



LET'S WORK TOGETHER FOR A
**BETTER
ENVIRONMENT**

ANNUAL REPORT 2019

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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

Mr. Kamal A. Chinoy

Syed Ahmed Iqbal Ashraf

Mr. Mushtaq Malik

RISK MANAGEMENT

Mr. Manzoor Ahmed - Chairman

Dr. Nadeem Inayat

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 Counselors

SHARIAH BOARD

Mufti Muhammad Zahid - Chairman

Mufti Ismatullah - Member

Dr. Muhammad Tahir Mansoori

Resident Shariah Board Member

CHIEF FINANCIAL OFFICER

Mr. Saleem Anwar, FCA

A/COMPANY SECRETARY

Mr. Umar Shahzad

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

REGISTRAR & SHARE TRANSFER OFFICE

CDC Share Registrar Services Limited (CDCSRSL)

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@cdcsrsl.com

Website: www.cdcsrsl.com

ENTITY RATINGS

Long Term: AA+

Short Term: A1+

By PACRA

WEBSITE

www.askaribank.com

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NOTICE OF THE 28TH ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting (AGM) of the shareholders of Askari Bank Limited (the Bank) will be held on Friday, March 27, 2020 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 27th Annual General Meeting held on March 25, 2019.
2. To receive, consider and adopt the financial statements of the Bank for the year ended December 31, 2019 together with the Directors' and Auditors' Reports thereon.
3. To approve, as recommended by the Board of Directors, payment of cash dividend @ 15% i.e., Rs. 1.5 per share for the financial year ended December 31, 2019.
4. To appoint auditors for the year ending December 31, 2020 and to fix their remuneration.

The retiring Auditors, M/s A.F. Ferguson & Co., Chartered Accountants have completed five consecutive years and in compliance of Listed Companies (Code of Corporate Governance) Regulations 2019, new external auditors are to be appointed. The Board's Audit Committee has proposed appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of the Bank for the year ending December 31, 2020 which is recommended by the Board of Directors.

5. To elect 10 (Ten) Directors as per the number fixed by the Board of Directors of the Bank under Section 159 (1) of the Companies Act 2017 (the Act) for a period of next three years commencing from March 27, 2020. The total strength of Board of Directors shall be 11 including President & Chief Executive of the Bank, being a deemed Director under Section 188 (3) of the Act. The following are the names of the retiring Directors, who are eligible for re-election:

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

Special Business:

6. To consider and, if thought fit, approve the conversion of the Term Finance Certificates (TFCs) into Ordinary Shares of the Bank upon the occurrence of a conversion event as determined by the State Bank of Pakistan and in that connection to pass the following resolution:

RESOLVED that in respect of the TFC issue of up to PKR 7,000,000,000/- (Pak Rupees Seven Billion) issued by the Bank ("TFC Issue"), pursuant to the terms of the Trust Deed dated December 24, 2019 and in accordance with the instructions of the State Bank of Pakistan ("SBP") under the 'Instructions for Basel III Implementation in Pakistan' ("Basel III Rules") issued under BPRD Circular No. 06 dated August 15, 2013, as amended from time to time, regarding loss absorbency, in the event the TFCs are converted into common shares upon the declaration by the SBP on the occurrence of a Point of Non-Viability event (PONV), such ordinary shares shall be issued other than by way of rights in accordance with the proviso provided under section 83(1)(b) of the Companies Act, 2017 ("Additional Shares").

NOTICE OF THE 28TH ANNUAL GENERAL MEETING

FURTHER RESOLVED that the issuance of such Additional Shares shall be based on the market value of the shares of the Bank on the date of trigger of PONV as declared by SBP and shall be subject to a cap of 245,042,630 (two hundred forty five million forty two thousand six hundred thirty) additional ordinary shares being issued, or such other number as may be agreed to in consultation with the SBP and shall further be subject to approval of the Securities and Exchange Commission of Pakistan in accordance with the applicable provisions of the Companies Act, 2017.

FURTHER RESOLVED that the President & Chief Executive, and / or Group Head - Corporate & Investment Banking Group of the Bank, or their delegates (the "Authorized Representatives") of the Bank, be and are hereby singly authorized to take all steps, necessary, ancillary and incidental to the above, and are further authorized to sign, execute and deliver all necessary documents, agreements and letters on behalf of the Bank, as may be deemed appropriate and as may be required for the purposes above mentioned.

7. To consider and, if thought fit, pass the following resolutions with or without amendments / modifications for the acquisition of 26% shareholding of Askari Securities Limited (ASL), a 74% owned subsidiary of the Bank from Army Welfare Trust (AWT) to acquire 100% shareholding in ASL in accordance with the provisions of Section 199 of the Act:

RESOLVED THAT the Bank be and is hereby authorized to acquire 26% shareholding (5,980,000 ordinary shares) of Askari Securities Limited (ASL) from Army Welfare Trust (AWT) at a price of Rs. 8.50 per share subject to obtaining and fulfillment of applicable legal and regulatory requirements and consents.

FURTHER RESOLVED that the President & Chief Executive, and / or Group Head-Corporate & Investment Banking Group of the Bank, or their delegates (the "Authorized Representatives") of the Bank, be and are hereby singly authorized to take all steps, necessary, ancillary and incidental to the above, and are further authorized to sign, execute and deliver all necessary documents, agreements and letters on behalf of the Bank, as may be deemed appropriate and as may be required for the purposes above mentioned".

The Statement of Material Facts providing the information on Agenda Nos. 6 & 7 as required under Section 134(3) of the Companies Act, 2017 is appended below.

Other Business:

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

By Order of the Board

-sd-

Rawalpindi
March 03, 2020

Company Secretary

NOTES:

1. The Share Transfer books of the Bank will remain closed from March 20, 2020 to March 27, 2020 (both days inclusive). Transfers received at the Bank's Share Registrar Department, CDC Share Registrar Services 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 19, 2020 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 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 Computerized National Identity Card (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, 2019 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	30.00 %

And to enable the Bank to make tax deductions on the amount of cash dividend @ 15.00 % instead of 30.00% all shareholders, whose names are not entered into the Active Tax payers 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 @ 30.00% instead of 15.00%.

NOTICE OF THE 28TH ANNUAL GENERAL MEETING

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. CDC Share Registrar Services 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 16, 2020 otherwise it will be assumed that the shares are equally held.

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 CNICs 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, 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 CDC Share Registrar Services 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 & Notices to Members through email (Optional) or CD / DVD / USB

Annual Audited Financial Statements of the Bank for the financial year ended December 31, 2019 have been placed on the Bank's website i.e. www.askaribank.com.

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 2019 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 atleast 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 CDC Share Registrar Services 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.askaribank.com 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.

NOTICE OF THE 28TH ANNUAL GENERAL MEETING

Procedure for Election of Directors

Any person who seeks to contest the election to the office of a director, whether he is a retiring director or otherwise, shall file the following documents with the Company Secretary Office, 4th Floor, NPT Building, F-8 Markaz, Islamabad not later than 14 days before the date of AGM.

- a. Notice of his/her intention to offer him / herself for the election to the office of director in terms of Section 159(3).
- b. Consent to act as director of the Bank along with consent on Form 28 prescribed under the Act.
- c. Detail profile along with office address as required under SECP's SRO 634 (I) 2014 dated July 10, 2014.
- d. Declaration under Clause 3 of the Listed Companies (Code of Corporate Governance) Regulations 2019.
- e. Declaration that he/she is not ineligible to become a director of the Bank in terms of Section 153 of the Act.
- f. As per requirements under SBP, BPRD Circular No. 04 dated April 23, 2007, and the Prudential Regulation (G-1), the Directors can not assume the charge of their respective offices until their appointments are approved in writing by SBP. All requests for seeking clearance from the State Bank of Pakistan (SBP) for appointment of Directors of the Bank will be routed through the Bank along with the following documents:
 - Proforma regarding Fit & Proper Test ("Annexure-I" of the above referred SBP circular).
 - Affidavit on Non-Judicial Stamp Paper ("Annexure-II" of the above referred SBP circular)
 - Answered questionnaire for assessing "Fit & Proper Test" (Attachment to the above referred SBP Circular).
 - Attested copy of valid CNIC / NICOP / Passport(s).
 - Copies of all academic & professional degrees / certificates.
 - Copies of employment certificates received from previous employers.
 - Detailed CV having date-wise employment history, if any
 - Tax Clearance Certificate

In terms of the above referred SBP circulars, association of the following persons as a director is undesirable and against public interest:

- A person who has been associated with any illegal activity, especially relating to the banking business and
- A person, who in his individual capacity or a proprietary concern of any company or any listed public company (of which he has been a proprietor, partner, director or shareholder), has been in default of payment of any taxes.

Further, please note that as per SBP requirements, a person is not permitted to be a director of more than one Bank / DFI.

- g) An independent director must be holding 500 qualification shares of the Bank at the time of filing of his / her consent to act as director.
- h) Independent director(s) will be elected through the process of election of directors in terms of Section 159 of the Act and they shall meet the criteria laid down in BPRD Circular No. 15 of 2016 dated December 28, 2016 issued by SBP as well as criteria laid down under Section 166(2) of the Act and the Companies (Manner and Selection of Independent Directors) Regulations 2018, accordingly the following additional documents are to be submitted by the candidates intending to contest election of directors as an independent director:
- The declaration of independence in compliance with BPRD Circular No. 15 dated December 28, 2016.
 - Declaration under Clause 6(3) of the Listed Companies (Code of Corporate Governance) Regulations 2019.
 - Undertaking on a non-Judicial stamp paper that he / she meets the requirements of sub-regulation (1) of Regulation 4 of the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

Statement under Section 134 (3) of the Companies Act 2017

The following statements set out the material facts pertaining to the special business to be transacted at the 28th Annual General Meeting of the Bank to be held on Friday, March 27, 2020.

Agenda Item No. 6: Conversion of TFCs into Ordinary Shares of the Bank upon the occurrence of a conversion event as determined by the State Bank of Pakistan

The Board of Directors of Askari Bank Limited ("AKBL" or the "Bank") resolved to raise Tier 2 Capital on August 01, 2019 through issuance of redeemable capital under Section 66 of the Companies Act, 2017 in the amount of up to PKR 7,000,000,000/- (Pak Rupees Seven Billion) (the "TFC Issue") to eligible investors in terms of BPRD Circular Number 08 dated June 27, 2006 and as updated vide BPRD Circular Number 06 of August 15, 2013 (as amended from time to time), read with all relevant rules, regulations, circulars and approvals of the State Bank of Pakistan ("SBP"). The TFC Issue is intended to comply with the State Bank of Pakistan's ("SBP") regulation to maintain the minimum Capital Adequacy Ratio and to support ongoing business operations of the Bank ("CAR").

SBP through BSD Circular No. 7 dated April 15, 2009 had directed all banks to achieve and maintain the minimum CAR of 10% by December 2013. SBP vide its Circular No. 6 of Banking Policy and Regulation Department ("BPRD") dated August 15, 2013 ("Basel III Circular"), covering Basel III reforms, gave a road map to increase the minimum CAR up to 12.5% in a phased manner by December 31, 2019. Post issuance of the TFCs, the CAR of the Bank will accordingly improve and increase.

As per the requirements of Basel III under the aforementioned Basel III Circular, the terms and conditions of the TFC Issue must have a provision of "loss absorbency" for it to be qualified as a Tier 2 Capital instrument.

NOTICE OF THE 28TH ANNUAL GENERAL MEETING

The relevant portion of the Basel III Circular relating to “loss absorbency” is reproduced below:

“A-5-3 Loss Absorbency of Non-Equity Capital Instruments at the Point of Non-Viability:

- i. The terms and conditions of all non-CET1 and Tier 2 instruments issued by banks must have a provision in their contractual terms and conditions that the instruments, at the option of the SBP, will either be fully and permanently converted into common share upon the occurrence of a non-viability trigger event called the Point of Non-Viability (PONV) as described below;
- ii. The PONV trigger event is the earlier of;
 - a. A decision made by SBP that a conversion is necessary without which the bank would become non-viable.
 - b. The decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by SBP.
- iii. The issuance of any new shares as a result of the trigger event must occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.
- iv. The amount of non-equity capital to be converted will be determined by the SBP.
- v. Where an Additional Tier 1 capital instrument or Tier 2 capital instrument provides for conversion into ordinary shares, the terms of the instruments should include provision that upon a trigger event the investors holding 5% or more of paid-up shares (ordinary or preferred) will have to fulfill fit and proper criteria (FPT) of SBP.
- vi. The conversion terms of the instruments must contain pricing formula linked to the market value of common equity on or before the date of trigger event. However, to quantify the maximum dilution and to ensure that prior shareholder/regulatory approvals for any future issue of the required number of shares is held, the conversion method must also include a cap on the maximum number of shares to be issued upon a trigger event.
- vii. The conversion method should describe and take into account the order (hierarchy of claims) in which the instruments will absorb losses in liquidation/ gone concern basis. These terms must be clearly stated in the offer documents. However, such hierarchy should not impede the ability of the capital instrument to be immediately converted.
- viii. There should be no impediments (legal or other) to the conversion i.e. the bank should have all prior authorizations (sufficient room in authorized capital etc.) including regulatory approvals to issue the common shares upon conversion.
- ix. The contractual terms of all Additional Tier 1 and Tier 2 capital instruments must state that SBP will have full discretion in deciding/ declaring a bank as a non-viable bank. SBP will, however, form its opinion based on financial and other difficulties by which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. The difficulties faced by a bank should be such that these are likely to result in financial losses and raising the CET 1 / MCR of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable. Such measures will include conversion of non-equity regulatory capital into common shares in combination with or without other measures as considered appropriate by the SBP.”

As per the loss absorbency conditions, upon the occurrence of a “Point of Non-Viability” event (“PONV”), SBP may at its option, fully and permanently convert the TFCs into common shares of the issuer, i.e. the Bank.

In light of the above conditions, the Bank is required to obtain all approvals (in advance) for the issuance of such additional shares, which additional shares shall be issued based on the market value of the shares of the Bank on the date of trigger of PONV as declared by SBP and shall be subject to a cap of 245,042,630 (two hundred forty five million forty two thousand six hundred thirty) additional ordinary shares being issued in aggregate, or such other number as may be agreed to in consultation with SBP. It may further be noted that issuance of such additional shares shall further be subject to approval of the Securities and Exchange Commission of Pakistan (SECP) in accordance with section 83(1)(b) of the Companies Act, 2017.

The information required to be annexed to the notice is set out below:

Name of the persons to whom shares will be issued	The shares will be issued to the TFC holders (at that time) in accordance with the directions of SBP at the time of trigger of PONV.
Price at which the proposed shares will be issued	The shares shall be at the market value of the shares of the Bank on the date of trigger of PONV as declared by SBP however, total no. of shares to be issued are capped at 245,042,630 or such other number as may be agreed to in consultation with SBP.
Purpose of the issue, utilization of the proceeds of the issue and benefits to the Company and its shareholders with necessary details	To convert the outstanding TFC amount (in whole) into shares of the Bank in accordance with the directions of SBP.
Existing shareholding of the persons to whom the proposed shares will be issued	Not Applicable
Total shareholding of the persons after the proposed issue of shares	Not Applicable
Whether the persons have provided written consent for purchase of such shares	The terms of the Trust Deed for the TFC issue shall contain the details regarding such conversion.
Justification as to why proposed shares are to be issued otherwise than rights and not as rights shares	This is in accordance with the requirements of SBP vide its Circular No. 6 of Banking Policy and Regulation Department (“BPRD”) dated August 15, 2013.
Justification, with details of the latest available market price and break-up value per share, if such price differs from par value	Not Applicable

NOTICE OF THE 28TH ANNUAL GENERAL MEETING

The shares issued will rank pari passu in all respects with the existing shares of the Bank. The issue of shares other than by way of rights is subject to approval from the SECP.

The Directors of the Bank have no vested interest, directly or indirectly in the above business, save to the extent of their shareholding of the Bank.

Agenda Item No. 7: Acquisition of 26% shareholding of Askari Securities Limited (ASL) from Army Welfare Trust (AWT) for the 100% acquisition of ASL

Askari Securities Limited (ASL) is a public limited company incorporated in Pakistan on October 16, 1999. The Company is a Trading Right Entitlement Certificate (TREC) holder of Pakistan Stock Exchange Limited and a Corporate Member of Pakistan Mercantile Exchange. The principal activity of the Company includes brokerage, investment advisory and consultancy services. The Bank holds 74% shares of ASL as at December 31, 2019. The remaining 26% shares (5,980,000 shares) are held by AWT. The Bank intends to acquire 100% shareholding of ASL in order to gain decisive position for subsequent strategic decisions. Since ASL is a subsidiary company / undertaking of the Bank, approval of the shareholders of the Bank is required under section 199 of the Companies Act, 2017 for further investment in the shares of ASL.

The disclosure required to be annexed to the Notice under Section 3 (1) (a) and (b) of the SECP's Regulations dated December 6, 2017 [the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017] is set out below:

Name of the associated company	Askari Securities Limited (ASL)																								
Relationship with associated company	Subsidiary Company of AKBL with 74% shareholding																								
Purpose, benefits and period of investment	The purpose of the investment is to acquire 100% shareholding of ASL																								
Financial Highlights as of December 31, 2019	<table> <tr> <td>Authorized Capital</td> <td>PKR 300,000,000</td> </tr> <tr> <td>Issued, subscribed & paid up capital</td> <td>PKR 230,000,000</td> </tr> <tr> <td>Net Equity</td> <td>PKR 227,060,167</td> </tr> <tr> <td>Trade & other payables</td> <td>PKR 132,841,001</td> </tr> <tr> <td>Property & equipment</td> <td>PKR 34,694,897</td> </tr> <tr> <td>Long term investments</td> <td>PKR 43,971,398</td> </tr> <tr> <td>Short term investments</td> <td>PKR 62,825,656</td> </tr> <tr> <td>Bank balances</td> <td>PKR 154,878,096</td> </tr> <tr> <td>Turnover</td> <td>PKR 38,802,321</td> </tr> <tr> <td>Administrative expenses</td> <td>PKR 38,723,360</td> </tr> <tr> <td>Other income</td> <td>PKR 10,978,510</td> </tr> <tr> <td>Net Profit</td> <td>PKR 14,519,712</td> </tr> </table>	Authorized Capital	PKR 300,000,000	Issued, subscribed & paid up capital	PKR 230,000,000	Net Equity	PKR 227,060,167	Trade & other payables	PKR 132,841,001	Property & equipment	PKR 34,694,897	Long term investments	PKR 43,971,398	Short term investments	PKR 62,825,656	Bank balances	PKR 154,878,096	Turnover	PKR 38,802,321	Administrative expenses	PKR 38,723,360	Other income	PKR 10,978,510	Net Profit	PKR 14,519,712
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Net Profit	PKR 14,519,712																								
Maximum Amount of investment	PKR 50,830,000 (Pak Rupees fifty million eight hundred thirty thousand only)																								
Maximum Price at which securities will be acquired	PKR 8.50 (Pak Rupees eight & paisas fifty only) per share																								

Number of securities and percentage thereof held before and after the proposed investment.	Currently held: 17,020,000 shares (74%) After acquisition: 23,000,000 shares (100%)
In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 5(1).	From PKR 6.94 to PKR 8.76 per share
Break-up value of securities intended to be acquired on the basis of the latest audited financial statements.	PKR 9.87 per share as on December 31, 2019
Earnings per share of the associated company or associated undertaking for the last three years.	FY 2017: PKR 1.04 per share FY 2018: PKR (0.17) per share FY 2019: PKR 0.63 per share
Sources of fund from which securities will be acquired.	The Bank shall utilize its own funds.
Salient features of the agreement(s), if any entered into with its associated company or associated undertaking with regards to the proposed investment.	Not Applicable.
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	Nil
Any other important details necessary for the members to understand the transaction.	Nil

The Directors of the Bank have no vested interest, directly or indirectly in the above business, save to the extent of their shareholding of the Bank.

PROFILE OF DIRECTORS

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

(Non-Executive Director)

Lt Gen Syed Tariq Nadeem Gilani was commissioned in Pakistan Army on October 26, 1979 with the coveted President's Gold Medal and retired in October 2015. The General Officer has served on various command, staff and instructional assignments. He received an early exposure of secondment in Saudi Arabian Armed Forces from 1983 to 1985. He is a graduate of US Army Artillery School, Fort Sill Oklahoma, Command and Staff College Camberley (UK), Armed Forces War College (National Defence University) Islamabad and US Army War College, Carlisle Barracks, Pennsylvania. He holds Masters degrees in War Studies from Quaid-e-Azam University, Islamabad and Strategic Studies from US Army War College, USA. His assignments include command of a brigade, division and Army Command. He has also held the prestigious appointments of Commandant Armed Forces War College, NDU, Islamabad and Chief of Logistics Staff at General Headquarters.

In recognition of his meritorious services, he was awarded Hilal-e-Imtiaz (Military).

Term of Office

Joined as Chairman of the Board of Directors on January 10, 2018.

Membership of Board Committees

None

Other Directorships

He is Managing Director, Fauji Foundation and Chairman Board of Directors of following companies:

- Fauji Fertilizer Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Mari Petroleum Company Limited
- Fauji Cement Company Limited
- Askari Cement Limited
- Fauji Kabirwala Power Company Limited
- Fauji Oil Terminal & Distribution Company Limited
- Fauji Trans Terminal Limited
- Foundation Power Company Daharki Limited
- Daharki Power Holdings Limited
- FFC Energy Limited
- Foundation Wind Energy-I Limited
- Foundation Wind Energy-II (Pvt) Limited
- Fauji Akbar Portia Marine Terminals Limited
- Fauji Meat Limited
- Fauji Foods Limited (formerly Noon Pakistan Limited)
- FFBL Foods Limited
- FFBL Power Company Limited
- Fauji Fresh n Freeze Limited
- Fauji Infraavest Foods Limited

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

(Non-Executive Director)

Lt Gen Javed Iqbal, HI (M) (Retd), is the Chief Executive and Managing Director of Fauji Fertilizer Bin Qasim Limited, FFBL Foods Limited, FFBL Power Company Limited, Fauji Foods Limited and Fauji Meat Limited. Lt Gen Javed Iqbal, HI (M) (Retd) joined Pakistan Army on October 24, 1980 and he has a varied experience of Command, Staff and Instructional appointments. He is a graduate of Command and Staff College, Quetta, Defence Services Command and Staff College, Dhaka (Bangladesh), the erstwhile National Defence College (Pakistan) and Royal College of Defence Studies (United Kingdom). He also holds master degrees in War Studies and International Studies from National Defence University (NDU) Islamabad and Kings College London respectively. He has served as Military Advisor to Permanent Representative of Pakistan to United Nations Headquarters; New York. He has commanded two Infantry Battalions and two Infantry Brigades. He has commanded an Infantry Division employed in Law Enforcement Operations in Swat. He has the honor of commanding a deployed Corps of Pakistan Army. He also has the honour of being the President of NDU, an internationally renowned institution of Pakistan.

He has been a frequent guest speaker on numerous international seminars and conferences on counter insurgency, disaster response, humanitarian assistance and civil-military coordination aspects.

Term of Office

Joined as member of the Board of Directors on February 07, 2017.

Membership of Board Committees

Human Resource & Remuneration Committee - Chairman

Other Directorships

- Fauji Fertilizer Bin Qasim Limited
- FFBL Foods Limited
- Fauji Meat Limited
- FFBL Power Company Limited
- Fauji Foods Limited (formerly Noon Pakistan Limited)
- Foundation Wind Energy - I Limited
- Foundation Wind Energy - II (Pvt) Limited
- Pakistan Maroc Phosphore S.A

Lt Gen Tariq Khan, HI (M) (Retd)

(Non-Executive Director)

Lt Gen Tariq Khan was commissioned in Pakistan Army in April 1977 with the coveted Sword of Honour. During his illustrious service in the Army, he had been employed on various prestigious command, staff and instructional assignments including command of a Strike Corps.

He is Chief Executive & Managing Director of Fauji Fertilizer Company Limited, FFC Energy Limited and Fauji Fresh n Freeze Limited. He is Chairman of Sona Welfare Foundation (SWF) and Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC) and member of the Board of Governors of Foundation University, Islamabad.

He is a graduate of Command and Staff College Quetta and National Defence University Islamabad. He also holds Master Degree in War Studies. He has served on the faculty of Command and Staff College Quetta and National Defence University Islamabad. Since his retirement, he is on the honorary faculty of renowned institutions including National Defence University as a senior mentor. He possesses vast experience as adviser to the leading corporate entities.

He has been awarded Hilal-e-Imtiaz (Military) and is also the first Pakistan Army General who has been conferred upon the U.S 'Legion of Merit' by the U.S Government for his meritorious services as a senior representative at U.S CENTCOM in Tampa, Florida.

Term of Office

Joined as member of the Board of Directors on March 27, 2018.

Membership of Board Committees

None

Other Directorships

- Fauji Fertilizer Company Limited
- Fauji Fertilizer Bin Qasim Limited
- FFC Energy Limited
- Fauji Foods Limited (formerly Noon Pakistan Limited)
- Fauji Fresh n Freeze Limited
- Philip Morris (Pakistan) Limited
- Fauji Meat Limited
- FFBL Foods Limited
- FFBL Power Company Limited
- Thar Energy Limited
- Pakistan Maroc Phosphore S.A.

Dr. Nadeem Inayat

(Non-Executive Director)

Dr. Nadeem Inayat is the Director Business & Investment of Fauji Foundation. He holds a Doctorate in economics with rich and diversified domestic as well as international experience in the financial system of over 31 years. His work experience can be broadly categorized into corporate governance, policy formulation and deployment, project appraisal implementation, monitoring & evaluation, restructuring and collaboration with donor agencies.

He also conducts various academic courses on economics, international trade and finance at reputable institutions of higher education in Pakistan.

Term of Office

Joined as member of the Board of Directors on June 20, 2013.

Membership of Board Committees

Audit Committee
Human Resource & Remuneration Committee
Risk Management Committee
Information Technology Committee

Other Directorships

- Fauji Fertilizer Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Mari Petroleum Company Limited
- Fauji Foods Limited (Formerly Noon Pakistan Limited)
- Hub Power Company Limited
- Pakistan Maroc Phosphore SA
- Fauji Oil Terminal & Distribution Company Limited.
- Askari Cement Limited
- Fauji Trans Terminal Limited

Mr. Rehan Laiq

(Non-Executive Director)

Mr. Rehan Laiq is a qualified Chartered Accountant (FCA) with over 22 years of proven track record in developing business strategies, delivering results, developing organizational capability of infrastructure and acquisitions.

He carries vast international experience of Financial Management at a senior level in his career with Schlumberger in multiple countries of Middle East, Asia, Russia and North America.

He brings with him diverse experience of policy compliance, management reporting, external and internal transformation (e.g. optimum utilization of resources for the business) and analytical business support to ensure profit maximization.

Term of Office

Joined as member of the Board of Directors on December 01, 2018.

Membership of Board Committees

Audit Committee

Other Directorships

- Fauji Fertilizer Company Limited
- Fauji Fertilizer Bin Qasim Limited
- Mari Petroleum Company Limited
- Fauji Cement Company Limited
- Fauji Kabirwala Power Company Limited
- Foundation Power Company Daharki Limited
- Daharki Power Holdings Limited
- Fauji Akbar Portia Marine Terminals Limited
- Fauji Foods Limited (formerly Noon Pakistan Limited)
- FFBL Power Company Limited
- Foundation Solar Energy Limited
- Fauji Infrainvest Foods Limited
- Fauji Electric Power Company (FEPCO)- Dormant

Mr. Manzoor Ahmed

(Non-Executive Director)

Mr. Manzoor Ahmed is Chief Operating Officer (COO) of National Investment Trust Limited (NIT). As COO, since 9 years, he has been successfully managing the operations and investment portfolio. He has experience of over 30 years of the mutual fund industry and has been placed at many key positions within NIT that includes capital market operations, investments, research and liaising with the regulatory authorities. He is MBA and also holds DAIBP

He has attended various training courses organized by local and internationally reputed institutions like London Business School (LBS) UK, Institute of Directors, London and Financial Markets World, New York (USA).

He represents NIT as Nominee Director on the board of directors of many leading national and multinational companies of Pakistan. He is also a certified director from Pakistan Institute of Corporate Governance.

Term of Office

Joined as member of the Board of Directors on May 20, 2013.

Membership of Board Committees

Risk Management Committee - Chairman
Audit Committee

Other Directorships

- Hub Power Company Limited
- Lucky Cement Limited
- Soneri Bank Limited
- Siemens (Pakistan) Engineering Company Limited
- Sui Northern Gas Pipelines Limited
- General Tyre & Rubber Company Limited

PROFILE OF DIRECTORS

Mr. Kamal A. Chinoy

(Independent Director)

He graduated from the Wharton School, University of Pennsylvania, USA.

He has previously served as the Chairman of the Aga Khan Foundation (Pakistan). He has also served as a Director of Pakistan Centre of Philanthropy, Pakistan Security Printing Corporation, Atlas Insurance & First International Investment Bank (an Amex JV). He has also served on the Undergraduate Admissions Committee of the Aga Khan University and the University of Pennsylvania Alumni Committee for Pakistan.

