,139,672	2,415,415	3,773,779

		2017			
Rupees in '000		At January 1, 2018	Recognized in P&L A/C	Recognized in OCI	At December 31, 2018
Deductible temporary differences on					
- Post retirement employee benefits		103,884	–	61,383	165,267
- Provision against advances, off balance sheet		1,398,680	(877,225)	–	521,455
		1,502,564	(877,225)	61,383	686,722
Taxable temporary differences on					
- Surplus on revaluation of investments		(1,491,068)	–	1,280,803	(210,265)
- Accelerated tax depreciation		(537,926)	162,224	–	(375,702)
		(2,028,994)	162,224	1,280,803	(585,967)
		(526,430)	(715,001)	1,342,186	100,755

12.1 This represents deferred tax impact consequent to applicability of IFRS 9 on the Wholesale Bank Branch, Bahrain as described in note 4.1.2.

Rupees in '000	Note	2018	2017 (Restated)
<b>13. OTHER ASSETS</b>			
Income / mark-up accrued in local currency - net of provision	13.1	9,793,092	9,276,297
Income / mark-up accrued in foreign currencies		477,756	323,568
Advances, deposits, advance rent and other prepayments		1,321,871	1,343,586
Advance taxation (payments less provisions)		5,918,572	5,612,384
Non banking assets acquired in satisfaction of claims	13.3	3,201,319	3,189,936
Mark to market gain on forward foreign exchange contracts - net		607,925	732,738
Suspense account		48,637	47,159
Stationary and stamps in hand		105,007	60,258
Dividend receivable	13.2	1,139	6,466
Acceptances		8,735,265	5,976,910
Others		472,257	339,727
		30,682,840	26,909,029
Provision held against other assets	13.4	(257,811)	(272,565)
Other assets - net of provision		30,425,029	26,636,464
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		2,097,145	1,811,635
Other assets - total		32,522,174	28,448,099

13.1 This balance is net of interest in suspense amounting to Rs. 10,057,089 thousand (2017: Rs. 10,903,151 thousand).

13.2 This balance is net of dividend in suspense amounting to Rs. 81,020 thousand (2017: Rs. 81,020 thousand).

Rupees in '000	2018	2017
<b>13.3</b> Market value of Non-banking assets acquired in satisfaction of claims	5,298,464	5,001,571

The Group's Non-banking assets were revalued by the valuers approved by the Pakistan Banks' Association on December 31, 2018 on the basis of their professional assessment of present market value. The amount of revaluation surplus after valuation of non-banking assets acquired in satisfaction of claim is Rs. 2,104,333 thousand. The information relating to location of revalued non-banking assets acquired in satisfaction of claim is as follows:

City	Revalued Amount Rupees in '000	Name of Valuers
Karachi	428,198	K.G. Traders (Pvt) Limited
Lahore	717,316	-do-
Islamabad	3,209,644	-do-
Faisalabad	540,723	-do-
Quetta	396,708	-do-
Sheikhupura	413,447	-do-
	5,706,036	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>13.3.1 NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS</b>			
Opening balance		5,001,571	4,938,757
Additions		550,224	–
Revaluation		452,228	203,599
Disposals		(629,580)	(54,924)
Adjustments		(16,907)	(53,989)
Depreciation		(59,072)	(31,872)
Closing balance		5,298,464	5,001,571
<b>13.3.2 GAIN ON DISPOSAL OF NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS</b>			
Disposal proceeds		845,207	59,247
Less			
- Carrying value		(629,580)	(54,924)
- Depreciation		11,165	–
		(618,415)	(54,924)
Gain		226,792	4,323
<b>13.4 PROVISION HELD AGAINST OTHER ASSETS</b>			
Income / mark-up accrued in local currency		–	506
Advances, deposits, advance rent and other prepayments		142,470	148,695
Non-banking assets acquired in satisfaction of claims		15,952	15,952
Suspense account		34,408	34,308
Dividend receivable		–	3,407
Provision under IFRS 9 related to WBB	13.4.1.1	447	–
Others		64,534	69,697
		257,811	272,565
<b>13.4.1 MOVEMENT IN PROVISION HELD AGAINST OTHER ASSETS</b>			
Opening balance		272,565	242,040
Provision under IFRS 9 related to WBB	13.4.1.1	149	–
Opening balance after IFRS 9 impact of WBB		272,714	242,040
Charge for the year		230	36,571
Provision under IFRS 9 related to WBB	13.4.1.1	298	–
Reversals for the year		(15,431)	(3,546)
Amount written off		–	(2,500)
		(14,903)	30,525
Closing balance		257,811	272,565

13.4.1.1 This represents provision consequent to applicability of IFRS 9 on the Wholesale Bank Branch, Bahrain as described in note 4.1.2.

#### 14. DISCONTINUED OPERATIONS

14.1 An analysis of the assets and liabilities attributable to discontinued operations as at the date of Statement of Financial Position is as follows:

Rupees in '000	2018	2017
<b>14.1.1 ASSETS ATTRIBUTABLE TO DISCONTINUED OPERATIONS</b>		
Cash and balances with treasury banks	–	–
Balances with other banks	69,943	167,994
Lendings to financial institutions	–	–
Investments	57,429	40,411
Advances	911	810
Fixed assets	4,238	5,028
Intangible assets	16,696	15,989
Deferred tax assets	–	–
Other assets	65,540	97,717
	214,757	327,949
<b>LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS</b>		
Bills payable	–	–
Borrowings	–	–
Deposits and other accounts	–	–
Liabilities against assets subject to finance lease	–	–
Subordinated debt	–	–
Deferred tax liabilities	–	–
Other liabilities	81,513	140,741
	81,513	140,741
	133,244	187,208
<b>14.1.2 FINANCIAL PERFORMANCE</b>		
Mark-up / return / interest earned	1,160	1,077
Mark-up / return / interest expensed	59	33
Net mark-up / interest income	1,101	1,044
Non mark-up / interest income		
Fee and commission income	33,484	79,135
Dividend income	2,287	864
Foreign exchange income	–	–
Income / (loss) from derivatives	–	–
Gain on securities	4,486	38,095
Other income	1,245	12,277
Total non-markup / interest income	41,502	130,371
Total income	42,603	131,415
Non mark-up / interest expenses		
Operating expenses	42,517	114,622
Workers' Welfare Fund	–	–
Other charges	–	–
Total non-markup / interest expenses	42,517	114,622
Profit before provisions	86	16,793
Provisions and write offs - net	–	–
Extraordinary / unusual items	–	–
Profit before taxation	86	16,793
Taxation	(2,745)	(10,182)
Profit after taxation	(2,659)	6,611

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>14.1.3 OTHER COMPREHENSIVE INCOME</b>			
Profit after taxation		(2,659)	6,611
Remeasurement (loss) / gain on defined benefit plan - net of tax		(1,478)	44
Movement in deficit on revaluation of investments - net of tax		(14,154)	(27,330)
		(18,291)	(20,675)
<b>14.1.4 CASH FLOW INFORMATION</b>			
Net cash flows from operating activities		52,608	(20,561)
Net cash flows from investing activities		(16,935)	341,950
Net cash flows from financing activities		–	–
<b>15. BILLS PAYABLE</b>			
In Pakistan		15,512,880	10,769,262
<b>16. BORROWINGS</b>			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	16.1.1	12,455,680	12,029,461
Long term financing facility	16.1.2	6,281,267	4,673,546
Financing facility for storage of agricultural produce	16.1.3	5,833	9,167
Renewable energy financing facility	16.1.4	224,077	126,427
		18,966,857	16,838,601
Repurchase agreement borrowings			
State Bank of Pakistan	16.1.5	–	40,522,945
Financial institutions	16.1.6	20,766,755	8,622,609
		20,766,755	49,145,554
Refinance from Pakistan Mortgage Refinance Company	16.1.7	1,000,000	–
Total secured		40,733,612	65,984,155
Unsecured			
Call borrowings	16.1.8	10,851,663	5,599,688
Overdrawn nostro accounts		1,117,048	3,468
Total unsecured		11,968,711	5,603,156
		52,702,323	71,587,311

16.1.1 This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 1% to 3% (2017: 1% to 2%) per annum payable on a quarterly basis.

16.1.2 This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 2.0% to 8.4% (2017: 2.0% to 8.4%) per annum payable on a quarterly basis.

16.1.3 These are secured against pledge of Government Securities and carry markup of 3.25% (2017: 3.25%) per annum and have maturities upto 2020.

16.1.4 These are secured against pledge of Government Securities and carry markup of 2% (2017: 2%) per annum and have maturities upto 2027.

16.1.5 These are secured against pledge of Government Securities and carry markup of NIL (2017: 5.81% to 5.85%) per annum and have maturities upto NIL (2017: 1 month).



16.16 These are secured against pledge of Government Securities and carry markup of 3.40% to 10.35% (2017: 2.55% to 5.85%) per annum and have maturities upto 1 month (2017: 6 months).

16.17 This is secured against mortgage finance portfolio of the Bank and carry markup of 10.71% per annum and has maturity upto 2021.

16.18 These carry mark-up of 1.35% to 9.55% (2017: 2.50% to 5.85%) per annum and having maturity upto 6 months (2017: 7 months).

Rupees in '000	2018	2017
<b>16.2 PARTICULARS OF BORROWINGS WITH RESPECT TO CURRENCIES</b>		
In local currency	40,876,145	65,123,725
In foreign currencies	11,826,178	6,463,586
	<b>52,702,323</b>	<b>71,587,311</b>

## 17. DEPOSITS AND OTHER ACCOUNTS

Rupees in '000	2018			2017		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
<b>CUSTOMERS</b>						
Current accounts - non-remunerative	146,665,829	16,404,508	163,070,337	129,425,106	14,256,608	143,681,714
Current accounts - remunerative	589,527	–	589,527	751,535	–	751,535
Savings deposits	284,295,933	30,842,212	315,138,145	263,396,417	28,131,518	291,527,935
Fixed deposits	80,061,600	5,961,134	86,022,734	76,680,258	4,854,849	81,535,107
Special exporters' account	–	236,081	236,081	–	150,636	150,636
Margin accounts	3,623,587	7,676	3,631,263	3,509,049	5,698	3,514,747
Others	1,218,199	–	1,218,199	1,163,372	–	1,163,372
	<b>516,454,675</b>	<b>53,451,611</b>	<b>569,906,286</b>	<b>474,925,737</b>	<b>47,399,309</b>	<b>522,325,046</b>
<b>FINANCIAL INSTITUTIONS</b>						
Current accounts - non-remunerative	811,441	–	811,441	662,737	–	662,737
Savings deposits	1,441,152	–	1,441,152	1,386,268	–	1,386,268
Fixed deposits	1,438,047	–	1,438,047	1,431,000	–	1,431,000
	<b>3,690,640</b>	<b>–</b>	<b>3,690,640</b>	<b>3,480,005</b>	<b>–</b>	<b>3,480,005</b>
	<b>520,145,315</b>	<b>53,451,611</b>	<b>573,596,926</b>	<b>478,405,742</b>	<b>47,399,309</b>	<b>525,805,051</b>

Rupees in '000	2018	2017
<b>17.1 COMPOSITION OF DEPOSITS</b>		
- Individuals	225,474,253	202,145,869
- Government (Federal and Provincial)	187,851,067	168,770,000
- Public Sector Entities	41,581,294	40,344,475
- Banking Companies	107	125
- Non-Banking Financial Institutions	3,690,533	3,479,880
- Private Sector	114,999,672	111,064,702
	<b>573,596,926</b>	<b>525,805,051</b>

17.2 Total deposits include eligible deposits of Rs. 259,578,178 thousand (2017: Rs. 237,700,985 thousand) as required by the Deposit Protection Corporation's (a subsidiary of SBP) Circular No. 4 of 2018 dated June 22, 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	2018	2017
<b>18. SUBORDINATED DEBTS</b>		
Term Finance Certificates - IV	–	997,600
Term Finance Certificates - V	3,993,600	3,995,200
Term Finance Certificates - VI (ADT-1)	6,000,000	–
	<b>9,993,600</b>	<b>4,992,800</b>

18.1 The Group has raised unsecured subordinated loans through issuance of Term Finance Certificates to improve the Group's capital adequacy. Liability to the TFC holders is subordinated to and rank inferior to all other indebtedness of the Group including deposits and is not redeemable before maturity without prior approval of the SBP. The salient features of outstanding issues are as follows:

	Term Finance Certificates - V	Term Finance Certificates - VI (ADT-1)
Outstanding amount - Rupees in '000	3,993,600	6,000,000
Issue amount	Rupees 4,000 million	Rupees 6,000 million
Issue date	September 30, 2014	July 3, 2018
Maturity Date	September 29, 2024	Perpetual
Rating	AA-	AA-
Security	Unsecured	Unsecured
Listing	Unlisted	Unlisted
Profit payment frequency	Payable six monthly	Payable six monthly
Redemption	6-108th month: 0.36% 109-120th month: 99.64%	Perpetual
Profit rate	Base rate plus 1.20% Base rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Base rate plus 1.50% Base rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Call option	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Lock-in-clause	NIL	Payment of profit will be subject to the condition that such payment will not result in breach of the Bank's regulatory Minimum Capital Requirement or Capital Adequacy Ratio set by SBP from time to time. Any inability to exercise lock-in clause or the non-cumulative features will subject these TFCs to mandatory conversion into common shares / write off at the discretion of SBP.
Loss absorption clause	NIL	The instrument will be subject to loss absorption if Bank's Common Equity Tier (CET-1) ratio falls to or below 6.625% of Risk Weighted Assets or at the option of SBP.

Rupees in '000	Note	2018	2017
<b>19. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		3,167,365	2,601,197
Mark-up / return / interest payable in foreign currencies		166,309	139,760
Unearned commission and income on bills discounted		558,086	255,495
Accrued expenses		1,125,210	935,879
Advance payments		439,176	389,031
Acceptances		8,735,265	5,976,910
Dividends payable		127,053	139,256
Branch adjustment account		310,170	285,884
Payable to defined benefit plan		52,851	489,526
Provision against off-balance sheet obligations	19.1	108,025	6,116
Security deposit against lease / Ijarah financing		4,473,848	4,156,902
Withholding taxes payable		134,361	84,679
Federal excise duty payable		68,562	48,507
Workers' Welfare Fund	30	130,000	670,060
Switch fee payable		747,778	393,394
Others		834,417	525,627
		<b>21,178,476</b>	<b>17,098,223</b>

**19.1 PROVISION AGAINST OFF-BALANCE SHEET OBLIGATIONS**

Opening balance	6,116	6,116
Charge for the year	101,909	–
Closing balance	<b>108,025</b>	<b>6,116</b>

**20. SHARE CAPITAL**

**20.1 AUTHORIZED CAPITAL**

2018		2017	2018		2017
Number of shares			Rupees in '000		
2,000,000,000	1,600,000,000	Ordinary shares of Rs. 10 each	20,000,000	16,000,000	

**20.2** Pursuant to approval of shareholders in the 26th Annual General Meeting, the Bank's authorized share capital has been increased to Rs. 20,000,000 thousand from Rs. 16,000,000 thousand divided into 2,000,000,000 ordinary shares.