He is an advisor to Tharpak, a consortium of international companies interested in developing the Thar coal field.

He is a "Certified Director" having been certified by the Pakistan Institute of Corporate Governance.

Term of Office

Joined as member of the Board of Directors on March 31, 2017.

Membership of Board Committees

Human Resource & Remuneration Committee

Other Directorships

- Jubilee Life Insurance Company Limited - Chairman
- Pakistan Cables Limited
- International Industries Limited
- International Steels Limited
- Atlas Power Limited
- ICI Pakistan Limited

Syed Ahmed Iqbal Ashraf

(Independent Director)

Syed Ahmed Iqbal Ashraf has over 40 years banking experience in senior positions. His professional experience started from United Kingdom (where he did his schooling), then United States of America in the east & west coast followed by United Arab Emirates and finally in Pakistan since early 1990s. He has major experience in corporate and investment banking. He is also professionally qualified accountant from the United Kingdom and is a fellow of the Association of Certified Accountants from UK.

He has completed his three year term in January 2017, as The President and Chief Executive Officer of National Bank of Pakistan, the largest bank in Pakistan. During his tenor NBP achieved many milestones unprecedented in the 70 years history of NBP. The bank turned around making huge gains in its shareholders' value.

Prior to joining NBP, he was the Managing Director of PAIR Investment Company, Pak-Iran Joint Venture Investment Company, sponsored by Governments of Islamic Republics of Pakistan and Iran.

He was also instrumental in establishing Pak China Investment Company on behalf of Government of Pakistan and was its Deputy Managing Director. Prior to this he was the Managing Director and Chief Executive Officer of Bank of Khyber.

He was also Country Head of Investment and Financial Institutions for SG (Societe Generale) in Pakistan and was appointed as Financial Advisor to the Privatisation Commission to privatize United Bank Limited, which was successfully privatized.

Term of Office

Joined as member of the Board of Directors on March 31, 2017.

Membership of Board Committees

Audit Committee - Chairman
Human Resource & Remuneration Committee

Other Directorships

None

Mr. Mushtaq Malik

(Independent Director)

Mr. Mushtaq Malik holds Master's degrees in Economics and in Business Administration from Boston University, USA with specialization in International Business Management and Finance. He has also done Executive course in Project Evaluation and Management from Harvard University and Marketing Management Diploma from Delft University of Netherland. Besides, attended courses on Microeconomics BOP Management arranged by IMF and ADB at Washington DC and Manila, respectively. He has worked at the top most positions in some of the important public sector organizations.

He headed the Board of Investment (BOI) as a Federal Secretary and Pakistan Electronic and Media Regulatory Authority (PEMRA) as Chairman. Also has been representing Pakistan at various international forums. He has been the Economic Minister and Financial Advisor in the Embassy of Pakistan at Washington, DC. He was on the boards of HBL and ECO bank for 5 years and 2 years, respectively. He has served for 15 years in the Government of Punjab in various positions such as DG Local Government, Director of Industries and Mineral Development, Secretary Excise and Taxation, Secretary Environment Protection Development, Secretary Population Welfare and MD Punjab Mineral Development.

Term of Office

Joined as member of the Board of Directors on March 31, 2017.

Membership of Board Committees

Human Resource & Remuneration Committee

Other Directorships

- M M Management Consultants (Pvt) Limited - Chairman
- HinoPak Motors Limited
- Sindh Insurance Limited

Brig Saleem Ahmed Moeen, SI (Retd)

(Independent Director)

Brig Saleem Ahmed Moeen, SI (Retd) served in the Pakistan Army for thirty years and attended post graduate training courses in telecommunications, electro- medical equipment, automobiles, armaments, radar, IT and missile technology. He holds a Bachelor's degree in electrical engineering and a Master's Degree in strategic studies.

He served as the Chairman of NADRA, Pakistan, from August 2001 to August 2008. During his tenure, he designed and implemented the National ID Card system including Interactive Multi-Biometric Data-Acquisition methodology, procured and integrated the Automatic Fingerprint Identification System (AFIS) and facial recognition software in the identity management system. He introduced mobile registrations vehicles to register the rural population. He also designed and supervised the implementation of the world's first ICAO compliant Multi Biometric Machine Readable Passport. His services were recognised by the Government of Pakistan, and he was awarded "Sitara-e-Imtiaz" for public service.

He was internationally recognised with many awards including the ID Outstanding Achievement award which was conferred at Rome in 2005 by the ID World Congress. He is also an author of numerous international publications.

Term of Office

Joined as member of the Board of Directors on July 27, 2018.

Membership of Board Committees

Information Technology Committee - Chairman
Risk Management Committee

Other Directorships

- Secure Tech Consultancy (Pvt) Limited
- Innovative Ideas (Pvt) Limited

Mr. Abid Sattar **President & Chief Executive**

(Executive Director)

Mr. Abid Sattar has over 35 years of rich and diversified experience covering corporate, institutional, retail and consumer banking, both in Pakistan and overseas. Prior to joining Askari Bank Limited, he was based in Singapore heading International Business for Asia and Africa Regions for Habib Bank Limited. During his previous assignment at HBL Pakistan, he has held the positions of Head of Global Operations and Head of Retail and Consumer Banking. His earlier experience includes senior level positions with Citibank, Standard Chartered and Chase Manhattan Bank.

He has a proven track record of leading and building efficient and excellent teams. He is well known for hiring talent, maintaining highest standards of compliance while expanding and growing businesses.

He holds Masters in Economic and Politics of Development from Cambridge University, UK and is a Gold Medalist in MBA Finance from the Punjab University, Lahore.

Term of Office

Joined as President & Chief Executive of the Bank on August 9, 2018.

Membership of Board Committees

Risk Management Committee
Information Technology Committee

Other Directorships

- Pakistan Petroleum Limited

PROFILE OF MEMBERS OF SHARIAH BOARD

Mufti Muhammad Zahid

(Chairman Shariah Board)

Mufti Muhammad Zahid is a notable figure in the field of Shariah and has been teaching various branches of Islam and Arabic language for over 30 years, besides being the Vice President of Jamia Imdadia, Faisalabad and a member of its Dar-ul-Iftha since 1989.

Mufti Muhammad Zahid has authored various publications including اسلامي بینکاری کی بنیادوں - ایک تعارف (translation from English to Urdu of the work of Mufti Muhammad Taqi Usmani).

Mufti Muhammad Zahid holds Shahadh Al-Alamiyyah (شهادة العالمية) from Wifaq-ul-Madaris, Al- Arabiyyah Pakistan and Masters Degree in Arabic from International Islamic University, Islamabad.

Term of Office

Joined as chairman of Shariah Board on June 1, 2015.

Other Membership

- Shariah Supervisory Committee of Bank of Khyber - Chairman
- Shariah Board of Bank of Punjab - Chairman

Mufti Ismatullah

(Member Shariah Board)

Mufti Ismatullah holds a PhD in Islamic Finance from Karachi University and did his Takhassus (specialization) in Islamic Fiqh and Fatawa from Jamia Dar ul Uloom, Karachi. Mufti Ismatullah also holds Shahadh Al-Alamiyyah (شهادة العالمية) degree.

Mufti Ismatullah has been teaching Quran, Hadith, Fiqh, Philosophy and Arabic Grammar at Dar-ul-Uloom, Karachi since 1993 and has issued over 25,000 fatawas while serving at Dar-ul-Iftha' of Dar-ul-Uloom, Karachi. Mufti Ismatullah is also involved in research in the fields of Islamic finance, especially Takaful and has compiled a book on Takaful which is very famous and popular in takaful industry.

Term of Office

Joined as member of Shariah Board on June 1, 2015.

Other Membership

- Shariah Board of Bank Al-Habib - Chairman
- Shariah Board Pak Qatar Takaful Group - member
- Shariah Advisor of IGI window takaful

Dr. Muhammad Tahir Mansoori

(Resident Shariah Board Member)

Dr. Muhammad Tahir Mansoori is an eminent scholar and recipient of the President of Pakistan's Medal for Pride of Performance. Dr. Mansoori holds Moulvi Alim and Moulvi Fazil degrees from 'Dar ul-uloom' Mansoorah, LLM Shariah from International Islamic University, Islamabad and PhD in Islamic Studies from Punjab University, Lahore.

Dr. Mansoori has taught and written on Fiqh and Usool-e-Fiqh matters for over three decades. He is the author of numerous publications including, Al-Madkhal-Al-Masrafi (Introduction to Islamic Banking) in Arabic, Islamic Law of Contracts and Business Transactions, and Shariah Maxims on Financial Matters.

Term of Office

Joined as member of Shariah Board on June 1, 2015.

Other Membership

- Shariah Advisory Board of Securities and Exchange Commission of Pakistan - member
- Board of Supervisors Islamic Bank of Afghanistan - member

SIX YEARS' STATISTICS

December 31	2014	2015	2016	2017	2018	2019
Rupees in million						
Assets						
Advances - net	170,496	199,931	235,164	258,693	343,107	372,914
Investments - net	217,214	268,021	295,846	314,957	260,234	305,436
Cash, short term funds and statutory deposits						
with SBP	29,626	38,794	55,250	49,683	53,281	91,332
Fixed / intangible assets	8,299	9,230	11,020	10,729	13,533	20,506
Assets held for sale	54	-	262	81	81	81
Other assets	21,392	19,891	21,597	22,566	36,296	42,939
Total assets	447,083	535,867	619,139	656,708	706,532	833,208
Non-performing loans	31,376	31,484	28,535	26,753	26,657	28,134
Provisions for non-performing loans	28,169	28,482	26,959	25,647	26,152	25,635
Liabilities						
Deposits and other accounts	387,587	433,172	472,811	525,808	573,636	679,299
Refinance borrowings from SBP	7,954	10,327	12,891	16,839	18,967	19,713
Sub-ordinated loans	7,993	4,997	4,995	4,993	9,994	9,992
Borrowings / other liabilities	19,841	60,518	95,866	76,632	70,426	81,948
Total liabilities	423,375	509,014	586,562	624,273	673,023	790,952
Shareholders' funds						
Share capital	12,603	12,603	12,603	12,603	12,603	12,603
Reserves	6,686	9,209	12,755	14,798	19,257	25,353
Surplus on revaluation of assets – net of tax	4,418	5,041	7,219	5,035	1,649	4,300
Total shareholders' funds	23,707	26,853	32,577	32,435	33,509	42,256
Profitability						
Interest income	34,604	36,592	35,512	36,267	43,670	71,704
Interest expense	22,711	21,690	20,497	20,072	25,060	49,569
Net interest income	11,893	14,902	15,016	16,195	18,610	22,136
Fee and commission income	1,435	1,732	2,156	2,707	3,116	3,617
Other income	3,882	4,958	4,951	3,549	2,506	3,787
Non-markup expense	11,107	12,281	14,304	15,164	15,892	18,377
(Reversal) / provision and impairment against						
non-performing assets	322	879	(659)	(1,205)	1,461	773
Operating profit	6,103	9,311	7,818	7,287	8,340	11,163
Profit before taxation	5,781	8,432	8,477	8,492	6,879	10,389
Taxation	1,766	3,388	3,256	3,224	2,448	3,372
Profit after taxation	4,015	5,043	5,221	5,268	4,431	7,017
Business transacted						
Rupees in billion						
Imports	177	200	279	358	394	334
Exports	140	144	124	155	215	248
Guarantees	64	78	132	137	150	156

SIX YEARS' STATISTICS

December 31	2014	2015	2016	2017	2018	2019
Key ratios						Percentage
Return on average shareholders' equity (RoE)	22.35	24.54	22.14	19.97	14.98	20.10
Return on average assets (RoA)	0.95	1.03	0.90	0.83	0.65	0.91
Return on average capital employed	16.76	18.65	18.27	16.79	11.95	15.63
Cost to income (CIR)	64.54	56.88	64.66	67.54	65.58	62.21
Gross yield on average earning assets	9.25	7.90	6.71	6.42	7.14	10.62
Weighted average cost of deposits	5.90	4.64	3.70	3.42	3.97	6.96
Advances to deposits	43.99	46.16	49.74	49.20	59.81	54.90
NPLs to gross advances	15.79	13.78	10.89	9.41	7.22	7.06
NPLs coverage	89.78	90.46	94.48	95.87	98.11	91.12
Current accounts to total deposits	23.70	25.24	27.44	28.37	29.56	28.68
Earning assets to total assets - gross	89.66	89.52	88.28	88.63	86.65	85.56
Capital Adequacy (CAR)	13.03	12.51	12.50	12.09	12.51	13.38
Share information						
Price earning (PE) - times	7.23	5.44	6.03	4.62	6.80	3.33
Price to book - times	1.23	1.02	0.97	0.75	0.90	0.55
Dividend yield (%)	8.67	10.35	6.01	5.18	4.18	8.09
Dividend payout - times	0.63	0.56	0.36	0.24	0.28	0.27
Cash dividends - Interim (%)	10.00	10.00	-	10.00	-	-
- Final* (%)	10.00	12.50	15.00	-	10.00	15.00
Earnings per share (EPS)** - Rupees	3.19	4.00	4.14	4.18	3.52	5.57
Market value per share - year end - Rupees	23.07	21.74	24.95	19.31	23.92	18.54
Market value per share - high - Rupees	23.14	25.54	25.61	28.03	26.49	24.46
Market value per share - low - Rupees	13.37	16.26	17.50	17.75	19.20	15.53
Net assets per share - Rupees	18.81	21.31	25.85	25.74	26.59	33.53
Other information						
Number of employees	5,894	6,781	7,252	7,534	7,538	7,848
Female staff - (%)	13.5	13.0	13.4	12.8	12.9	13.7
Number of branches	321	424	501	516	516	535

*post balance sheet event

**based on weighted average number of shares outstanding at each year end

CHAIRMAN'S REVIEW

By the Grace of Allah, 2019 proved to be a year of exceptional performance for Askari Bank. The consolidated profit after tax increased to Rs. 7.03 billion, a growth of 59 percent while the total asset-base grew by 18 percent and stood at Rs. 833 billion at the close of the year. I am confident that these numbers will inspire us to deliver sustainable performance in years to come. I am pleased to report that the Board of Directors approved a cash dividend of 15 percent for full year 2019.

Let's review the Bank's performance in the light of macro economic developments.

The key elements of Pakistan's economic stabilization process; IMF program, implementation of market-based exchange rate, effective monetary management and avoidance of deficit monetization, active measures trailing documentation and financial scrutiny were able to deliver as the payoff becomes visible in the form of declining twin deficits, particularly current account that also benefited by import compression. On the other side, inflationary pressures, operational constraints from the adjustment processes and depleting purchasing powers were disconcerting factors affecting consumer and business confidence. This resulted in overall GDP growth of less than 3 percent which is the lowest in the last 5 years. Nonetheless, it is important to continue with the adjustment process to address the chronic nature of vulnerabilities and structural weaknesses and to put our economy on a balanced and sustainable growth trajectory.

Amidst these challenges, Askari Bank remained well poised and demonstrated its ability to take advantage of emerging opportunities and execute strategies to capitalize on these with the aim of building long term business proposition and increase shareholders' value. The business strategy focused on developing quality assets and capital efficient investments, delivering core revenue growth while maintaining an optimal profile of risk appetite. Alongside, progress on technology initiatives, improvement in business processes and developing human resource capital are encouraging as these reflect progress on the transformation agenda and readiness of the leadership team to adopt to the changing environment. The emergence of new technology paradigms around big data analytics and cloud will affect the banking industry for many years to come, connoting Bank's focus on the youth segment for digital product offerings. Priority has been assigned to capacity build-up and enhanced oversight in the technology area to ensure that outcomes align with the expectations.

The banking sector growth outlook remains positive on the back of opportunities enabled by the active pursuit of financial inclusion. However, credit impairment will remain a challenge due to issues at the macroeconomic front. Askari bank will continue to seek ways to foster inclusive growth, enhance productivity, strategize with more vigor and exercise more vigilance as headwinds in the operating environment persist.

Governance is about engendering trust through transparency and accountability. Askari Bank as a financial institution and as a custodian of depositor's wealth, is relentless in its commitment to uphold the highest standards of governance and best practices in every avenue of its business. The Board of Directors and Board committees sets the tone at the top by promoting professional standards and corporate values that cascade down to senior management and staff of the Bank.

I take this opportunity to convey my sincere gratitude to all our Customers who continue to impose trust in us and patronize the Bank. I am also thankful to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory bodies for their continued support, to my colleagues on the Board for their valuable guidance, and to the entire team of the Bank 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 13, 2020
Rawalpindi

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors present the 28th 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, 2019.

Economy

Pakistan's economy moved progressively along the adjustment path addressing the macroeconomic imbalances. The impact of adjustment policy measures such as monetary tightening, exchange rate adjustment, expenditure control and enhancement of regulatory duties on non-essential imports helped to bring some degree of stability. Consequent improvement in current account, orderly transition to a market-based exchange rate and a recent pause in monetary tightening are major gains during the first half of the current fiscal. However, the overall confidence remained weak as the higher inflation was driven largely by a pass-through of exchange rate depreciation, higher interest rates, correction in energy prices, shortage of food items, and revenue measures taken by the Government. The situation calls for sustained efforts as the country's primary economic concern remains the consumption and import driven growth model which has experienced boom and bust cycles.

With stabilization policies in place and the economy moving along the reforms agenda, the country's macroeconomic indicators are expected to gradually revert to a stable trajectory. Current account deficit is likely to improve further as the shift away from furnace oil and towards indigenous coal reduced the import demand for both these commodities, along with subdued demand for non-energy imports. GDP growth is likely to remain contained with expectation of gradual recovery in the next fiscal as the external demand picks up, macroeconomic conditions improve, and the package of structural reforms in fiscal management and competitiveness take effect. From the policy perspective, it is important to continue with the adjustment process despite weakening economic activity, as well as the visible stability gains in terms of the falling twin deficits. The policy continuation is a key imperative given the current state of Pakistan's economy and to address the structural weaknesses.

Bank's Performance

The Bank's unconsolidated profit after tax is reported at Rs. 7.02 billion for the year ended December 31, 2019 compared to Rs. 4.43 billion last year, an impressive growth of 58 percent. Profit before taxation increased by 51 percent to Rs. 10.39 billion from Rs. 6.88 billion last year. The earnings per share for 2019 are reported at Rs. 5.57 against Rs. 3.52 for the last year.

Net aggregate revenues registered a growth of 22 percent, to Rs. 29.5 billion from Rs. 24.2 billion last year. Net mark-up income increased by 19 percent as the Bank effectively positioned itself in the rising interest rate environment with careful attention to pricing for assets and liabilities, supported by overall growth in average balance sheet volumes. Non mark-up income increased to Rs. 7.4 billion from Rs. 5.6 billion last year, a noteworthy increase of 32 percent led by strong growth in foreign exchange income, fee businesses as well as gains on sale of investments. Non mark-up expenses increased to Rs. 18.4 billion from Rs. 15.9 billion last year, a 16 percent increase reflecting the impact of investment in digital channels, deposit protection premium, inflationary adjustments, Rupee devaluation and higher depreciation expense due to a change in deprecation method. Excluding one-offs of 2018 and 2019, non mark-up expenses increased by 8.7 percent reflecting the progress made on streamlining processes and driving operational efficiencies. The cost to income ratio improved from 65.6 percent to 62.2 percent.

During the year under review, the Bank recognized overall net provision charge of Rs. 0.8 billion against a net charge of Rs. 1.5 billion last year. A net provision of Rs. 0.9 billion was recorded on equity investments as the declining trend of the stock market continued till the third quarter of 2019. However, the market rallied back strongly in the last quarter and the Bank took the opportunity to recognize certain gains while rationalizing the portfolio of equity investments. Also, the Bank recorded a net reversal against non-performing loans and other assets amounting to Rs. 158 million. Provision coverage against non-performing loans was recorded at 91 percent at December 31, 2019.

Total assets of the Bank grew by 18 percent to Rs. 833 billion at end 2019. Customer deposits also increased by 18 percent and reached Rs. 679 billion from Rs. 574 billion at last year end. Aggregate CASA ratio was maintained above 80 percent amidst stiff competition for low cost deposits. Our branch banking strategy will maintain focus

on efficiencies in the deposit portfolio by active mobilization of current accounts and shedding expensive non-core deposits. The balance sheet reflects managed and selective growth of loan portfolio amidst slow-down of economic and business environment; gross advances grew by 8 percent to Rs. 399 billion. The loan growth strategy remained focused on acquiring quality assets, enhancing relationship yields and maintaining an efficient and optimal profile of risk weighted assets.

At December 31, 2019, the Bank is fully compliant with regulatory capital ratios. Tier 1 capital and Total Capital Adequacy Ratios stood at 11.5 percent and 13.4 percent, respectively. Equity growth of 26 percent during 2019 supported the asset growth and stability of capital ratios.

Appropriations

The Board of Directors recommends the following appropriations for the year ended December 31, 2019:

Rupees in '000					
2019		2018	Year Ended December 31,	2019	2018
Consolidated			Unconsolidated		
7,028,756	4,429,310		Profit after taxation	7,017,022	4,431,278
285,215	2,001		Effect of recognition of actuarial gain	285,311	3,095
4,235	–		Impact of IFRS 9 on discontinued operations	–	–
87,627	165,812		Transfer from surplus on revaluation	87,627	165,812
7,405,833	4,597,123		Profit available for appropriation	7,389,960	4,600,185
(1,890,390)	(1,260,260)		Cash dividend - 15 percent (2018: 10 percent)	(1,890,390)	(1,260,260)
(1,403,580)	(886,256)		Transfer to statutory reserve	(1,403,404)	(886,256)
4,111,863	2,450,607		Accumulated profit carried forward	4,096,166	2,453,669
5.58	3.51		Earnings per share - Rupees	5.57	3.52

Entity Rating

During the year, the Bank's entity ratings were maintained at 'AA+' by Pakistan Credit Rating Agency Limited (PACRA). The ratings reflect sustainability of the Bank's relative positioning and continuous improvement in capital adequacy driven by AKBL's strong Sponsors and brand, continued growth trajectory, improvement in net spreads and increase in earning assets. The short-term rating was maintained at 'A1+', being the highest rating.

Branch Network

The branch network comprises of 534 branches across the country; 440 conventional branches (including 47 sub-branches), 94 Islamic branches (including 3 sub-branches), a Wholesale Bank Branch in Bahrain and a representative office in Beijing, China. 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.

Risk Management

The Bank's risk management framework is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures alongside continuous monitoring of exposures, risks and thresholds. The policies and procedures established for this purpose are continuously updated and bench marked against best practices and regulatory guidance. Also, a risk appetite statement serves as a key document defining various parameters for managing risk within acceptable levels by balancing conflicting priorities for realization of overall corporate objectives. During the year, risk taking and risk controlling functions were clearly aligned and linked to performance management systems shaping the risk culture of the Bank and encouraging employees to adopt appropriate risk behaviours.

DIRECTORS' REPORT TO THE SHAREHOLDERS

During the year in review, Risk Management was realigned to a group configuration with a major restructuring of its functional divisions. The primary purpose behind this initiative is to ensure a more robust and forward-looking structure that is ready to identify, monitor and control strategic, credit, market, liquidity, reputational, operational and information security related risk in a more comprehensive manner.

The Bank will continue to strengthen its risk infrastructure, through acquisition of risk automation solutions and information technology security tools, in order to streamline risk processes and to bring these in line with regulatory guidelines and other prudential factors. Continuous efforts are being made to implement security awareness programs and to create capacity to prevent, detect, and respond to cyber security threats.

Compliance

The Bank's commitment for strong compliance across the network including overseas operations is unwavering. During the year in review, greater emphasis was assigned for enhanced compliance awareness through structured training programs across the Bank focusing on changes in the local regulatory regime as well as global developments by the international regulatory bodies like FATF, Wolfsberg.

In order to further strengthen the financial crime and compliance framework, and to implement AML / CFT Regulations, AML / CFT Guidelines on Risk Based Approach and SBP Guidelines on Compliance of Government of Pakistan Notifications issued under UNSC Resolutions, the Bank is pursuing initiatives including acquisition and implementation of automated solutions for transaction monitoring, sanction screening and digital fraud monitoring.

People

Managing talent is a key priority which continues to receive our highest attention as the Bank recognizes a fully engaged and skillful workforce as a critical success factor for meeting overall corporate objectives. During the year, our human resource team delivered on multiple fronts e.g. talent acquisition, development, career progression, and revamping learning and development centres which are now also supported by e-learning modules. A total of 536 training programs were organized at the Bank's facilities during the year along with collaboration with IBP e-learning platform to improve productivity and skill-base. Activities were organized to assess employee engagement and to develop staff aligned to the Bank's vision, values and core objectives to ensure that our teams have the competencies relevant to a future ready organisation. During the year, a remuneration policy was formulated in terms of regulatory guidance that prescribes (a) criteria that identifies position of Material Risk Takers and Controllers and (b) process for risk adjusted remuneration for such positions.

Ikhlas Islamic Banking

Askari Ikhlas Islamic Banking offers a diversified range of Shariah compliant product and service offerings to all customers through its 94 dedicated Islamic banking branches located in 35 cities and towns across the country. Askari Ikhlas operates within a Shariah governance framework where all offerings are approved by an independent Sharia'h board and a dedicated function ensures strict Shariah compliance at the granular level. The continued guidance and support of both these functions has immensely contributed towards the improvement in Islamic banking skill-base of our employees.

During the year, Ikhlas Islamic actively pursued the growth of Shariah compliant banking and as a result, the total asset base of Askari Islamic grew by 24 percent. Ikhlas Islamic banking has established itself as a formidable player and will continue to augment this position in the years to come.

Digital Banking

The digital financial landscape is transforming rapidly with customers showing more inclination towards high-tech, cashless financial solutions. Digital banking is extending brick and mortar branches to anytime, anyplace for retail transactions. Customer behaviours are changing and expectations to access banking product and service offerings through handheld devices are growing at a much faster pace. Askari Bank is cognizant of this transformation and initiatives are being pursued seeking transformation of systems delivering enhanced analytical capability, process efficiencies and better customer experience. Our internet banking platform and mobile application was strengthened with new features representing growth of 27 percent in number of transactions while 34 percent increase in the transaction volume. which confirms the customer confidence in ease of use of our online platforms. The Bank assigns high priority to information and cyber security and will continue to invest for strengthening systems and applications for customer confidence.

Our newly established transactional banking and institutional sales businesses gained traction towards building long term relationships through effective referrals and cross-sell supporting build-up of lending and deposits, particularly for the retail segment. Their offerings will be further extending with the inclusion of employee banking and supply chain financing. On-boarding of new clients is a key focus area for this segment to enhance customer experiences through improved turnaround times and digitisation of services.

Corporate Social Responsibility

Askari Bank's corporate social responsibility objectives delineate a firm commitment to operate within an ethical framework, while contributing to socio-economic development of communities. CSR initiatives of the Bank revolve around the core areas of education, health, sports and environment. During the year, the Bank contributed for purchase of electro-medical equipment for a hospital and for an endowment fund for National University of Science and Technology (NUST). Conserving the environment is one of the focus areas for the Bank's CSR programme and a number of initiatives were carried out during the year to create awareness and support bio-diversity. During the year the Bank arranged plantation drive and marked a Green Day for creating awareness of climate change.

Customer Experience

Customer service is as an area that differentiates and defines us in our journey and is recognized as the bedrock of our customer relationships. Customer convenience remains a priority as it is key to higher levels of engagement, supporting our relevance to the customer though increased investment in automation, digitisation and expansion of customer touchpoints. The Bank successfully achieved the target of biometric verification and re-carding from magstripe to chip plastic cards. Alongside, events recognizing service champions and country-wide service week reaffirmed Bank's commitment towards service excellence along with a pledge to uphold the best service conduct at all times. Complaint management function plays a key role in achieving the objective of far and timely resolution of customer complaints through a centralized Complaint Management System with auto-escalation based on prescribed turn-around-times (TATs). During the year 2019, a total of 40,701 complaints were registered where the average resolution time improved to 3.4 working days. In comparison, 44,594 complaints were registered in the year 2018 with an average resolution time of 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 Pakistan Stock Exchange Limited Regulations in the rule book for the year ended December 31, 2019 have been fully adopted and have been duly complied with. A statement to this effect is annexed in annual report (Page 39).

DIRECTORS' REPORT TO THE SHAREHOLDERS

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.
- 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 this report (Page 19).
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2019, except as disclosed in annexed financial statements.
- Following is the fair value of investments as at December 31, 2019:
 - Provident Fund: Rs. 5,397 million, based on un-audited financial statements (December 31, 2018: Rs. 4,536 million, based on audited financial statements)
 - Gratuity Fund: Rs. 2,777 million, based on un-audited financial statements (December 31, 2018: Rs. 2,557 million, based on audited financial statements)
- During 2019, five 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)	5
2. Lt Gen Tariq Khan, HI(M) (Retd)	2
3. Lt Gen Javed Iqbal, HI (M) (Retd)	3
4. Dr. Nadeem Inayat	5
5. Mr. Rehan Laiq	5
6. Mr. Manzoor Ahmed	4
7. Mr. Kamal A. Chinoy	5
8. Syed Ahmed Iqbal Ashraf	5
9. Mr. Mushtaq Malik	5
10. Brig Saleem Ahmed Moeen SI (Retd)	4
11. Mr. Abid Sattar (President & CE)	5

- During the year 2019, seven meetings of Board Audit Committee, four meetings of Board Human Resource & Remuneration Committee, four meetings of Board Risk Management Committee and four meeting of Board Information Technology Committee were held. Detail of attendance by each Director is attached with Directors' report (Page 29).