**20.3 ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

2018		2017	2018		2017
Number of shares			Rupees in '000		
Ordinary shares of Rs. 10 each:					
514,689,096	514,689,096	Fully paid in cash	5,146,891	5,146,891	
717,297,769	717,297,769	Issued as bonus shares	7,172,978	7,172,978	
28,273,315	28,273,315	Issued on Askari Leasing Limited merger	282,733	282,733	
<b>1,260,260,180</b>	<b>1,260,260,180</b>		<b>12,602,602</b>	<b>12,602,602</b>	

**20.4** The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent of ordinary shares of the Bank as on December 31, 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000		2018	2017 (Restated)	
<b>21.</b>	<b>SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
	Surplus / (deficit) on revaluation of:			
	- Available for sale securities	(6,303,882)	600,756	
	- Fixed assets	3,649,575	2,940,128	
	- Non-banking assets acquired in satisfaction of claims	2,097,145	1,811,635	
		(557,162)	5,352,519	
	Deferred tax on (deficit) / surplus on revaluation of Available for sale securities	2,206,359	(210,265)	
		1,649,197	5,142,254	
<b>21.1</b>	<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
	Surplus on revaluation of fixed assets as at January, 1	2,940,128	2,940,128	
	Recognized during the year	709,447	-	
	Surplus on revaluation of fixed assets as at December, 31	3,649,575	2,940,128	
<b>21.2</b>	<b>SURPLUS ON REVALUATION OF NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS</b>			
	Surplus on revaluation as at January, 1	1,811,635	1,617,860	
	Recognized during the year	452,228	203,599	
	Realized on disposal during the year	(165,184)	(3,278)	
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year- net of deferred tax	(628)	(6,546)	
	Adjustment during the year	(906)	-	
	Surplus on revaluation as at December, 31	2,097,145	1,811,635	
Rupees in '000		2018	2017	
<b>22.</b>	<b>CONTINGENCIES AND COMMITMENTS</b>			
	- Guarantees	22.1	177,859,159	147,353,703
	- Commitments	22.2	311,768,322	275,278,355
	- Other contingent liabilities	22.3	792,879	771,897
			490,420,360	423,403,955
<b>22.1</b>	<b>GUARANTEES</b>			
	Financial guarantees		77,942,385	70,976,864
	Performance guarantees		82,128,279	56,176,690
	Other guarantees		17,788,495	20,200,149
			177,859,159	147,353,703

Rupees in '000	Note	2018	2017
<b>22.2 COMMITMENTS</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		212,101,045	173,837,361
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	58,918,497	35,438,198
- forward lending	22.2.2	40,682,738	65,592,271
Commitments for acquisition of:			
- operating fixed assets		29,633	80,182
- intangible assets		30,628	39,013
Commitments in respect future contract transactions of equity securities		5,781	9,690
Other commitments	22.2.3	–	281,640
		311,768,322	275,278,355
<b>22.2.1 COMMITMENTS IN RESPECT OF FORWARD FOREIGN EXCHANGE CONTRACTS</b>			
Purchase		36,434,542	26,354,478
Sale		22,483,955	9,083,720
		58,918,497	35,438,198
The above commitments have maturities falling within one year.			
<b>22.2.2 COMMITMENTS IN RESPECT OF FORWARD LENDING</b>			
Forward repurchase agreement lending		20,806,907	50,765,763
Undrawn commitments	22.2.2.1	19,875,831	14,826,508
		40,682,738	65,592,271
<b>22.2.2.1</b> These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Group without the risk of incurring significant penalty or expense.			
Rupees in '000		2018	2017
<b>22.2.3 OTHER COMMITMENTS</b>			
This represents participation in the equity of a proposed Mortgage Refinance Company		–	281,640
<b>22.3 OTHER CONTINGENT LIABILITIES</b>			
These represent certain claims by third parties against the Group, which are being contested in the courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Group.			
		792,879	771,897

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 23. DERIVATIVE INSTRUMENTS

The Group at present does not offer derivative products such as Interest Rate Swaps, Cross Currency Swaps, Forward Rate Agreements or Foreign Exchange Options. The Group's Treasury and Investment Banking Groups buy and sell derivative instruments such as Forward Exchange Contracts (FECs) and Equity Futures (EFs).

#### 23.1 FORWARD EXCHANGE CONTRACTS

FECs is a product offered to clients to hedge FX risk. The traders use this product to hedge themselves from unfavourable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favourable movements in that currency.

FECs is a contract between the obligor and the Group in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement over more than two business days after the FECs is entered into (the day on which settlement occurs is called the value date). FECs is entered with those obligors whose credit worthiness has already been assessed, and they have underlined trade transactions.

If the relevant exchange rate moves unfavourably, the Group will lose money, and obligor will benefit from that movement because the Group must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Group manages its exposure by hedging forward position in inter-bank foreign exchange.

#### 23.2 EQUITY FUTURES

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying scrip at a certain date in the future, at a specified price.

The Group uses equity futures as a hedging instrument to hedge its equity portfolio against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Group either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates. Maximum exposure limit to the equity futures is 10% of Tier I Capital of the Group, based on prevailing SBP Regulations.

The Risk Management Division monitors the Group's exposure in equity futures and forward exchange contracts. Positions in equity futures and forward exchange contracts are marked-to-market and are included in measures of portfolio volatility including Value at Risk (VaR). Forward exchange contracts and equity futures are also included in capital charge and Risk Weighted Asset calculation in accordance with SBP Regulations.

The accounting policies used to recognize and disclose derivatives are given in note 4.21.

Rupees in '000	2018	2017
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>		
On:		
a) Loans and advances	23,859,186	17,035,031
b) Investments	18,436,042	18,854,826
c) Lendings to financial institutions	93,870	189,798
d) Balances with banks	106,818	99,183
e) Securities purchased under resale agreements	1,173,967	88,382
	43,669,883	36,267,220
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	22,104,113	17,253,694
Borrowings	2,302,209	2,442,229
Subordinated debts	653,603	376,035
	25,059,925	20,071,958

Rupees in '000	Note	2018	2017
<b>26. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		415,748	328,076
Consumer finance related fees		80,538	85,378
Card related fees (debit and credit cards)		809,492	524,761
Credit related fees		123,343	135,549
Investment banking fees		186,465	272,179
Commission on trade		592,296	509,239
Commission on guarantees		502,400	494,130
Commission on remittances including home remittances		96,994	73,319
Commission on bancassurance		228,946	231,821
Others		79,848	52,342
		<b>3,116,070</b>	<b>2,706,794</b>
<b>27. GAIN ON SECURITIES</b>			
Realized gain / (loss) on:			
Federal Government securities		237,818	1,392,979
Provincial Government securities		–	–
Shares		(10,631)	606,508
Non Government debt securities		1,780	–
Foreign securities		–	–
Mutual funds		31,136	63,556
		<b>260,103</b>	<b>2,063,043</b>
<b>28. OTHER INCOME</b>			
Rent of property		9,359	13,485
Loss on sale of fixed assets	28.1	(5,253)	(10,551)
Rent of lockers		38,525	30,228
Gain on sale of non-banking assets	28.2	226,792	4,323
Recovery of expenses from customers		148,658	162,856
		<b>418,081</b>	<b>200,341</b>

**28.1** This includes an amount of Rs. Nil (2017: Rs. Nil) on account of surplus on revaluation of fixed assets realized on disposal.

**28.2 GAIN ON SALE OF NON-BANKING ASSET**

Name of party	2018				
	Cost	Revalued amount	Cash received	Gain on sale	Mode of disposal
	Rupees '000				
A.H. International (Pvt) Limited	395,292	517,566	735,000	217,434	Buy back
Shafi Exports (Pvt) Limited	69,104	100,849	110,207	9,358	Buy back
	<b>464,396</b>	<b>618,415</b>	<b>845,207</b>	<b>226,792</b>	
Name of party	2017				
	Cost	Revalued amount	Cash received	Gain on sale	Mode of disposal
	Rupees '000				
A.H. International (Pvt) Limited	3,686	5,000	5,000	–	Buy back
Shafi Exports (Pvt) Limited	47,960	49,924	54,247	4,323	Buy back
	<b>51,646</b>	<b>54,924</b>	<b>59,247</b>	<b>4,323</b>	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>29. OPERATING EXPENSES</b>			
<b>TOTAL COMPENSATION EXPENSES</b>	29.1	8,502,023	8,064,405
<b>PROPERTY EXPENSE</b>			
Rent and taxes		1,692,027	1,477,504
Insurance		93,144	94,814
Utilities cost		547,660	495,135
Security (including guards)		546,841	531,780
Repair and maintenance (including janitorial charges)		230,124	228,038
Depreciation		430,449	378,391
		3,540,245	3,205,662
<b>INFORMATION TECHNOLOGY EXPENSE</b>			
Software maintenance		256,653	(100,543)
Hardware maintenance		41,898	32,676
Depreciation		186,905	563,034
Amortisation		195,294	196,476
Network charges		221,761	162,221
		902,511	853,864
<b>OTHER OPERATING EXPENSES</b>			
Directors' fees, allowances		8,250	6,494
Fees and allowances to shariah board		4,940	3,965
Rent, taxes, insurance etc.		186,866	162,357
Legal and professional charges		110,524	104,951
Brokerage and commission		81,567	55,523
NIFT clearing charges		53,463	57,494
Repair and maintenance		254,147	250,389
Communications		417,668	380,369
Stationery and printing		216,611	178,977
Marketing, advertisement and publicity		114,548	152,296
Donations	29.2	43,388	–
Auditors' remuneration	29.3	13,126	11,319
Travelling and conveyance		872,272	703,591
Depreciation		405,481	385,010
Subscriptions		32,567	29,098
Training and development		19,305	19,767
Other expenditure		461,012	323,265
		3,295,735	2,824,865
		16,240,514	14,948,796



Rupees in '000	Note	2018	2017
<b>29.1 TOTAL COMPENSATION EXPENSES</b>			
Managerial remuneration			
i) Fixed		4,007,601	3,934,080
ii) Variable			
- Cash bonus / awards etc.		665,984	621,248
		4,673,585	4,555,328
Charge for defined benefit plans	29.1.1	586,359	378,032
Contribution to defined contribution plan	37	263,112	255,175
Rent and house maintenance		1,578,787	1,535,987
Utilities		345,968	337,546
Medical		485,054	474,313
Conveyance		344,721	310,477
Other staff cost	29.1.2	224,437	217,547
		8,502,023	8,064,405

29.1.1 This includes charge for gratuity fund and leave encashment.

29.1.2 This includes EOBI contribution by the Group, incentive to consumer sales staff, dearness allowance, cash handling allowance and staff group insurance etc.

29.2 This includes donation given for 'Diامر Bhasha and Mohmand Dams Fund' and contribution made to Armed Forces Institute of Cardiology through Fauji Foundation amounting to Rs. 42,523 thousand and purchase of Suzuki Bolan along with allied expense for 'Care for Special Persons Foundation' of Rs. 865 thousand. Donation was not given to any donee in which the Group or any of its directors or their spouses had any interest.

Rupees in '000	Note	2018	2017
<b>29.3 AUDITORS' REMUNERATION</b>			
Statutory auditors of the Bank			
Audit fee		3,795	3,300
Fee for the audit of provident and gratuity funds		300	220
Special certifications, half year review, audit of consolidated financial statements and sundry advisory services		4,781	4,200
Out of pocket expenses		1,321	1,219
		10,197	8,939
Auditors of Wholesale Bank Branch, Bahrain			
Audit fee		2,929	2,380
		13,126	11,319
<b>30. WORKERS' WELFARE FUND</b>			
Opening balance		670,060	500,227
Charge for the year		159,940	169,833
Reversal for the prior periods	30.1	(700,000)	—
		(540,060)	169,833
Closing balance		130,000	670,060

30.1 The Supreme Court of Pakistan vide its order dated November 10, 2016 held that the amendment made in the law introduced by the Federal Government for the levy of Workers' Welfare Fund (WWF) was ultra vires of the constitution. The Federal Board of Revenue has filed review petition against this order which is currently pending. During 2015, the Sindh Workers' Welfare Fund Act, 2014 (the Sindh Act) was promulgated under which the applicability of WWF has only been affected in the Province of Sindh. Based on legal advice obtained, the Group has reversed outstanding provision of WWF amounting to Rs. 700,000 thousand pertaining to areas other than Sindh province and carried the provision relating to province of Sindh amounting to Rs. 130,000 thousand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	Note	2018	2017
<b>31. OTHER CHARGES</b>			
Penalties imposed by the State Bank of Pakistan		905	23,568
Premium paid to Deposit Protection Corporation - (subsidiary of SBP)	31.1	190,162	–
		<b>191,067</b>	<b>23,568</b>

31.1 This premium is paid as required by the Deposit Protection Corporation's (a subsidiary of SBP) Circular No. 4 dated June 22, 2018.

Rupees in '000	Note	2018	2017
<b>32. PROVISIONS / (REVERSAL OF PROVISIONS) AND WRITE OFFS - NET</b>			
Provision for diminution in value of investments	8.3.1	1,048,772	108,351
Provision / (reversal of provision) against loans and advances	9.4	467,347	(1,189,533)
Impairment loss on available for sale investments		–	30,047
(Reversal) / provision against other assets	13.4.1	(14,903)	33,025
Reversal of provision against intangible assets		–	(11,193)
Provision against off-balance sheet obligations	19.1	101,909	–
Reversal of provision against assets held for sale		–	–
Recovery of written off / charged off bad debts		(142,536)	(147,129)
Reversal of provision against cash and bank balances	6.3	(14)	–
		<b>1,460,575</b>	<b>(1,176,432)</b>

<b>33. TAXATION</b>			
Current		2,009,641	2,265,570
Prior years'		1,578,208	243,344
Deferred		(1,139,672)	715,001
		<b>2,448,177</b>	<b>3,223,915</b>

<b>33.1 RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT</b>			
Profit before taxation		6,879,455	8,345,601
Tax at applicable tax rate of 35 percent (2017: 35 percent)		2,407,809	2,920,960
Effect of:			
- charge for prior years		39,183	243,344
- permanent differences		1,185	8,440
		<b>2,448,177</b>	<b>3,172,744</b>

33.2 The Honourable Islamabad High Court (IHC) in its order dated March 13, 2018, disallowed provision against Non-Performing Loans (NPLs) during tax years 1995 – 1996 to 2008, the period prior to enactment of the Seventh Schedule of the Income Tax Ordinance, 2001. The Honourable Supreme Court of Pakistan has also upheld the IHC order. Consequently, the tax demand raised in re-assessment orders has been paid by the Group. The Group has recognized prior year tax charge against this disallowance net off actual write offs and recoveries from tax years 2009 to 2019 related to NPLs disallowed. In this respect, aggregate prior year tax expense recorded during the year is Rs. 1,660 million along with the related deferred tax asset of Rs. 1,497 million.

### 33.3 TAX STATUS

i) The Group has filed tax returns for and up to tax year 2018 (year ended 31 December 2017). The assessments for and up to tax year 2017 were amended by the tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income.

Tax payments made in relation to the matters currently pending are being carried forward as receivable, as management is confident of their realization as and when the appeals are decided.

- ii) Consequent upon the amalgamation with and into the Group, the outstanding tax issues relating to Askari Leasing Limited (ALL) are as follows:

Tax returns of ALL have been filed for and up to tax year 2010. The returns for the tax years 2003 to 2010 were amended by the tax authorities mainly in the matter of admissibility of initial allowance claimed on leased vehicles. On appeals filed by ALL, partial relief was provided by the CIR(A) by allowing initial allowance on commercial vehicles. Re-assessment has not yet been carried out by the tax department. A tax demand is however not likely to arise after re-assessment.

For and up to the assessment years 2002-2003, reference applications filed by the tax authorities in the matter of computation of lease income are pending decisions by the Islamabad High Court. However the likelihood of an adverse decision is considered low due to a favourable decision of the High Court in parallel cases.

	2018	2017
<b>34. BASIC EARNINGS PER SHARE</b>		
Profit for the year - Rupees in '000	4,429,310	5,121,686
Weighted average number of Ordinary Shares - numbers	1,260,260,180	1,260,260,180
Basic earnings per share - Rupees	3.51	4.06

There is no dilutive effect on the basic earnings per share of the Group, therefore dilutive earnings per share have not been presented separately.

Rupees in '000	2018	2017
<b>35. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	49,187,645	44,239,325
Balances with other banks	4,093,412	3,193,835
Call money lendings	-	750,000
	53,281,057	48,183,160

	2018	2017
<b>36. STAFF STRENGTH</b>	<b>NUMBER OF EMPLOYEES</b>	
Permanent	6,640	6,591
On Bank's contract	898	943
Total staff strength	7,538	7,534

In addition to the above, out of total employees, 5 (2017: 6) employees are working abroad.

### 37. DEFINED BENEFIT PLAN

#### 37.1 GENERAL DESCRIPTION

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

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

- 37.2 The number of employees covered under the defined benefit scheme are 6,611 employees (2017: 6,582 employees).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 37.3 PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation was carried out for the year ended December 31, 2018 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2018	2017
Discount rate - per annum	10.75%	9.25%
Expected rate of increase in salaries - per annum	10.25%	8.75%
Expected rate of return on plan assets - per annum	10.75%	9.25%
Duration	10.84 years	11.18 years
Mortality rate	SLIC 2001 - 2005 mortality table	SLIC 2001 - 2005 mortality table

Rupees in '000	Note	2018	2017
<b>37.4 RECONCILIATION OF PAYABLE TO DEFINED BENEFIT PLAN:</b>			
Present value of defined benefit obligation		2,782,116	2,505,491
Fair value of plan assets		(2,741,274)	(2,042,650)
Benefits payable		12,009	26,685
<b>Net liability</b>		<b>52,851</b>	<b>489,526</b>
<b>37.5 MOVEMENT IN DEFINED BENEFIT OBLIGATIONS</b>			
Obligation at the beginning of the year		2,505,491	2,192,580
Current service cost		278,585	261,864
Interest cost		224,074	189,648
Re-measurement (gain) / loss		(47,892)	58,839
Benefits paid by the Bank		(166,133)	(170,755)
Benefits payable		(12,009)	(26,685)
<b>Obligation at the end of the year</b>		<b>2,782,116</b>	<b>2,505,491</b>
<b>37.6 MOVEMENT IN FAIR VALUE OF PLAN ASSETS</b>			
Fair value at the beginning of the year		2,042,650	1,808,216
Interest income on plan assets		203,902	170,845
Re-measurements: Net return on plan assets over interest income gain / (loss)	37.8.2	(43,130)	(116,540)
Contributions by employer		730,670	350,884
Benefits paid		(166,133)	(170,755)
Benefits payable - opening		(26,685)	–
<b>Fair value at the end of the year</b>		<b>2,741,274</b>	<b>2,042,650</b>
<b>37.7 MOVEMENT IN (RECEIVABLE) / PAYABLE UNDER DEFINED BENEFIT SCHEME</b>			
Opening balance		489,526	384,364
Charge for the year		298,757	280,667
Contribution by the Bank - net		(730,670)	(350,884)
Re-measurement (gain) / loss recognized in OCI during the year	37.8.2	(4,762)	175,379
<b>Closing balance</b>		<b>52,851</b>	<b>489,526</b>

Rupees in '000	2018	2017
<b>37.8 CHARGE FOR DEFINED BENEFIT PLAN</b>		
<b>37.8.1 COST RECOGNIZED IN PROFIT AND LOSS</b>		
Current service cost	278,585	261,864
Net interest income on defined benefit liability	20,172	18,803
	<b>298,757</b>	<b>280,667</b>
<b>37.8.2 RE-MEASUREMENTS RECOGNIZED IN OCI DURING THE YEAR</b>		
(Gain) / loss on obligation		
- Experience adjustments	(47,892)	58,839
Return on plan assets over interest income	43,130	116,540
Total re-measurements recognized in OCI	<b>(4,762)</b>	<b>175,379</b>
<b>37.9 COMPONENTS OF PLAN ASSETS</b>		
Cash and cash equivalents	183,901	3,263
Government securities	1,859,754	1,396,646
Term Finance Certificates	274,926	207,802
Shares	89,646	79,755
Mutual funds	333,047	355,184
	<b>2,741,274</b>	<b>2,042,650</b>

**37.10 AMOUNTS FOR CURRENT AND PREVIOUS FOUR ANNUAL PERIODS ARE AS FOLLOWS:**

Rupees in '000	2018	2017	2016	2015	2014
As at December 31,					
Defined benefit obligation	2,782,116	2,505,491	2,192,580	1,813,892	1,492,354
Plan assets	(2,741,274)	(2,042,650)	(1,808,216)	(1,813,892)	(1,492,354)
Benefits Payable	12,009	26,685	-	-	-
Deficit	52,851	489,526	384,364	-	-
Experience adjustments					
Actuarial (gain) / loss on obligation	(47,892)	58,839	-	51,437	135,344
Actuarial gain / (loss) on plan assets	-	-	-	-	-
Return on plan assets, excluding amounts included in interest income	(43,130)	(116,540)	-	34,266	(2,296)

**37.11 SENSITIVITY ANALYSIS**

Sensitivity analysis is performed by changing only one assumption at a time while keeping the other assumptions constant. Sensitivity analysis of key assumptions is given below:

Assumptions	Change in assumption	Impact on Defined Benefit Obligation	
		Increase in assumption	Decrease in assumption
Rupees in '000			
Discount rate	1.00%	(278,353)	324,722
Salary increase	1.00%	337,119	(293,176)
Mortality rate change	1 year	579	(583)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000

37.12 Expected contributions to be paid to the funds in the next financial year 298,401

37.13 Expected charge for the next financial year 298,072

### 37.14 MATURITY PROFILE

Rupees in '000	Undiscounted
Periods	Payments
Year 1	134,086
Year 2	117,187
Year 3	131,646
Year 4	155,321
Year 5	129,328
Year 6 to year 10	1,555,253
Year 11 and above	10,030,443

### 37.15 FUNDING POLICY

The Bank carries out the actuarial valuation of its defined benefit plan on a periodic basis using "Projected Unit Credit Method". Contributions are made annually in accordance with the actuarial recommendations.

### 37.16 SIGNIFICANT RISKS ASSOCIATED WITH THE STAFF RETIREMENT BENEFIT SCHEME:

Investment risk	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.
Longevity risk	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.
Salary increase risk	The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Withdrawal risk	The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

### 38. DEFINED CONTRIBUTION PLAN

The Bank operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund. The total assets of the fund as at December 31, 2017 were Rs. 4,250,161 thousand (December 31, 2016: Rs. 3,902,384 thousand) as per latest available audited financial statements of the fund.

#### 38.1 THE DETAILS OF SIZE AND INVESTMENT OF THE PROVIDENT FUND ARE AS FOLLOWS:

Rupees in '000	2018 Un-audited	2017 Audited
Size of the Fund	4,658,185	4,212,443
Cost of investments	4,588,893	3,960,838
Fair value of investments	4,433,191	3,973,840
Percentage of investments	98.51%	94.03%

## 38.2 BREAKUP OF PROVIDENT FUND INVESTMENTS

	2018		2017	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Pakistan Investment Bonds	2,368,394	51.61	2,948,567	74.44
Market Treasury Bills	894,144	19.48	–	–
Term Finance Certificates	368,000	8.02	–	–
Mutual funds	708,724	15.44	762,640	19.25
Shares	249,631	5.44	249,631	6.30
	4,588,893	100.00	3,960,838	100.00

All the investments out of provident fund trust have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## 39. COMPENSATED ABSENCES

### 39.1 GENERAL DESCRIPTION

The Bank grants compensated absences to all its regular employees as per effective service rules. Provisions are recorded in accordance with the actuarial recommendations.

Under this unfunded scheme, regular employees are entitled to 30 days privilege leave for each completed year of service. This policy has been revised during 2018 and now unutilized privilege leaves are accumulated upto a maximum of 90 days (previously 120 days) out of which 45 days (previously 60 days) are encashable at the time of separation from service on the basis of last drawn gross salary.

### 39.2 PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation was carried out for the year ended December 31, 2018 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2018 was Rs. 574,690 thousand (2017: Rs. 357,931 thousand). Expense for the year of Rs. 287,602 thousand (2017: Rs 97,365 thousand) has been included in administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2018	2017
Discount rate - per annum	10.75%	9.25%
Expected rate of increase in salaries - per annum	10.25%	8.75%
Leave accumulation factor - days	8	8

## 40. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President & Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
Fees	–	–	8,250	6,494	–	–
Managerial remuneration	32,125	50,287	–	–	1,197,118	1,092,109
Allowances	2,359	5,360	–	–	195,736	182,143
Charge for defined benefit plan	1,634	3,898	–	–	71,041	71,155
Contribution to defined contribution plan	1,330	3,897	–	–	70,658	65,810
Rent and house maintenance	7,064	14,034	–	–	406,311	381,044
Utilities	1,810	3,859	–	–	95,785	90,173
Medical	1,671	3,508	–	–	88,741	83,331
Bonus	11,695	17,398	–	–	193,888	183,259
Others	11,524	3,974	–	–	14,786	1,989
	71,212	106,215	8,250	6,494	2,334,064	2,151,013
Number of persons	2	1	12	15	454	428

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Executive means all executive employees, other than the President & Chief Executive, whose annual basic salary exceeds rupees twelve hundred thousand. President & Chief Executive and certain other executives are provided with the Bank maintained vehicles.

Further, senior executives are entitled to certain additional benefits in accordance with the Bank's policy.

Directors' boarding and lodging expenses for attending meetings of the Bank are borne by the Bank and are included in administrative expenses.

#### 41. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for securities classified by the Group as 'held to maturity'. Securities classified as held to maturity are carried at amortized cost. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 4.7.

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

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

#### 41.1 FAIR VALUE OF FINANCIAL ASSETS

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets (Pakistan Stock Exchange) 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 liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) available at Mutual Fund Association of Pakistan (MUFAP), Reuters page, Redemption prices and determined by valuers on the panel of Pakistan Bank's Association.

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

Valuation techniques used in determination of fair values within level 2 and level 3

Federal Government securities	The fair values of Federal Government securities are determined on the basis of rates / prices sourced from Reuters.
Non Government debt securities	Non Government debt securities are valued on the basis of rates announced by MUFAP.
Foreign Government debt securities	Foreign Government debt securities are valued on the basis of rates taken from custodian of the securities which are usually drawn from Bloomberg.
Unit of mutual funds	Fair values of mutual funds (i.e. determined based on their net asset values as published at the close of reporting period.
Fixed assets and non-banking assets acquired in satisfaction of claims	Land and non-banking assets acquired in satisfaction of claims are valued on a periodic basis using professional valuers. The valuation is based on their assessments of the market value of the assets.



The table below analyses the financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP.