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 a board member. 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, 2019 is included in the annual report (page 214).

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 2019.

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 terms of five years, from 2015 to 2019 and are not eligible for re-appointment in pursuance of the Code of Corporate Governance. The Board of Directors, on the recommendation of the Audit Committee, has recommended Messrs. KPMG Taseer Hadi & Co., Chartered Accountants, who have consented for appointment as statutory auditor for the next term; in place of retiring auditors. Messrs. KPMG Taseer Hadi & Co., Chartered Accountants have confirmed that they have been given satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountant's (IFAC) Guideline on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under the applicable laws. The appointment is subject to approval in the 28th Annual General Meeting.

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 economy continues to face tough challenges, mostly on the fiscal side; narrow tax base, a problematic energy sector with burgeoning circular debt issue, loss-making PSEs and limited institutional capacity at provincial level to raise taxes. The improvement in current account has mainly resulted from import compression; export performance has broadly remained stagnant; though improvement is expected on the back of favorable exchange rate parity. The recent inflationary pressures are viewed as transitory in nature, emanating from temporary supply disruptions, and are expected to ease out. Given an expectation of drop in inflation, the possibility of a rate cut is likely as the projected yields show a decline on a forward-looking basis.

The banking sector growth slowed down as reflected by depressed credit off-take and deposit growth; the latter resulting from government's documentation drive, besides general economic slowdown. Deterioration in asset quality, tighter liquidity, potential implementation of single treasury account (STA), slow credit off-take, strict compliance regime and cyber security are the key concerns for the banking sector outlook. The benefit of higher interest earnings, primarily from government securities will offer some respite to the banking sector earning in short to medium term.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Given the challenges to the operating environment, Askari Bank has put in place strategies and processes to drive the performance forward. Focus will remain on growth of core revenues, current accounts and return on assets by optimising and reallocate assets and resources to their full potential and will pursue acquiring high quality assets while enhancing relationship yields and maintaining an optimal risk profile; technology will continue to be leveraged for enhancing customer convenience and satisfaction.

Acknowledgements:

On behalf of the Board, we express our sincere appreciation to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory bodies for the guidance and support extended to Askari Bank during the year. We also like to place on record our appreciation for the efforts of our Shariah Board for strengthening Shariah compliance and governance framework for Askari Ikhlas Islamic banking. We are indebted to our Customers, who continue to entrust us with their business and confidence. The results for 2019 would not have been possible without the patronage of our Customers who have continued to build stronger relationships and promote our products and service offerings. We are also thankful to our investors for the trust that they have placed in the Bank. The Board and the management assure them to remain committed in maintaining the highest standards of governance. We would also like to thank our employees and their families for their dedication and their tireless efforts towards the growth.



Abid Sattar
President & Chief Executive



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

February 13, 2020
Rawalpindi

BOARD COMMITTEES / SHARIAH BOARD

COMPOSITION, ATTENDANCE AND BRIEF TERMS OF REFERENCE

Board Audit Committee (BAC)

BAC oversees the integrity and effectiveness of the financial reporting process as well as of the financial statements with focus on compliance of accounting and reporting standards. BAC assists the Board of Directors by providing an independent review of the effectiveness of the financial reporting process, corporate governance standards, internal control systems, transparency culture, compliance with legal and regulatory requirements, policy and procedural framework and cost efficiencies. BAC also maintains an oversight on the adherence of management and employees to Bank's control framework and code of conduct.

Board Human Resource & Remuneration Committee (BHR&RC)

The primary responsibility of the BHR&RC is to have an effective oversight on the Bank's human resource policies and procedures. The committee reviews and provides recommendations on the human resource strategies, compensation and benefit schemes and related issues of strategic importance that affects the Bank's ability to attract, develop and retain talent. The committee is also responsible to devise a mechanism for identification of employees in the categories of 'risk takers' and 'risk controllers' including development of a remuneration structure for them in line with regulatory guidance. The committee also facilitates annual performance evaluation of the Board, Board Committees and Directors.

Board Risk Management Committee (BRMC)

The purpose of the BRMC is to provide oversight of risk management function, including risk management policies, procedures and practices relating to overall enterprise risk management as well as the management of credit, financial, liquidity, market, operational and other types of risk faced by the Bank. BRMC regularly reviews risk management performance relative to risk appetite, risk rating models and other tools to assess and monitor risk exposures and managements' view on the acceptable and appropriate levels for such risk exposures.

Board Information Technology Committee (BITC)

BITC is responsible to advise and report to the Board of Directors about status of technology and digital initiatives of the Bank. BITC reviews and recommends information technology governance framework, information technology policies, information technology and digital strategy of the Bank. The committee oversees the progress of the information technology and digital initiatives and ensures that risk management tools and strategies are designed and implemented to achieve resilience against all type of cyber threats along with assessment of Bank's ability to effectively respond to wide-scale technology related disruptions.

Shariah Board (SB)

The SB is empowered to consider, decide and supervise all Shariah related matters of Askari Islamic banking and advises and assists the Board of Directors in introducing and implementing an effective Shariah compliance framework. All SB's decisions / rulings / fatawa are binding on the *Ikhlas* Islamic banking business of the Bank, whereas, the Shariah Board is responsible and accountable for all its Shariah decisions. The Resident Shariah Board Member oversees the procedures to be adopted for implementation of the resolutions, pronouncements and fatawa of the SB and provide guidance thereon. The SB ensures that all the procedure manuals, product programs / structures, process flows, related agreements, marketing advertisements, sales illustrations and brochures are in conformity with the rules and principles of Shariah.

Composition and attendance

Board Committees / Shariah Board		Attendance / total meetings	DATES OF MEETING																						
			BAC						BHR & RC				BRMC				BITC				SB				
Committee Members			20-Feb-19	22-Mar-19	03-May-19	09-Jul-19	21-Aug-19	21-Oct-19	18-Dec-19	26-Apr-19	11-Jul-19	13-Nov-19	24-Dec-19	25-Mar-19	21-Jun-19	20-Sep-19	12-Oct-19	17-Jan-19	21-Jun-19	17-Sep-19	09-Dec-19	22-Feb-19	27-Jun-19	27-Sep-19	27-Dec-19
BAC	Syed Ahmed Iqbal Ashraf	7 / 7	1	1	1	1	1	1	1																
	Dr. Nadeem Inayat	7 / 7	1	1	1	1	1	1	1																
	Mr. Manzoor Ahmed	7 / 7	1	1	1	1	1	1	1																
	Mr. Rehan Laiq	6 / 7	1	x	1	1	1	1	1																
BHR & RC	Li Gen Javed Iqbal, HI (M) (Retd)	4 / 4								1	1	1	1												
	Dr. Nadeem Inayat	3 / 4								x	1	1	1												
	Mr. Kamal A. Chinoy	2 / 4								1	x	x	1												
BRMC	Syed Ahmed Iqbal Ashraf	4 / 4								1	1	1	1												
	Mr. Mushtaq Malik	4 / 4								1	1	1	1												
	Mr. Manzoor Ahmed	4 / 4												1	1	1	1								
	Mr. Rehan Laiq	1 / 4												1	y	y	y								
BITC	Dr. Nadeem Inayat	4 / 4																							
	Brig. Saleem Ahmed Moeen, SI (Retd)	4 / 4												1	1	1	1								
	Mr. Abid Sattar	3 / 4																1	1	x	1				
	Dr. Nadeem Inayat	3 / 4																x	1	1	1				
SB	Mufti Muhammad Zahid	3 / 4																				1	1	1	x
	Mufti Ismatullah	4 / 4																				1	1	1	1
	Dr Muhammad Tahir Mansoori	4 / 4																				1	1	1	1
	Leave of absence	x																							
No more member	y																								

مستقبل پر جائزہ

اقتصادی معاملے میں معیشت مسلسل مشکلات کا شکار ہے، جس کی وجہ ٹیکسز کی سختی، بڑھتے ہوئے گروڈی قرضوں کے مسائل کی وجہ سے مشکلات میں گھرے توانائی کے شعبے، نقصانات سے دوچار PSEs، ٹیکسز بڑھانے کیلئے صوبائی سطح پر محدود ادارہ جاتی اختیارات ہیں۔ کرنٹ اکاؤنٹ میں بہتری درآمدات میں کمی کے نتیجے میں ہوئی ہے؛ برآمدی کارکردگی بڑے پیمانے پر محدود کا شکار رہی؛ اگرچہ سازگار ایچ بی آر کی توقع کی جاسکتی ہے۔ حالیہ مہنگائی کے دباؤ کو نظر نامیہ مستقل دیکھا جا رہا ہے، جو عارضی طور پر سد میں خلل پڑنے کی وجہ سے پیدا ہوئی ہے اور توقع کی جارہی ہے کہ یہ مسائل حل ہو جائیں گے۔ چونکہ مہنگائی میں کمی متوقع ہے، اس وجہ سے شرح سود میں کوئی کامیابی کا امکان ہے جیسا کہ متوقع پیداوار میں مستقبل کی بنیاد پر کمی دکھائی دے رہی ہے۔

قرضوں کے اجراء اور ڈیپازٹ افزائش میں تخفیف بینکنگ شعبہ کی سب سے بڑی روٹی کی عکاس ہے حکومتی دستاویزی ہم آخرا لڈ کر کی کمی کا باعث بنا۔ اثاثہ جات کے معیار میں تخفیف، سخت لیکویڈیٹی، منگول ٹریڈری اکاؤنٹ (STA) کا مکمل اطلاق، سٹ کریڈٹ ٹیک آف، سخت قبلی قانونی تقاضے اور سائبر سیورٹی مستقبل میں بینکاری کے شعبے کے اہم خدشات ہیں۔ بنیادی طور پر حکومت کی سیکورٹیز سے انٹرسٹ سے حاصل ہونے والی زائد آمدن کے فوائد بینکنگ سیکٹر کیلئے مختصر اور درمیانی مدت کیلئے آمدن کی کچھ مہلت فراہم کرے گی۔

آپریٹنگ ماحول کو درپیش چیلنجز کے پیش نظر، عسکری بینک نے اپنی کارکردگی کو بہتر بنانے کیلئے حکمت عملیاں اور عوامل تیار کئے ہیں۔ بنیادی آمدن کی نشوونما، کرنٹ اکاؤنٹس اور اثاثوں اور وسائل کو پوری طرح بہتر بنا کر اثاثہ جات پر منافع حاصل کرنا اور تعلقات سے پیداوار کو بڑھاتے ہوئے اعلیٰ معیاری اثاثہ جات کا حصول اور ایک بہترین رسک پروفائل کو برقرار رکھنا ہماری توجہ کا محور ہوگا؛ ٹیکنالوجی صارفین کی سہولت اور اطمینان میں اضافے کے لیے بہترین کردار ادا کرتی رہے گی۔

اعترافات

ہم اس سال کے دوران عسکری بینک کو فراہم کی گئی رہنمائی اور معاونت پر بورڈ کی طرف سے سٹیٹ بینک آف پاکستان، سیکورٹیز اینڈ ایچ بی آر کمیشن آف پاکستان اور دیگر ریگولیٹری اداروں کا شکریہ ادا کرتے ہیں۔ ہم شریعہ کیپٹالسٹس اور عسکری اخلاص اسلامک بینکنگ کے گورنرز فریم ورک کی مشورتی کیلئے اپنے شریعہ بورڈ کی کاوشوں کو سراہتے ہیں۔ ہم اپنے گاہکوں کے بھی شکر گزار ہیں جنہوں نے اپنے اعتماد اور کاروبار کے ذریعے ہمیں اپنے اعتماد سے نوازا۔ سال 2019 کے بہترین نتائج، ہمارے صارفین کے خلوص کے بغیر ناممکن تھے جنہوں نے مشورہ تعلقات بنانے اور ہماری مصنوعات اور پیش کردہ خدمات کی معاونت جاری رکھی۔ ہم اپنے سرمایہ کاروں کے بھی شکر گزار ہیں جنہوں نے عسکری بینک پر اپنے اعتماد کا اظہار کیا۔ بورڈ اور انتظامیہ آپس میں اس بات کا یقین دلاتے ہیں کہ ہم گورنرز کے اعلیٰ معیارات کو برقرار رکھنے کیلئے پرعزم رہیں گے۔ ہم اپنے ملازمین اور ان کے خاندان والوں کے بھی شکر گزار ہیں جنہوں نے ترقی کیلئے سخت محنت اور لگن سے کام کیا۔



یٹینٹ جنرل سید طارق ندیم کیلانی
ہلال امتیاز (عسکری)، (رٹائرڈ)
چیئر مین بورڈ آف ڈائریکٹرز



عابد ستار
صدر و چیف ایگزیکٹو

13 فروری 2020
راولپنڈی

حصص داران کے لیے ڈائریکٹرز کی رپورٹ

- سال 2019 کے دوران، بورڈ آڈٹ کمیٹی کے سات اجلاس، بورڈ یومین ریسورس اینڈ ریوینیویشن کمیٹی کے چار اجلاس، بورڈ رسک مینجمنٹ کمیٹی کے چار اجلاس اور بورڈ انفارمیشن ٹیکنالوجی کمیٹی کے چار اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل ڈائریکٹرز کی رپورٹ میں موجود ہے۔ (صفحہ 29)

بورڈ کی جانچ پڑتال

بنک 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، فرائض منصبی، کارکردگی اور عمل کی نگرانی اور انفرادی ڈائریکٹرز کی جانب سے مقاصد میں شراکت سے متعلق مختلف شعبوں میں منقسم 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 حصہ داری 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 2019 کے اختتام پر شیر ہولڈنگ کا پیرن اس سالانہ رپورٹ میں شامل ہے۔

شیرز میں ٹریڈنگ

سال 2019 کے دوران صدر و چیف ایگزیکٹو، سی ایف او، کمیٹی سیکریٹری اور ان کے اہل خاندان اور چھوٹے بچوں کی طرف سے بینک کے حصص میں کوئی کاروبار نہیں کیا گیا۔

انٹرنل کنٹرولز 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 اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے سال 2015 سے 2019 تک اپنی پانچ سالہ مدت پوری کر لی ہے اور کوڈ آف کارپوریٹ گورننس کے تحت دوبارہ تقرری کی اہلیت نہیں رکھتے۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر میسرز KPMG شہر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی سفارش کی ہے، جنہوں نے اگلی مدت کیلئے ریٹائر ہونے والے آڈیٹرز کی جگہ قانونی آڈیٹرز کی حیثیت سے اپنی رضامندی ظاہر کی ہے۔ میسرز KPMG شہر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے اس بات کی تصدیق کی ہے کہ انہوں نے انٹیلیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے کوالٹی کنٹرول جائزہ پروگرام کے تحت تسلی بخش ریٹنگ پیش کی ہے، اور فرم اور اس کے تمام پارٹنرز انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کی ضابطہ اخلاق پر ہدایات، جیسا کہ انٹیلیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کی طرف سے اپنائی گئی ہیں، کی تعمیل کرتے ہیں اور تمام عائد قوانین کے تحت تعیناتی کیلئے ضروری شرائط پر پورا اترتے ہیں۔ تعیناتی اٹھائیسویں سالانہ اجلاس عام میں منظور سے شروٹ ہے۔

شینٹ آف فاضل پوزیشن کی تاریخ کے بعد کے واقعات

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

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 معاونت کی ہے۔ 31 دسمبر 2019 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 سیشنٹ اس سالانہ رپورٹ میں شامل کر دی گئی ہے۔ (صفحہ 39)

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، ذریعہ گردش نقدی اور ایکویٹی میں تبدیلیوں کو موسموں طور پر ظاہر کیا گیا ہے۔
- بینک کے اکاؤنٹس کی مناسب کتابیں برقرار رکھی گئی ہیں۔
- ان مالیاتی گوشواروں کی تیاری میں موسموں کا ڈھنگ پالیسیاں تسلسل کے ساتھ لاگو کی گئی ہیں اور اکاؤنٹنگ تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- پاکستان میں بینکاری کینیون میں رائج بین الاقوامی مالیاتی رپورٹنگ، اسٹاک 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 ذہن 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 کلیدی آپریشننگ اور مالیاتی ڈیٹا تخمینہ شدہ صورت میں اس رپورٹ میں شامل ہے۔ (صفحہ 19)
- 31 دسمبر 2019 کو ٹیکسز، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی ایسی قانونی ادائیگیاں نہیں جو بقایا ہوں، سوائے ان کے جن کا ذکر مالیاتی گوشواروں میں کیا گیا ہے۔
- 31 دسمبر 2019 تک سرمایہ کاریوں کی مصفاہ نقد روج ذیل ہے۔

پروویڈنٹ فنڈ: 5,397 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر (31 دسمبر 2018: 4,536 ملین روپے، آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر)

گرےجوی فنڈ: 2,777 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر (31 دسمبر 2018: 2,557 ملین روپے، آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر)

- سال 2019 کے دوران، بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ موجودہ ہر ڈائریکٹر کی حاضری درج ذیل ہے:

5	1. لیفٹیننٹ جنرل سید طارق ندیم گیلانی، ہلال امتیاز (ملٹری)، (ریٹائرڈ) (جسٹریٹ)
2	2. لیفٹیننٹ جنرل طارق خان، ہلال امتیاز (ملٹری)، (ریٹائرڈ)
3	3. لیفٹیننٹ جنرل جاوید اقبال، ہلال امتیاز (ملٹری)، (ریٹائرڈ)
5	4. ڈاکٹر ندیم حناہت
5	5. جناب رحمان بیگ
4	6. جناب منظور احمد
5	7. جناب کمال اسے چنائے
5	8. جناب سید احمد اقبال اشرف
5	9. جناب مشتاق ملک
4	10. بریگیڈیئر سلیم احمد مصمن ستارہ امتیاز (ریٹائرڈ)
5	11. جناب عابد ستار (صدر چیف ایگزیکٹو)

حصص داران کے لیے ڈائریکٹرز کی رپورٹ

اخلاص اسلاک بینکنگ

عسکری اخلاص اسلاک بینکنگ ملک بھر میں 35 شہروں اور اور قصبوں میں واقع اپنی 94 وقف کردہ اسلاک برانچز کے ذریعے اپنے تمام صارفین کو شریعہ کے مطابق پراڈکٹس اور سروسز کی متنوع رینج پیش کرتا ہے۔ عسکری اخلاص شریعہ گورننس فریم ورک میں رہتے ہوئے کام کرتا ہے جہاں تمام پیشکشیں ایک آزاد شریعہ بورڈ کی طرف سے منظور کی جاتی ہیں اور ایک وقف کردہ فنکشن ٹیم اس تک شریعہ کیپلائنس کو سختی سے یقینی بناتا ہے۔ ان دونوں فنکشنز کی مسلسل رہنمائی اور معاونت ہمارے ملازمین کی اسلامی بینکاری میں بہتری میں اہم کردار ادا کرتے ہیں۔

اس سال کے دوران، اخلاص اسلاک بینکنگ شریعہ کے مطابق بینکاری کی ترقی کیلئے سرگرم عمل رہا ہے اور اس کے نتیجے میں عسکری اسلاک کے کل اثاثہ جات میں 24 فیصد اضافہ ہوا۔ اخلاص اسلاک بینکنگ نے خود کو ایک مضبوط گھلاڑی کے طور پر قائم کیا ہے اور آنے والے میں یہ اپنی پوزیشن کی مضبوطی کو مسلسل جاری رکھے گا۔

ڈیجیٹل بینکنگ

ڈیجیٹل مالیاتی منظر نامہ تیزی سے تبدیل ہو رہا ہے، کیونکہ صارفین ہائی فیک، ایکسپریس فیائل سلوشنز کی طرف مائل ہو رہے ہیں۔ ڈیجیٹل بینکنگ برانچز کو کسی بھی وقت، کسی بھی جگہ ڈیجیٹل لین وین کیلئے وسعت دیتی ہے۔ صارفین کے رویے تبدیل ہو رہے ہیں اور ان کی بینکنگ پراڈکٹس اور سروسز تک اپنے ہاتھوں میں پکڑی ڈیوائسز کے ذریعے رسائی حاصل کرنے کی توقعات تیزی سے بڑھتی جا رہی ہیں۔ عسکری بینک اس تبدیلی کا علم رکھتا ہے اور بہتر تجزیاتی صلاحیت، پراسس اور اسٹنڈرڈ اور کسٹمر کو بہتر تجربہ فراہم کرنے کیلئے سسٹم میں تبدیلی کیلئے اقدامات اٹھا رہا ہے۔ ہمارے انٹرنیٹ بینکنگ پلیٹ فارم اور موبائل ایپلیکیشن نئی خصوصیات کے ساتھ مزید مضبوط بنائے گئے ہیں، جو ٹرانزیکشن کی تعداد میں 27 فیصد اضافے جبکہ ٹرانزیکشن کے حجم میں 34 اضافے کی طرف اشارہ کرتے ہیں، جس سے ظاہر ہوتا ہے کہ کسٹمر ہمارے آن لائن پلیٹ فارم پر آسانی اور اعتماد کے ساتھ استعمال کرتے ہیں۔ بینک انفارمیشن اور سائبر سیورٹی کو اعلیٰ ترین درجہ دیتا ہے اور صارفین کا اعتماد بڑھانے کیلئے سسٹمز اور ایپلیکیشنز کی مضبوطی پر سرمایہ کاری جاری رکھے گا۔

ہماری نئی قائم شدہ ٹرانزیکشنل بینکنگ اور ادارہ جاتی سٹریٹجی نے موثر حوالوں اور کراس سیل کے ذریعے طویل مدتی تعلقات بڑھانے کیلئے توجہ حاصل کی ہے، جو ڈیجیٹل بننے میں خصوصی طور پر ترقی اور ڈیپازٹس بڑھانے کیلئے معاون ہیں۔ ملازمتی بینکنگ اور سپلائی چین فنانسنگ کو شامل کر کے ان کی پیشکشوں کو مزید وسعت دی جائے گی۔ نئے کلائنٹس کی شمولیت اس بنیے کی توجہ کو خاص طور پر ترقی بہتر دوریے اور سروسز کو ڈیجیٹل شکل دے کر کسٹمر کے تجربے کو بڑھا دیا جائے۔

کارپوریٹ سماجی ذمہ داری

عسکری بینک کی کارپوریٹ سماجی ذمہ داری کے مقاصد، کیونکہ سماجی اقتصاد کی ترقی میں اپنا کردار ادا کرتے ہوئے ایک اخلاقی دائرہ کار میں کام کرنے کے پختہ عزم کو واضح کرتے ہیں۔ تعلیم، صحت، کھیل اور ماحولیات بینک کے سی ایس آر کے اقدامات کا محور و مرکز ہیں۔ سال کے دوران بینک نے ایک ہسپتال کیلئے ایکسٹری میڈیکل آلات کی خریداری اور جنیٹل یونیورسٹی آف سائنس اینڈ ٹیکنالوجی (NUST) کیلئے انٹرمیڈیٹ فنانسنگ میں اپنا حصہ ڈالا۔ ماحول کا تحفظ بینک کے سی ایس آر پروگرام کا ایک اہم شعبہ ہے اور اس سال کے دوران بائیو ڈائیورسٹی کے متعلق آگاہی اور اس کے فروغ کیلئے کئی اقدامات اٹھائے گئے۔ اس سال کے دوران بینک نے ایک شجر کاری مہم کا انتظام کیا اور ماحولیات کی تبدیلی کے متعلق آگاہی پیدا کرنے کیلئے گرین ڈے منعقد کیا۔

صارفین کا تجربہ

کسٹمر سروس ایک ایسا شعبہ ہے جو ہمارے اس سفر میں ہمیں ممتاز بناتا ہے اور ہمارے صارفین کے ساتھ تعلقات کی بنیاد سمجھا جاتا ہے۔ کسٹمر کی سہولت، اہم ترین ترجیح رہتی ہے کیونکہ یہ اعلیٰ سطحی انتظامات کیلئے اہم ہے اور آڈیشن، ڈیجیٹائزیشن اور کسٹمر کے مابین تعلقات کی وسعت میں اضافی سرمایہ کاری کے ذریعے ہماری مطابقت کیلئے معاون ہے۔ بینک نے بائیو میٹرک تصدیق اور magstripe سے چپ پلاسٹک کارڈز کی re-carding کامیابی سے عبور کر لیا ہے۔ اس کے علاوہ، سروسز جنہیں کسٹمر کے اعتراف میں اپنیس اور ملک بھر میں سروسز ویک بہترین خدمات پیش کرنے کے بینک کے عزم کی تصدیق کرتے ہیں اور اس کے ساتھ ساتھ ہر وقت بہترین سروسز برقرار رکھنے کا عہدہ کرتے ہیں۔ مجوزہ وقت کے دوران (TATs) پر اپنی ایک آن لائن سکیلیٹیو کے ساتھ مرکزی کھلیت منجمنت سسٹم کے ذریعے کھلیت منجمنت فنکشن کسٹمر کی شکایات کے بروقت اور مؤثر حل کے مقصد کے حصول کیلئے ایک اہم کردار ادا کرتا ہے۔ 2019 کے دوران کل 40,701 شکایات درج کروائی گئی اور اوسطاً 3.4 ایام کار کے وقت میں انہیں حل کیا گیا۔ اس کے مقابلے میں، 2018 کے دوران کل 44,594 شکایات درج کروائی گئی اور اوسطاً 3.6 ایام کار کے وقت میں انہیں حل کیا گیا۔

رہنہ منجنت

بینک کا رہنہ منجنت فریم ورک مختلف رسکس، رہنہ کی منظم تخصیص اور بنیادی عوامل اور اس کے علاوہ ایکسپوزرز، رسکس اور Thresholds کی مسلسل نگرانی کی ایک واضح فریم پر مشتمل ہے۔ اس مقصد کیلئے وضع کردہ حکمت عملیوں اور عوامل کو بہترین طریقہ کار اور ریگولیٹری ہدایات کے مطابق مسلسل طور پر جدید تقاضوں سے ہم آہنگ کیا جاتا ہے۔ اس کے علاوہ، رہنہ کی ضروریات پر مبنی ایک منجنت ایک کلیدی دستاویز کے طور پر کام کرتی ہے جو مجموعی طور پر کاروباری مقاصد کو عملی شکل دینے کیلئے متضاد ترجیحات میں توازن پیدا کر کے قابل قبول سطح میں رہتے ہوئے رہنہ سے نکلنے کیلئے مختلف مقداروں کی وضاحت کرتی ہے۔ سال کے دوران، رہنہ لینے اور رہنہ کنٹرول کرنے کے افعال کو پرفارمنس منجنت سسٹمز، جو بینک کا رہنہ کچھ تفصیل دیتے ہیں، کے ساتھ واضح طور پر منسلک اور منظم کیا گیا اور موزوں رہنہ روئے جات اپنانے کیلئے ملازمین کی حوصلہ افزائی کی گئی۔

زیر جائزہ سال کے دوران، رہنہ منجنت کی اس کے فعال شعبوں کے ساتھ اہم تنظیم نو کر کے ایک گروپ کنٹیکٹیشن کے ساتھ اس کو دوبارہ ترتیب دیا گیا ہے۔ اس اقدام کا بنیادی مقصد زیادہ مضبوط اور مستقبل کے نقطہ نظر کے حوالے سے ڈھانچے کو یقینی بنانا تھا جو مزید جامع انداز میں سٹرٹیجک، کریڈٹ، مارکیٹ، الیکٹرونک، ادارے کے وقار، اختطی اور انفارمیشن ٹیکنالوجی سے متعلق رسکس کی شناخت، نگرانی اور کنٹرول کرنے کیلئے ہر وقت تیار ہو۔

رہنہ کے پراسسز کو منظم کرنے اور انہیں ریگولیٹری ہدایات اور دیگر احتیاطی عوامل کے مطابق لانے کے لیے بینک رسک آکومیشن سلوشنز اور انفارمیشن ٹیکنالوجی سیکورٹی ٹولز کے ذریعے اپنے رہنہ انفرا سٹرکچر کو مضبوط بنانے میں مصروف عمل رہے گا۔ سیکورٹی سے آگاہی کے پروگرامز کے نفاذ اور سبر سیکورٹی خطرات سے بچاؤ، سرانجام لگانے اور ردعمل دینے کی صلاحیت کو مضبوط کرنے کے لیے مسلسل کوششیں جاری رہتی ہیں۔

کمپلائنس

پورے نیت ورک بشمول اور ویزا پریشرز کے مابین مضبوط کمپلائنس کیلئے بینک کا عزم غیر حائل ہے۔ زیر جائزہ سال کے دوران، بینک میں منظم ترقی پر ڈیگراڈ کے ذریعے کمپلائنس کی آگاہی پر زور دیا گیا جن میں مقامی ریگولیٹری اداروں اور اس کے ساتھ ساتھ بین الاقوامی ریگولیٹری اداروں جیسے FATF، Wolfsburg کی طرف سے کی گئی پیش رفت پر توجہ مرکوز کی گئی۔