Rupees in '000	2018			Total
	Level 1	Level 2	Level 3	
<b>ON BALANCE SHEET FINANCIAL INSTRUMENTS</b>				
<b>FINANCIAL ASSETS - MEASURED AT FAIR VALUE</b>				
Investments				
Federal Government securities	–	237,893,228	–	237,893,228
Shares	4,002,441	–	305,680	4,308,121
Units of open end mutual funds	–	971,446	–	971,446
Fully paid preference shares	59,745	–	–	59,745
Non Government debt securities	–	1,210,281	4,206,108	5,416,389
Foreign securities	–	413,663	–	413,663
<b>FINANCIAL ASSETS - DISCLOSED BUT NOT MEASURED AT FAIR VALUE</b>				
Investments				
Federal Government securities	–	11,171,395	–	11,171,395
<b>OFF-BALANCE SHEET FINANCIAL INSTRUMENTS - MEASURED AT FAIR VALUE</b>				
Forward purchase of foreign exchange	–	36,434,542	–	36,434,542
Forward Sale of foreign exchange	–	22,483,955	–	22,483,955
Forward agreements for lending	–	–	–	–
Forward agreements for borrowing	–	–	20,806,907	20,806,907

Rupees in '000	2017			Total
	Level 1	Level 2	Level 3	
<b>ON BALANCE SHEET FINANCIAL INSTRUMENTS</b>				
<b>FINANCIAL ASSETS - MEASURED AT FAIR VALUE</b>				
Investments				
Federal Government securities	–	296,824,632	–	296,824,632
Shares	3,379,259	–	24,040	3,403,299
Units of open end mutual funds	–	1,652,135	–	1,652,135
Fully paid preference shares	66,720	–	–	66,720
Non Government debt securities	–	904,521	5,613,569	6,518,090
Foreign securities	–	228,426	–	228,426
<b>FINANCIAL ASSETS - DISCLOSED BUT NOT MEASURED AT FAIR VALUE</b>				
Investments				
Federal Government securities	–	6,263,446	–	6,263,446
<b>OFF-BALANCE SHEET FINANCIAL INSTRUMENTS - MEASURED AT FAIR VALUE</b>				
Forward purchase of foreign exchange	–	26,354,478	–	26,354,478
Forward Sale of foreign exchange	–	9,083,720	–	9,083,720
Forward agreements for lending	–	–	1,515,752	1,515,752
Forward agreements for borrowing	–	–	49,250,012	49,250,012

The Group's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused such transfer takes place. There were no transfers between levels 1 and 2 during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

Rupees in '000	2018 Level 3	2017 Level 3
<b>41.2 FAIR VALUE OF NON-FINANCIAL ASSETS</b>		
Fixed assets		
Property and equipment (freehold and leasehold land)	8,084,238	4,789,727
Other assets		
Non-banking assets acquired in satisfaction of claims	5,298,464	5,001,571

### 42. SEGMENT INFORMATION

#### 42.1 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

Rupees in '000	2018							Total
	Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head office / others	
<b>PROFIT AND LOSS</b>								
Net mark-up / return / profit	(13,701,567)	10,796,536	16,911,770	2,041,682	1,864,845	581,932	114,760	18,609,958
Inter segment revenue - net	25,378,081	(8,182,335)	(16,582,367)	(1,213,144)	-	221,706	378,059	-
Non mark-up / return / interest income	2,084,341	1,501,007	1,366,088	217,419	226,417	2,322	223,999	5,621,593
<b>TOTAL INCOME</b>	<b>13,760,855</b>	<b>4,115,208</b>	<b>1,695,491</b>	<b>1,045,957</b>	<b>2,091,262</b>	<b>805,960</b>	<b>716,818</b>	<b>24,231,551</b>
Segment direct expenses	9,332,509	369,262	179,674	625,997	1,821,327	81,455	3,481,297	15,891,521
Inter segment expense allocation	108,216	475,004	3,706	97,104	-	-	(684,030)	-
<b>TOTAL EXPENSES</b>	<b>9,440,725</b>	<b>844,266</b>	<b>183,380</b>	<b>723,101</b>	<b>1,821,327</b>	<b>81,455</b>	<b>2,797,267</b>	<b>15,891,521</b>
Provisions	708,445	577,302	(8)	20,058	37,358	9,931	107,489	1,460,575
<b>PROFIT BEFORE TAX</b>	<b>3,611,685</b>	<b>2,693,640</b>	<b>1,512,119</b>	<b>302,798</b>	<b>232,577</b>	<b>714,574</b>	<b>(2,187,938)</b>	<b>6,879,455</b>
<b>STATEMENT OF FINANCIAL POSITION</b>								
Cash and bank balances	17,756,676	810,416	29,951,560	-	3,809,342	874,204	78,849	53,281,047
Investments	-	13,389,091	223,738,330	-	8,169,564	13,627,192	1,309,810	260,233,987
Net inter segment lending	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-
Advances - performing - net of provision	36,991,679	222,393,797	-	19,304,293	46,549,799	9,621,704	6,701,958	341,563,230
Advances - non-performing - net of provision	787,659	547,041	-	148,992	60,225	-	-	1,543,917
Others	2,291,938	10,957,788	3,457,096	585,079	2,173,734	189,483	30,174,023	49,829,141
Assets attributable to discontinued operations	57,827,952	248,098,133	257,146,986	20,038,364	60,762,664	24,312,583	38,264,640	706,451,322
	-	-	-	-	-	-	214,757	214,757
<b>TOTAL ASSETS</b>	<b>57,827,952</b>	<b>248,098,133</b>	<b>257,146,986</b>	<b>20,038,364</b>	<b>60,762,664</b>	<b>24,312,583</b>	<b>38,479,397</b>	<b>706,666,079</b>
Borrowings	4,373,261	13,569,235	12,789,274	1,000,000	8,999,361	10,854,144	1,117,048	52,702,323
Subordinated debts	-	-	-	-	-	-	9,993,600	9,993,600
Deposits and other accounts	453,308,568	77,602,229	-	29,564	42,338,600	272,887	45,078	573,596,926
Net inter segment balances	(415,500,624)	138,536,860	242,645,941	17,070,983	-	11,386,676	5,860,164	-
Others	12,035,062	15,696,169	199,652	1,535,279	5,239,249	1,039,532	946,413	36,691,356
Liabilities associated with discontinued operations	54,216,267	245,404,493	255,634,867	19,635,826	56,577,210	23,553,239	17,962,303	672,984,205
	-	-	-	-	-	-	81,513	81,513
<b>TOTAL LIABILITIES</b>	<b>54,216,267</b>	<b>245,404,493</b>	<b>255,634,867</b>	<b>19,635,826</b>	<b>56,577,210</b>	<b>23,553,239</b>	<b>18,043,816</b>	<b>673,065,718</b>
Equity	3,611,685	2,693,640	1,512,119	402,538	4,185,454	759,344	20,435,581	33,600,361
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>57,827,952</b>	<b>248,098,133</b>	<b>257,146,986</b>	<b>20,038,364</b>	<b>60,762,664</b>	<b>24,312,583</b>	<b>38,479,397</b>	<b>706,666,079</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>67,749,459</b>	<b>336,263,367</b>	<b>71,602,764</b>	<b>-</b>	<b>5,934,661</b>	<b>8,011,980</b>	<b>858,129</b>	<b>490,420,360</b>

Rupees in '000	2017							Total
	Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head office / others	
<b>PROFIT AND LOSS</b>								
Net mark-up / return / profit	(11,442,303)	8,541,663	15,801,186	1,531,403	1,374,345	418,736	(29,768)	16,195,262
Inter segment revenue - net	20,417,408	(6,391,304)	(13,378,199)	(786,421)	-	124,536	13,980	-
Non mark-up / return / interest income	1,664,286	1,893,007	1,896,634	206,009	153,264	60,927	241,977	6,116,104
<b>TOTAL INCOME</b>	<b>10,639,391</b>	<b>4,043,366</b>	<b>4,319,621</b>	<b>950,991</b>	<b>1,527,609</b>	<b>604,199</b>	<b>226,189</b>	<b>22,311,366</b>
Segment direct expenses	8,547,121	343,266	170,907	752,791	1,636,462	90,836	3,600,814	15,142,197
Inter segment expense allocation	102,374	399,665	-	-	-	-	(502,039)	-
<b>TOTAL EXPENSES</b>	<b>8,649,495</b>	<b>742,931</b>	<b>170,907</b>	<b>752,791</b>	<b>1,636,462</b>	<b>90,836</b>	<b>3,098,775</b>	<b>15,142,197</b>
Provisions	(904,458)	(489,166)	28	20,635	126,285	-	70,243	(1,176,432)
<b>PROFIT BEFORE TAX</b>	<b>2,894,354</b>	<b>3,789,601</b>	<b>4,148,686</b>	<b>177,565</b>	<b>(235,138)</b>	<b>513,363</b>	<b>(2,942,829)</b>	<b>8,345,601</b>
<b>STATEMENT OF FINANCIAL POSITION</b>								
Cash and bank balances	15,773,246	508,445	26,731,274	-	4,159,061	261,003	131	47,433,160
Investments	-	12,359,208	285,671,765	-	6,733,697	8,491,804	1,700,274	314,956,748
Net inter segment lending	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	1,500,000	-	750,000	-	-	2,250,000
Advances - performing - net of provision	31,012,422	160,703,218	-	17,606,037	34,292,726	8,355,925	4,931,800	256,902,128
Advances - non-performing - net of provision	657,091	837,912	-	192,745	103,210	-	-	1,790,958
Others	2,950,000	5,381,646	6,891,913	560,919	1,965,779	167,005	21,360,420	39,277,681
	50,392,758	179,790,429	320,794,952	18,359,701	48,004,473	17,275,737	27,992,625	662,610,675
Assets attributable to discontinued operations	-	-	-	-	-	-	327,949	327,949
<b>TOTAL ASSETS</b>	<b>50,392,758</b>	<b>179,790,429</b>	<b>320,794,952</b>	<b>18,359,701</b>	<b>48,004,473</b>	<b>17,275,737</b>	<b>28,320,574</b>	<b>662,938,624</b>
Borrowings	5,345,571	10,982,878	46,385,125	-	2,410,152	6,460,118	3,467	71,587,311
Subordinated debts	-	-	-	-	-	-	4,992,800	4,992,800
Deposits and other accounts	438,454,708	49,474,030	-	38,373	37,650,774	180,020	7,146	525,805,051
Net inter segment balances	(410,064,889)	110,478,917	270,116,165	15,671,631	-	9,937,548	3,860,628	-
Others	13,763,014	5,065,003	144,976	2,472,132	4,452,181	81,550	1,888,629	27,867,485
	47,498,404	176,000,828	316,646,266	18,182,136	44,513,107	16,659,236	10,752,670	630,252,647
Liabilities associated with discontinued operations	-	-	-	-	-	-	140,741	140,741
<b>TOTAL LIABILITIES</b>	<b>47,498,404</b>	<b>176,000,828</b>	<b>316,646,266</b>	<b>18,182,136</b>	<b>44,513,107</b>	<b>16,659,236</b>	<b>10,893,411</b>	<b>630,393,388</b>
Equity	2,894,354	3,789,601	4,148,686	177,565	3,491,366	616,501	17,427,163	32,545,236
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>50,392,758</b>	<b>179,790,429</b>	<b>320,794,952</b>	<b>18,359,701</b>	<b>48,004,473</b>	<b>17,275,737</b>	<b>28,320,574</b>	<b>662,938,624</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>222,794,437</b>	<b>108,165,341</b>	<b>81,797,991</b>	<b>-</b>	<b>6,667,661</b>	<b>2,798,378</b>	<b>1,180,147</b>	<b>423,403,955</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### 42.2 SEGMENT DETAILS WITH RESPECT TO GEOGRAPHICAL LOCATIONS

#### Geographical segment analysis

Rupees in '000	2018		
	Pakistan	Middle East	Total
<b>PROFIT AND LOSS</b>			
Net mark-up / return / profit	18,028,026	581,932	18,609,958
Inter segment revenue - net	(221,706)	221,706	–
Non mark-up / return / interest income	5,619,271	2,322	5,621,593
<b>TOTAL INCOME</b>	<b>23,425,591</b>	<b>805,960</b>	<b>24,231,551</b>
Segment direct expenses	15,810,066	81,455	15,891,521
Inter segment expense allocation	–	–	–
<b>TOTAL EXPENSES</b>	<b>15,810,066</b>	<b>81,455</b>	<b>15,891,521</b>
Provisions	1,450,644	9,931	1,460,575
<b>PROFIT BEFORE TAX</b>	<b>6,164,881</b>	<b>714,574</b>	<b>6,879,455</b>
<b>STATEMENT OF FINANCIAL POSITION</b>			
Cash and bank balances	52,406,843	874,204	53,281,047
Investments	246,606,795	13,627,192	260,233,987
Net inter segment lending	–	–	–
Lendings to financial institutions	–	–	–
Advances - performing - net of provision	331,941,526	9,621,704	341,563,230
Advances - non-performing - net of provision	1,543,917	–	1,543,917
Others	49,639,658	189,483	49,829,141
	682,138,739	24,312,583	706,451,322
Assets attributable to discontinued operations	214,757	–	214,757
<b>TOTAL ASSETS</b>	<b>682,353,496</b>	<b>24,312,583</b>	<b>706,666,079</b>
Borrowings	41,848,179	10,854,144	52,702,323
Subordinated debts	9,993,600	–	9,993,600
Deposits and other accounts	573,324,039	272,887	573,596,926
Net inter segment balances	(11,386,676)	11,386,676	–
Others	35,651,824	1,039,532	36,691,356
	649,430,966	23,553,239	672,984,205
Liabilities associated with discontinued operations	81,513	–	81,513
<b>TOTAL LIABILITIES</b>	<b>649,512,479</b>	<b>23,553,239</b>	<b>673,065,718</b>
Equity	32,841,017	759,344	33,600,361
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>682,353,496</b>	<b>24,312,583</b>	<b>706,666,079</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>482,408,380</b>	<b>8,011,980</b>	<b>490,420,360</b>

Rupees in '000	2017		
	Pakistan	Middle East	Total
<b>PROFIT AND LOSS</b>			
Net mark-up / return / profit	15,776,526	418,736	16,195,262
Inter segment revenue - net	–	–	–
Non mark-up / return / interest income	6,055,177	60,927	6,116,104
<b>TOTAL INCOME</b>	<b>21,831,703</b>	<b>479,663</b>	<b>22,311,366</b>
Segment direct expenses	15,051,361	90,836	15,142,197
Inter segment expense allocation	–	–	–
<b>TOTAL EXPENSES</b>	<b>15,051,361</b>	<b>90,836</b>	<b>15,142,197</b>
Provisions	(1,176,432)	–	(1,176,432)
<b>PROFIT BEFORE TAX</b>	<b>7,956,774</b>	<b>388,827</b>	<b>8,345,601</b>
<b>STATEMENT OF FINANCIAL POSITION</b>			
Cash and bank balances	47,172,157	261,003	47,433,160
Investments	306,464,944	8,491,804	314,956,748
Net inter segment lending	–	–	–
Lendings to financial institutions	2,250,000	–	2,250,000
Advances - performing - net of provision	248,546,203	8,355,925	256,902,128
Advances - non-performing - net of provision	1,790,958	–	1,790,958
Others	39,110,676	167,005	39,277,681
	645,334,938	17,275,737	662,610,675
Assets attributable to discontinued operations	327,949	–	327,949
<b>TOTAL ASSETS</b>	<b>645,662,887</b>	<b>17,275,737</b>	<b>662,938,624</b>
Borrowings	65,127,193	6,460,118	71,587,311
Subordinated debts	4,992,800	–	4,992,800
Deposits and other accounts	525,625,031	180,020	525,805,051
Net inter segment balances	(9,937,548)	9,937,548	–
Others	27,785,935	81,550	27,867,485
	613,593,411	16,659,236	630,252,647
Liabilities associated with discontinued operations	140,741	–	140,741
<b>TOTAL LIABILITIES</b>	<b>613,734,152</b>	<b>16,659,236</b>	<b>630,393,388</b>
Equity	31,928,735	616,501	32,545,236
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>645,522,146</b>	<b>17,275,737</b>	<b>662,938,624</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>420,605,577</b>	<b>2,798,378</b>	<b>423,403,955</b>

#### 43. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, the Bank acts as security agent for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

#### 44. RELATED PARTY TRANSACTIONS

Fauji Consortium comprising of Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited (the Parent) holds 71.91% of the Bank's share capital at the year end. The Bank has related party relationships with entities under common directorship, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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## FOR THE YEAR ENDED DECEMBER 31, 2018

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

Rupees in '000	2018					2017				
	Parent	Director	Key management personnel	Companies with common directorship, having equity under 20%	Other related parties	Parent	Director	Key management personnel	Companies with common directorship, having equity under 20%	Other related parties
<b>Investments</b>										
Opening balance	-	-	-	217,634	-	-	-	-	1,732,635	-
Investment made during the year	-	-	-	154,796	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	(26,322)	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	(296,975)	-	-	-	-	(1,515,001)	-
Closing balance	-	-	-	49,133	-	-	-	217,634	-	-
<b>Advances</b>										
Opening balance	781,073	695	397,255	3,797,303	-	799,921	114	311,909	4,534,697	-
Addition during the year / adjustment	97,898,658	27,104	70,238	32,784,743	-	83,124,716	10,030	175,934	18,746,267	-
Repaid during the year / adjustment	(89,098,452)	(63,482)	(74,429)	(31,663,208)	-	(83,143,564)	(10,356)	(135,736)	(20,352,242)	-
Transfer in / (out) - net	-	36,134	(60,524)	(1,115,375)	-	-	907	45,148	868,581	-
Closing balance	9,581,279	451	332,540	3,803,463	-	781,073	695	397,255	3,797,303	-
<b>Other Assets</b>										
Interest / mark-up receivable	52,483	3,671	65,415	23,533	-	-	-	56,346	27,229	-
Security deposits receivable	3,600	-	-	-	3,600	-	-	-	-	-
<b>Subordinated debts</b>										
Opening balance	-	-	-	24,970	-	-	-	-	24,980	-
Redemption / sold during the year	-	-	-	(10)	-	-	-	-	(10)	-
Closing balance	-	-	-	24,960	-	-	-	-	24,970	-
<b>Deposits and other accounts</b>										
Opening balance	5,770,715	29,001	186,588	7,210,018	3,042,573	5,462,689	13,377	147,552	7,296,044	1,106,985
Received during the year / adjustment	356,365,334	310,892	704,636	248,876,185	18,009,853	273,936,342	104,743	1,017,896	193,985,526	8,330,529
Withdrawn during the year / adjustment	(352,326,164)	(299,993)	(676,343)	(251,057,728)	(17,858,065)	(273,628,316)	(85,151)	(986,380)	(193,534,427)	(7,132,435)
Transfer in / (out) - net	-	(15,008)	(55,165)	159,156	-	-	(3,968)	7,520	(537,125)	737,494
Closing balance	9,809,885	24,892	159,716	5,187,631	3,194,361	5,770,715	29,001	186,588	7,210,018	3,042,573
<b>Other Liabilities</b>										
Interest / mark-up payable	16,717	68	1,390	37,455	8,840	20,651	20	1,592	16,598	6,513
Payable to staff retirement fund	-	-	-	-	52,851	-	-	-	-	489,526
Security deposits payable	-	287	161,946	-	494	-	504	59,772	-	-
<b>Contingencies and Commitments</b>										
Other contingencies	55,910	-	-	1,525,313	-	50,000	-	-	1,878,456	-

In addition to above, rent free sub-branch is operating at FFC head office, Sona Tower.

Rupees in '000	2018					2017				
	Parent	Director	Key management personnel	Companies with common directorship, having equity under 20%	Other related parties	Parent	Director	Key management personnel	Companies with common directorship, having equity under 20%	Other related parties
<b>Income</b>										
Mark-up / return / interest earned	127,757	3,250	13,055	325,324	-	43,474	141	13,254	321,600	-
Fee and commission received	83	-	-	23,881	-	80	-	-	44,025	-
Dividend income	-	-	-	7,963	-	-	-	-	7,785	-
Net gain on sale of assets held for sale	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	749	-	-	-	-	-	-
<b>Expense</b>										
Mark-up / return / interest expensed	685,007	649	5,677	583,493	231,679	268,101	643	4,907	408,832	103,285
Contribution to employees funds	-	-	-	-	993,782	-	-	-	-	535,842
Remuneration and allowances paid	-	-	423,612	-	4,940	-	-	480,361	-	3,965
Post employment benefits	-	-	23,914	-	-	-	-	30,160	-	-
Fee and commission paid	-	-	-	261	22,125	-	-	-	62	19,755
Fee paid	-	8,250	-	-	-	-	6,494	250	-	-
Rent of property / service charges paid	23,321	904	-	-	-	24,285	-	-	-	-
Dividend paid	-	-	-	-	-	2,265,705	6	222	-	-

#### 45. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

The objective of managing capital is to safeguard the Group's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Group to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Rupees in '000	2018	2017
<b>MINIMUM CAPITAL REQUIREMENT (MCR):</b>		
Paid-up capital (net of losses)	12,602,602	12,602,602
<b>CAPITAL ADEQUACY RATIO (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	29,036,877	25,390,764
Eligible Additional Tier 1 (ADT 1) Capital	5,747,573	-
Total Eligible Tier 1 Capital	34,784,450	25,390,764
Eligible Tier 2 Capital	5,064,335	7,594,064
Total Eligible Capital (Tier 1 + Tier 2)	39,848,785	32,984,828
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	269,107,754	217,502,181
Market Risk	9,771,875	19,252,086
Operational Risk	39,361,691	35,905,392
Total	318,241,320	272,659,659
Common Equity Tier 1 Capital Adequacy ratio	9.12%	9.31%
Tier 1 Capital Adequacy Ratio	10.93%	9.31%
Total Capital Adequacy Ratio	12.52%	12.10%

As of December 2018, the Group must meet a Tier 1 to RWA ratio and CAR, including CCB, of 9.4% and 11.90% respectively.

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Standardized Approach is used for calculating the Capital Adequacy for Market and Credit Risk while Basic Indicator Approach (BIA) is used for Operational Risk.

Rupees in '000	2018	2017
<b>LEVERAGE RATIO (LR):</b>		
Eligible Tier-1 Capital	34,783,749	25,390,764
Total Exposures	1,157,947,222	1,064,541,996
Leverage Ratio	3.00%	2.39%
<b>LIQUIDITY COVERAGE RATIO (LCR):</b>		
Total High Quality Liquid Assets	278,917,759	283,558,343
Total Net Cash Outflow	154,131,589	153,812,783
Liquidity Coverage Ratio	180.96%	184.35%
<b>NET STABLE FUNDING RATIO (NSFR):</b>		
Total Available Stable Funding	584,918,449	536,617,394
Total Required Stable Funding	312,211,738	243,419,172
Net Stable Funding Ratio	187.35%	220.45%

The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at <http://akbl.com.pk>

#### 46. RISK MANAGEMENT

The Group believes that effective risk management is key to achieving desired level of return while maintaining acceptable level of risk exposure. Robust risk management processes and framework are in place to achieve the Group's overall objectives through a well thought out strategy, which enables the Group to effectively manage Credit, Market, Operational and Liquidity risk in a proactive manner.

The Group's approach is to ensure that risk management is deeply and firmly embedded in the culture of the Group. All employees are therefore considered responsible for identification, measurement, monitoring and controlling risks within the scope of their assigned responsibilities. As a result of changing risk environment, the Group continuously monitors and conducts holistic assessment of complex transactions on an integrated basis.

The Group has a Board Risk Management Committee (BRMC) in place and is updated regularly by the Group's Risk Management Division. BRMC is responsible for reviewing the extent of design and adequacy of risk management framework. BRMC oversight ensures that risks are managed within the level of tolerance and risk appetite of the Group.

##### 46.1 CREDIT RISK:

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

The Group has built and maintains a sound loan portfolio in terms of a well defined Risk Management Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Advances portfolio constitutes around 49% of the total asset base and is also the largest source of credit risk for the Group. Moreover, more than 80% of Group's capital requirement pertains to credit risk. The Group's advances portfolio is well diversified across various business segments, industries and geographical locations.



Risk mitigants have been put in place at all stages of credit risk cycle i.e. identification, measurement, monitoring, controlling and reporting for effective risk management. Accordingly, portfolio monitoring function is in place at the Group with dedicated resources to ensure that risk is not only minimized but is optimized in risk / return perspective.

Credit Risk Review is conducted at obligor as well as at portfolio level to ensure adherence to regulatory as well as the Group's policies and procedures. The review process ensures that a sound and proactive risk management culture is maintained across the Group. Scope of Pre-Approval Risk Assessment has been enhanced, covering the entire Corporate, Commercial and SME portfolios along with consumer and Agri Finance within discretionary powers of Head Office Credit Committee (HOCC). Internal audit division is reviewing the advances portfolio on a post approval basis.

#### CREDIT RISK - GENERAL DISCLOSURES

The Group follows the Standardized Approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit ratings or type of exposure, whichever is applicable.

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counter-parties by External Credit Assessment Institutions (ECAIs) duly recognized by the SBP. The Group selects particular ECAIs for each type of exposure. The Group utilizes the credit ratings assigned by Pakistan Credit Rating Agency (PACRA), Japan Credit Rating Company Limited – Vital Information Systems (JCR-VIS), Fitch, Moody's and Standard & Poors (S&P).

#### TYPES OF EXPOSURE AND ECAIS USED

	FITCH	Moody's	S & P	PACRA	JCR-VIS	ECA scores
Corporates	–	✓	–	✓	✓	–
Banks	✓	✓	✓	✓	✓	–
Public sector enterprises	–	–	–	✓	✓	–

FITCH, Moody's and S&P ratings (as applicable) are used where sovereign exposures are denominated in USD.

#### MAPPING TO SBP RATING GRADES

For all exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to the SBP rating grades are given below:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2018

### LONG TERM RATING GRADES MAPPING

SBP Rating grade	FITCH	Moody's	S & P	PACRA	JCR-VIS	ECA scores
1	AAA	Aaa	AAA	AAA	AAA	0, 1
	AA+	Aa1	AA+	AA+	AA+	
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5, 6
	B	B2	B	B	B	
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

Particulars of the Bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analyzed as follows:

Rupees in '000	Gross lending		Non-performing lending		Provision held	
	2018	2017	2018	2017	2018	2017
<b>46.1.1 LENDINGS TO FINANCIAL INSTITUTIONS</b>						
Credit risk by public / private sector						
Public/ Government	-	-	-	-	-	-
Private	148,606	2,398,606	148,606	148,606	148,606	148,606
	148,606	2,398,606	148,606	148,606	148,606	148,606

Rupees in '000	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
<b>46.1.2 INVESTMENT IN DEBT SECURITIES</b>						
Agriculture, Forestry, Hunting and Fishing	420,000	–	–	–	–	–
Textile	336,970	370,644	336,972	370,644	336,972	370,644
Chemical and Pharmaceuticals	1,068,271	1,634,165	1,068,270	1,074,165	1,068,270	1,074,165
Automobile and transportation equipment	–	–	18,770	27,170	18,770	27,170
Electronics and electrical appliances	–	284,874	–	–	–	–
Power (electricity), Gas, Water, Sanitary	2,604,170	2,604,170	–	–	–	–
Transport, Storage and Communication	656,175	1,093,625	–	–	–	–
Telecommunication	226,836	261,481	226,836	261,481	226,836	261,481
Banks and financial institutions	1,736,525	1,947,998	–	–	–	–
Government	255,354,622	301,584,589	–	–	164,020	–
Foreign Government	421,818	228,590	–	–	2,659	–
Others	18,770	213,097	–	185,925	–	185,925
	262,844,157	310,223,233	1,650,848	1,919,385	1,817,527	1,919,385
<b>CREDIT RISK BY PUBLIC / PRIVATE SECTOR</b>						
Public / Government	255,354,622	301,584,589	–	–	164,020	–
Private	7,489,535	8,638,644	1,650,848	1,919,385	1,653,507	1,919,385
	262,844,157	310,223,233	1,650,848	1,919,385	1,817,527	1,919,385
Rupees in '000	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
<b>46.1.3 ADVANCES</b>						
Agriculture, Forestry, Hunting and Fishing	6,052,398	4,685,884	351,035	497,180	196,686	253,532
Mining and Quarrying	2,274,965	1,668,097	–	–	–	–
Textile	48,018,815	41,707,804	12,335,315	12,000,289	11,696,354	11,280,933
Chemical and Pharmaceuticals	20,292,417	9,251,785	211,248	16,464	211,248	15,549
Cement	5,911,502	4,482,630	401	401	401	401
Sugar	9,166,459	7,181,562	6,190	–	1,548	–
Footwear and Leather garments	1,485,763	1,647,088	404,057	62,083	404,057	41,519
Automobile and transportation equipment	944,527	869,820	447,278	242,224	424,497	219,443
Electronics and electrical appliances	3,547,871	2,647,185	1,113,552	1,116,900	1,113,552	1,116,900
Construction	5,126,602	3,884,905	645,001	657,364	625,303	636,304
Power (electricity), Gas, Water, Sanitary	28,193,363	22,138,997	1,671,611	1,675,648	1,671,611	1,675,648
Wholesale and Retail Trade	9,822,151	9,301,176	564,157	573,524	474,639	476,626
Exports / Imports	285,452	62,557	–	–	–	–
Transport, Storage and Communication	7,840,196	6,906,053	505,905	732,530	350,664	502,141
Financial	11,880,936	5,670,568	–	–	–	–
Insurance	90,055	100,228	–	–	–	–
Services	9,004,661	11,298,355	585,846	495,927	554,056	460,497
Individuals	33,516,454	29,753,031	2,111,521	2,004,025	1,958,569	1,809,240
Public / Government	116,597,785	86,590,715	–	–	–	–
Edible oil and ghee	4,474,849	2,677,099	549,956	460,614	706,946	460,614
Rice Processing (husking, semi-wholly milled etc.)	6,506,316	6,145,409	2,505,178	2,314,493	2,402,950	2,161,590
Refined petroleum and products	5,696,168	1,931,457	16,841	637,606	14,773	634,503
Basic iron and steel	9,939,210	8,129,835	484,825	883,630	449,834	880,647
Others	22,590,056	15,607,430	2,147,169	2,382,125	1,855,481	2,335,982
	369,258,971	284,339,670	26,657,086	26,753,027	25,113,169	24,962,069
<b>CREDIT RISK BY PUBLIC / PRIVATE SECTOR</b>						
Public / Government	116,597,785	86,590,715	–	–	–	–
Private	252,661,186	197,748,955	26,657,086	26,753,027	25,113,169	24,962,069
	369,258,971	284,339,670	26,657,086	26,753,027	25,113,169	24,962,069