مالیاتی جرائم اور کمپلائنس فریم ورک کو مزید مستحکم کرنے کیلئے اور AML/CFT ریگولیشنز، رہنہ پر مبنی نقطہ نظر پر AML/CFT ہدایات اور UNSC قراردادوں کے تحت جاری حکومت پاکستان کے کمپلائنس کے متعلق نوٹیفیکیشنز پر بیٹ بینک آف پاکستان کی ہدایات پر عمل کرنے کیلئے بینک ٹرانزیکشن کی نگرانی، سیکشن سکریننگ اور ڈیجیٹل فراڈ انیورٹنگ کیلئے خود کار سلوشنز کا حصول اور نفاذ کے اقدامات اٹھایا ہے۔

ہمارے لوگ

ٹیلنٹ کا انتظام ایک اہم ترجیح ہے جو مسلسل ہماری توجہ کا محور ہے کیونکہ بینک اپنے کاروباری اہداف کو حاصل کرنے کیلئے باہر افرادی قوت کی ضرورت کا اہم رکھتا ہے۔ سال کے دوران، ہماری ہیومن ریسورس ٹیم نے متعدد شعبوں میں جیسا کہ ٹیلنٹ کے حصول، ڈویلپمنٹ، کیریئر کی ترقی اور لرننگ اور ڈویلپمنٹ سٹریٹجی بہتری، جن میں اب ای لرننگ ماڈلز بھی شامل ہیں میں اپنی خدمات پیش کیں۔ سال کے دوران، پیداواری صلاحیت اور مہارت کو بڑھانے کیلئے IBP ای لرننگ پلیٹ فارم کے اشتراک کے ساتھ بینک میں 536 ترقی پر ڈیگراڈ منسٹریٹ کئے گئے۔ ملازمین کی دلچسپی کو جانچنے اور بینک کے نقطہ نظر، اقدام اور بنیادی مقاصد کے مطابق سٹاف کی تیاری کیلئے مختلف سرگرمیوں کا انعقاد کیا گیا تاکہ ہماری ٹیم میں مستقبل کیلئے تیار ادارے کے مطابق قابلیت یقینی بنائی جاسکے۔ سال کے دوران قانونی تقاضوں کے مد نظر معاوضہ کے متعلق پالیسی بنائی گئی جو کہ (الف) میٹریل رہنہ ٹیکرز اور میٹریل رہنہ کنٹرولرز کے عہدے کی شناخت کیلئے طریقہ کار (ب) ان عہدوں کے رہنہ کے مطابق آراء متعلقہ معاوضہ کیلئے طریقہ کار فراہم کرتی ہے۔

حصص داران کے لیے ڈائریکٹرز کی رپورٹ

سال 2019 کے اختتام پر بینک کے مجموعی اثاثہ جات 18 فیصد اضافے کے ساتھ 833 ارب روپے رہے۔ کھاتہ داروں کی طرف سے جمع کروائی گئی رقم 18 فیصد اضافے کے ساتھ 679 ارب روپے تک پہنچ گئی جو گزشتہ سال کے اختتام پر 574 ارب روپے تھے۔ کم لاگت ڈپازٹس کیلئے سخت مقابلے کے ماحول میں مجموعی CASA کا تناسب 80 فیصد سے زائد پر برقرار رہا۔ ہماری برانچ بینکنگ حکمت عملی کرنٹ اکاؤنٹس کو متحرک کرنے اور اہم ہنگے ڈپازٹس کو کم کر کے ڈپازٹ پورٹ فولیو کی فعالیت پر توجہ مرکوز رکھے گی۔ سٹ معاشی اور کاروباری ماحول کے مابین پینلس شیٹ قرض کے پورٹ فولیو کی منظم اور منتخب نشوونما کی عکاس ہے؛ مجموعی ایڈوانسز 8 فیصد اضافے کے ساتھ 399 ارب روپے رہے۔ قرضوں میں نمو کی حکمت عملی اعلیٰ معیاری اثاثہ جات کے حصول، آمدن تعلقات بڑھانے اور رسک ویڈ اثاثہ جات کی ایک مؤثر اور بہترین پروفائل کو برقرار رکھنے پر مرکوز رہی۔

31 دسمبر 2019 کو بینک ریگولیٹری کمیٹی کے ساتھ مکمل طور پر کھلا بحث ہے۔ نمبر 1 کمیٹی اور نوٹل کمیٹی ایڈیٹوریسی کے تناسب بالترتیب 11.5 فیصد اور 13.4 فیصد رہے۔ سال 2019 کے دوران ایکویٹی میں 26 فیصد اضافہ کی وجہ سے اثاثہ جات کی افزائش اور کمیٹی کے تناسب کے استحکام میں مدد ملی۔

تصرفات

پورڈ آف ڈائریکٹرز 31 دسمبر 2019 کو رقم ہونے والے سال کے لیے درج ذیل تصرفات کی سفارش کرتا ہے:

000 روپوں میں		31 دسمبر کو اختتام شدہ سال		2018	2019
2018	2019	غیر مدغم شدہ	مدغم شدہ	2018	2019
4,431,278	7,017,022	یکسیشن کے بعد منافع	4,429,310	7,028,756	
3,095	285,311	انچج ریل منافع کو تسلیم کرنے کا اثر	2,001	285,215	
-	-	IFRS 9 کا ابتدا پر سٹیز پرائز	-	4,235	
165,812	87,627	ری ویڈیشن پر سٹیز سے منتقلی	165,812	87,627	
4,600,185	7,389,960	تصرفات کے لیے دستیاب منافع	4,597,123	7,405,833	
(1,260,260)	(1,890,390)	معموری نقد منافع منقسم - 15 فیصد (سال 2018: 10 فیصد)	(1,260,260)	(1,890,390)	
(886,256)	(1,403,404)	قانونی ریزرو منتقلی	(886,256)	(1,403,580)	
2,453,669	4,096,166	تبع شدہ منافع	2,450,607	4,111,863	
3.52	5.57	نی حصص آمدنی - روپے	3.51	5.58	

اسٹیبلٹی ریٹنگ

سال کے دوران، پاکستان کریڈٹ ریٹنگ ایجنسی لیٹڈ (PACRA) کی طرف سے مقرر کردہ بینک کی اسٹیبلٹی ریٹنگ AA+ پر برقرار رکھی گئی۔ یہ ریٹنگ بینک کی تقابلی پوزیشن اور سٹیبلٹی ایڈیٹوریسی میں مسلسل بہتری کی عکاس ہے، جو عسکری بینک کے مضبوط سپائسرز اور برانڈ، مسلسل ترقی کی رفتار، خاص سپر بیڈ میں بہتری اور آمدن والے اثاثہ جات میں اضافے کے ذریعے حاصل ہوئی۔ مختصر معیاد کی ریٹنگ A1+، ابلور اعلیٰ ترین ریٹنگ برقرار رکھی گئی ہے۔

برانچ نیٹ ورک

برانچ نیٹ ورک ملک بھر میں 534 برانچ: 440 روایتی برانچ (بشمول 47 ذیلی برانچ)، 94 اسلامی برانچ (بشمول 3 ذیلی برانچ)، بحرین میں واقع ایک ہول سیل بینک برانچ اور بیجنگ، چین میں واقع ایک نمائندہ دفتر پر مشتمل ہے۔ ڈیجیٹل جوہلو 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۔

حصص داران کے لیے ڈائریکٹرز کی رپورٹ

ڈائریکٹرز 31 دسمبر 2019 کو ختم ہونے والے سال کے لیے عسکری بینک لیٹریڈ کی اٹھائیسویں سالانہ رپورٹ بعد بینک کی آڈٹ شدہ غیر مدغم شدہ اور مدغم شدہ مالیاتی گوشارے اور ڈائریکٹرز کی رپورٹ پیش کرتے ہیں۔

معیشت

پاکستان کی معیشت اقتصادی عدم توازن کی اصلاح کرتے ہوئے آہستہ آہستہ بہتری کی راہ پر گامزن ہوئی۔ اصلاحی اقدامات جیسا کہ اقتصادی ترقی، ایکٹیو ریٹ ایڈجسٹمنٹ، اخراجات پر قابو اور غیر ضروری درآمدات پر ریگولیٹری ڈیولپمنٹ میں اضافے کے اثرات نے کسی حد تک معاشی استحکام لانے میں معاونت کی۔ نتیجتاً کرنٹ اکاؤنٹ میں خاطر خواہ اضافہ، مارکیٹ پر مبنی ایکٹیو ریٹ میں ایک منظم تبدیلی اور مانیٹری ترقی میں حالیہ ٹھہراؤ سے رواں مالی سال کی پہلی ششماہی کے دوران اہم اثرات کا حصول ممکن ہوا۔ تاہم، مجموعی طور پر اعتماد کو کمزور ہا کیونکہ ایکٹیو ریٹ میں کمی، شرح سود میں اضافے، توانائی کی قیمتوں کی درگئی، ایشیا خورد و نوش کی قلت اور حکومت کی طرف سے اٹھائے گئے ریونیو کے اقدامات کی وجہ سے افراط زر میں اضافہ ہوا۔ کھپت اور درآمداتی نمونہ ملک کا بنیادی مسئلہ ہے جس کیلئے دیر پا اقدامات کی ضرورت ہے۔

معاشی استحکام کی حالیہ حکمت عملیوں اور اقتصادی اصلاحاتی ایجنڈے سے بڑھتی ہوئی معیشت کے ساتھ ملکی معاشی اعشاریوں کی مستحکم راہ پر واپسی متوقع ہے۔ فرانس آئل کی بجائے مقامی کوئلے کی جانب منتقلی کی وجہ سے دونوں ایشیا کی درآمدی مانگ میں کمی واقع ہونے کے ساتھ ساتھ نان انرٹی درآمدات پر قابو کی وجہ سے کرنٹ اکاؤنٹ خسارے میں مزید بہتری متوقع ہے۔ جی ڈی پی نمونہ کم رہے گی جس میں آئندہ مالی سال میں بتدریج اضافے کا امکان ہے کیونکہ بیرونی مانگ میں اضافے کا رجحان ہے، معاشی حالات میں بہتری آرہی ہے اور مالیاتی انتظام اور مسابقت میں ساتھی اصلاحات کے اقدامات اثر انداز ہو رہے ہیں۔ پالیسی کے نقطہ نظر سے، یہ ضروری ہے کہ معاشی سرگرمی کو کمزور کرنے، نیز گرتے ہوئے جڑواں خساروں کے ضمن میں دکھائی دینے والے استحکام کے فوائد کے باوجود ایڈجسٹمنٹ کا عمل جاری رکھا جائے۔ پاکستان کی موجودہ معاشی حالت کے پیش نظر ساتھی کمزوریوں کو دور کرنے کیلئے پالیسی کا تسلسل ایک لازمی امر ہے۔

بینک کی کارکردگی

عسکری بینک نے 31 دسمبر 2019 کو ختم ہونے والے سال میں غیر مدغم شدہ 7.02 ارب روپے کا بعد از ٹیکس منافع پیش کیا، جس میں گزشتہ سال کے 4.43 ارب روپے کے مقابلے میں 58 فیصد کا متاثر کن اضافہ ہوا۔ قبل از ٹیکس منافع گزشتہ سال کے مقابلے میں 51 فیصد اضافے کے ساتھ 6.88 ارب روپے سے 10.39 ارب روپے تک بڑھ گیا۔ سال 2019 کیلئے آمدنی ٹی حصص گزشتہ سال کے 3.52 روپے کے مقابلے میں 5.57 روپے رہی۔

خالص مجموعی ریونیوز 22 فیصد اضافے کے ساتھ گزشتہ سال کے 24.2 ارب روپے کے مقابلے میں 29.5 ارب روپے رہے۔ خالص مارک اپ آمدنی میں 19 فیصد اضافہ ہوا جیسا کہ بینک نے بڑھتے ہوئے شرح سود کے ماحول میں اپنی جگہ کا مندرجہ تعین یقینی بناتے ہوئے اپنے اثاثہ جات اور واجبات کی قیمتوں پر محتاط انداز میں توجہ دی جس میں مجموعی اوسط بیلنس شیٹ کے حجم میں اضافے کی مدد بھی شامل ہے۔ غیر مارک اپ آمدنی میں 32 فیصد کے قابل ذکر اضافے کے ساتھ گزشتہ سال کے 5.6 ارب روپے سے بڑھ کر 7.4 ارب روپے رہی، جس میں غیر ملکی زر مبادلہ، فیس کے کاروبار اور اس کے ساتھ ساتھ سرمایہ کاریوں کی فروخت سے حاصل ہونے والے منافع میں قابل ذکر اضافے کا حصہ نمایاں ہے۔ غیر مارک اپ اخراجات 16 فیصد اضافے کے ساتھ گزشتہ سال کے 15.9 ارب روپے سے 18.4 ارب روپے تک بڑھے، جو ڈیجیٹل چینلز میں سرمایہ کاری کے اثرات، ڈپازٹ پرومکشن پریئم، افراط زر کی ایڈجسٹمنٹ، روپے کی قدر میں کمی اور تخفیفی (depreciation) طریقہ کار میں رد و بدل کی وجہ سے تخفیفی (depreciation) اخراجات میں اضافے کی عکاسی کرتے ہیں۔ سال 2018 اور 2019 کے کچھ غیر معمولی واقعات کی تخفیف کے بعد غیر مارک اپ اخراجات میں 8.7 فیصد اضافہ ہوا، جو جاری پیش رفت اور انتظامی کارکردگی میں نشوونما کی عکاسی کرتے ہیں۔ کاسٹ ٹو انکم تناسب 65.6 فیصد سے بہتر ہو کر 62.2 فیصد رہا۔

زیر جائزہ سال کے دوران، بینک نے گزشتہ سال کے 1.5 ارب روپے کے خالص چارج کے مقابلے میں 0.8 ارب روپے کے مجموعی خالص پروویژن چارج کی منظوری دی۔ ایکویٹی انویسٹمنٹ پر 0.9 ارب روپے کی خالص پروویژن ریکارڈ کی گئی جیسا کہ سٹاک مارکیٹ میں سال 2019 کی تیسری سہ ماہی تک مسلسل زوال پزیری کا رجحان جاری رہا۔ تاہم، آخری سہ ماہی میں مارکیٹ میں واپسی ہوئی جسکی وجہ سے بینک نے ایکویٹی سرمایہ کاریوں کے پورٹ فولیو سے متاثر آمدن کماتے ہوئے ان کو مدلل طور پر مرتب کیا۔ اس کے علاوہ، بینک نے غیر فعال قرضہ جات اور دیگر اثاثہ جات کے عوض 158 ملین روپے کی مجموعی ریورسل ریکارڈ کی۔ 31 دسمبر 2019 کو غیر فعال قرضہ جات کے عوض پروویژن کو رج 91 فیصد رہی۔

UNCONSOLIDATED FINANCIAL STATEMENTS OF
ASKARI BANK LIMITED
FOR THE YEAR ENDED DECEMBER 31, 2019

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 measures 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 2019 is due for submission by March 31, 2020.

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 13, 2020
Islamabad

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019
FOR THE YEAR ENDED DECEMBER 31, 2019

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
Female Director	Nil

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including Askari Bank Limited.
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. The Board has ensured that complete record of particulars of the significant policies along with the dates of approval or updating is maintained by the Bank.
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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board has 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.
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. CFO and the President & CE duly endorsed the financial statements before approval of the Board;
12. The Board has formed Committees comprising of members given below:

a) 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, 2019
FOR THE YEAR ENDED DECEMBER 31, 2019

b) 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

c) Board Risk Management Committee (BRMC)

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

d) 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

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
HR & 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 and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the President & CE, Chief Financial Officer, Chief Internal Auditor, Company Secretary or Director of the Bank.

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 requirements of Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with, and

19. 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 majority members of the Committee are independent directors. The Chairman of the Committee is not an independent director as required under Regulation 28, however, as per the SBP guidelines, majority members of the Committee are independent directors.

For and on behalf on the Board

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

Rawalpindi
February 13, 2020



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, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Askari Bank Limited (the Bank) for the year ended December 31, 2019 in accordance with the requirements of regulation 36 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, 2019.

S.NO	Paragraph Reference	Description
I.	19	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:

Dated: February 28, 2020

A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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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, 2019, 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 four 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, 2019 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.

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>Transition from the accounting standard 'IAS 17 – Leases' to 'IFRS 16 – Leases':</p> <p><i>(Refer note 4.1 to the unconsolidated financial statements)</i></p> <p>IFRS 16 – Leases become applicable to the Bank effective January 1, 2019 and replaces the previously followed standard IAS 17–Leases. IFRS 16 specifies how an entity will recognize, measure, present and discloses leases. The application of the new standard gives rise to a right of use asset of Rs. 8,312 million and a corresponding increase in lease liabilities of Rs. 7,579 million. The Bank has applied the modified retrospective approach for the transition accounting.</p> <p>The assessment of the impact of the new standard is significant to our audit, as the balances recorded are material, the update of the accounting policy requires policy elections, the implementation process to identify and process all relevant data associated with the leases is voluminous and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination, renewal options and modifications. Due to the significance of the aforesaid matters and the materiality of Leases, relative to the overall statement of financial position of the Bank, we considered the area of IFRS 16 – Leases, as a key audit matter.</p>	<p>Our audit procedures to verify IFRS 16 – Leases, amongst others, included the following:</p> <p>Reviewed the updated accounting policy and policy elections to be in accordance with IFRS 16.</p> <p>We have performed independent testing on a sample basis of the accuracy of the lease contracts, input in the lease accounting system and completeness of the identified lease contracts.</p> <p>We have challenged management assumptions, specifically on the assumptions used to determine the discount rates and the assessment of renewal options.</p> <p>We have recalculated the right-of-use asset and lease liability calculated by the system on sample basis.</p> <p>We have assessed the adequacy of the Bank's disclosures of the impact of the new standard in the unconsolidated financial statements and challenged management on the disclosure of the remaining uncertainty of the completeness and accuracy review of the input and assumptions for the reported balance.</p>

S. No	Nature of the Key Audit Matter	How the matter was addressed in our audit
2	<p>Provision against advances:</p> <p><i>(Refer note 9.4 to 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.</p> <p>The PRs also require the creation of general provision for the consumer portfolio.</p> <p>Provision against advances of overseas branch is made as per the requirements of the respective regulatory regime.</p> <p>The Bank has recognized a net reversal of provision against advances amounting to Rs. 14.50 million in the unconsolidated profit and loss account in the current year. As at December 31, 2019, the Bank holds a provision of Rs 25,634 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"> • Automated (IT system based) controls over correct classification of non-performing advances on time based criteria; • controls over monitoring of advances with higher risk of default and correct classification of non-performing advances on subjective criteria; • controls over accurate computation and recording of provisions; and • controls over the governance and approval process related to provisions, including continuous reassessment by the management. <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"> • 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. • 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. <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>

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 JehanZeb Amin.



Chartered Accountants

Islamabad:

Dated: February 28, 2020

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

Rupees in '000	Note	2019	2018
Assets			
Cash and balances with treasury banks	5	63,039,290	49,187,645
Balances with other banks	6	7,886,702	4,093,402
Lendings to financial institutions	7	20,405,972	–
Investments	8	305,435,633	260,233,987
Advances	9	372,913,863	343,107,147
Fixed assets	10	19,696,568	12,791,827
Intangible assets	11	808,994	741,361
Assets held for sale	12	80,720	80,720
Deferred tax assets	13	2,489,752	3,773,779
Other assets	14	40,450,512	32,522,174
		833,208,006	706,532,042
Liabilities			
Bills payable	15	15,768,947	15,512,880
Borrowings	16	51,187,681	52,702,323
Deposits and other accounts	17	679,299,486	573,635,856
Liabilities against assets subject to finance lease		–	–
Subordinated debts	18	9,992,000	9,993,600
Deferred tax liabilities		–	–
Other liabilities	19	34,704,048	21,178,476
		790,952,162	673,023,135
Net Assets		42,255,844	33,508,907
Represented by			
Share capital	20	12,602,602	12,602,602
Reserves		19,366,260	15,543,179
Surplus on revaluation of assets - net of tax	21	4,300,426	1,649,197
Unappropriated profit		5,986,556	3,713,929
		42,255,844	33,508,907

Contingencies and commitments

22


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, 2019

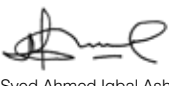
Rupees in '000	Note	2019	2018
Mark-up / return / interest earned	24	71,704,373	43,669,883
Mark-up / return / interest expensed	25	49,568,569	25,059,925
Net mark-up / interest income		22,135,804	18,609,958
Non mark-up / interest income			
Fee and commission income	26	3,616,593	3,116,070
Dividend income		274,440	231,312
Foreign exchange income		2,507,707	1,596,027
Income / (loss) from derivatives		-	-
Gain on securities	27	739,351	260,103
Other income	28	266,102	418,081
Total non-markup / interest income		7,404,193	5,621,593
Total income		29,539,997	24,231,551
Non mark-up / interest expenses			
Operating expenses	29	18,235,387	16,430,676
Workers' welfare fund	30	42,117	(540,060)
Other charges	31	99,947	905
Total non-markup / interest expenses		18,377,451	15,891,521
Profit before provisions		11,162,546	8,340,030
Provisions and write offs - net	32	773,275	1,460,575
Extraordinary / unusual items		-	-
Profit before taxation		10,389,271	6,879,455
Taxation	33	(3,372,249)	(2,448,177)
Profit after taxation		7,017,022	4,431,278
Rupees			
Basic and diluted earnings per share	34	5.57	3.52

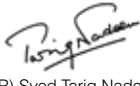
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President & Chief Executive


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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, 2019

Rupees in '000	2019	2018
Profit after taxation for the year	7,017,022	4,431,278
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Effect of translation of net investment in Foreign Branch	(33,992)	186,164
Movement in deficit on revaluation of investments - net of tax	2,563,232	(4,488,014)
	2,529,240	(4,301,850)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain on defined benefit plan - net of tax	285,311	3,095
Movement in surplus on revaluation of operating fixed assets	(34,687)	709,447
Movement in surplus on revaluation of non-banking assets	122,684	285,510
	373,308	998,052
Total comprehensive income	9,919,570	1,127,480

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



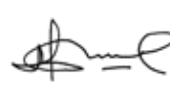
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Rehan Laiq
Director



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Director



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UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

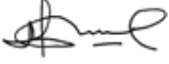
Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of		Unappropriated profit / (loss)	Total
						Investments	Fixed / non-banking assets		
Balance as at January 1, 2018	12,602,602	122,997	234,669	7,808,891	3,454,324	390,491	4,751,763	2,849,878	32,215,615
Total comprehensive income for the year ended December 31, 2018									
Profit after taxation 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 January 1, 2019	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
Total comprehensive income for the year ended December 31, 2019									
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	7,017,022	7,017,022
Other comprehensive income related to equity	-	(33,992)	-	-	-	2,563,232	87,997	285,311	2,902,548
Transfer to:									
Statutory reserve	-	-	-	1,403,404	-	-	-	(1,403,404)	-
General reserve	-	-	-	-	2,453,669	-	-	(2,453,669)	-
	-	-	-	1,403,404	2,453,669	-	-	(3,857,073)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	87,627	87,627
Transaction with owners, recorded directly in equity									
Final dividend 2018: Re. 1 per share	-	-	-	-	-	-	-	(1,260,260)	(1,260,260)
Balance as at December 31, 2019	12,602,602	275,169	234,669	10,098,551	8,757,871	(1,534,291)	5,834,717	5,986,556	42,255,844


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


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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 CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2019

Rupees in '000	Note	2019	2018
Cash flow from operating activities			
Profit before taxation		10,389,271	6,879,455
Less: dividend income		(274,440)	(231,312)
		10,114,831	6,648,143
Adjustments:			
Depreciation		1,383,858	1,022,835
Amortization		206,420	195,294
Depreciation on ROU assets		1,497,366	–
Mark-up expense on lease liability against ROU assets		970,082	–
Termination of lease contracts under IFRS - 16 Leases		(49,422)	–
Reversal of rent expense already booked on IFRS 16 - Lease contracts		(1,559,120)	–
Charge for defined benefit plan		359,011	586,359
Provisions and write offs - net	32	890,345	1,603,111
Unrealised loss on held for trading securities		1,503	–
Loss on sale of fixed assets		60,406	5,253
		3,760,449	3,412,852
		13,875,280	10,060,995
(Increase) / decrease in operating assets			
Lendings to financial institutions		(14,075,190)	1,500,000
Held for trading securities		(41,591)	–
Advances		(29,020,740)	(85,084,938)
Other assets (excluding advance taxation)		(7,964,051)	(3,375,295)
		(51,101,572)	(86,960,233)
Increase / (decrease) in operating liabilities			
Bills payable		256,067	4,743,618
Borrowings from financial institutions		(1,514,642)	(18,884,988)
Deposits		105,663,630	47,827,548
Other liabilities (excluding current taxation)		6,215,885	4,246,359
		110,620,940	37,932,537
		73,394,648	(38,966,701)
Payment made to defined benefit plan		–	(730,670)
Income tax paid		(4,256,330)	(3,894,037)
Net cash flow generated from / (used in) operating activities		69,138,318	(43,591,408)
Cash flow from investing activities			
Net investments in available for sale securities		27,475,288	51,626,569
Net investments in held to maturity securities		(68,984,101)	(5,030,369)
Dividend received		273,675	236,639
Investments in operating fixed assets		(774,064)	(3,240,613)
Investments in intangible assets		(268,623)	(93,786)
Proceeds from sale of fixed assets		83,591	16,104
Effect of translation of net investment in foreign branch		(33,992)	186,164
Net cash flow (used in) / generated from investing activities		(42,228,226)	43,700,708
Cash flow from financing activities			
(Payments) / receipts of subordinated debts - net		(1,600)	5,000,800
Payments against lease liabilities		(1,683,902)	–
Dividend paid		(1,248,867)	(12,203)
Net cash flow (used in) / generated from financing activities		(2,934,369)	4,988,597
Increase in cash and cash equivalents		23,975,723	5,097,897
Cash and cash equivalents at beginning of the year	35	53,281,057	48,183,160
Cash and cash equivalents at end of the year	35	77,256,780	53,281,057

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



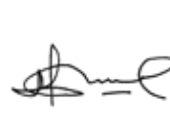
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Chairman

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. The ultimate parent of the Bank is Fauji Foundation. The Bank has 535 branches (2018: 516 branches); 534 in Pakistan and Azad Jammu and Kashmir including 94 (2018: 94) Islamic Banking branches and 50 (2018: 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 subsidiary 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 are unconsolidated financial statements and 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 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.

The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 40, Investment Property, for banking companies till further instructions. Further, the SECP, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks. Additionally, the SBP has deferred the applicability of IFRS 9 to banks to accounting periods beginning on or after January 1, 2021. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

IFRS 16: 'Leases', became effective from annual period beginning on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Bank's unconsolidated financial statements is disclosed in note 4.1.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated financial statements.

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	July 1, 2009
IFRS 17	Insurance Contracts	January 1, 2022

- 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)
IAS 1	Presentation of financial statements	January 1, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2020
IFRS 3	Business Combinations	January 1, 2020
IFRS 9	Financial Instruments	January 1, 2021
IFRS 7	Financial Instruments: Disclosures	January 1, 2020
IAS 39	Financial Instruments: Recognition and Measurement	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2022

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

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) and fixed assets (note 4.7)
- 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)
- viii) lease term and effective interest rate of lease contracts (note 4.1)

2.5 During the year the Bank has changed the depreciation method on machine and equipment and furniture and office equipment from diminishing balance method to straight line method. This change in accounting estimate has been accounted for prospectively as per International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in these unconsolidated financial statements. Impact has been disclosed in note 10.2.2 to these unconsolidated financial statements.

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

During the period, IFRS 16 - Leases became applicable to the banks and replaces previously followed standard on accounting for leases, including IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 - Operating Leases - Incentive, and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS - 16 Leases introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use (ROU) asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the previously followed standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS - 16 Leases from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as is permitted under the specific transitional provisions in the standard.

On adoption of IFRS - 16 Leases, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities are initially measured at the present value of remaining lease payment, discounted using the Bank's contract wise incremental borrowing rate as at January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

Rupees in '000	December 31, 2019	January 1, 2019
Total lease liability recognised	7,358,016	7,578,841

On adoption of IFRS 16 - Leases, the associated ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the unconsolidated statement of financial position immediately before the date of initial application.

The ROU assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability plus any initial direct costs incurred.

The ROU assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The ROU assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

Rupees in '000	December 31, 2019	January 1, 2019
The recognised ROU assets relate to the following type of asset: Property	7,316,960	8,312,292
The effect of this change in accounting policy is as follows:		
Impact on Statement of Financial Position		
Increase in fixed assets - ROU assets	7,316,960	8,312,292
Decrease in other assets - Advances, deposits, advance rent and other prepayments	(817,341)	(733,451)
Increase in other assets - Advance taxation	334,973	-
	6,834,592	7,578,841
Increase in other liabilities - lease liability against ROU assets	(7,358,016)	(7,578,841)
Increase in exchange translation reserve	(509)	-
Decrease in net assets	(523,933)	-

Rupees in '000	For the year ended December 31, 2019
Impact on Profit and Loss account	
Increase in mark-up expense - lease liability against ROU assets	(970,082)
(Increase) / decrease in operating expenses	
- Depreciation on ROU assets	(1,497,366)
- Rent expense	1,559,120
Termination of lease contracts under IFRS - 16 Leases	49,422
Decrease in profit before tax	(858,906)
Decrease in tax	334,973
Decrease in profit after tax	(523,933)

Earnings per share for the year ended December 31, 2019 are Re. 0.42 per share lower as a result of the adoption of IFRS - 16 Leases.

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In applying IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the standard:

- While implementing IFRS 16 - Leases, the Bank has used a single discount rate methodology for a portfolio of leases with similar characteristics and
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

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.

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 recognised 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 recognised 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 04, 2000 and BPRD circular 06 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 using the effective interest rate method less impairment, determined in accordance with the requirements of Prudential Regulations issued by the SBP.

Investment 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 specific and general provisions. 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.

4.6.1 Finance lease receivables

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.

4.6.2 Islamic financing and related assets

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.

Murabaha transactions are reflected as receivable at the invoiced amount. Actual sale and purchase are not reflected as the goods are purchased by the customer as agent of the Bank and all documents relating to purchase are in customers' name.

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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 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.

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. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the profit and loss account.

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. Surplus on revaluation of fixed assets (net of associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to unappropriated profit.

Intangible assets

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

Depreciation / amortization

Depreciation / amortization is computed on monthly basis over the estimated useful lives of the related assets at the rates set out in note 10.2 and 11.1 respectively on a monthly basis. The cost of assets is depreciated / amortized on straight line basis, except for buildings which are depreciated on reducing balance method. 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.

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 operating 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. Markup 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 'Saving 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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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Foreign operation

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 income and expenses 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 or losses on sale of investments are recognized in unconsolidated profit and loss account.

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-Muslam Fih (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.

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.

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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 expects 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 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.

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 including branchless banking services to small enterprises, medium enterprises, agriculture and individual customers.

Corporate banking

Corporate banking includes project financing, trade financing and working capital to corporate and commercial customers of the Bank. 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, short term lendings and borrowings from counterparties.

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 consists of the banking activities performed through its Wholesale Bank Branch in the Kingdom of Bahrain.

Head office / others

This consists of banking operations not performed by any of above segments.

4.25.2 Geographical segments

The Bank operates in two geographic regions; Pakistan including its allied territories and the Middle East.

4.26 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for on unconsolidated statement of financial position both as assets and liabilities.

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Rupees in '000	Note	2019	2018
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		11,990,404	10,368,791
Foreign currencies		2,441,156	1,935,969
		14,431,560	12,304,760
With the State Bank of Pakistan:			
Local currency current accounts	5.1	34,638,383	24,210,710
Foreign currency current accounts	5.1	3,107,745	2,829,226
Foreign currency deposit account	5.2	8,684,787	7,946,957
		46,430,915	34,986,893
With National Bank of Pakistan in:			
Local currency current accounts		1,899,188	1,883,326
Prize Bonds			
		277,627	12,666
		63,039,290	49,187,645

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 0.76% (2018: 1.5%) per annum.

Rupees in '000	Note	2019	2018
6. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		469,619	354,396
In deposit accounts	6.1	476	291
		470,095	354,687
Outside Pakistan			
In current accounts		753,774	1,047,160
In deposit accounts	6.2	6,662,839	2,691,565
		7,416,613	3,738,725
Provision held against balances with other banks	6.3	(6)	(10)
		7,886,702	4,093,402

6.1 These represent placements with local banks, carrying interest rate of 11.25% (2018: 8.0%) per annum.

6.2 These represent placements with international correspondent banks, carrying interest rates upto 1.05% (2018: upto 1.78%) per annum.

Rupees in '000	2019	2018
6.3 Provision held against balances with other banks		
Opening balance	10	–
Provision under IFRS 9 related to WBB	–	24
Opening balance after IFRS 9 impact of Wholesale Bank Branch	10	24
Reversal of provision under IFRS 9 related to WBB	(4)	(14)
Closing balance	6	10
7. LENDINGS TO FINANCIAL INSTITUTIONS		
Call / clean money lendings	6,330,782	–
Repurchase agreement lendings (reverse repo)	14,075,190	–
Purchase under resale arrangement of equity securities	148,606	148,606
Provision held against lending to financial institutions	20,554,578 (148,606)	148,606 (148,606)
Lending to financial institutions - net of provision	20,405,972	–
7.1 Particulars of lending		
In local currency	20,554,578	148,606

7.2 Securities held as collateral against lending to financial institutions

Rupees in '000	2019			2018		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
Pakistan Investment Bonds	14,075,190	–	14,075,190	–	–	–

7.3 Category of classification

Rupees in '000	2019		2018	
	Classified lending	Provision held	Classified lending	Provision held
Domestic				
Loss	148,606	148,606	148,606	148,606

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8. INVESTMENTS

Rupees in '000	2019				2018			
	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.1 Investments by type:								
Held for trading securities								
Fully paid ordinary shares	41,591	-	(1,503)	40,088	-	-	-	-
Available for sale securities								
Federal Government Securities	211,166,999	(37,369)	(3,109,664)	208,019,966	244,060,807	(41,600)	(6,125,979)	237,893,228
Shares	6,048,578	(1,607,285)	490,064	4,931,357	5,898,588	(1,437,160)	(153,307)	4,308,121
Units of open end mutual funds	1,305,036	(146,912)	114,137	1,272,261	1,032,012	(2,376)	(58,190)	971,446
Fully paid preference shares	27,314	(9,189)	43,820	61,945	27,314	(7,139)	39,570	59,745
Non Government Debt Securities	12,215,395	(1,489,262)	93,993	10,820,126	6,957,717	(1,540,848)	(480)	5,416,389
Foreign securities	159,646	(1,881)	7,202	164,967	421,818	(2,659)	(5,496)	413,663
	230,922,968	(3,291,898)	(2,360,448)	225,270,622	258,398,256	(3,031,782)	(6,303,882)	249,062,592
Held to maturity securities								
Federal Government Securities	77,030,069	(133,887)	-	76,896,182	11,293,815	(122,420)	-	11,171,395
Non Government Debt Securities	110,000	(110,000)	-	-	110,000	(110,000)	-	-
Foreign securities	3,247,847	(19,106)	-	3,228,741	-	-	-	-
	80,387,916	(262,993)	-	80,124,923	11,403,815	(232,420)	-	11,171,395
Total investments	311,352,475	(3,554,891)	(2,361,951)	305,435,633	269,802,071	(3,264,202)	(6,303,882)	260,233,987

Rupees in '000	2019				2018			
	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.2 Investments by segments:								
Federal Government Securities								
Market Treasury Bills	129,093,836	-	(71,269)	129,022,567	124,708,053	-	(10,339)	124,697,714
Pakistan Investment Bonds	138,589,333	-	(3,084,302)	135,505,031	105,470,628	-	(6,430,011)	99,040,617
Euro Bonds	6,629,340	(139,991)	36,217	6,525,566	4,806,143	(67,251)	(10,724)	4,728,168
GOP Bai Muajjal	5,246,146	-	-	5,246,146	-	-	-	-
Ijarah Sukuks	8,638,413	(31,265)	9,690	8,616,838	20,369,798	(96,769)	325,095	20,598,124
	288,197,068	(171,256)	(3,109,664)	284,916,148	255,354,622	(164,020)	(6,125,979)	249,064,623
Shares								
Listed companies	5,784,489	(1,601,605)	488,561	4,671,445	5,592,908	(1,431,480)	(153,307)	4,008,121
Unlisted companies	305,680	(5,680)	-	300,000	305,680	(5,680)	-	300,000
	6,090,169	(1,607,285)	488,561	4,971,445	5,898,588	(1,437,160)	(153,307)	4,308,121
Units of open end mutual funds	1,305,036	(146,912)	114,137	1,272,261	1,032,012	(2,376)	(58,190)	971,446
Fully paid preference shares	27,314	(9,189)	43,820	61,945	27,314	(7,139)	39,570	59,745
Non Government Debt Securities								
Listed	2,990,636	(221,636)	93,993	2,862,993	1,433,411	(226,836)	3,706	1,210,281
Unlisted	9,334,759	(1,377,626)	-	7,957,133	5,634,306	(1,424,012)	(4,186)	4,206,108
	12,325,395	(1,599,262)	93,993	10,820,126	7,067,717	(1,650,848)	(480)	5,416,389
Foreign Securities								
Government securities	3,407,493	(20,987)	7,202	3,393,708	421,818	(2,659)	(5,496)	413,663
Total investments	311,352,475	(3,554,891)	(2,361,951)	305,435,633	269,802,071	(3,264,202)	(6,303,882)	260,233,987

Rupees in '000	2019	2018
8.2.1 Investments given as collateral		
The market value of investment given as collateral is as follows		
Market Treasury Bills	12,480,754	12,792,806
Euro Bonds	5,527,143	3,331,957
Bahrain International Bonds	–	141,153
Srilankan Investment Bonds	166,848	279,001
Turkish Euro Bonds	445,961	–
Turkish Sukuks	956,958	–
Ijarah Sukuks	5,586,569	8,369,037
	25,164,233	24,913,954

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	3,264,202	2,042,279
Provision under IFRS 9 related to WBB	–	173,151
Opening balance after IFRS 9 impact of WBB	3,264,202	2,215,430
Exchange adjustments	19,368	–
Charge for the year	976,751	1,331,427
Charge / (reversal) of provision under IFRS 9 related to WBB	6,197	(6,472)
Reversals for the year	(51,586)	(268,539)
Net charge	931,362	1,056,416
Reversal on disposals	(660,041)	(7,644)
Closing balance	3,554,891	3,264,202

8.3.2 Particulars of provision against debt securities

Rupees in '000	2019		2018	
	NPL	Provision	NPL	Provision
Category of classification				
Domestic				
Loss	1,599,262	1,599,262	1,650,848	1,650,848
Overseas				
Not past due but impaired as per IFRS 9	–	192,244	–	166,679
Total	1,599,262	1,791,506	1,650,848	1,817,527

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FOR THE YEAR ENDED DECEMBER 31, 2019

8.4 Quality of available for sale securities

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

Rupees in '000	2019		2018	
	Cost		Cost	
Federal Government Securities - Government guaranteed				
Market Treasury Bills	121,652,726		124,708,053	
Pakistan Investment Bonds	85,342,730		105,023,310	
Euro Bonds	1,688,321		1,049,793	
Ijarah Sukuks	2,483,222		13,279,651	
	211,166,999		244,060,807	
Shares				
Listed				
Commercial banks	899,663		978,868	
Chemicals	503,234		381,695	
Fertilizer	224,782		382,188	
Cement	294,112		660,776	
Power generation and distribution	1,061,821		971,289	
Investment banks / investment companies	12,956		12,956	
Leasing companies	38,162		38,162	
Paper and board	154,515		154,515	
Glass and ceramics	79,411		80,915	
Automobile parts and accessories	42,847		80,176	
Cable and electrical goods	31,125		73,304	
Automobile assembler	57,046		57,046	
Engineering	127,834		194,793	
Insurance	110,112		96,133	
Oil and gas marketing companies	842,047		455,040	
Refinery	–		99,065	
Oil and gas exploration	280,694		–	
Textile composite	192,646		140,610	
Pharmaceuticals	87,330		114,383	
Real estate investment trust	572,760		580,242	
Technology and communication	16,949		31,684	
Vanaspati and allied industries	15,722		9,068	
Industrial metals and mining	97,130		–	
	5,742,898		5,592,908	

Rupees in '000	2019		2018	
	Cost	Breakup value	Cost	Breakup value
Unlisted				
DHA Cogen Limited	–	–	–	(590,898)
Pakistan Export Finance Guarantee Agency Limited	5,680	–	5,680	–
Pakistan Mortgage Refinance Company Limited	300,000	352,200	300,000	304,200
	305,680	352,200	305,680	(286,698)

8.4.1 Breakup value has been calculated on the basis of latest available financial statements.

Rupees in '000	2019	2018
		Cost
Units of Open end mutual funds		
Listed		
NI(UT)	500,000	500,000
NIT Islamic Equity Fund	50,000	50,000
Askari Islamic Asset Allocation Fund	–	53,226
Askari Asset Allocation Fund	100,846	100,846
Askari Equity Fund	–	53,988
Askari Islamic Income Fund	–	387
Askari High Yield Scheme	173,565	173,565
Askari Sovereign Yield Enhancer Fund	100,000	100,000
Askari Cash Fund (Formerly Askari Sovereign Cash Fund)	337,509	–
Pak Oman Islamic Asset Allocation Fund	42,705	–
Pak Oman Advantage Islamic Income Fund	411	–
	1,305,036	1,032,012
Fully Paid Preference Shares		
Listed		
Banks	2,214	2,214
Textile	25,100	25,100
	27,314	27,314
Non Government Debt Securities		
Listed		
AAA	–	235,575
AA+, AA, AA-	1,918,000	771,000
A+, A, A-	300,000	200,000
CCC and below	221,636	226,836
	2,439,636	1,433,411
Unlisted		
AAA	7,072,920	2,604,170
AA+, AA, AA-	600,850	249,950
A+, A, A-	725,000	700,000
CCC and below	761,474	795,129
Unrated	615,515	1,175,057
	9,775,759	5,524,306

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Rupees in '000	2019		2018	
	Cost	Rating	Cost	Rating
Foreign Securities				
Bahrain International Bond	159,646	B+	144,748	B+
Sri Lanka Bond	–	–	277,070	B
	159,646		421,818	

Rupees in '000	2019		2018	
	Cost		Cost	
8.5 Particulars relating to Held to Maturity securities are as follows:				
Federal Government Securities - Government guaranteed				
Market Treasury Bills		7,441,110		–
Pakistan Investment Bonds		53,246,603		447,318
Government of Pakistan Euro Bonds		4,941,019		3,756,350
Ijarah Sukuks		6,155,191		6,059,093
GOP Bai Muajjal		5,246,146		1,031,054
		77,030,069		11,293,815
Non Government Debt Securities				
Unlisted				
CCC and below		110,000		110,000

Rupees in '000	2019		2018	
	Cost	Rating	Cost	Rating
Foreign Securities				
Turkish Sukuk	933,737	BB-	–	–
Turkish Euro Bonds	1,156,717	BB-	–	–
Srilanka Euro Bond	1,157,393	BB-	–	–
	3,247,847		–	

8.5.1 Market value of held to maturity securities other than classified investments as at December 31, 2019 is Rs. 83,778,547 thousand (2018: Rs. 11,029,123 thousand).

9. ADVANCES

Rupees in '000	Note	Performing		Non performing		Total	
		2019	2018	2019	2018	2019	2018
Loans, cash credits, running finances, etc.	9.1	307,069,106	279,232,463	26,257,191	26,166,223	333,326,297	305,398,686
Islamic financing and related assets- note 3 of Annexure II		45,596,566	46,583,103	1,816,376	435,096	47,412,942	47,018,199
Bills discounted and purchased		17,749,166	16,786,319	60,406	55,767	17,809,572	16,842,086
Advances - gross		370,414,838	342,601,885	28,133,973	26,657,086	398,548,811	369,258,971
Provision against advances							
- Specific		–	–	(24,408,056)	(25,113,169)	(24,408,056)	(25,113,169)
- General		(1,226,892)	(1,038,655)	–	–	(1,226,892)	(1,038,655)
		(1,226,892)	(1,038,655)	(24,408,056)	(25,113,169)	(25,634,948)	(26,151,824)
Advances - net of provision		369,187,946	341,563,230	3,725,917	1,543,917	372,913,863	343,107,147

9.1 Includes net investment in finance lease as disclosed below:

Rupees in '000	2019				2018			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Lease rentals receivable	2,895,815	2,576,164	2,106	5,474,085	3,090,048	3,165,598	8,224	6,263,870
Residual value	950,981	1,726,078	3,420	2,680,479	872,487	2,071,589	27,690	2,971,766
Minimum lease payments	3,846,796	4,302,242	5,526	8,154,564	3,962,535	5,237,187	35,914	9,235,636
Financial charges for future periods	(445,870)	(344,595)	(3)	(790,468)	(364,904)	(301,495)	(375)	(666,774)
Present value of minimum lease payments	3,400,926	3,957,647	5,523	7,364,096	3,597,631	4,935,692	35,539	8,568,862

Rupees in '000	2019	2018
9.2 Particulars of advances (Gross)		
In local currency	368,646,263	347,815,947
In foreign currencies	29,902,548	21,443,024
	398,548,811	369,258,971

9.3 Advances include Rs. 28,133,973 thousand (2018: Rs. 26,657,086 thousand) which have been placed under non-performing status as detailed below:

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Rupees in '000	2019		2018	
	Non performing loans	Provision	Non performing loans	Provision
Category of Classification				
Domestic				
Other Assets Especially Mentioned - note 9.3.1	2,125,144	68	90,038	1,883
Substandard	477,321	50,418	286,591	23,421
Doubtful	661,347	209,962	429,231	187,411
Loss	24,870,161	24,147,608	25,851,226	24,900,454
	28,133,973	24,408,056	26,657,086	25,113,169

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

9.4 Particulars of provision against advances

Rupees in '000	2019				2018			
	Specific	General	Consumer financing - general	Total	Specific	General	Consumer financing - general	Total
Opening balance	25,113,169	498,429	540,226	26,151,824	24,962,069	236,940	447,575	25,646,584
Provision under IFRS 9 related to WBB	-	-	-	-	-	164,947	-	164,947
Opening balance after IFRS 9 impact of WBB	25,113,169	498,429	540,226	26,151,824	24,962,069	401,887	447,575	25,811,531
Exchange adjustment	-	22,252	-	22,252	-	-	-	-
Charge for the year	1,467,527	22,525	108,884	1,598,936	2,413,023	81,302	102,568	2,596,893
Provision under IFRS 9 related to WBB	-	48,525	-	48,525	-	16,119	-	16,119
Reversal for the year	(1,648,011)	(7,586)	(6,363)	(1,661,960)	(2,134,869)	(879)	(9,917)	(2,145,665)
	(180,484)	63,464	102,521	(14,499)	278,154	96,542	92,651	467,347
Amounts written off - note 9.5	(402,506)	-	-	(402,506)	-	-	-	-
Amounts charged off- agriculture financing - note 9.7	(122,123)	-	-	(122,123)	(127,054)	-	-	(127,054)
Closing balance	24,408,056	584,145	642,747	25,634,948	25,113,169	498,429	540,226	26,151,824

9.4.1 Particulars of provision against advances

Rupees in '000	2019				2018			
	Specific	General	Consumer financing - general	Total	Specific	General	Consumer financing - general	Total
In local currency	24,003,766	332,302	642,747	24,978,815	24,748,225	317,363	540,226	25,605,814
In foreign currencies	404,290	251,843	-	656,133	364,944	181,066	-	546,010
	24,408,056	584,145	642,747	25,634,948	25,113,169	498,429	540,226	26,151,824

9.4.2 The net FSV benefit already availed has been reduced by Rs. 108,591 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. 108,591 thousand (2018: Rs. 187,900 thousand) and Rs. 70,584 thousand (2018: Rs. 122,135 thousand) respectively. Further, at December 31, 2019, cumulative net of tax benefit availed for Forced Sales Value (FSV) was Rs. 527,484 thousand (December 31, 2018: Rs. 598,068 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.

9.4.3 The Bank has availed the relaxation of Rs. 101,394 thousand (2018: Rs. 102,460 thousand) allowed by the SBP for maintaining provisions as per time based criteria of prudential regulations.

9.5 This represents write off against provision amounting to Rs. 402,506 thousand related to domestic advances (2018: NIL).

9.6 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, 2019 is given at Annexure - I.

9.7 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	2019	2018
10. FIXED ASSETS			
Capital work-in-progress	10.1	126,731	53,738
Property and equipment	10.2	12,252,877	12,738,089
Right of use asset - IFRS 16	10.3	7,316,960	–
		19,696,568	12,791,827

10.1 This represents civil works performed during the year.

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10.2 Property and equipment

		2019												
Rupees in '000		Land - freehold	Land - leasehold	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
As at January 1, 2019														
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
Year ended December 31, 2019														
Opening 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
Additions		-	-	-	-	145,239	89,047	14,712	216,375	180,269	24,628	-	-	670,270
Transfers from non banking assets		-	-	341,572	-	-	-	-	-	-	-	-	-	341,572
Movement in surplus on assets revalued during the year		-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals		-	(60,900)	-	-	(15,250)	(54,871)	(641)	(12,022)	(313)	-	-	-	(143,997)
Depreciation charge		-	-	(22,831)	(29,120)	(385,687)	(184,831)	(8,323)	(516,682)	(211,724)	(24,528)	(132)	-	(1,383,858)
Other adjustments / transfers		-	-	-	18,448	(80)	(144)	1	(1,211)	14,137	(350)	-	-	30,801
Closing net book value		3,226,063	4,797,275	785,918	535,026	680,286	666,443	26,791	1,065,430	423,852	45,504	289	-	12,252,877
As at December 31, 2019														
Cost / Revalued Amount		3,226,063	4,797,275	1,228,823	984,192	3,755,191	1,365,891	56,847	3,425,162	3,043,096	216,862	45,761	1,834	22,146,997
Accumulated Depreciation		-	-	442,905	449,166	3,074,905	699,448	30,056	2,359,732	2,619,244	171,358	45,472	1,834	9,894,120
Net book value		3,226,063	4,797,275	785,918	535,026	680,286	666,443	26,791	1,065,430	423,852	45,504	289	-	12,252,877
Rate of depreciation (percentage)		-	-	5	5	20	10	20	10-20	20	20	20	20	

		2018												
Rupees in '000		Land - freehold	Land - leasehold	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
As at January 1, 2018														
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
Year ended December 31, 2018														
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
As at December 31, 2018														
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
Rate of depreciation (percentage)		-	-	5	5	20	10	20	20	20	20	20	20	

		2018												
Rupees in '000		Land - freehold	Land - leasehold	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													
	2019	-	-	-	-	2,009,865	91,000	11,444	313,569	2,131,224	113,540	45,100	-	4,715,742
	2018	-	-	-	-	1,745,242	1,974	11,757	26,094	1,955,689	78,718	45,100	1,834	3,866,408

10.2.2 During the year the Bank has changed the depreciation method of machine and equipment and furniture and office equipment from diminishing balance method to straight line method. This change in accounting estimate has been accounted for prospectively as per International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in these unconsolidated financial statements. Had the depreciation method not changed, the written down value of operating fixed assets and profit before tax would have been higher by Rs. 348 million.

10.2.3 During the year, the Bank has transferred properties to fixed assets from non-banking assets having book values of Rs. 341,572 thousand.

10.3 Additions to right of use asset during the year amounted to Rs. 1,429,390 thousand (2018: NIL).

Rupees in '000	2019	2018
11. INTANGIBLE ASSETS		
Computer software	682,889	704,885
Less: Provision against intangibles	(9,866)	(24,404)
	673,023	680,481
Capital work in progress	135,971	60,880
	808,994	741,361
11.1 Software		
As at January 1,		
Cost	2,142,847	2,070,599
Accumulated amortization	1,437,962	1,242,668
Net book value	704,885	827,931
Year ended December 31,		
Opening net book value	704,885	827,931
Additions		
- directly purchased	193,532	72,248
Amortization charge	(206,420)	(195,294)
Other adjustments / transfers	(9,108)	-
Closing net book value	682,889	704,885
As at December 31,		
Cost	2,327,271	2,142,847
Accumulated amortization	1,644,382	1,437,962
Net book value	682,889	704,885
Rate of amortization (percentage)	10	10
Useful life	10 years	10 years

11.1.1 Cost of fully amortized intangible assets still in use amounts to Rs. 227,739 thousand (2018: Rs. 139,831 thousand).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019.

Rupees in '000	Cost	Provision held	Carrying value
Askari Securities Limited			
2019	114,789	34,069	80,720
2018	114,789	34,069	80,720

Rupees in '000	2019			
	At January 1, 2019	Recognized in P&L A/C	Recognized in OCI	At December 31, 2019

13. DEFERRED TAX ASSETS

Deductible Temporary Differences on				
- Post retirement employee benefits	163,600	-	(153,629)	9,971
- Deficit on revaluation of investments	2,206,359	-	(1,380,202)	826,157
- Impact under IFRS 9 related to WBB	3,934	-	-	3,934
- Provision against advances, off balance sheet	1,568,007	-	-	1,568,007
	3,941,900	-	(1,533,831)	2,408,069
- Impact under IFRS 9 related to WBB	117,937	-	-	117,937
	4,059,837	-	(1,533,831)	2,526,006
Taxable Temporary Differences on				
- Surplus on revaluation of investments	-	-	-	-
- Accelerated tax depreciation	(286,058)	249,804	-	(36,254)
	(286,058)	249,804	-	(36,254)
	3,773,779	249,804	(1,533,831)	2,489,752

Rupees in '000	2018			
	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	165,267	-	(1,667)	163,600
- Deficit on revaluation of investments	-	-	2,206,359	2,206,359
- Impact under IFRS 9 related to WBB	-	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	-	-	-	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	Note	2019	2018
14. OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision	14.1	16,320,068	9,793,092
Income / mark-up accrued in foreign currencies		558,708	477,756
Advances, deposits, advance rent and other prepayments		666,068	1,321,871
Advance taxation (payments less provisions)		6,552,849	5,918,572
Non-banking assets acquired in satisfaction of claims	14.3	2,555,343	3,201,319
Mark to market gain on forward foreign exchange contracts - net		396,433	607,925
Suspense account		50,741	48,637
Stationary and stamps in hand		92,639	105,007
Dividend receivable	14.2	1,904	1,139
Acceptances		10,498,594	8,735,265
Receivable from defined benefit plan		71,364	–
Others		704,061	472,257
		38,468,772	30,682,840
Provision held against other assets	14.4	(238,089)	(257,811)
Other assets - net of provision		38,230,683	30,425,029
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		2,219,829	2,097,145
Other assets - total		40,450,512	32,522,174

14.1 This balance is net of interest in suspense amounting to Rs. 9,429,970 thousand (2018: Rs. 10,057,089 thousand).

14.2 This balance is net of dividend in suspense amounting to Rs. 81,020 thousand (2018: Rs. 81,020 thousand).

Rupees in '000	2019	2018
14.3 Market value of non-banking assets acquired in satisfaction of claims	4,775,172	5,298,464

The Bank's non-banking assets were revalued by the valuers approved by the Pakistan Banks' Association on December 31, 2019. The valuation was carried out by M/s Gulf Consultants and M/s Arch-e-Decon on the basis of their professional assessment of the present market value and resulted in increase of Rs. 203,133 thousand. The total surplus arising against revaluation of non-banking asset acquired in satisfaction of claims as at December 31, 2019 amounts to Rs. 2,219,829 thousand.

Rupees in '000	2019	2018
14.3.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	5,298,464	5,001,571
Additions	–	550,224
Revaluation	203,133	452,228
Disposals	(281,882)	(629,580)
Transfers to fixed assets	(341,572)	–
Adjustments	(73,145)	(16,907)
Depreciation	(29,826)	(59,072)
Closing balance	4,775,172	5,298,464

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Rupees in '000	2019	2018
14.3.2 (Loss) / gain on disposal of non-banking assets acquired in satisfaction of claims		
Disposal proceeds	269,100	845,207
Less		
- Carrying value	(281,882)	(629,580)
- Depreciation	12,636	11,165
	(269,246)	(618,415)
(Loss) / gain	(146)	226,792
14.4 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	139,068	142,470
Non-banking assets acquired in satisfaction of claims	15,952	15,952
Suspense account	34,408	34,408
Stationery and stamps in hand	14,321	-
Provision under IFRS 9 related to WBB	-	447
Others	34,340	64,534
	238,089	257,811
14.4.1 Movement in provision held against other assets		
Opening balance	257,811	272,565
Provision under IFRS 9 related to WBB	-	149
Opening balance after IFRS 9 impact of WBB	257,811	272,714
Charge for the year	14,593	230
Provision under IFRS 9 related to WBB	(447)	298
Reversals for the year	(26,759)	(15,431)
Net charge	(12,613)	(14,903)
Amount written off	(7,109)	-
Closing balance	238,089	257,811
15. BILLS PAYABLE		
In Pakistan	15,768,947	15,512,880

Rupees in '000	Note	2019	2018
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	16.1.1	13,656,666	12,455,680
Long term financing facility	16.1.2	5,622,997	6,281,267
Financing facility for storage of agricultural produce	16.1.3	2,500	5,833
Renewable energy financing facility	16.1.4	429,526	224,077
Refinance from SBP - credit guarantee scheme for women entrepreneurs	16.1.5	1,618	–
		19,713,307	18,966,857
Repurchase agreement borrowings			
State Bank of Pakistan	16.1.6	7,666,640	–
Financial institutions	16.1.7	14,248,475	20,766,755
		21,915,115	20,766,755
Refinance from Pakistan Mortgage Refinance Company	16.1.8	1,972,026	1,000,000
Total secured		43,600,448	40,733,612
Unsecured			
Call borrowings	16.1.9	6,162,763	10,851,663
Overdrawn nostro accounts		1,424,470	1,117,048
Total unsecured		7,587,233	11,968,711
		51,187,681	52,702,323

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 2% (2018: 1% to 3%) 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% (2018: 2.0% to 8.4%) per annum payable on a quarterly basis.