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Rupees in '000	2018	2017
<b>46.1.4 CONTINGENCIES AND COMMITMENTS</b>		
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	6,129,724	521,678
Mining and Quarrying	19,021	1,969,910
Textile	7,253,299	7,512,284
Chemical and Pharmaceuticals	6,226,111	8,991,322
Cement	2,368,297	2,115,251
Sugar	784,968	150,583
Footwear and Leather garments	369,847	1,586,669
Automobile and transportation equipment	614,480	470,370
Electronics and electrical appliances	3,404,697	1,471,734
Construction	17,555,031	19,964,673
Power (electricity), Gas, Water, Sanitary	19,719,704	6,450,221
Wholesale and Retail Trade	820,264	7,574,547
Exports/Imports	100,000	–
Transport, Storage and Communication	549,234	2,913,793
Banks and Financial Institutions	149,611,212	38,724,527
Telecommunication	328,041	328,037
Financial	–	1,073,379
Insurance	12,899	5,000
Food and allied	3,025,000	158,751
Services	3,813,805	5,355,056
Individuals	2,409,179	3,077,528
Public / Government	207,044,313	210,218,866
Others	58,261,234	102,769,776
	<b>490,420,360</b>	<b>423,403,955</b>
<b>CREDIT RISK BY PUBLIC / PRIVATE SECTOR</b>		
Public / Government	207,044,313	210,218,866
Private	283,376,047	213,185,089
	<b>490,420,360</b>	<b>423,403,955</b>

### 46.1.5 CONCENTRATION OF ADVANCES

The Bank's top 10 exposures on the basis of total funded and non-funded exposures aggregated to Rs. 277,045,219 thousand (2017: Rs. 206,278,955 thousand) are as following:

Rupees in '000	2018	2017
Funded	99,159,075	67,864,752
Non Funded	177,886,144	138,414,203
Total Exposure	<b>277,045,219</b>	<b>206,278,955</b>

The sanctioned limits against these top 10 exposures aggregated to Rs. 337,790,859 thousand (2017: Rs. 301,124,868 thousand).

The above does not include any classified exposure.

#### 46.1.6 ADVANCES - PROVINCE / REGION-WISE DISBURSEMENT AND UTILIZATION

		2018					
		Disbursements		Utilization			
Rupees in '000		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
PROVINCE/REGION							
Punjab	724,902,945	682,459,555	26,971,774	3,146,499	54,116	12,230,609	40,392
Sindh	473,805,677	4,599,423	463,372,536	3,118,712	37,409	2,674,137	3,460
KPK including FATA	5,023,212	99,349	8,530	4,901,075	4,300	4,172	5,786
Balochistan	358,865	25,284	4,880	4,953	318,646	4,002	1,100
Islamabad	70,640,639	7,940,268	2,326,342	90,723	47,335	60,218,496	17,475
AJK including Gilgit-Baltistan	533,400	42,153	2,665	145,312	600	1,716	340,954
<b>Total</b>	<b>1,275,264,738</b>	<b>695,166,032</b>	<b>492,686,727</b>	<b>11,407,274</b>	<b>462,406</b>	<b>75,133,132</b>	<b>409,167</b>

		2017					
		Disbursements		Utilization			
Rupees in '000		Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan
PROVINCE/REGION							
Punjab	543,154,676	519,231,646	11,262,373	2,486,665	63,885	10,074,478	35,629
Sindh	410,066,784	5,691,615	400,877,250	2,153,227	21,564	1,322,008	1,120
KPK including FATA	3,718,177	81,581	21,645	3,377,757	2,200	230,395	4,599
Balochistan	249,470	26,126	12,992	2,000	205,852	1,700	800
Islamabad	47,775,274	11,256,490	1,047,582	111,536	18,062	35,332,138	9,466
AJK including Gilgit-Baltistan	685,281	47,984	7,558	266,564	5,952	9,785	347,438
<b>Total</b>	<b>1,005,649,662</b>	<b>536,335,442</b>	<b>413,229,400</b>	<b>8,397,749</b>	<b>317,515</b>	<b>46,970,504</b>	<b>399,052</b>

#### 46.2 MARKET RISK:

Market risk is the risk that the value of on and off-balance sheet positions of a financial institution will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices and credit spreads, resulting in a loss to earnings and capital.

The Group is exposed to market risk from both its banking and trading books. Trading book for the Group includes all Held for Trading (HFT) assets along with AFS securities that are held with intention of short term trade. All assets not included in trading book are included within the Banking book.

The Group's Risk Management Process seeks to identify, measure, monitor, and control market risks in order to shield against adverse movements in market factors and to attain an efficient risk / return profile of its open positions. The Risk Management Division has developed and implemented market risk policy and risk measurement / monitoring methodology for review and reporting of market risk.

The Group makes use of the globally established Value at Risk (VaR) methodology to measure traded market risk. Additionally, sensitivity analysis is carried out to gauge the impact of extreme market movements on traded exposures, such as fixed income securities and equity capital market instruments.

Further, stress testing is used to analyze the impact of both the abnormal market movements across different portfolios as well as to assess non-traded market risk, in particular interest rate risk in the banking book. The performance of the Group's traded portfolios is evaluated through the use of risk / return analysis. Risk is kept under check through the revaluation of all traded market risk exposed positions on a daily basis, and controlled by ensuring that these positions do not breach regulatory limits and the Group's own internally established risk tolerance limits.

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Basel III Standardized Approach is used for calculating the Capital Adequacy for market risk.

Total capital charge for market risk is Rs. 781,750 thousand (2017: Rs. 1,540,167 thousand).

### 46.2.1 BALANCE SHEET SPLIT BY TRADING AND BANKING BOOKS

Rupees in '000	2018		2017			
	Banking book	Trading book	Banking book	Trading book		
Cash and balances with treasury banks	49,187,645	–	49,187,645	44,239,325	–	44,239,325
Balances with other banks	4,093,402	–	4,093,402	3,193,835	–	3,193,835
Lendings to financial institutions	–	–	–	2,250,000	–	2,250,000
Investments	248,254,020	11,979,967	260,233,987	275,041,009	39,915,739	314,956,748
Advances	343,107,147	–	343,107,147	258,693,086	–	258,693,086
Fixed assets	12,791,827	–	12,791,827	9,885,958	–	9,885,958
Intangible assets	741,361	–	741,361	842,869	–	842,869
Deferred tax assets	3,773,779	–	3,773,779	100,755	–	100,755
Other assets	32,522,174	–	32,522,174	28,448,099	–	28,448,099
Assets attributable to discontinued operations	214,757	–	214,757	327,949	–	327,949
	694,686,112	11,979,967	706,666,079	623,022,885	39,915,739	662,938,624

### 46.2.2 FOREIGN EXCHANGE RISK

Foreign exchange risk, or the risk that the Group's earnings and / or capital can fluctuate due to changes in foreign exchange rates, arises out from the Group's foreign exchange exposure which consists of foreign currency cash in hand, nostro / vostro accounts, forward contracts, forward bookings with exporters, foreign bills purchased, foreign currency placements with SBP and the Group's Wholesale Bank Branch, foreign currency lendings / deposits and capital investments in offshore operations.

The Group's treasury manages consolidated foreign exchange exposure by matching foreign currency assets and liabilities in spot and forward. The foreign exchange exposure and nostro balances are maintained within regulatory limits and VaR is calculated for consolidated foreign exchange exposure on a daily basis. The impact of a change in USD / PKR parity on the net open position is also determined through daily sensitivity analysis.

(Rupees in '000)	2018			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
United States Dollar	53,156,310	62,261,533	8,866,423	(238,800)
Pound Sterling	388,758	4,401,088	3,930,921	(81,409)
Japanese Yen	6,880	418	(7,758)	(1,296)
Euro	716,843	2,748,793	1,168,113	(863,837)
Other European currencies	6,763	–	–	6,763
Other currencies	1,149,276	382,172	(7,112)	759,992
	55,424,830	69,794,004	13,950,587	(418,587)

(Rupees in '000)	2017			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
United States Dollar	38,383,247	51,443,407	12,538,446	(521,714)
Pound Sterling	538,559	4,155,268	3,400,780	(215,929)
Japanese Yen	10,542	12	(9,462)	1,068
Euro	439,188	1,920,550	1,341,001	(140,361)
Other European currencies	19,136	–	(6)	19,130
Other currencies	629,917	122,038	–	507,879
	40,020,589	57,641,275	17,270,759	(349,927)

(Rupees in '000)	2018		2017	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	–	142,766	–	178,832
- Other comprehensive income	–	–	–	–

#### 46.2.3 EQUITY POSITION RISK

Equity position risk is the risk that the value of equity positions inside the trading book and banking book will change as a result of general and specific equity market movements. Equity positions are monitored on daily basis through management action triggers.

The Group classifies its direct equity investments into held for trading, available for sale, and held to maturity. Held for trading equity exposures are of a short term nature and are undertaken to earn profit by exploiting market imperfections and short term price fluctuations. Equities held in the available for sale portfolio are kept with the intent of earning profit due to underlying fundamental strength of each security. Strategic investments are undertaken in line with the long-term strategy of the Group, i.e. to build strategic interest in other concerns. The Group may also carry indirect equity exposure through financing against shares and reverse repos against shares.

At the end of FY 2018 Group's entire equity investment portfolio was classified as available for sale. Pretax impact of 5% change in equity prices on other comprehensive income are provided below;

(Rupees in '000)	2018		2017	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
- Profit and loss account	–	–	–	–
- Other comprehensive income	(196,161)	–	(165,259)	–

#### 46.2.4 YIELD / INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)-BASEL III SPECIFIC

The Group's interest rate exposure arises out from its investment, lending and borrowing activities. Interest Rate Risk in the Banking Book (IRRBB) in its various forms is the risk of adverse changes in earnings and/or capital due to (i) timing differences or mismatches in the maturity/repricing period of financial assets and liabilities (repricing risk), (ii) differences in the basis used for calculating interest rates received and paid (basis risk), (iii) and options implicit or explicit in the Group's financial assets and liabilities (options risk). The Asset and Liability Management Committee of the Group monitors and controls mismatch of interest rate sensitive assets and liabilities on an ongoing basis through its regular meetings. The Market Risk Management Department monitors interest rate in the banking book from an earnings and economic value perspective.

Key IRRBB measures include:

1. Interest Earnings at Risk (IAR): the rolling 12-month impact of a parallel shift in interest rates on Net Interest Margin.
2. Change in Economic Value of Equity (EVE): the impact of a parallel shift in interest rates on the present value of the Group's cash flows.
3. Repricing Gaps: mismatch between the Group's assets and liabilities in terms of repricing time bands. Repricing assumptions for non-contractual assets and liabilities have been set based on a behavioral study.

(Rupees in '000)	2018		2017	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on				
- Profit and loss account	187,870	–	(83,402)	–
- Other comprehensive income	241,914	(112,193)	(640,181)	(1,174,622)

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### 46.2.5 MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

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

Rupees in '000	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
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks		49,187,645	7,946,957	-	-	-	-	-	-	-	-	41,240,688
Balances with other banks	3.40%	4,093,402	2,691,856	-	-	-	-	-	-	-	-	1,401,546
Lendings to financial institutions	8.18%	-	-	-	-	-	-	-	-	-	-	-
Investments	6.70%	260,233,987	86,382,408	39,143,162	38,521,376	22,131,591	33,514,316	14,817,524	6,880,302	12,084,638	-	6,758,670
Advances	7.52%	343,107,147	108,727,112	169,371,785	40,163,309	13,505,710	2,113,630	1,549,035	2,565,112	1,422,033	3,689,421	-
Other assets		10,749,320	-	-	-	-	-	-	-	-	-	10,749,320
		667,371,501	205,748,333	208,514,947	78,684,685	35,637,301	35,627,946	16,366,559	9,445,414	13,506,671	3,689,421	60,150,224
<b>Liabilities</b>												
Bills payable		15,512,880	-	-	-	-	-	-	-	-	-	15,512,880
Borrowings	4.75%	52,702,323	44,932,094	1,404,603	5,176,884	-	62,914	62,914	1,062,914	-	-	-
Deposits and other accounts	3.97%	573,635,856	172,941,149	111,528,281	92,767,054	24,332,148	2,589,341	127,439	354,198	-	-	168,996,246
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated loans	8.66%	9,993,600	-	3,993,600	6,000,000	-	-	-	-	-	-	-
Other liabilities		11,178,294	-	-	-	-	-	-	-	-	-	11,178,294
		663,022,953	217,873,243	116,926,484	103,943,938	24,332,148	2,652,255	190,353	1,417,112	-	-	195,687,420
On-balance sheet gap		4,348,548	(12,124,910)	91,588,463	(25,259,253)	11,305,153	32,975,691	16,176,206	8,028,302	13,506,671	3,689,421	(135,537,196)
<b>Off-balance sheet financial instruments</b>												
Purchase and resale agreements		-	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	7.75%	20,806,907	20,806,907	-	-	-	-	-	-	-	-	-
Commitments to extend credits		19,875,831	19,875,831	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(40,682,738)	(40,682,738)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(52,807,648)	91,588,463	(25,259,253)	11,305,153	32,975,691	16,176,206	8,028,302	13,506,671	3,689,421	(135,537,196)
Cumulative yield / interest risk sensitivity gap				38,780,815	13,521,562	24,826,715	57,802,406	73,978,612	82,006,914	95,513,585	99,203,006	



**MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES**

		2017											
Rupees in '000	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	
<b>On-balance sheet financial instruments</b>													
<b>Assets</b>													
Cash and balances with treasury banks		44,239,325	6,998,986	-	-	-	-	-	-	-	-	-	37,240,339
Balances with other banks	2.66%	3,193,835	2,003,756	-	-	-	-	-	-	-	-	-	1,190,079
Lendings to financial institutions	5.53%	2,250,000	1,750,000	-	500,000	-	-	-	-	-	-	-	-
Investments	6.54%	314,956,748	60,251,726	79,866,091	14,146,848	8,228,874	50,162,004	40,729,450	37,923,117	16,694,789	1,736,110	5,217,739	
Advances	6.35%	258,693,086	83,331,819	126,461,094	29,914,352	10,196,771	1,550,144	1,004,557	1,423,423	1,331,078	3,479,848	-	
Other assets		9,946,063	-	-	-	-	-	-	-	-	-	-	9,946,063
		633,279,057	154,336,287	206,327,185	44,561,200	18,425,645	51,712,148	41,734,007	39,346,540	18,025,867	5,215,958	53,594,220	
<b>Liabilities</b>													
Bills payable		10,769,262	-	-	-	-	-	-	-	-	-	-	10,769,262
Borrowings	4.70%	71,587,311	60,815,038	5,705,697	4,926,146	-	46,811	46,811	46,808	-	-	-	-
Deposits and other accounts	3.42%	525,805,051	161,728,302	103,925,087	89,083,222	19,766,565	1,564,786	141,245	419,392	-	-	-	149,176,452
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-
Subordinated loans	7.53%	4,992,800	-	3,995,200	997,600	-	-	-	-	-	-	-	-
Other liabilities		9,381,543	-	-	-	-	-	-	-	-	-	-	9,381,543
		622,535,967	222,543,340	113,625,984	95,006,968	19,766,565	1,611,597	188,056	466,200	-	-	-	169,327,257
On-balance sheet gap		10,743,090	(68,207,053)	92,701,201	(50,445,768)	(1,340,920)	50,100,551	41,545,951	38,880,340	18,025,867	5,215,958	(115,733,037)	
<b>Off-balance sheet financial instruments</b>													
Purchase and resale agreements	6.08%	1,515,752	1,000,668	-	515,084	-	-	-	-	-	-	-	-
Sale and repurchase agreements	5.67%	49,250,012	47,593,754	1,048,963	607,295	-	-	-	-	-	-	-	-
Commitments to extend credits		14,826,508	14,826,508	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(62,560,768)	(61,419,594)	(1,048,963)	(92,211)	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		(129,626,647)	91,652,238	(50,537,979)	(1,340,920)	50,100,551	41,545,951	38,880,340	18,025,867	5,215,958	(115,733,037)		
Cumulative yield / interest risk sensitivity gap			(37,974,409)	(88,512,388)	(89,853,308)	(39,752,757)	1,793,194	40,673,534	58,699,401	63,915,359			

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

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

**46.2.5.3** Assets do not include fixed assets of Rs. 12,791,827 thousand (2017: Rs. 9,885,958 thousand), Intangible assets of Rs. 741,361 thousand (2017: Rs. 842,869 thousand) and other assets consisting of advances, advance rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, mark to market gain on forward foreign exchange contracts-net, suspense account, stationary and stamps in hand and acceptances of Rs. 19,938,596 thousand (2017: Rs. 16,962,971 thousand).

**46.2.5.4** Liabilities do not include other liabilities consisting of unearned commission and income, advance payments, acceptances, branch adjustment account, mark to market loss on forward foreign exchange contracts-net, provision against off-balance sheet items, withholding taxes payable, federal excise duty and Workers' Welfare Fund of Rs. 10,483,645 thousand (2017: Rs. 7,716,682 thousand).

**46.3 OPERATIONAL RISK**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The Bank strives to manage operational risk within acceptable levels through sound operational risk management practices.

Board Risk Management Committee defines the operational risk appetite and tolerance limits. Operational risk governance structure adopted by Bank is embedded within three lines of defense: Strategic, Macro and Micro.

The Bank already has in place an Operational Risk Management framework which is aligned with global best market practices. The Bank has dedicated functions to manage Operational Risk, Business Continuity Risk and Information Security Risk governed through comprehensive frameworks in line with international best practices.

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## FOR THE YEAR ENDED DECEMBER 31, 2018

### 46.3.1 OPERATIONAL RISK-DISCLOSURES BASEL II SPECIFIC

Basel II Basic Indicator Approach is used for calculating the Capital Adequacy for Operational Risk.

### 46.4 LIQUIDITY RISK

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

### 46.4.1 MATURITIES OF ASSETS AND LIABILITIES - BASED ON CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES OF THE BANK

		2018												
		Over 1	Over 7	Over 14	Over 1	Over 2	Over 3	Over 6	Over 9	Over 1	Over 2	Over 3	Over	
		Upto 1	to 7	to 14	to 2	to 3	to 6	to 9	to 1 year	to 2	to 3	to 5	Over	
Rupees in '000	Total	day	days	days	months	months	months	months	months	years	years	year	5 year	
<b>Assets</b>														
Cash and balances with treasury banks	49,187,645	1,586,698	9,520,189	11,106,888	26,973,870	-	-	-	-	-	-	-	-	
Balances with other banks	4,093,402	109,648	1,352,200	767,539	1,864,015	-	-	-	-	-	-	-	-	
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments	260,233,987	62,177	86,516,957	361,264	542,581	40,533,223	2,886,925	4,026,462	262,539	104,257,406	2,413,496	4,288,116	6,103,385	
Advances	343,107,147	335,040	428,844	729,689	82,796,069	32,221,636	38,851,857	26,100,582	19,715,054	12,634,306	14,550,131	18,164,056	41,303,180	
Fixed assets	12,791,827	4,100	24,601	28,701	69,703	72,617	72,617	212,980	207,556	207,556	692,277	532,730	611,512	
Intangible assets	741,361	2,503	15,021	17,524	42,559	16,724	16,724	49,439	48,006	48,006	188,395	116,358	99,695	
Deferred tax assets	3,773,779	71,173	427,037	498,210	1,209,939	14,872	14,873	44,619	44,619	166,490	139,272	416,276	726,399	
Other assets	32,522,174	-	-	-	7,610,189	-	-	-	-	-	5,073,459	5,073,459	4,920,605	
	706,451,322	2,171,339	98,284,849	13,509,815	121,108,925	72,859,072	41,842,996	30,434,082	20,277,774	117,313,764	23,057,030	28,590,995	53,764,776	
Assets attributable to discontinued operations	214,757	-	-	-	-	-	-	-	-	214,757	-	-	-	
	706,666,079	2,171,339	98,284,849	13,509,815	121,108,925	72,859,072	41,842,996	30,434,082	20,277,774	117,528,521	23,057,030	28,590,995	53,764,776	
<b>Liabilities</b>														
Bills payable	15,512,880	164,696	988,174	1,152,870	2,799,827	188,160	188,160	564,479	4,733,257	4,733,257	-	-	-	
Borrowings	52,702,323	518,324	25,569,337	9,239,492	8,811,509	702,302	702,302	5,970,618	-	-	62,813	62,813	1,062,813	
Deposits and other accounts	573,596,926	2,160,920	13,818,088	17,902,958	39,123,700	12,587,223	26,239,505	13,398,674	5,970,289	18,427,852	102,518,050	99,867,856	105,237,308	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subordinated loans	9,993,600	-	-	-	-	-	800	-	-	800	1,600	1,600	3,200	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other liabilities	21,178,476	362,867	2,177,202	2,540,069	6,159,514	-	-	-	-	-	4,969,412	2,484,706	1,242,353	
	672,984,205	3,206,807	42,552,801	30,835,389	56,894,550	13,477,685	27,130,767	19,933,771	10,703,546	23,161,909	107,551,875	102,416,975	107,545,674	
Liabilities associated with discontinued operations	81,513	-	-	-	-	-	-	-	-	81,513	-	-	-	
	673,065,718	3,206,807	42,552,801	30,835,389	56,894,550	13,477,685	27,130,767	19,933,771	10,703,546	23,243,422	107,551,875	102,416,975	107,545,674	
Net assets	33,600,361	(1,035,468)	55,732,048	(17,325,574)	64,214,375	59,381,387	14,712,229	10,500,311	9,574,228	94,285,099	(84,494,845)	(73,825,980)	(53,780,898)	
Share Capital	12,602,602	-	-	-	-	-	-	-	-	-	-	-	-	
Reserves	15,588,694	-	-	-	-	-	-	-	-	-	-	-	-	
Unappropriated profit	3,710,867	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	
Continued operations	1,649,197	-	-	-	-	-	-	-	-	-	-	-	-	
Discontinued operations	5,723	-	-	-	-	-	-	-	-	-	-	-	-	
Non-controlling interest	43,278	-	-	-	-	-	-	-	-	-	-	-	-	
	33,600,361	-	-	-	-	-	-	-	-	-	-	-	-	

#### 46.4.1 MATURITIES OF ASSETS AND LIABILITIES - BASED ON CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES OF THE BANK

		2017												
		Total	Over 1 Upto 1 day	Over 7 to 7 days	Over 14 to 14 days	Over 1 days to 1 month	Over 2 to 2 months	Over 3 to 3 months	Over 6 to 6 months	Over 9 to 9 months	Over 1 to 1 year	Over 2 to 2 years	Over 3 to 3 years	Over 5 to 5 year
<b>Assets</b>														
Cash and balances with treasury banks	44,238,325	1,427,075	8,562,450	9,989,525	24,260,275	-	-	-	-	-	-	-	-	-
Balances with other banks	3,193,835	97,684	586,105	683,789	1,660,631	-	-	165,626	-	-	-	-	-	-
Lendings to financial institutions	2,250,000	-	1,000,000	-	750,000	-	-	500,000	-	-	-	-	-	-
Investments	314,956,748	63,475	28,314,037	220,562	32,197,226	61,757,769	17,074,105	3,075,234	8,716,783	407,022	56,242,768	42,856,480	41,230,252	22,801,035
Advances	258,693,086	5,028,057	1,467,846	1,422,503	46,474,935	20,179,166	30,694,415	17,552,562	16,618,023	14,327,592	14,729,617	12,857,348	27,889,001	49,452,021
Fixed assets	9,885,958	6,174	37,047	43,221	104,965	69,195	69,195	203,614	197,515	197,515	755,058	621,056	760,844	6,820,559
Intangible assets	842,869	1,807	10,841	12,647	30,715	16,654	16,654	48,898	48,407	48,407	185,473	181,207	155,102	86,057
Deferred tax assets	100,755	-	-	-	(210,265)	-	-	-	-	165,267	71,277	416,278	(341,802)	-
Other assets	28,448,099	214,769	1,288,613	1,503,382	3,651,071	-	-	-	-	-	4,438,556	4,438,556	4,304,394	8,608,768
	662,610,675	6,839,041	41,266,939	13,875,629	108,919,553	82,022,784	47,854,369	21,545,934	25,580,728	15,145,803	76,422,749	61,370,925	73,997,781	87,768,440
Assets attributable to discontinued operations	327,949	-	-	-	-	-	-	-	-	327,949	-	-	-	-
	662,938,624	6,839,041	41,266,939	13,875,629	108,919,553	82,022,784	47,854,369	21,545,934	25,580,728	15,473,752	76,422,749	61,370,925	73,997,781	87,768,440
<b>Liabilities</b>														
Bills payable	10,769,262	114,334	686,005	800,339	1,943,679	130,623	130,622	391,870	3,285,895	3,285,895	-	-	-	-
Borrowings	71,587,311	-	46,391,734	2,104,172	12,315,664	2,429,178	3,276,518	4,929,612	-	-	46,811	46,811	46,811	-
Deposits and other accounts	525,805,051	2,905,125	13,219,559	16,821,804	35,025,032	12,615,755	24,076,473	14,849,262	9,522,028	11,945,277	92,310,926	91,051,010	96,193,979	105,268,821
Liabilities against assets subject to														
finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated loans	4,982,800	-	-	-	-	-	800	200	-	1,000	2,000	500,000	501,600	3,987,200
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	17,098,223	292,717	1,756,300	2,049,016	4,976,186	-	-	-	-	-	4,012,001	2,006,001	1,003,001	1,003,001
	630,252,647	3,312,176	62,053,598	21,775,331	54,260,561	15,175,556	27,484,413	20,170,944	12,807,923	15,232,172	96,371,738	93,603,822	97,745,391	110,259,022
Liabilities associated with discontinued operations	140,741	-	-	-	-	-	-	-	-	140,741	-	-	-	-
	630,393,388	3,312,176	62,053,598	21,775,331	54,260,561	15,175,556	27,484,413	20,170,944	12,807,923	15,372,913	96,371,738	93,603,822	97,745,391	110,259,022
Net assets	32,545,236	3,526,865	(20,786,659)	(7,899,702)	54,658,992	66,847,228	20,369,956	1,374,990	12,772,805	100,839	(19,948,989)	(32,232,897)	(23,747,610)	(22,490,582)
Share Capital	12,602,602													
Reserves	12,032,263													
Unappropriated profit	2,703,887													
Surplus on revaluation of assets														
Continued operations	5,142,254													
Discontinued operations	19,877													
Non-controlling interest	44,353													
	32,545,236													



#### 46.5 DERIVATIVE RISK

The Group at present does not offer structured derivative products such as interest rate swaps, forward rate swap, forward rate agreements or foreign exchange options nor does it deal in market making and foreign exchange hedging.

Group's derivative exposure is limited to hedging transactions undertaken by Treasury in instruments such as forward exchange contracts.

The Risk Management Division monitors Group's overall derivative exposure in forward exchange contracts, which are marked to market and are included in Group overall portfolio measures of volatility including value at risk (VaR). Further, VaR is separately monitored for forward exchange contracts. Derivative exposures are also included in Group's capital charge and risk weighted asset calculation in accordance with SBP regulations.

#### 47. GENERAL

##### 47.1 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 21, 2019 has proposed the following appropriations, which will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2018 do not include the effect of the appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2019 as follows:

Rupees in '000	2018	2017
Transfer from unappropriated profit to:		
Proposed final cash dividend - Re. 1 per share (2017: NIL)	1,260,260	—
General reserve	2,450,607	2,703,887

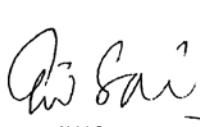
47.2 Captions as prescribed by BPRD Circular No. 2 dated January 25, 2018 issued by the SBP in respect of which there are no amounts have not been reproduced in these consolidated financial statements except for the consolidated statement of financial position and consolidated profit and loss account.