16.1.3 These are secured against demand promissory note and carry mark-up of 3.25% (2018: 3.25%) per annum and have maturities upto July 2020.

16.1.4 These are secured against demand promissory note and carry mark-up of 2% (2018: 2%) per annum and have maturities upto 2030.

16.1.5 These are secured against demand promissory note and carry mark-up of NIL (2018: NIL) per annum and have maturities upto 2022.

16.1.6 These are secured against collateral of Government Securities and carry mark-up of 13.32% (2018: NIL) per annum and have maturities upto 1 month (2018: NIL). The market value of securities given as collateral is given in note 8.2.1.

16.1.7 These are secured against collateral of Government Securities and carry mark-up of 2.89% to 13.20% (2018: 3.40% to 10.35%) per annum and have maturities upto 3 months (2018: 1 month). The market value of securities given as collateral is given in note 8.2.1.

16.1.8 This is secured against mortgage finance portfolio of the Bank and carry mark-up of 10% to 11% (2018: 10.71%) per annum and has maturity upto 2021 (2018: upto 2021).

16.1.9 These carry mark-up rate of 1.3% to 13% (2018: 1.35% to 9.55%) per annum and having maturity upto 5 months (2018: upto 6 months).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

Rupees in '000	2019	2018
16.2 Particulars of borrowings with respect to currencies		
In local currency	36,883,840	40,876,145
In foreign currencies	14,303,841	11,826,178
	51,187,681	52,702,323

17. DEPOSITS AND OTHER ACCOUNTS

Rupees in '000	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Customers						
Current accounts	174,842,702	19,411,555	194,254,257	152,097,142	16,648,265	168,745,407
Savings deposits	326,751,449	34,103,203	360,854,652	284,295,933	30,842,212	315,138,145
Fixed deposits	112,600,623	6,664,632	119,265,255	80,061,600	5,961,134	86,022,734
	614,194,774	60,179,390	674,374,164	516,454,675	53,451,611	569,906,286
Financial institutions						
Current accounts	547,712	41,087	588,799	840,366	-	840,366
Savings deposits	1,584,523	-	1,584,523	1,451,157	-	1,451,157
Fixed deposits	2,752,000	-	2,752,000	1,438,047	-	1,438,047
	4,884,235	41,087	4,925,322	3,729,570	-	3,729,570
	619,079,009	60,220,477	679,299,486	520,184,245	53,451,611	573,635,856

Rupees in '000	2019	2018
17.1 Composition of deposits		
- Individuals	245,870,270	225,474,253
- Government (Federal and Provincial)	239,953,178	187,851,067
- Public Sector Entities	48,142,129	41,581,294
- Banking Companies	76	107
- Non-Banking Financial Institutions	4,925,246	3,729,463
- Private Sector	140,408,587	114,999,672
	679,299,486	573,635,856

17.2 Total deposits include eligible deposits of Rs. 289,461,352 thousand (2018: Rs. 259,578,178 thousand) as required by the Deposit Protection Corporation's (a subsidiary of SBP) vide circular no. 04 of 2018 dated June 22, 2018.

Rupees in '000	Note	2019	2018
18. SUBORDINATED DEBTS			
Term Finance Certificates - V	18.1	3,992,000	3,993,600
Term Finance Certificates - VI (ADT-1)	18.1	6,000,000	6,000,000
		9,992,000	9,993,600

18.1 The Bank has raised unsecured sub-ordinated 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	3,992,000	6,000,000
Issue amount	Rupees 4,000 million	Rupees 6,000 million
Issue date	September 30, 2014	July 03, 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	Neither profit nor principal will be payable (even at maturity), if such payment will result in a shortfall in the Bank's Minimum Capital Requirement or Capital Adequacy Ratio or results in an increase in any existing shortfall in Minimum Capital Requirement or Capital Adequacy Ratio.	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	The instrument will be subject to Loss Absorbency under SBP's Basel III Circular	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.

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FOR THE YEAR ENDED DECEMBER 31, 2019

Rupees in '000	Note	2019	2018
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		5,488,211	3,167,365
Mark-up / return / interest payable in foreign currencies		229,291	166,309
Unearned commission and income on bills discounted		923,438	558,086
Accrued expenses		1,724,514	1,125,210
Advance payments		444,390	439,176
Acceptances		10,498,594	8,735,265
Dividends payable		138,446	127,053
Branch adjustment account		498,814	310,170
Payable to defined benefit plan		–	52,851
Security deposit against lease / Ijarah financing		4,247,512	4,473,848
Withholding taxes payable		252,129	134,361
Federal excise duty payable		56,894	68,562
Workers' Welfare Fund	30	172,117	130,000
Switch fee payable		666,416	747,778
Provision against off-balance sheet obligations	19.1	101,154	108,025
Lease liability against ROU assets as per IFRS - 16 Leases	4.1	7,358,016	–
Advance against Term Finance Certificate - VII	19.2	700,000	–
Others		1,204,112	834,417
		34,704,048	21,178,476

19.1 Provision against off-balance sheet obligations

Opening balance		108,025	6,116
Charge for the year		1,154	101,909
Reversal for the year		(517)	–
Net charge		637	101,909
Amount written off		(7,508)	–
Closing balance		101,154	108,025

19.2 This represents advance received against issuance of term finance certificates (TFC VII) of Rs. 7,000,000 thousand.

20. SHARE CAPITAL

20.1 Authorized capital

2019		2018	2019		2018
Number of shares			Rupees in '000		
2,000,000,000	2,000,000,000	Ordinary shares of Rs. 10 each	20,000,000	20,000,000	

20.2 Issued, subscribed and paid up capital

2019		2018	2019		2018
Number of shares			Rupees in '000		
514,689,096	514,689,096	Ordinary shares of Rs. 10 each	5,146,891	5,146,891	
717,297,769	717,297,769	Fully paid in cash	7,172,978	7,172,978	
28,273,315	28,273,315	Issued as bonus shares	282,733	282,733	
		Issued on Askari Leasing Limited merger			
1,260,260,180	1,260,260,180		12,602,602	12,602,602	

20.3 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, 2019.

Rupees in '000	Note	2019	2018
21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) on revaluation of:			
- Available for sale securities	8.1	(2,360,448)	(6,303,882)
- Fixed Assets	21.1	3,614,888	3,649,575
- Non-banking assets acquired in satisfaction of claims	21.2	2,219,829	2,097,145
		3,474,269	(557,162)
Deferred tax on deficit on revaluation of available for sale securities		826,157	2,206,359
		4,300,426	1,649,197
21.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January, 1		3,649,575	2,940,128
Recognised during the year		–	709,447
Realised on disposal during the year		(34,687)	–
Surplus on revaluation of fixed assets as at December, 31		3,614,888	3,649,575
21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January, 1		2,097,145	1,811,635
Recognised during the year		203,133	452,228
Realised on disposal / transfers during the year		(83,073)	(165,184)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		–	(628)
Adjustment during the year		2,624	(906)
Surplus on revaluation as at December, 31		2,219,829	2,097,145
22. CONTINGENCIES AND COMMITMENTS			
- Guarantees	22.1	188,434,387	177,859,159
- Commitments	22.2	314,542,303	311,761,473
- Other contingent liabilities	22.3	721,349	792,879
		503,698,039	490,413,511
22.1 Guarantees			
Financial guarantees		5,908,830	3,841,612
Performance guarantees		124,661,353	114,818,848
Other guarantees		57,864,204	59,198,699
		188,434,387	177,859,159

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Rupees in '000	Note	2019	2018
22.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		162,130,911	212,101,045
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	94,380,989	58,918,497
- forward government securities transactions	22.2.2	14,500,000	-
- forward lending	22.2.3	43,352,110	40,682,738
Commitments for acquisition of:			
- operating fixed assets		65,963	28,565
- intangible assets		112,330	30,628
		314,542,303	311,761,473
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		50,072,221	36,434,542
Sale		44,308,768	22,483,955
		94,380,989	58,918,497
The above commitments have maturities falling within one year.			
22.2.2 Commitments in respect of forward government securities transactions			
Purchase		14,500,000	-
Sale		-	-
		14,500,000	-
22.2.3 Commitments in respect of forward lending			
Forward repurchase agreement lending		36,096,228	20,806,907
Undrawn commitments	22.2.3.1	7,255,882	19,875,831
		43,352,110	40,682,738
22.2.3.1 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			
		2019	2018
22.3 Other contingent liabilities			
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.			
		721,349	792,879

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 as determined by the 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	2019	2018
24. MARK-UP / RETURN / INTEREST EARNED		
On:		
Loans and advances	42,674,869	23,859,186
Investments	27,125,698	18,436,042
Lendings to financial institutions	371,146	93,870
Balances with banks	142,505	106,818
Securities purchased under resale agreements	1,390,155	1,173,967
	71,704,373	43,669,883

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Rupees in '000	Note	2019	2018		
25. MARK-UP / RETURN / INTEREST EXPENSED					
On:					
Deposits		42,790,655	22,104,113		
Borrowings		4,505,643	2,302,209		
Subordinated debts		1,302,189	653,603		
Interest expense on lease liability against ROU assets		970,082	–		
		49,568,569	25,059,925		
26. FEE AND COMMISSION INCOME					
Branch banking customer fees		558,747	415,748		
Consumer finance related fees		106,306	80,538		
Card related fees (debit and credit cards)		874,269	809,492		
Credit related fees		141,884	123,343		
Investment banking fees		271,506	186,465		
Commission on trade		632,504	592,296		
Commission on guarantees		561,947	502,400		
Commission on remittances including home remittances		236,234	96,994		
Commission on bancassurance		156,241	228,946		
Others		76,955	79,848		
		3,616,593	3,116,070		
27. GAIN ON SECURITIES					
Realised	27.1	740,854	260,103		
Unrealised - held for trading	8.1	(1,503)	–		
		739,351	260,103		
27.1 Realised gain / (loss) on:					
Federal Government Securities		566,789	237,818		
Shares		176,471	(10,631)		
Non Government Debt Securities		88	1,780		
Mutual Funds		(2,494)	31,136		
		740,854	260,103		
28. OTHER INCOME					
Rent on property		1,292	9,359		
Loss on sale of fixed assets		(60,406)	(5,253)		
Rent of lockers		41,416	38,525		
(Loss) / gain on sale of non-banking asset	28.1	(146)	226,792		
Recovery of expenses from customers		234,524	148,658		
Termination of lease contracts under IFRS - 16 Leases		49,422	–		
		266,102	418,081		
28.1 (Loss) / gain on sale of non-banking asset					
		2019			
Name of party	Cost	Revalued amount	Cash received	Gain / (loss) on sale	Mode of disposal
	Rupees '000				
Mr. Amer Mehmood	85,539	103,148	105,600	2,452	Tender
M/s Sajid Textiles	154,749	166,098	163,500	(2,598)	Tender
	240,288	269,246	269,100	(146)	

Name of party	2018				
	Cost	Revalued amount	Cash received	Gain on sale	Mode of disposal
Rupees '000					
M/s A.H. International (Pvt) Limited	395,292	517,566	735,000	217,434	Buy Back
M/s Shafi Exports (Pvt) Limited	69,104	100,849	110,207	9,358	Buy Back
	464,396	618,415	845,207	226,792	

Rupees in '000

	Note	2019	2018
29. OPERATING EXPENSES			
Total compensation expenses	29.1	8,783,319	8,502,023
Property expense			
Rent and taxes		294,366	1,692,027
Insurance		131,180	93,144
Utilities cost		634,301	547,660
Security (including guards)		489,076	546,841
Repair & maintenance (including janitorial charges)		255,476	230,124
Depreciation on ROU assets		1,497,366	–
Depreciation		437,629	430,449
		3,739,394	3,540,245
Information technology expense			
Software maintenance		250,650	256,653
Hardware maintenance		45,081	41,898
Depreciation		211,737	186,905
Amortisation		206,420	195,294
Network charges		208,178	221,761
		922,066	902,511
Other operating expenses			
Directors' fees, allowances		11,375	8,250
Fees and allowances to shariah board		5,847	4,940
Rent, taxes, insurance etc.		214,936	186,866
Legal and professional charges		97,154	110,524
Brokerage and commission		80,466	81,567
NIFT clearing charges		62,030	53,463
Repair and maintenance		284,191	254,147
Communications		507,406	417,668
Stationery and printing		351,474	216,611
Marketing, advertisement and publicity		164,839	114,548
Donations	29.2	60,600	43,388
Auditors' remuneration	29.3	16,537	13,126
Travelling, conveyance and entertainment		280,881	229,249
Vehicle running expenses		868,377	736,598
Depreciation		734,492	405,481
Security service charges		218,416	183,657
Training and development		40,571	19,305
Deposit premium expense		415,325	190,162
Other expenditure		375,691	216,347
		4,790,608	3,485,897
		18,235,387	16,430,676

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Rupees in '000	Note	2019	2018
29.1 Total compensation expenses			
Managerial remuneration			
i) Fixed		3,694,226	4,007,601
ii) Variable			
- Cash bonus / awards etc.		1,358,110	665,984
		5,052,336	4,673,585
Charge for defined benefit plans	29.1.1	359,011	586,359
Contribution to defined contribution plan	38	269,660	263,112
Rent and house maintenance		1,640,820	1,578,787
Utilities		357,433	345,968
Medical		501,094	485,054
Conveyance		331,700	344,721
Other staff cost	29.1.2	271,265	224,437
		8,783,319	8,502,023

29.1.1 This includes charge of gratuity fund and leave encashment.

29.1.2 This includes incentive to consumer sales staff, dearness allowance, cash handling allowance, staff group insurance etc.

29.2 This includes contribution amounting to Rs. 10,000 thousand (2018: NIL) to Sona Welfare Foundation (SWF) for the purpose of construction of the first Farmer Facility Center (Sona Sahulat Markaz), Rs. 600 thousand (2018: NIL) for installation of water supply bore at Gokdan Turbat Girls School. It also includes amount of donation of Rs. 50,000 thousand (2018: NIL) to Fauji Foundation Hospital for the purchase of medical equipments where common directors interest is limited to the extent of their employment with Fauji Foundation.

Rupees in '000	2019	2018
29.3 Auditors' remuneration		
Statutory auditors of the Bank		
Audit fee	3,795	3,795
Fee for the audit of provident and gratuity funds	360	300
Special certifications, half year review, audit of consolidated financial statements and sundry advisory services	6,638	4,781
Out of pocket expenses	1,425	1,321
	12,218	10,197
Auditors of Wholesale Bank Branch, Bahrain		
Audit fee	4,319	2,929
	16,537	13,126
30. WORKERS' WELFARE FUND		
Opening balance	130,000	670,060
Charge for the year	42,117	159,940
Reversal for the prior periods	-	(700,000)
	42,117	(540,060)
Closing balance	172,117	130,000

31. This represents penalties imposed by the State Bank of Pakistan.

Rupees in '000	Note	2019	2018
32. PROVISIONS AND WRITE OFFS - NET			
Provision for diminution in value of investments (Reversal) / provision against loans and advances	8.3.1	931,362	1,048,772
Reversal of provision against other assets	9.4	(14,499)	467,347
Reversal of provision against intangible assets	14.4.1	(12,613)	(14,903)
Provision against off-balance sheet obligations		(14,538)	–
Reversal of provision against cash and bank balances	19.1	637	101,909
Recovery of written off / charged off bad debts	6.3	(4)	(14)
		(117,070)	(142,536)
		773,275	1,460,575
33. TAXATION			
Current		4,329,226	2,009,641
Prior years		(707,173)	1,578,208
Deferred		(249,804)	(1,139,672)
		3,372,249	2,448,177
33.1 Relationship between tax expense and accounting profit			
Profit before taxation		10,389,271	6,879,455
Tax at applicable tax rate of 39 percent (2018: 35 percent)		4,051,816	2,407,809
Effect of:			
- charge for prior year		(717,002)	39,183
- permanent differences		37,435	1,185
		3,372,249	2,448,177

33.2 Tax status

- i) The Bank has filed tax returns for and up to tax year 2019 (year ended 31 December 2018). 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 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 High Court. However the likelihood of an adverse decision is considered low due to a favourable decision of the High Court in a parallel case.

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Rupees in '000	2019	2018
34. BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the year - Rupees in '000	7,017,022	4,431,278
Weighted average number of Ordinary Shares - numbers	1,260,260,180	1,260,260,180
Basic and diluted earnings per share - Rupees	5.57	3.52

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	2019	2018
35. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	63,039,290	49,187,645
Balances with other banks	7,886,708	4,093,402
Call money lendings	6,330,782	-
	77,256,780	53,281,047

	2019	2018
36. STAFF STRENGTH		
		Number of employees
Permanent	6,921	6,640
On Bank's contract	927	898
Total staff strength	7,848	7,538

In addition to the above, out of total employees, 6 (2018: 5) 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 6,916 employees (2018: 6,611 employees).

37.3 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2019 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2019	2018
Discount rate - per annum	13.00%	10.75%
Expected rate of increase in salaries - per annum	10.0% - 12.5%	10.25%
Expected rate of return on plan assets - per annum	13.00%	10.75%
Duration	10.21 years	10.84 years
Mortality rate	SLIC 2001 - 2005 mortality table	SLIC 2001 - 2005 mortality table

Rupees in '000	Note	2019	2018
37.4 Reconciliation of (receivable) from / payable to defined benefit plan			
Present value of defined benefit obligation		2,733,220	2,782,116
Fair value of plan assets		(2,816,595)	(2,741,274)
Benefits payable		12,011	12,009
Net (asset) / liability		(71,364)	52,851
37.5 Movement in defined benefit obligations			
Obligation at the beginning of the year		2,782,116	2,505,491
Current service cost		302,411	278,585
Interest cost		299,771	224,074
Re-measurement gain		(503,532)	(47,892)
Benefits paid by the Bank		(147,546)	(166,133)
Benefits payable		–	(12,009)
Obligation at the end of the year		2,733,220	2,782,116
37.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		2,741,274	2,042,650
Interest income on plan assets		287,459	203,902
Actuarial loss on assets		(64,592)	(43,130)
Contributions by employer		–	730,670
Benefits paid		(147,546)	(166,133)
Benefits payable - opening		–	(26,685)
Fair value at the end of the year		2,816,595	2,741,274
37.7 Movement in (receivable) / payable under defined benefit schemes			
Opening balance		52,851	489,526
Charge for the year		314,725	298,757
Contribution by the Bank - net		–	(730,670)
Re-measurement gain recognised in OCI during the year	37.8.2	(438,940)	(4,762)
Closing balance		(71,364)	52,851
37.8 Charge for defined benefit plan			
37.8.1 Cost recognised in profit and loss			
Current service cost		302,411	278,585
Net interest income on defined benefit liability		12,314	20,172
		314,725	298,757
37.8.2 Re-measurements recognised in OCI during the year			
(Gain) / loss on obligation			
- Experience adjustment		(503,532)	(47,892)
Actuarial loss on assets		64,592	43,130
Total re-measurements recognised in OCI		(438,940)	(4,762)

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Rupees in '000	2019	2018
37.9 Components of plan assets		
Cash and cash equivalents	39,813	183,901
Government securities	2,268,702	1,859,754
Term Finance Certificates	155,852	274,926
Shares	71,713	89,646
Mutual funds	280,515	333,047
	2,816,595	2,741,274

37.10 Amounts for current and previous four annual periods are as follows:

Rupees in '000	2019	2018	2017	2016	2015
As at December 31,					
Defined benefit obligation	2,733,220	2,782,116	2,505,491	2,192,580	1,813,892
Plan assets	(2,816,595)	(2,741,274)	(2,042,650)	(1,808,216)	(1,813,892)
Benefits payable	12,011	12,009	26,685	-	-
(Surplus) / deficit	(71,364)	52,851	489,526	384,364	-
Experience adjustments					
Actuarial gain on obligation	503,532	47,892	58,839	-	51,437
Actuarial (loss) / gain on plan assets	(64,592)	(43,130)	(116,540)	-	34,266

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	Impact on Defined Benefit Obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
	Rupees in '000		
Discount rate	1.00%	(250,617)	291,056
Salary increase	1.00%	278,036	(244,175)
Mortality rate change	1 year	586	(588)

37.12 The expected contribution for the next one year should take into account the maximum annual contribution limit set by the Income Tax Rules, 2002 i.e. the basic payroll of the last month of the financial year end. If the contribution exceeds the limit defined in the Income Tax Rules, the Bank may apply to the Commissioner of Inland Revenue (CIR) for special contribution for the excess amount.

37.13 Expected charge for the next financial year (Rupees in '000) 240,861

37.14 Maturity profile

Periods	Undiscounted payments Rupees in '000
Year 1	135,124
Year 2	113,009
Year 3	135,958
Year 4	111,040
Year 5	153,638
Year 6 to Year 10	1,707,848
Year 11 and above	13,532,318

37.15 Funding Policy

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

37.16 Significant risks associated with the staff retirement benefit scheme:

Longevity Risks	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, 2018 were Rs. 4,729,632 thousand (December 31, 2017: Rs. 4,250,161 thousand) as per latest available audited financial statements of the fund. The employees covered under this scheme are 6,129 (2018: 6,437 employees).

38.1 The details of size and investment of the provident fund is as follows:

Rupees in '000	2019 Un-audited	2018 Audited
Size of the fund	5,384,207	4,700,387
Cost of investments	5,284,243	4,526,516
Fair value of investments	5,397,441	4,535,520
Percentage of investments	98.14%	96.30%

38.2 Breakup of provident fund investments

	2019 (Un-audited)		2018 (Audited)	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Pakistan Investment Bonds	3,019,080	57.13	2,285,000	50.48
Market Treasury Bills	951,216	18.00	911,000	20.13
Term Finance Certificates	419,652	7.94	368,000	8.13
Mutual Funds	644,664	12.20	712,885	15.75
Shares	249,631	4.73	249,631	5.51
	5,284,243	100.00	4,526,516	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.

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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 recommendation.

Under this unfunded scheme, regular employees are entitled to 30 days privilege leave for each completed year of service and unutilized privilege leaves are accumulated upto a maximum of 90 days out of which 45 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, 2019 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2019 was Rs. 569,382 thousand (2018: Rs. 574,690 thousand). Expense for the year of Rs. 44,286 thousand (2018: Rs 287,602 thousand) has been included in administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2019	2018
Discount rate - per annum	13.00%	10.75%
Expected rate of increase in salaries - per annum	10.00% to 12.50%	10.25%
Leave accumulation factor - days	8	8

40. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

40.1 Total Compensation Expense

Items	For the year ended December 31, 2019					Total
	Non Executive Director	Member Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers	
	Rupees in '000					
Fees and Allowances etc.						
Managerial Remuneration						
i) Fixed	11,375	5,400	20,717	125,287	120,783	283,562
ii) Total Variable of which						
a) Cash Bonus / Awards	–	–	3,422	22,730	26,459	52,611
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	1,768	8,644	10,665	21,077
Contribution to defined contribution plan	–	–	1,666	8,000	9,159	18,825
Rent & house maintenance	–	–	8,998	51,480	56,425	116,903
Utilities	–	–	2,000	11,339	11,486	24,825
Medical	–	–	2,000	11,339	11,486	24,825
Conveyance	–	447	–	29,952	42,982	73,381
Others	–	–	120	9,067	12,269	21,456
Total	11,375	5,847	40,691	277,838	301,714	637,465
Number of persons	10	3	1	24	57	95

Items	For the year ended December 31, 2018					Total
	Non Executive Director	Member Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers	
	Rupees in '000					
Fees and Allowances etc.						
Managerial Remuneration						
i) Fixed	8,250	4,559	34,484	109,030	112,980	269,303
ii) Total Variable of which						
a) Cash Bonus / Awards	–	–	11,695	25,548	22,265	59,508
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	1,330	6,059	8,284	15,673
Contribution to defined contribution plan	–	–	1,634	6,499	11,201	19,334
Rent & house maintenance	–	–	7,064	42,616	45,725	95,405
Utilities	–	–	1,671	9,270	9,984	20,925
Medical	–	–	1,671	9,270	9,984	20,925
Conveyance	–	381	–	23,700	35,365	59,446
Others	–	–	11,663	3,758	4,766	20,187
Total	8,250	4,940	71,212	235,750	260,554	580,706
Number of persons	11	3	2	26	54	96

The term “Key Management Personnel” means the following functional responsibilities:

- (a) Any executive or key executive, acting as second to CEO, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.
- (b) Any executive or key executive reporting directly to the CEO / President or the person mentioned in (a) above.

Risk Taker is a function of the Bank which takes, or is in a position to take, risk that may result in financial losses as circumstances may change, but also presents an opportunity for a rewarding outcome for the Bank.

Risk Controller is a function of the Bank positioned to pro-actively identify risks associated with the businesses of the Bank and may advise the mitigation thereof. Risk Controller is independent of the business and support units it monitors and controls.

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FOR THE YEAR ENDED DECEMBER 31, 2019

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

		2019					
		Meeting fees and allowances paid for Board Committees					
S.No	Name of Director	Board meetings	Human resource and remuneration committee	Risk management committee	Audit committee	Information technology committee	Total amount paid
Rupees in '000							
1	Lt Gen Syed Tariq Nadeem Gilani HI (M) Retd	625	-	-	-	-	625
2	Lt Gen Javed Iqbal HI (M) Retd	375	375	-	-	-	750
3	Lt Gen Tariq Khan HI (M) Retd	250	-	-	-	-	250
4	Dr. Nadeem Inayat	625	281	375	656	281	2,218
5	Mr. Rehan Laiq	625	-	94	563	-	1,282
6	Mr. Manzoor Ahmed	500	-	375	656	-	1,531
7	Mr. Kamal A. Chinoy	625	188	-	-	-	813
8	Syed Ahmed Iqbal Ashraf	625	375	-	656	-	1,656
9	Mr. Mushtaq Malik	625	375	-	-	-	1,000
10	Brig Saleem Ahmed Moeen SI Retd	500	-	375	-	375	1,250
Total amount paid		5,375	1,594	1,219	2,531	656	11,375

		2018					
		Meeting fees and allowances paid for Board Committees					
S.No	Name of Director	Board meetings	Human resource and remuneration committee	Risk management committee	Audit committee	Information technology committee	Total amount paid
Rupees in '000							
1	Lt Gen Syed Tariq Nadeem Gilani HI (M) Retd	625	-	-	-	-	625
2	Lt Gen Javed Iqbal HI (M) Retd	312	238	-	-	-	550
3	Lt Gen Tariq Khan HI (M) Retd	250	-	-	-	-	250
4	Mr. Qaiser Javed	500	-	144	313	-	957
5	Dr. Nadeem Inayat	625	238	188	406	94	1,551
6	Mr. Manzoor Ahmed	625	-	238	356	-	1,219
7	Mr. Kamal A. Chinoy	344	187	-	-	-	531
8	Justice (R) Sarmad Jalal Osmany	93	-	24	-	-	117
9	Syed Ahmed Iqbal Ashraf	625	238	-	406	-	1,269
10	Mr. Mushtaq Malik	625	212	-	-	-	837
11	Brig Saleem Ahmed Moeen SI Retd	250	-	-	-	94	344
Total amount paid		4,874	1,113	594	1,481	188	8,250

40.3 Remuneration paid to Shariah Board Members

		Meeting fees and allowances paid					
		2019			2018		
Items		Chairman	Resident member	Non-resident member	Chairman	Resident member	Non-resident member
Rupees in '000							
a.	Meeting fees and allowances	-	-	-	-	-	-
b.	Managerial remuneration fixed	1,800	1,800	1,800	1,510	1,539	1,510
c.	Fuel	-	447	-	-	381	-
Total amount		1,800	2,247	1,800	1,510	1,920	1,510
Total number of persons		1	1	1	1	1	1

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.

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 Bank's Association.

Level 3: Fair value measurements using input for the asset or liability 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.

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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	2019			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	208,019,966	–	208,019,966
Shares	4,671,445	–	300,000	4,971,445
Units of open end mutual funds	–	1,272,261	–	1,272,261
Fully paid preference shares	61,945	–	–	61,945
Non Government Debt Securities	–	2,862,993	7,957,133	10,820,126
Foreign securities	–	164,967	–	164,967
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	76,896,182	–	76,896,182
Foreign securities	–	3,228,741	–	3,228,741
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	–	50,072,221	–	50,072,221
Forward sale of foreign exchange	–	44,308,768	–	44,308,768
Forward agreements for lending	–	–	–	–
Forward agreements for borrowing	–	–	36,096,228	36,096,228

Rupees in '000	2018			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	237,893,228	–	237,893,228
Shares	4,008,121	–	300,000	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
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	11,171,395	–	11,171,395
Off-balance sheet financial instruments - measured at fair value				
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

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

Rupees in '000	2019 Level 3	2018 Level 3
41.2 Fair value of non-financial assets		
Fixed assets		
Property and equipment (freehold and leasehold land)	8,023,338	8,084,238
Other assets		
Non-banking assets acquired in satisfaction of claims	4,775,172	5,298,464

42. Segment Information

42.1 Segment details with respect to Business Activities

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

Rupees in '000	2019							Total
	Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head office / others	
Profit and loss								
Net mark-up / return / profit	(32,110,478)	26,011,451	23,186,379	2,896,790	3,051,902	769,863	(1,670,103)	22,135,804
Inter segment revenue - net	49,211,908	(20,333,777)	(27,004,856)	(2,073,037)	-	322,279	(122,517)	-
Non mark-up / return / interest income	1,416,231	2,403,402	2,518,054	310,403	275,680	28,047	452,376	7,404,193
Total income / (loss)	18,517,661	8,081,076	(1,300,423)	1,134,156	3,327,582	1,120,189	(1,340,244)	29,539,997
Segment direct expenses	9,738,461	692,762	189,844	788,197	2,066,391	96,558	4,805,238	18,377,451
Inter segment expense allocation	2,584,128	1,798,926	295,218	126,966	-	-	(4,805,238)	-
Total expenses	12,322,589	2,491,688	485,062	915,163	2,066,391	96,558	-	18,377,451
(Reversal of provisions) / provisions	(27,993)	(468,647)	(728)	71,212	185,407	55,355	958,669	773,275
Profit / (loss) before tax	6,223,065	6,058,035	(1,784,757)	147,781	1,075,784	968,276	(2,298,913)	10,389,271
Statement of financial position								
Cash and bank balances	23,658,156	2,731,715	18,995,752	-	9,312,065	170,548	16,057,756	70,925,992
Investments	-	9,560,837	264,527,598	-	7,796,309	17,546,111	6,004,778	305,435,633
Net inter segment lending	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	14,075,190	-	6,330,782	-	-	20,405,972
Advances - performing - net of provision	12,374,428	274,288,120	-	17,953,030	45,559,794	12,503,225	6,509,349	369,187,946
Advances - non-performing - net of provision	684,502	1,567,268	-	231,813	1,242,334	-	-	3,725,917
Others	1,053,872	17,132,320	5,201,442	708,117	5,365,508	271,906	33,793,381	63,526,546
Total assets	37,770,958	305,280,260	302,799,982	18,892,960	75,606,792	30,491,790	62,365,264	833,208,006
Borrowings	1,352,907	17,372,474	13,810,495	1,972,026	2,187,925	13,067,383	1,424,471	51,187,681
Subordinated debts	-	-	-	-	-	-	9,992,000	9,992,000
Deposits and other accounts	547,655,118	68,398,729	-	19,187	62,859,181	289,553	77,718	679,299,486
Net inter segment balances - net	(521,324,078)	196,917,169	288,295,379	15,597,961	-	14,354,373	6,159,196	-
Others	10,087,011	22,591,888	694,108	1,303,786	5,277,040	1,514,653	9,004,509	50,472,995
Total liabilities	37,770,958	305,280,260	302,799,982	18,892,960	70,324,146	29,225,962	26,657,894	790,952,162
Equity	-	-	-	-	5,282,646	1,265,828	35,707,370	42,255,844
Total equity and liabilities	37,770,958	305,280,260	302,799,982	18,892,960	75,606,792	30,491,790	62,365,264	833,208,006
Contingencies and commitments	5,846,170	342,698,169	135,443,232	602,579	8,055,344	9,523,859	1,528,686	503,698,039

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Rupees in '000	2018							Total
	Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head office / others	
Profit and loss								
Net mark-up / return / profit	(15,498,583)	12,593,552	16,911,770	2,041,682	1,864,845	581,932	114,760	18,609,958
Inter segment revenue - net	26,456,782	(8,915,076)	(16,582,367)	(1,213,144)	-	221,706	32,099	-
Non mark-up / return / interest income	1,662,135	1,742,742	1,366,088	217,419	226,417	2,322	404,470	5,621,593
Total income	12,620,334	5,421,218	1,695,491	1,045,957	2,091,262	805,960	551,329	24,231,551
Segment direct expenses	8,997,966	682,889	179,674	625,997	1,821,327	81,455	3,502,213	15,891,521
Inter segment expense allocation	1,665,368	1,542,302	197,439	97,104	-	-	(3,502,213)	-
Total expenses	10,663,334	2,225,191	377,113	723,101	1,821,327	81,455	-	15,891,521
Provisions / (reversal of provisions)	11,261	(45,558)	(8)	20,058	37,358	9,931	1,427,533	1,460,575
Profit / (loss) before tax	1,945,739	3,241,585	1,318,386	302,798	232,577	714,574	(876,204)	6,879,455
Statement of financial position								
Cash and bank balances	17,736,565	830,522	29,951,560	-	3,809,342	874,204	78,854	53,281,047
Investments	-	7,852,655	223,738,330	-	8,169,564	13,627,192	6,846,246	260,233,987
Net inter segment lending	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-
Advances - performing - net of provision	20,533,474	238,852,002	-	19,304,293	46,549,799	9,621,704	6,701,958	341,563,230
Advances - non-performing - net of provision	410,474	924,226	-	148,992	60,225	-	-	1,543,917
Others	1,941,288	9,773,333	3,457,096	585,079	2,173,734	189,483	31,789,848	49,909,861
Total assets	40,621,801	258,232,738	257,146,986	20,038,364	60,762,664	24,312,583	45,416,906	706,532,042
Borrowings	1,088,350	16,854,146	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	451,748,610	79,201,117	-	29,564	42,338,600	272,887	45,078	573,635,856
Net inter segment balances - net	(421,816,294)	145,546,523	244,158,060	17,473,521	2,168,060	11,386,676	1,083,454	-
Others	9,601,135	16,630,952	199,652	1,535,279	3,071,189	1,039,532	4,613,617	36,691,356
Total liabilities	40,621,801	258,232,738	257,146,986	20,038,364	56,577,210	23,553,239	16,852,797	673,023,135
Equity	-	-	-	-	4,185,454	759,344	28,564,109	33,508,907
Total equity and liabilities	40,621,801	258,232,738	257,146,986	20,038,364	60,762,664	24,312,583	45,416,906	706,532,042
Contingencies and commitments	6,012,336	396,694,625	71,602,764	515,246	5,934,661	8,011,980	1,641,899	490,413,511

42.2 Segment details with respect to geographical locations

Rupees in '000	2019		
	Pakistan	Middle East	Total
Profit and loss			
Net mark-up / return / profit	21,365,941	769,863	22,135,804
Inter segment revenue - net	(322,279)	322,279	–
Non mark-up / return / interest income	7,376,146	28,047	7,404,193
Total income	28,419,808	1,120,189	29,539,997
Segment direct expenses	18,280,893	96,558	18,377,451
Inter segment expense allocation	–	–	–
Total expenses	18,280,893	96,558	18,377,451
Provisions	717,920	55,355	773,275
Profit before tax	9,420,995	968,276	10,389,271
Statement of financial position			
Cash and bank balances	70,755,444	170,548	70,925,992
Investments	287,889,522	17,546,111	305,435,633
Net inter segment lending	–	–	–
Lendings to financial institutions	20,405,972	–	20,405,972
Advances - performing - net of provision	356,684,721	12,503,225	369,187,946
Advances - non-performing - net of provision	3,725,917	–	3,725,917
Others	63,254,640	271,906	63,526,546
Total assets	802,716,216	30,491,790	833,208,006
Borrowings	38,120,298	13,067,383	51,187,681
Subordinated debts	9,992,000	–	9,992,000
Deposits and other accounts	679,009,933	289,553	679,299,486
Net inter segment balances - net	(14,354,373)	14,354,373	–
Others	48,958,342	1,514,653	50,472,995
Total liabilities	761,726,200	29,225,962	790,952,162
Equity	40,990,016	1,265,828	42,255,844
Total equity and liabilities	802,716,216	30,491,790	833,208,006
Contingencies and commitments	494,174,180	9,523,859	503,698,039

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Rupees in '000	2018		
	Pakistan	Middle East	Total
Profit and loss			
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
Total income	23,425,591	805,960	24,231,551
Segment direct expenses	15,810,066	81,455	15,891,521
Inter segment expense allocation	–	–	–
Total expenses	15,810,066	81,455	15,891,521
Provisions	1,450,644	9,931	1,460,575
Profit before tax	6,164,881	714,574	6,879,455
Statement of financial position			
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
Total assets	682,219,459	24,312,583	706,532,042
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 - net	(11,386,676)	11,386,676	–
Others	35,651,824	1,039,532	36,691,356
Total liabilities	649,469,896	23,553,239	673,023,135
Equity	32,749,563	759,344	33,508,907
Total equity and liabilities	682,219,459	24,312,583	706,532,042
Contingencies and commitments	482,401,531	8,011,980	490,413,511

43. TRUST ACTIVITIES

The Bank is not involved in any trust activities on behalf of its customers except that it holds government securities on behalf of certain customers in its Investors Portfolio Services account maintained with SBP.

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	2019						2018					
	Parent	Director	Key management personnel	Subsidiary	Companies with common directorship	Other related parties	Parent	Director	Key management personnel	Subsidiary	Companies with common directorship	Other related parties
Investments												
Opening balance	-	-	-	-	49,133	-	-	-	-	-	217,634	-
Investment made during the year	-	-	-	-	364,176	-	-	-	-	-	154,796	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	-	(26,322)	-
Transfer in / (out) - net	-	-	-	-	306,002	300,000	-	-	-	-	(296,975)	-
Closing balance	-	-	-	-	719,311	300,000	-	-	-	-	49,133	-
Provision for diminution in value of investments	-	-	-	-	100,158	-	-	-	-	-	9,097	-
Advances												
Opening balance	9,581,279	451	332,540	-	3,803,463	-	781,073	695	397,255	-	3,797,303	-
Addition during the year / Adjustment	139,634,599	24,193	156,780	-	23,395,671	-	97,898,658	27,104	70,238	-	32,784,743	-
Repaid during the year / Adjustment	(144,180,374)	(4,873)	(95,164)	-	(23,386,102)	-	(89,098,452)	(63,482)	(74,429)	-	(31,663,208)	-
Transfer in / (out) - net	-	-	(29,703)	-	888,444	-	-	36,134	(60,524)	-	(1,115,375)	-
Closing balance	5,035,504	19,771	364,453	-	4,701,476	-	9,581,279	451	332,540	-	3,803,463	-
Other assets												
Interest / mark-up receivable	106,869	261	71,401	-	128,318	-	52,483	3,671	65,415	-	23,533	-
Receivable from staff retirement fund	-	-	-	-	-	71,364	-	-	-	-	-	-
Security deposits receivable	3,600	-	-	-	-	-	3,600	-	-	-	-	-
Acceptances	-	-	-	-	58,420	-	-	-	-	-	172,199	-
Advance rent	982	-	-	-	-	-	7,517	-	-	-	-	-
Assets held for sale - net of provision	-	-	-	80,720	-	-	-	-	-	80,720	-	-
Borrowings												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings during the period	-	-	-	-	-	1,000,000	-	-	-	-	-	-
Settled during the period	-	-	-	-	-	(27,974)	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	1,000,000	-	-	-	-	-	-
Closing balance	-	-	-	-	-	1,972,026	-	-	-	-	-	-
Subordinated debts												
Opening balance	-	-	-	-	24,960	-	-	-	-	-	24,970	-
Issued / purchased during the year	-	-	-	-	-	-	-	-	-	-	-	-
Redemption / sold during the year	-	-	-	-	(10)	-	-	-	-	-	(10)	-
Closing balance	-	-	-	-	24,950	-	-	-	-	-	24,960	-
Deposits and other accounts												
Opening 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
Received during the year / adjustment	496,469,213	257,541	853,208	426,844	307,604,618	37,960,371	356,365,334	310,892	704,636	130,345	248,876,185	18,009,853
Withdrawn during the year / adjustment	(501,600,876)	(218,194)	(879,966)	(402,600)	(297,710,115)	(36,337,556)	(352,326,164)	(299,993)	(676,343)	(104,666)	(251,057,728)	(17,858,065)
Transfer in / (out) - net	-	-	(15,396)	-	42,683	-	-	(15,008)	(55,165)	-	159,156	-
Closing balance	4,678,222	64,239	117,562	53,174	15,124,817	4,817,176	9,809,885	24,892	159,716	28,930	5,187,631	3,194,361
Other liabilities												
Interest / mark-up payable	30,293	113	2,750	-	54,079	79,885	16,717	68	1,390	-	37,455	8,840
Acceptances	-	-	-	-	58,420	-	-	-	-	-	172,199	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	52,851
Security deposits payable	-	-	287	-	210,172	-	-	-	287	-	161,946	-
Others	4,021	-	-	-	-	-	3,084	-	-	-	-	-
Contingencies and commitments	124,565	-	-	40,000	2,239,471	-	55,910	-	-	-	1,353,114	-
Others												
Securities held as custodian	2,465,000	-	-	50,000	-	6,632,750	1,760	-	-	-	-	5,066,000

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

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Rupees in '000	2019					2018						
	Parent	Director	Key management personnel	Subsidiary	Companies with common directorship	Other related parties	Parent	Director	Key management personnel	Subsidiary	Companies with common directorship	Other related parties
Income												
Mark-up / return / interest earned	325,946	753	18,445	-	576,685	-	127,757	3,250	13,055	-	325,324	-
Fee and commission received	209	-	-	165	18,189	-	83	-	-	-	23,881	-
Dividend income	-	-	-	-	2,115	-	-	-	-	-	7,963	-
Rent received	-	-	-	-	-	-	-	-	-	-	749	-
Expense												
Mark-up / return / interest expensed	716,408	1,842	6,761	718	1,114,786	626,918	685,007	649	5,677	-	583,493	231,679
Contribution to employees funds	-	-	-	-	-	584,385	-	-	-	-	-	561,869
Remuneration and allowances paid	-	-	448,741	-	-	5,847	-	-	426,312	-	-	4,940
Post employment benefits	-	-	28,419	-	-	-	-	-	23,914	-	-	-
Rent	18,646	-	-	-	-	-	24,918	-	-	-	-	-
Fee and commission paid	-	-	-	326	138	39,145	-	-	-	-	261	22,125
Fee paid	-	11,375	-	-	-	-	-	8,250	-	-	-	-
Dividend paid	906,282	104	75	-	-	7,830	-	-	-	-	-	-
Donations	50,000	-	-	-	-	10,000	-	-	-	-	-	-

The term 'key management personnel' has the same meaning as defined in IAS 24 - Related Party Disclosures.

45. CAPITAL ADEQUACY, LEVERAGE RATIO & 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 Bank recognises the need to maintain a balance between the higher returns that might be possible with greater exposure and the advantages and security afforded by a sound capital position.

Rupees in '000	2019	2018
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	12,602,602	12,602,602
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	36,313,390	28,990,178
Eligible Additional Tier 1 (ADT 1) Capital	5,883,752	5,736,610
Total Eligible Tier 1 Capital	42,197,142	34,726,788
Eligible Tier 2 Capital	6,773,058	5,075,159
Total Eligible Capital (Tier 1 + Tier 2)	48,970,200	39,801,947
Risk Weighted Assets (RWAs):		
Credit Risk	304,482,207	268,963,104
Market Risk	15,988,883	9,771,875
Operational Risk	45,635,240	39,356,590
Total	366,106,330	318,091,569
Common Equity Tier 1 Capital Adequacy Ratio	9.92%	9.11%
Tier 1 Capital Adequacy Ratio	11.53%	10.92%
Total Capital Adequacy Ratio	13.38%	12.51%

As of December 2019, the Bank must meet a Tier 1 to RWA ratio and CAR, including CCB, of 10% and 12.50% 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	2019	2018
Leverage Ratio (LR):		
Eligible Tier 1 Capital	42,197,142	34,726,788
Total Exposures	1,222,565,769	1,157,808,940
Leverage Ratio	3.45%	3.00%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	239,545,379	278,917,759
Total Net Cash Outflow	152,412,055	154,131,589
Liquidity Coverage Ratio	157.17%	180.96%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	679,039,953	584,918,449
Total Required Stable Funding	398,262,301	312,211,738
Net Stable Funding Ratio	170.50%	187.35%

The full disclosure 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 can be accessed through the Bank's website 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 Group. BRMC is responsible for reviewing the extent of design and adequacy of the 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.

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The Bank has built and maintains a sound loan portfolio in line with 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 45% of the total asset base and is also the largest source of credit risk for the Bank. The Bank'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 Bank with dedicated resources to ensure that risk is not only minimized but is optimized from a risk / return perspective.

Credit Risk Review is conducted at obligor as well as at portfolio level to ensure adherence to regulatory requirement 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 HOCC. Audit and inspection division reviews the advances portfolio on a post approval basis.

The Bank has undertaken a number of initiatives to strengthen its credit risk management framework including in-house development of internal risk rating models (obligor and facility) for the portfolio in respective segments and transition & migration matrices to study the realized default rates and performance of the risk rating models over the years. Based on a validation / back-testing exercise, a Probability of Default has been introduced for each obligor risk rating.

The Bank is in the process of implementing an Enterprise Risk Management solution and a Loan Origination System. These systems will not only enhance operational efficiency in the risk management processes, but also promote integrated risk assessment.

Risk Asset Review (RAR) performs an independent review of the credit portfolio. It provides an independent assessment of portfolio quality, efficacy of processes for acquisition of risk assets, regulatory/policy compliance and appropriateness of classification and risk rating.

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 counterparties 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 analysed as follows:

Rupees in '000	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	2019	2018	2019	2018
46.1.1 Lendings to financial institutions						
Credit risk by public / private sector						
Public / Government	15,954,175	–	–	–	–	–
Private	4,600,403	148,606	148,606	148,606	148,606	148,606
	20,554,578	148,606	148,606	148,606	148,606	148,606

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Rupees in '000	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
46.1.2 Investment in debt securities						
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	1,279,351	999,351	999,351	999,351	999,351	999,351
Mining and Quarrying	–	–	–	–	–	–
Textile	311,716	336,972	311,716	336,972	311,716	336,972
Chemical and Pharmaceuticals	694,189	488,918	56,189	68,919	56,189	68,919
Cement	–	–	–	–	–	–
Sugar	–	–	–	–	–	–
Footwear and Leather Garments	–	–	–	–	–	–
Automobile and Transportation Equipment	10,370	18,770	10,370	18,770	10,370	18,770
Electronics and Electrical Appliances	–	–	–	–	–	–
Construction	–	–	–	–	–	–
Power (electricity), Gas, Water, Sanitary	8,072,920	2,604,170	–	–	–	–
Wholesale and Retail Trade	–	–	–	–	–	–
Exports / Imports	–	–	–	–	–	–
Transport, Storage and Communication	109,363	656,175	–	–	–	–
Telecommunication	221,636	226,836	221,636	226,836	221,636	226,836
Banks and Financial Institutions	1,625,850	1,736,525	–	–	–	–
Insurance	–	–	–	–	–	–
Services	–	–	–	–	–	–
Individuals	–	–	–	–	–	–
Government	288,197,068	255,354,622	–	–	171,256	164,020
Foreign Government	3,407,493	421,818	–	–	20,987	2,659
	303,929,956	262,844,157	1,599,262	1,650,848	1,791,505	1,817,527
Credit risk by public / private sector						
Public / Government	288,197,068	255,354,622	–	–	171,256	164,020
Private	15,732,888	7,489,535	1,599,262	1,650,848	1,620,249	1,653,507
	303,929,956	262,844,157	1,599,262	1,650,848	1,791,505	1,817,527

Rupees in '000	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
46.1.3 Advances						
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	7,611,285	6,052,398	333,485	351,035	132,134	196,686
Mining and Quarrying	5,393,852	2,274,965	–	–	–	–
Textile	49,156,516	48,018,815	11,277,670	12,335,315	10,912,788	11,696,354
Chemical and Pharmaceuticals	13,722,368	20,292,417	645,386	211,248	616,889	211,248
Cement	7,522,947	5,911,502	401	401	401	401
Sugar	11,623,458	9,166,459	–	6,190	–	1,548
Footwear and Leather Garments	1,568,947	1,485,763	371,336	404,057	371,336	404,057
Automobile and Transportation Equipment	1,083,407	944,527	730,827	447,278	442,507	424,497
Electronics and Electrical Appliances	3,634,713	3,547,871	1,119,429	1,113,552	1,109,929	1,113,552
Construction	3,983,708	5,126,602	693,546	645,001	623,249	625,303
Power (electricity), Gas, Water, Sanitary	29,342,778	28,193,363	3,570,878	1,671,611	1,629,054	1,671,611
Wholesale and Retail Trade	12,113,996	9,822,151	544,801	564,157	381,761	474,639
Exports / Imports	–	285,452	–	–	–	–
Transport, Storage and Communication	2,667,646	7,840,196	499,153	505,905	343,880	350,664
Financial	7,115,600	11,880,936	–	–	–	–
Insurance	108,622	90,055	–	–	–	–
Services	20,244,401	9,004,661	608,606	585,846	595,710	554,056
Individuals	33,553,706	33,516,454	2,166,505	2,111,521	1,937,549	1,958,569
Public / Government	135,487,857	116,597,785	–	–	–	–
Edible Oil and Ghee	5,660,916	4,474,849	512,951	549,956	450,957	457,957
Rice Processing (husking, semi-wholly milled etc.)	7,590,986	6,506,316	2,551,252	2,505,178	2,444,601	2,402,950
Refined Petroleum and Products	–	5,696,168	–	–	–	–
Basic Iron and Steel	12,057,155	9,939,210	431,455	484,825	396,464	449,834
Others	27,303,947	22,590,056	2,076,292	2,164,010	2,018,847	2,119,243
	398,548,811	369,258,971	28,133,973	26,657,086	24,408,056	25,113,169
Credit risk by public / private sector						
Public / Government	135,487,857	116,597,785	–	–	–	–
Private	263,060,954	252,661,186	28,133,973	26,657,086	24,408,056	25,113,169
	398,548,811	369,258,971	28,133,973	26,657,086	24,408,056	25,113,169

Rupees in '000	2019	2018
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46.1.4 Contingencies and Commitments

Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing	142,716	6,130,430
Mining and Quarrying	96,746	19,021
Textile	14,640,603	7,382,976
Chemical and Pharmaceuticals	4,583,914	6,264,673
Cement	1,526,477	2,378,667
Sugar	56,419	784,968
Footwear and Leather Garments	615,171	682,761
Automobile and Transportation Equipment	192,581	614,480
Electronics and Electrical Appliances	1,479,486	3,445,319
Construction	15,501,045	17,770,222
Power (electricity), Gas, Water, Sanitary	9,186,131	19,719,704
Wholesale and Retail Trade	7,666,282	936,488
Exports / Imports	–	100,000
Transport, Storage and Communication	1,884,808	551,784
Banks and Financial Institutions	182,448,263	151,847,195
Telecommunication	–	328,041
Financial	12,076,312	–
Insurance	5,058	12,899
Food and Allied	4,035,077	3,025,000
Services	7,768,127	3,879,607
Individuals	1,855,212	2,409,179
Public / Government	206,807,858	207,044,313
Others	31,129,753	55,085,784
	503,698,039	490,413,511
Credit risk by public / private sector		
Public / Government	206,807,858	207,044,313
Private	296,890,181	283,369,198
	503,698,039	490,413,511

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. 245,634,294 thousand (2018: Rs. 277,045,219 thousand) are as following:

Rupees in '000	2019	2018
Funded	124,813,589	99,159,075
Non-funded	120,820,705	177,886,144
Total exposure	245,634,294	277,045,219

The sanctioned limits against these top 10 exposures aggregated to Rs 303,168,218 thousand (2018 Rs. 337,790,859 thousand).

The above does not include any classified exposure.

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46.1.6 Advances - Province / Region-wise disbursement and utilization

Province / Region	2019						
	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan	
Punjab	844,250,600	785,467,749	28,610,182	6,196,236	80,875	23,850,552	45,006
Sindh	610,645,549	4,216,326	603,173,646	1,847,490	33,889	1,370,986	3,212
KPK including FATA	9,764,650	101,286	11,006	9,643,737	3,000	2,321	3,300
Baluchistan	765,768	15,810	10,063	5,475	732,819	100	1,501
Islamabad	90,187,102	4,568,113	1,539,507	88,601	36,496	83,931,331	23,054
AJK including Gilgit-Baltistan	715,229	47,553	2,000	86,385	900	51,359	527,032
Total	1,556,328,898	794,416,837	633,346,404	17,867,924	887,979	109,206,649	603,105

Province / Region	2018						
	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan	
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
Total	1,275,264,738	695,166,032	492,686,727	11,407,274	462,406	75,133,132	409,167

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 (HFT) assets along with Available for Sale (AFS) securities that are held with intention of short term trade. All assets not included in trading book are included in 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. Risk Management Group 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 abnormal market movements across different portfolios 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. 1,279,111 thousand (2018: Rs. 781,750 thousand).

46.2.1 Balance sheet split by trading and banking books

Rupees in '000	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Cash and balances with treasury banks	63,039,290	–	63,039,290	49,187,645	–	49,187,645
Balances with other banks	7,886,702	–	7,886,702	4,093,402	–	4,093,402
Lendings to financial institutions	20,405,972	–	20,405,972	–	–	–
Investments	251,911,694	53,523,939	305,435,633	248,254,020	11,979,967	260,233,987
Advances	372,913,863	–	372,913,863	343,107,147	–	343,107,147
Fixed assets	19,696,568	–	19,696,568	12,791,827	–	12,791,827
Intangible assets	808,994	–	808,994	741,361	–	741,361
Assets held for sale	80,720	–	80,720	80,720	–	80,720
Deferred tax assets	2,489,752	–	2,489,752	3,773,779	–	3,773,779
Other assets	40,450,512	–	40,450,512	32,522,174	–	32,522,174
	779,684,067	53,523,939	833,208,006	694,552,075	11,979,967	706,532,042

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 of 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	2019			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
United States Dollar	69,341,957	71,272,572	826,102	(1,104,513)
Pound Sterling	765,166	4,802,138	4,012,952	(24,020)
Euro	1,057,255	1,667,512	575,055	(35,202)
Other European currencies	43,967	–	11,778	55,745
Other currencies	765,193	594,312	337,567	508,448
	71,973,538	78,336,534	5,763,454	(599,542)

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)

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Rupees in '000	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	-	61,028	-	142,766
- 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 conditions 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 FY 2019 Bank's equity investment portfolio was classified as held for trading and available for sale. Pretax impact of 5% change in equity prices are provided below;

Rupees in '000	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
- Profit and loss account	-	(2,004)	-	-
- Other comprehensive income	(228,076)	-	(196,161)	-

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-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 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	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on				
- Profit and loss account	165,200	(555,021)	187,870	(112,193)
- Other comprehensive income	(826,000)	-	241,914	-

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	2019											
	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
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.76%	63,039,290	8,684,787	-	-	-	-	-	-	-	-	54,354,503
Balances with other banks	1.02%	7,886,702	6,550,373	-	-	-	-	-	-	-	-	1,336,329
Lendings to financial institutions	10.77%	20,405,972	16,535,190	3,870,782	-	-	-	-	-	-	-	-
Investments	9.70%	305,435,633	997,773	34,989,307	34,806,967	103,978,486	34,961,505	32,179,773	37,748,536	19,467,644	-	6,305,642
Advances	11.38%	372,913,863	98,250,996	119,136,062	50,125,061	70,802,714	14,312,861	5,964,061	6,606,518	7,006,055	709,535	-
Assets held for sale	-	80,720	-	-	-	-	-	-	-	-	-	80,720
Other assets	-	16,880,680	-	-	-	-	-	-	-	-	-	16,880,680
		786,642,860	131,019,119	157,996,151	84,932,028	174,781,200	49,274,366	38,143,834	44,355,054	26,473,699	709,535	78,957,874
Liabilities												
Bills payable	-	15,768,947	-	-	-	-	-	-	-	-	-	15,768,947
Borrowings	7.31%	51,187,681	27,568,097	11,126,324	4,414,020	1,018,350	2,421,248	1,483,877	1,483,877	1,271,895	211,982	188,011
Deposits and other accounts	6.96%	679,299,486	30,762,454	34,847,055	20,780,524	45,333,793	84,452,419	84,808,111	93,283,552	71,353,579	11,898,613	201,779,386
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	13.03%	9,992,000	-	3,992,000	6,000,000	-	-	-	-	-	-	-
Other liabilities	14.75%	6,555,948	-	700,000	-	-	-	-	-	-	-	5,855,948
		762,804,062	58,330,551	50,665,379	31,194,544	46,352,143	86,873,667	86,291,988	94,767,429	72,625,474	12,110,595	223,592,292
On-balance sheet gap		23,838,798	72,688,568	107,330,772	53,737,484	128,429,057	(37,599,301)	(48,148,154)	(50,412,375)	(46,151,775)	(11,401,060)	(144,634,418)
Off-balance sheet financial instruments												
Purchase and resale agreements	11.75%	14,084,250	14,084,250	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	9.62%	22,011,978	22,011,978	-	-	-	-	-	-	-	-	-
Commitments to extend credits	-	7,255,882	7,255,882	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(15,183,610)	(15,183,610)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			57,504,958	107,330,772	53,737,484	128,429,057	(37,599,301)	(48,148,154)	(50,412,375)	(46,151,775)	(11,401,060)	(144,634,418)
Cumulative yield / interest risk sensitivity gap			57,504,958	164,835,730	218,573,214	347,002,271	309,402,970	261,254,816	210,842,441	164,690,666	153,289,606	-

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Mismatch of interest rate sensitive assets and liabilities

Rupees in '000	2018											
	Effective Yield / Interest rate	Exposed to yield / interest risk										Non-interest bearing financial instruments
		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	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.5%	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	-	-	-	-	-	-	-	-	-	-	-	-
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
		663,452,221	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
Liabilities												
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	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated 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		4,429,268	(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)
Off-balance sheet financial instruments												
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		(52,807,648)	38,780,815	13,521,562	24,826,715	57,802,406	73,978,612	82,006,914	95,513,585	99,203,006		

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. 19,696,568 (2018: Rs. 12,791,823) thousand, Intangible assets of Rs. 808,994 (2018: Rs. 741,361) thousand and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealized gain on forward foreign exchange contracts-net, suspense account and stationary, stamps in hand and acceptances of Rs. 20,812,667 (2018: Rs. 19,938,596) thousand.