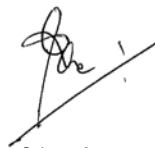
#### 48. RECLASSIFICATION OF COMPARATIVE FIGURES

There have been no significant reclassifications in these consolidated financial statements except amount of Rs. 6,116 thousand for the year ended December 31, 2017, which has been reclassified from other assets to other liabilities.

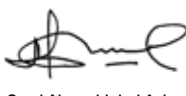
#### 49. DATE OF AUTHORIZATION

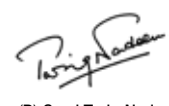
These consolidated financial statements were authorized for issue on February 21, 2019 by the Board of Directors of the Group.

  
Abid Sattar  
President & Chief Executive

  
Saleem Anwar  
Chief Financial Officer

  
Rehan Laiq  
Director

  
Syed Ahmed Iqbal Ashraf  
Director

  
Lt Gen (R) Syed Tariq Nadeem Gilani  
Chairman

# PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2018

Name of	Shareholding		Total
	From	To	
1,961	1	100	77,849
2,950	101	500	851,737
1,994	501	1,000	1,532,776
4,304	1,001	5,000	10,901,844
1,882	5,001	10,000	13,872,852
920	10,001	15,000	11,619,854
836	15,001	50,000	21,879,336
378	50,001	500,000	53,804,530
32	535,001	1,000,000	24,375,319
20	1,005,001	2,000,000	27,769,513
20	2,030,001	5,000,000	70,599,430
9	5,125,001	10,635,000	71,346,500
4	22,925,001	271,885,000	409,061,916
1	542,565,001	542,570,000	542,566,724
15,311			1,260,260,180

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>PARTICULARS SHAREHOLDERS</b>			
Directors, CEO, Children	6	103,500	0.0082
Associated companies & Related Parties	9	920,398,417	73.0324
Executives/Employees of the Bank	17	240,843	0.0191
Public Sector Companies & Corporations	19	28,373,684	2.2514
Banks, DFI & NBFI, Insurance Companies, Takaful, Modarabas, Pension Funds	39	33,339,201	2.6454
Mutual Funds	27	50,565,811	4.0123
General Public (Local)	14,972	188,374,308	14.9473
General Public (Foreign)	6	8,780	0.0007
Others	200	31,806,471	2.5238
Foreign investors (Foreign Companies)	16	7,049,165	0.5593
<b>Total</b>	<b>15,311</b>	<b>1,260,260,180</b>	<b>100.0000</b>
<b>ASSOCIATED COMPANIES &amp; RELATED PARTIES</b>	<b>9</b>	<b>920,398,417</b>	<b>73.0324</b>
<b>FAUJI FOUNDATION GROUP</b>			
Fauji Foundation	2	90,629,884	7.1914
Fauji Fertilizer Company Limited	2	543,768,024	43.1473
Fauji Fertilizer Bin Qasim Limited	1	271,884,009	21.5736
<b>RELATED PARTIES</b>			
Trustees of FFC Employees Gratuity Fund	1	4,954,500	0.3931
Trustees Of FFC Mgnt Staff Pension Fund	1	1,332,000	0.1057
Trustees of Askari Bank Limited Employees Gratuity Fund	1	915,000	0.0726
Trustees of Askari Bank Limited Employees Provident Fund	1	6,915,000	0.5487
<b>MUTUAL FUNDS</b>	<b>27</b>	<b>50,565,811</b>	<b>4.0123</b>
CDC - Trustee AKD Index Tracker Fund	1	80,813	0.0064
CDC - Trustee NIT-Equity Market Opportunity Fund	1	3,999,442	0.3174
CDC - Trustee National Investment (Unit) Trust	1	23,821,856	1.8902
CDC - Trustee Faysal MTS Fund - MT	1	8,000	0.0006
CDC - Trustee Atlas Stock Market Fund	1	2,000,000	0.1587
CDC - Trustee MCB Pakistan Stock Market Fund	1	9,165,000	0.7272
CDC - Trustee Pakistan Capital Market Fund	1	367,500	0.0292
CDC - Trustee NAFA Multi Asset Fund	1	214,000	0.0170
CDC - Trustee Askari Asset Allocation Fund	1	20,000	0.0016
CDC - Trustee APF-Equity Sub Fund	1	65,000	0.0052
CDC- Trustee NAFA Asset Allocation Fund	1	431,500	0.0342
CDC - Trustee NAFA Financial Sector Fund	1	1,546,500	0.1227
CDC - Trustee NAFA Stock Fund	1	1,200,000	0.0952

Categories of Shareholders	Shareholders	Shares Held	Percentage
CDC - Trustee First Habib Stock Fund	1	101,000	0.0080
CDC - Trustee Askari Equity Fund	1	100,000	0.0079
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	1	20,000	0.0016
CDC - Trustee First Habib Income Fund - MT	1	137,000	0.0109
CDC - Trustee HBL Multi - Asset Fund	1	45,000	0.0036
CDC - Trustee MCB Pakistan Asset Allocation Fund	1	728,000	0.0578
CDC - Trustee Lakson Equity Fund	1	5,129,000	0.4070
CDC - Trustee Lakson Tactical Fund	1	1,005,200	0.0798
CDC - Trustee Alfalah GHP Value Fund	1	93,000	0.0074
CDC - Trustee Alfalah GHP Stock Fund	1	149,500	0.0119
CDC - Trustee Alfalah GHP Alpha Fund	1	90,000	0.0071
CDC - Trustee Alfalah GHP Income Fund – MT	1	1,000	0.0001
CDC - Trustee Alfalah GHP Income Multiplier Fund – MT	1	4,500	0.0004
CDC - Trustee Alfalah GHP Sovereign Fund - MT	1	43,000	0.0034
<b>BOARD OF DIRECTORS SHAREHOLDING</b>	<b>6</b>	<b>103,500</b>	<b>0.0082</b>
Lt Gen Javed Iqbal (Retd)	1	500	0.0000
Dr. Nadeem Inayat	1	500	0.0000
Mr. Kamal A. Chinoy	1	101,000	0.0080
Syed Ahmed Iqbal Ashraf	1	500	0.0000
Mr. Mushtaq Malik	1	500	0.0000
Brig Saleem Ahmed Moeen, SI (Retd)	1	500	0.0000
<b>EXECUTIVES / EMPLOYEES OF THE BANK</b>	<b>17</b>	<b>240,843</b>	<b>0.0191</b>
<b>PUBLIC SECTOR COMPANIES &amp; CORPORATIONS</b>	<b>19</b>	<b>28,373,684</b>	<b>2.2514</b>
<b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS</b>	<b>39</b>	<b>33,339,201</b>	<b>2.6454</b>
<b>GENERAL PUBLIC (LOCAL) - INDIVIDUALS</b>	<b>14,972</b>	<b>188,374,308</b>	<b>14.9473</b>
<b>GENERAL PUBLIC (FOREIGN) - INDIVIDUALS</b>	<b>6</b>	<b>8,780</b>	<b>0.0007</b>
<b>FOREIGN COMPANIES</b>	<b>16</b>	<b>7,049,165</b>	<b>0.5593</b>
<b>OTHERS</b>	<b>200</b>	<b>31,806,471</b>	<b>2.5238</b>
<b>TOTAL</b>	<b>15,311</b>	<b>1,260,260,180</b>	<b>100.0000</b>

Note 1: For the purpose of reporting trades in the shares of the Bank, as per requirement of 5.6.1 (d) of Rule Book of Pakistan Stock Exchange Limited, Executive(s) mean person(s), who have access to price sensitive information.

Note 2: Mr. Kamal A. Chinoy, Independent Director purchased 100,000 shares during the year. Except this, there have been no trades in the shares of the Bank, carried out by it's Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children.

# NOTES

## AGM

Monday, March 25, 2019 at 10:00 am  
at Topi Rakh Complex (Galaxy Hall), Army Heritage  
Foundation, Ayub National Park, Jhelum Road,  
Rawalpindi







# FORM OF PROXY

## ASKARI BANK LIMITED

I/We \_\_\_\_\_ S/o/ D/o/ W/o \_\_\_\_\_ of \_\_\_\_\_ being member(s) of Askari Bank Limited (the Bank), hold \_\_\_\_\_ ordinary shares vide Folio/CDC Account No. \_\_\_\_\_, do hereby appoint Mr./Mrs./Ms. \_\_\_\_\_ Folio/CDC Account No. \_\_\_\_\_ of \_\_\_\_\_ failing him/ her, Mr./Mrs./Ms. \_\_\_\_\_ Folio/CDC Account No. \_\_\_\_\_ of \_\_\_\_\_, as my/our proxy in my/our absence to attend and vote on my/our behalf at the 27th Annual General Meeting of the Bank to be held on Monday, March 25, 2019 at 10:00 am at Topi Rakh Complex (Galaxy Hall), Army Heritage Foundation, Ayub National Park, Jhelum Road, Rawalpindi and at any adjournment thereof.

Signed this \_\_\_\_\_ day of March 2019.

(Please affix revenue stamp of Rs.5)

\_\_\_\_\_  
Signature of Member  
(The signature should agree  
with the specimen registered  
with the Bank)

Witnesses No. 1: \_\_\_\_\_

Witnesses No. 2: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

C.N.I.C. No.: \_\_\_\_\_

C.N.I.C. No.: \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

### IMPORTANT NOTES:

#### A. General:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan / State Bank of Pakistan / corporate entity may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 4th Floor, NPT Building, F-8 Markaz, Islamabad not less than 48 hours before the time of holding the meeting.
4. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
5. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.

#### B. For CDC Account Holders

1. Copies of the CNIC or passport of the beneficial owners shall be furnished with the proxy form.
2. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
3. In case of Government of Pakistan / State Bank of Pakistan / Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.

THE COMPANY SECRETARY  
**ASKARI BANK LIMITED**  
4TH FLOOR, NPT BUILDING  
F-8 MARKAZ  
ISLAMABAD - PAKSITAN

## پراکسی فارم عسکری بینک لمیٹڈ

میں / ہم \_\_\_\_\_ ولدیت / بنت ازوجہ \_\_\_\_\_ شہر \_\_\_\_\_ بحیثیت ممبر عسکری بینک لمیٹڈ، حامل عام شہر زب مطابق فولیو ای ڈی ای اکاؤنٹ نمبر \_\_\_\_\_، مسز / مسز / مس \_\_\_\_\_ فولیو ای ڈی ای اکاؤنٹ نمبر \_\_\_\_\_، مسز / مسز / مس \_\_\_\_\_ اسکی ناکامی کی صورت میں، مسز / مسز / مس \_\_\_\_\_ فولیو ای ڈی ای اکاؤنٹ نمبر \_\_\_\_\_ شہر \_\_\_\_\_ کو اپنے / ہمارے ایماہ پر بطور پراکسی مقرر کرتا ہوں / کرتے ہیں تاکہ وہ میری / ہماری طرف سے بینک کے 27 ویں سالانہ اجلاس عام جو بتاریخ 25 مارچ 2019ء بروز \_\_\_\_\_ بجے بمقام ٹوپی رکھ کلب (گھنگی ہال)، آری ہیر شیج فاؤنڈیشن، ایوب نیشنل پارک، جہلم روڈ، راولپنڈی میں منعقد ہونے والے یا اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے، بات کرے اور حق رائے دہی استعمال کرے۔

آج بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ مارچ 2019ء کو بطور گواہ دستخط کیے۔

دستخط ممبر  
(پارچہ روپے کارسیدی گنٹ)

گواہ نمبر 1	گواہ نمبر 2
نام	نام
شناختی کارڈ نمبر	شناختی کارڈ نمبر
پتہ	پتہ

نوٹس:-

الف۔ عام

- 1۔ جو ممبر اجلاس میں شرکت اور ووٹ ڈالنے کا اہل ہے وہ اپنی جگہ اجلاس میں شرکت اور ووٹ ڈالنے کے لئے پراکسی مقرر کر سکتا ہے۔ گورنمنٹ آف پاکستان، سٹیٹ بینک آف پاکستان یا کاروباری ادارے کے علاوہ کوئی ایسا شخص پراکسی کے طور پر کام نہیں کر سکتا، اگر وہ بینک کا ممبر نہیں ہے۔
- 2۔ پراکسی مقرر کرنے کی دستاویز ممبر یا اس کے تحریری طور پر با اختیار اٹارنی سے دستخط شدہ ہونی چاہیے۔ اگر ممبر (گورنمنٹ آف پاکستان یا سٹیٹ بینک آف پاکستان کے علاوہ) ایک کاروباری ادارہ ہے تو اس کی عام ممبر دستاویز پر لگی ہوئی چاہیے۔
- 3۔ پراکسی مقرر کیے جانے سے متعلق دستاویزات بنام کمپنی سیکرٹری عسکری بینک لمیٹڈ، فورٹھ فلور، این پی ٹی بلڈنگ، ایف-8 مرکز، اسلام آباد پر اجلاس سے کم از کم 48 گھنٹے قبل لازماً وصول ہو جانا چاہیے۔
- 4۔ اگر کوئی ممبر ایک سے زیادہ پراکسی مقرر کرے گا اور ایک سے زیادہ پراکسی کے دستاویز جمع کروائے گا تو پراکسی کی تمام دستاویزات کا اہم قرار دی جائیں گی۔

ب۔ سی ڈی ای اکاؤنٹ رکھنے والوں کے لئے

- 1۔ پراکسی فارم دو گواہان سے تصدیق شدہ ہونا چاہیے۔ جن کے نام، پتے اور سی این آئی سی نمبر فارم کے اوپر درج ہوں۔
- 2۔ مستفید مالکان کے سی این آئی سی یا پاسپورٹ کی نقول پراکسی فارم کے ساتھ فراہم کی جانی چاہئیں۔
- 3۔ پراکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ فراہم کرنا ہوگا۔
- 4۔ گورنمنٹ آف پاکستان / سٹیٹ بینک آف پاکستان / کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی بمطابق دستخط پراکسی فارم کے ساتھ جمع کروانی ہوگی۔

THE COMPANY SECRETARY  
**ASKARI BANK LIMITED**  
4TH FLOOR, NPT BUILDING  
F-8 MARKAZ  
ISLAMABAD - PAKSITAN



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