46.2.5.4 Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, acceptances, branch adjustment account, withholding taxes payable, federal excise duty, provision against off-balance sheet items and Worker's Welfare Fund of Rs. 12,947,530 (2018: Rs. 10,483,645) 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.

Bank already has in place an Operational Risk Management framework which is aligned with global best market practices. 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 saving accounts) form a considerable part of the Bank's overall funding and significant importance is attached to the stability and growth of these deposits.

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

		2019												
		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	days to 1	to 2	to 3	to 6	to 9	months	to 2	to 3	to 5	
		day	days	days	month	months	months	months	months	to 1 year	years	years	year	
Rupees in '000		Total											Over 5	
													year	
Assets														
Cash and balances with treasury banks	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances with other banks	-	-	-	-	-	-	-	-	-	-	-	-	-	
Lendings to financial institutions	20,405,972	-	14,935,190	-	1,600,000	3,870,782	-	-	-	-	-	-	-	
Investments	299,129,111	28,220	-	-	-	109,363	33,242,894	31,943,517	58,349,991	41,226,012	35,871,497	33,321,202	41,121,121	23,915,293
Advances	372,913,863	338,054	534,250	749,780	98,107,424	29,675,476	3,446,254	50,891,687	21,112,198	17,231,765	18,102,205	12,150,568	53,823,256	66,750,946
Fixed assets	19,696,568	6,863	43,916	48,045	237,943	222,072	181,088	587,170	555,103	558,828	1,926,926	1,689,803	2,486,369	11,152,442
Intangible assets	808,994	584	4,086	4,086	144,727	23,331	11,666	52,159	51,102	51,102	134,814	71,569	118,873	140,885
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	10,498,514	-	-	-	5,075,563	879,045	-	3,283,890	90,759	1,169,257	-	-	-	-
	723,453,022	373,721	15,517,442	801,911	105,165,657	34,780,069	36,881,902	86,758,423	80,159,153	60,236,964	56,035,442	47,233,142	97,549,619	101,959,576
Liabilities														
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	31,286,362	-	13,665,065	4,721,703	926,763	4,230,460	2,153,012	3,633,639	-	1,018,350	937,370	-	-	-
Deposits and other accounts	122,017,254	301,237	596,783	2,541,852	4,421,964	10,184,942	24,808,450	20,674,637	9,483,529	36,076,111	1,247,276	1,564,031	10,047,200	69,242
Liabilities against assets subject to														
finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	9,992,000	-	-	-	-	-	800	-	800	-	1,600	1,600	3,987,200	6,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,498,514	-	-	-	5,075,563	879,045	-	3,283,890	90,759	1,169,257	-	-	-	-
	173,794,130	301,237	14,261,848	7,263,555	10,424,290	15,294,447	26,962,262	27,592,166	9,575,088	38,263,718	2,186,246	1,565,631	14,034,400	6,069,242
Net assets	549,658,892	72,484	1,255,594	(6,461,644)	94,741,367	19,485,622	9,919,640	59,166,257	70,584,065	21,973,246	53,849,196	45,667,511	83,515,219	95,890,334

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

		2018												
		Over 1	Over 7	Over 14	Over 1	Over 2	Over 3	Over 6	Over 9	Over 1	Over 2	Over 3	Over 5	Over
		Upto 1	to 7	to 14	days to 1	to 2	to 3	to 6	to 9	months	to 2	to 3	to 5	Over
Rupees in '000	Total	day	days	days	month	months	months	months	months	to 1 year	years	years	year	5 year
Assets														
Cash and balances with treasury banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	694,310	-	694,310	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	255,063,881	30,261	86,325,458	137,848	-	40,337,658	2,691,360	4,008,759	161,496	104,156,363	1,971,610	3,846,230	5,219,613	6,177,225
Advances	343,288,212	336,013	434,685	736,504	82,812,617	32,251,814	38,882,035	26,191,114	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	612,579,591	372,877	87,494,075	920,577	82,924,879	72,678,813	41,662,736	30,462,292	20,132,112	117,046,231	17,402,413	22,659,374	47,234,000	71,589,212
Liabilities														
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	32,590,452	-	22,459,393	5,611,224	3,726,100	-	-	793,735	-	-	-	-	-	-
Deposits and other accounts	87,585,784	222,169	2,185,582	4,331,702	6,164,934	9,394,390	23,046,672	13,398,674	5,970,289	18,466,782	2,787,633	137,439	530,944	948,574
Liabilities against assets subject to														
finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	9,993,600	-	-	-	-	-	800	-	-	800	1,600	1,600	3,200	9,985,600
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	130,169,836	222,169	24,644,975	9,942,926	9,891,034	9,394,390	23,047,472	14,192,409	5,970,289	18,467,582	2,789,233	139,039	534,144	10,934,174
Net assets	482,409,755	150,708	62,849,100	(9,022,349)	73,033,845	63,284,423	18,615,264	16,269,883	14,161,823	98,578,649	14,613,180	22,520,335	46,699,856	60,655,038

46.4.2 Maturities of Assets and Liabilities - based on expected maturity of assets and liabilities of the Bank

2019										
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
Assets										
Cash and balances with treasury banks	63,039,290	19,542,180	-	-	-	10,874,278	10,874,278	10,874,278	9,320,809	1,553,467
Balances with other banks	7,886,702	2,659,396	2,908,616	1,324,966	993,724	-	-	-	-	-
Lendings to financial institutions	20,405,972	16,535,190	3,870,782	-	-	-	-	-	-	-
Investments	305,435,633	1,611,663	33,735,819	32,091,095	99,649,791	36,826,035	34,275,740	42,235,659	24,203,306	806,525
Advances	372,913,863	99,729,508	33,121,731	50,891,687	38,343,963	18,102,205	12,150,568	53,823,256	35,869,131	30,881,814
Fixed assets	19,696,568	336,768	411,388	594,587	1,101,934	1,926,643	1,689,517	2,486,884	1,939,869	9,208,978
Intangible assets	808,994	153,440	34,997	52,159	102,205	134,814	71,569	118,873	140,937	-
Assets held for sale	80,720	-	-	-	80,720	-	-	-	-	-
Deferred tax assets	2,489,752	1,518,749	-	-	99,261	99,488	284,767	487,487	-	-
Other assets	40,450,512	11,365,547	879,045	3,283,890	1,260,016	5,915,504	5,915,504	5,915,504	5,070,432	845,070
	833,208,006	153,452,441	74,962,378	88,238,384	141,631,614	73,878,967	65,261,943	115,941,941	76,544,484	43,295,854
Liabilities										
Bills payable	15,768,947	7,682,631	6,260,374	1,043,396	782,546	-	-	-	-	-
Borrowings	51,187,681	27,680,904	11,190,785	4,424,763	1,018,350	2,421,248	1,483,877	1,483,877	1,271,895	211,982
Deposits and other accounts	679,299,486	102,774,906	42,554,900	20,769,033	45,308,154	114,977,575	115,333,115	123,803,769	97,518,590	16,259,444
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	9,992,000	-	800	-	800	1,600	1,600	3,987,200	-	6,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	34,704,048	18,388,607	879,045	3,283,890	1,260,016	2,723,123	2,723,123	2,723,123	2,334,103	389,018
	790,952,162	156,527,048	60,885,904	29,521,082	48,369,866	120,123,546	119,541,715	131,997,969	101,124,588	22,860,444
Net assets	42,255,844	(3,074,607)	14,076,474	58,717,302	93,261,748	(46,244,579)	(54,279,772)	(16,056,028)	(24,580,104)	20,435,410
Share Capital	12,602,602	-	-	-	-	-	-	-	-	-
Reserves	19,366,260	-	-	-	-	-	-	-	-	-
Unappropriated profit	5,986,556	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	4,300,426	-	-	-	-	-	-	-	-	-
	42,255,844	-	-	-	-	-	-	-	-	-
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
Assets										
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
Liabilities										
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	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	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
Net assets	33,508,907	88,415,658	75,257,542	45,630,861	27,470,904	(40,124,517)	(55,746,547)	(65,627,863)	(15,630,177)	(26,136,954)
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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FOR THE YEAR ENDED DECEMBER 31, 2019

46.5 Derivative Risk

The Bank 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.

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

The Risk Management Group monitors Bank's overall derivative exposure in forward exchange contracts, which are marked to market and are included in Banks 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 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 13, 2020 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, 2019 do not include the effect of the appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2020 as follows:

Rupees in '000	2019	2018
Transfer from unappropriated profit to:		
Proposed final cash dividend - Rs. 1.5 per share (2018: Re. 1 per share)	1,890,390	1,260,260
General reserve	4,096,166	2,453,669


47.2 Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 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

Where necessary, corresponding figures have been regrouped to conform to the presentation of current year amounts. Such regrouping does not have an impact on previously reported unconsolidated statement of financial position or unconsolidated profit and loss account.

49. DATE OF AUTHORIZATION


These unconsolidated financial statements were authorized for issue on February 13, 2020 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

Statement Showing Written-Off Loans Or Any Other Financial Reliefs Of Five Hundred Thousand Rupees Or Above Provided During The Year Ended December 31, 2019

Statement in terms of sub-section (3) of section 33-A of 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, 2019 as referred to in note 9.6 to these financial statements

Rupees in '000											
Sr. #	Name & address of the borrower	Name of individuals / partners / directors (with NIC / CNIC No.)	Father's / husband name	Outstanding liabilities at beginning of the year				Interest / mark - up waived-off / written off	Other financial relief provided	Total	
				Principal	Interest / mark-up	Other than interest / mark-up	Total				
1	Koi Paima Sports SD House No.54, Askari-II, Sialkot	Maj. (R)Liaqat Ali Khan Shaheen 34603-0169109-3 Ghalia Liaqat 34603-0552389-4	Rai Ahmed Khan Liaqat Ali Khan Shaheen	-	3,391	-	3,391	-	2,963	-	2,963
2	Idara-e-Imtiaz Idara-e-Imtiaz Building ,Adjoining Kaleem Market, Factory Area, Faisalabad.	Imtiaz Karim (Late) 33100-0326653-9	Bashir Ahmed	-	2,407	-	2,407	-	2,262	-	2,262
3	Ittefaq Enterprises Flat No.30, 3rd Floor, Capital Shopping Centre, G-11, Islamabad	Muhammad Shoaib Kiani 37406-1929463-9	Muhammad Yaqoob Kiani	300	512	-	812	-	512	-	512
4	Javed Ahmed Malik & Co. Malik Street Near Girls College, Rahim Yar Khan,	Javed Ahmad Malik 31303-5381201-1 Qurat-ul-Ain Tahira 31303-9475548-6	Zahoor Ahmad Javed Ahmed Malik	6,700	9,015	-	15,715	-	5,660	-	5,660
5	Asif Public School System 20-C, Satellite Town, Rawalpindi	Shazia Mushtaq 37405-6401026-8	Asif Irshad	27,500	1,306	-	28,806	-	1,465	-	1,465
6	General Trading Establishment 52/57, Aiwan-e-Tijarat Building, Aiwan-e-Tijarat Road, Karachi.	Faisal Imran 42301-088596-9	Sayaid Iqbal	107,516	44,235	-	151,751	-	44,236	-	44,236
7	Al-Siddique Construction P-12, Gulshan-e-Ali Colony, Defence Road, Lahore Cantt	Muhammad Siddique 35201-4426858-1	Khurshid Muhammad	2,495	1,574	-	4,069	-	1,076	-	1,076
8	Muhammad Hussain Hiraj Khanewal Road House No. 888/52-B Street No. 8, Mohalla UsmanAbad, Multan.	Muhammad Hussain Hiraj 36302-8490139-5	Fida Hussain Hiraj	1,525	753	-	2,278	-	628	-	628
9	Asmar Textile Mills (Pvt) Ltd. 10-D, DHA-I, Lahore	Sheikh Irshad Mehmood 35201-8031264-5 Arsalan Irshad Mehmood 35202-8228481-3 Neelum Irshad 35201-1087936-0	Haji Muhammad Siddique Sheikh Irshad Mehmood Sheikh Irshad Mehmood	902	2,154	-	3,056	-	1,954	-	1,954
10	Shoukat Ali Rehanwala, Tehsil & Distt. Nankana Sahib	Shoukat Ali 35402-9682255-1	Haider Ali	1,967	1,127	-	3,094	-	789	-	789
11	Peer Qaiser Nawaz Shah Manghtarwala, Tehsil & Distt. Nankana Sb.	Peer Qaiser Nawaz Shah 35202-7442393-3	Masoom Shah	1,500	1,432	-	2,932	-	1,074	-	1,074
12	Syed Shamim ul Hassan Sherazi Moza Shahana, Tehsil & Distt. Hafizabad	Syed Shamim ul Hassan Sherazi 34031-2671393-9	Syed Noor Bahadur Shah	-	988	-	988	-	740	-	740

ANNEXURE-1

Statement Showing Written-Off Loans Or Any Other Financial Reliefs Of Five Hundred Thousand Rupees Or Above Provided During The Year Ended December 31, 2019

Rupees in '000

Sr. #	Name & address of the borrower	Name of individuals / partners / directors (with NIC / CNIC No.)	Father's / husband 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				
13	Aqeel Raza Chak No. 731 GB Tehsil Kamalia, Distt. Toba Tek Singh	Aqeel Raza 33302-4377312-9	Ghulam Shabbir	2,000	2,061	-	4,061	-	1,339	-	1,339
14	Shahbaz Khan Rai Chand P/O Rasoolpur Tarar, Tehsil & Distt. Hafizabad	Shahbaz Khan 34301-1733281-9	Nasar Ullah Khan	600	1,990	-	2,590	-	895	-	895
15	Nafees ur Rehman Rasool Nagar Tehsil Muredhki, Distt. Sheikhupura	Nafees ur Rehman 35401-6973089-7	Allah Ditta	650	1,340	-	1,990	-	938	-	938
16	Muhammad Adnan Mumtaz Muza Dhallu, Tehsil Mailsi, Distt. Vehari	Muhammad Adnan Mumtaz 36602-6371975-3	Muhammad Mumtaz Khan	1,998	1,104	-	3,102	-	751	-	751
17	Waqas Sabir H.No. B 263, Mohallah Islamia High School Jhelum	Waqas Sabir 37301-2294044-3	Lal Khan	824	1,255	-	2,079	-	941	-	941
18	Sajjad Muzaffar H # 32, St #1 Mohala Muhammad Pura Faisalabad	Sajjad Muzaffar 33100-6338136-3	Muzaffar Ahmad Tabassum	3,605	540	324	4,469	-	540	277	817
19	Salman Ahmed Ali H # K-318, Jusr Niazi Colony Block F North Nazimabad Karachi	Salman Ahmed Ali 42101-1764230-1	Irfan Ali	2,247	1,557	121	3,925	-	1,557	108	1,665
20	Rashid Traders Ternain PO Dhodial Distt. Mansehra	Rashid 13503-365243-3	Ameer Khan	1,439	225	6,723	8,387	-	-	5,637	5,637
21	Tahir Goheer B-69, Latifi Co-op. Housing Society, Block-17, Gulistan-e- Johar, Karachi	Tahir Goheer 42201-6908284-7	Ata Muhammad Soheer	625	423	254	1,302	-	423	254	677
22	Muhammad Imran Nawaz 34-A, Karim Block Allama Iqbal Town Lahore	Muhammad Imran Nawaz 35103-4074460-5	Muhammad Nawaz	3,831	2,462	485	6,778	-	1,773	377	2,150
23	Rizwana Farrukh H # 16, St # 04, Saffari Villas 1, Bahria Town Rawalpindi	Rizwana Farrukh 37405-4625129-6	Farrukh Masood Khan	16,042	22,828	1,021	39,891	-	19,828	740	20,568
24	Imran Khalid Wahla Usman St Tariq Road Muslim Gunj Sheikhupura	Imran Khalid Wahla 35402-1953465-7	Khalid Mehmood Wahla	772	996	156	1,924	-	597	156	753
25	Malik Sons H#61/1, 23rd Street, Phase-5 DHA Karachi	Subhan Khalil Malik 42301-1112901-5	Khalil Ahmed Malik	814	36	7,053	7,903	-	-	6,081	6,081
26	Muhammad Sajid Khan H # 25, Itikhar Block, Tariq Bin Zaid Colony, Vehari	Muhammad Sajid Khan 36603-4281178-5	M Idrees Khan	2,262	840	192	3,294	-	400	102	502
27	Panther CNG Station Kh#636,1001/2, Landi Yarghamjoe, Ring Road Peshawar	Khawaja Mansoor Ashraf 17301-1588472-1	Khawaja Muhammad Ashraf	2,574	97	14,286	16,957	-	97	12,355	12,452

Sr. #	Name & address of the borrower	Name of individuals / partners / directors (with NIC / CNIC No.)	Father's / husband name	Outstanding liabilities at beginning of the year							
				Principal	Interest / mark-up	Other than interest / mark-up	Total	Principal written-off	Interest / mark - up waived-off / written off	Other financial relief provided	Total
28	Ch. Said Ahmed Gushan Tahir Town, Muredhki, Distt. Sheikhupura	Ch. Said Ahmed 35401-1759364-9	Ch Ahmad Din	2,740	3,935	-	6,675	-	2,950	-	2,950
29	Ahmed Hassan Gevan Goraya PO Khas Tehsil Murdkay, Distt. Sheikhupura	Ahmed Hassan 35401-1848299-7	Muhammad Nasir	500	687	-	1,187	-	516	-	516
30	Shahzad Alam Bhatti Moza Bhakha Bhattian tehsil & Distt. Hafizabad.	Shahzad Alam Bhatti 34301-1671057-3	Alamgeer Bhatti	1,692	2,261	-	3,953	-	1,549	-	1,549
31	Muhammad Masood Khan Moza Saldera Tehsil Burewala Distt. Vehari	Muhammad Masood Khan 36601-1560186-1	Muhammad Akram	3,000	3,917	-	6,917	-	2,938	-	2,938
32	Chaudhry Steel Re- Rolling Mills 79-PECCO Road, Badami Bagh, Lahore	Chaudhry Muhammad Shafique 35202-0217025-7 Sarwar Sultana 35202-3779689-2 Khalid Pervaiz 35201-1221392-9	Chaudhry Noor Muhammad Chaudhry Muhammad Shafique Abdul Rahim	48,158	6,572	-	54,730	-	6,572	-	6,572
33	Z.H. Piprani & Co. Shop No.17, Gilani Centre, Opp: Memon Masjid, M.A. Jinnah Road, 14 Jubli Mension, Karachi.	Zahid Hussain Piprani 42201-0655521-5	Jan Mohammad	300	1,467	-	1,767	-	1,383	-	1,383
34	Al-Barkat Cotton Industries Chak No.54/A, G.T. Road, Channi Goth	Chaudhry Abdul Majeed 31201-5034735-7 Nighat Majeed 91400-0236766-8 Irfan Majeed 312010-333696-3 Imran Majeed 31201-3158989-9	Barkat Ali Chaudhry Abdul Majeed Chaudhry Abdul Majeed Chaudhry Abdul Majeed	-	7,963	-	7,963	-	5,575	-	5,575
35	Malik Mushtaq Hussain Dhular PO Khas Tehsil Talagang Distt. Chakwal	Malik Mushtaq Hussain 37203-3356095-3	Malik Ameer Khan	601	931	-	1,532	-	632	-	632
36	Irfan Majeed Shadman Colony #7, Tehsil Ahmed pur East. Distt. Bahawalpur	Irfan Majeed 31201-3158989-9	Abdul Majeed	1,400	2,535	-	3,935	-	1,901	-	1,901
37	Rao Muhammad Wakeel 8-Kassi Moza Kot Molchand Tehsil Kabirwala, Distt. Khanewal	Rao Muhammad Wakeel 36102-9063337-3	Islam Din	650	1,102	-	1,752	-	502	-	502
38	Ms. Shehzana Faiz 14- Eden Villas Q-Block Model Town Lahore.	Ms. Shehzana Faiz 35402-0723111-0	Shahid Mahmood (Late)	2,000	2,820	-	4,820	-	1,973	-	1,973
39	Ijaz Ahmad Wattoo Aniaeen P/O Basir pur Tehsil Depalpur Okara	Ijaz Ahmad Wattoo 35301-5253127-1	Haji Muhammad Mansha Wattoo	1,071	1,182	-	2,253	-	704	-	704
40	Syed Hassan Maqbool Shirazi Khasra No 71,72 Ward no 13, Urban No 4, Tehsil and Dist City Quetta	Syed Hassan Maqbool Shirazi 54400-0354280-5	Syed Gulzar Hussain Shirazi	1,895	1,581	255	3,731	-	1,571	242	1,813

ANNEXURE-1

Statement Showing Written-Off Loans Or Any Other Financial Reliefs Of Five Hundred Thousand Rupees Or Above Provided During The Year Ended December 31, 2019

Rupees in '000											
Sr. #	Name & address of the borrower	Name of individuals / partners / directors (with NIC / CNIC No.)	Father's / husband 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				
41	Saad Hasan Bashir House # 50/2, 17th Lane Phase VII DHA Karachi	Saad Hasan Bashir 42301-1093542-5	Sadiq Ali	9,151	9,331	644	19,126	-	4,650	462	5,112
42	Sardar Riaz Ahmed Dogar Mauza Ola Kai, PO Gadna Singh Wala Tehsil & Dist Kasur	Sardar Riaz Ahmed Dogar 35102-8133533-7	Sardar Jalal Din Dogar	1,106	688	408	2,202	-	688	401	1,089
43	Nina Industries Limited A-29/A, SITE, Manghopir Road, Karachi	Saeed A. Sattar 42201-0937336-9 Waqar A. Sattar 42201-6071516-3 Urooj Sattar 42301-5809641-9 Kashif Saeed A. Sattar 42000-5177233-5 Yasir Waqar 42201-317419-5 Mehak Yasir 42201-1840660-2 Altaf Hussain Makhna 42201-8767127-7 Muzaffar S. Khan 42101-8184503-7 Ansar Hussain 42301-0799773-1	Sh. A. Sattar Sh. A. Sattar Saeed A. Sattar Saeed A. Sattar Waqar A. Sattar Yasir Waqar Yousuf Makhna A.S. Khan Jaffer Ali (Late)	554,766	141,987	-	696,753	402,506	141,987	-	544,493
44	Mama Furniture Shop No.27, Hussain Silva Building, Markaz Aram Bagh, Karachi	Muhammad Ajmal 42201-6838841-5	Hafeez-ur-Rehman	2,809	1,338	-	4,147	-	1,079	-	1,079
Total				822,527	296,945	31,922	1,151,394	402,506	270,608	27,192	700,306

ANNEXURE-2

REPORT OF SHARIAH BOARD FOR THE YEAR 2019

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

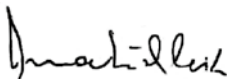
1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Askari *Ikhlas* Islamic Banking are conducted in a manner that comply with Shariah Principles at all times, we are required by the SBP's Shariah Governance Framework to submit a report on 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.
- v. Askari *Ikhlas* Islamic Banking has complied with the SBP instructions on profit and loss distribution and pool management.
- vi. The level of awareness, capacity and sensitization of the staff, management and the BOD in appreciating the importance of Shariah compliance in the products and processes of the bank is adequate and shall be further strengthened through orientation sessions/ trainings.
- vii. The Shariah Board has been provided adequate resources enabling it to discharge its duties, effectively.



Mufti Muhammad Zahid
Chairman Shariah Board



Mufti Ismatullah
Member Shariah Board



Dr. Muhammad Tahir
Resident Shariah Board Member

Date of Report: January 31, 2020

شریعی بورڈ کی رپورٹ

برائے سال 2019ء

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ!

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 اسلامی بینکاری سروسز کی تمام سرگرمیاں شریعت کے اصولوں کے مطابق ہیں۔ اسی طرح شریعی بورڈ کی ذمہ داری ہے کہ وہ بورڈ آف ڈائریکٹرز کو اسلامی بینکاری سروسز کی شرعی اصولوں کی مطابقت کے حوالے سے آگاہی فراہم کرے۔ شریعی بورڈ نے اپنی رپورٹ مرتب کرنے کے لیے شریعی ڈیپارٹمنٹ اور آڈٹ ڈیپارٹمنٹ کی رپورٹس کا بغور جائزہ لیا ہے۔ ان حقائق و معلومات سے ہم نے درج ذیل نتائج اخذ کیے ہیں۔

- ۱۔ اسلامک بینکاری کی خدمات فراہم کرتے ہوئے عسکری بینک لمیٹڈ نے شریعی بورڈ کے فتاویٰ اور ہدایات کو ملحوظ رکھا ہے۔
- ۲۔ اسلامک بینکاری کی خدمات فراہم کرتے ہوئے عسکری بینک لمیٹڈ نے اسٹیٹ بینک آف پاکستان اور اس کے شریعی بورڈ کی جاری کردہ ہدایات اور احکامات کی پاسداری کی ہے۔
- ۳۔ شرعی اصول کی پاسداری کے حوالے سے عسکری بینک لمیٹڈ میں اسلامی بینکاری سروسز کا ایک جامع اور مربوط نظام رائج ہے۔
- ۴۔ عسکری بینک لمیٹڈ اسلامی بینکاری سروسز 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۔
- 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۔ اسٹاف ممبران، انتظامیہ اور بورڈ آف ڈائریکٹرز اسلامی بینکاری کے متعلق مناسب اور معقول آگاہی رکھتے ہیں۔ ہمیں یقین ہے کہ تربیتی پروگرامز کے ذریعے اسے مزید تقویت دی جائے گی۔
- ۷۔ بینک انتظامیہ نے شریعی بورڈ کو اسکے فرائض کی انجام دہی کے لیے مطلوبہ وسائل مہیا کر رکھے ہیں۔

مفتی محمد زاہد

چیرمین شریعی بورڈ

ڈاکٹر محمد طاہر

ریزیڈنٹ بینک شریعی بورڈ ممبر

مفتی عصمت اللہ

ممبر شریعی بورڈ

مورخہ: ۳۱ فروری ۲۰۲۰

ANNEXURE-2

AS AT DECEMBER 31, 2019

The Bank is operating 94 Islamic banking branches including 3 sub-branches at the end of 2019 as compared to 94 Islamic banking branches including 3 sub-branches at the end of 2018.

Rupees in '000	Note	2019	2018
ASSETS			
Cash and balances with treasury banks		9,290,046	3,302,392
Balances with other banks		22,019	506,950
Due from financial institutions	1	6,330,782	–
Investments	2	7,796,309	8,169,564
Islamic financing and related assets - net	3	46,802,128	46,610,024
Fixed assets		1,896,420	547,807
Intangible		–	–
Other assets		3,469,088	1,625,927
Total assets		75,606,792	60,762,664
LIABILITIES			
Bills payable		1,051,103	757,821
Due to financial institutions		2,187,925	8,999,361
Deposits and other accounts	4	62,859,181	42,338,600
Due to head office		–	2,168,060
Other liabilities		4,225,937	2,313,368
		70,324,146	56,577,210
NET ASSETS REPRESENTED BY		5,282,646	4,185,454
Islamic Banking Fund		4,600,000	4,600,000
Deficit on revaluation of assets		(8,898)	(30,306)
Unappropriated profit / (loss)	5	691,544	(384,240)
		5,282,646	4,185,454
CONTINGENCIES AND COMMITMENTS	6	8,055,344	5,934,661

The profit and loss account of the Bank's Islamic banking branches for the year ended 31 December 2019 is as follows:

Rupees in '000	Note	2019	2018
Profit / return earned	7	7,042,326	3,615,500
Profit / return expensed	8	3,990,424	1,750,655
Net Profit / return		3,051,902	1,864,845
Other income			
Fee and Commission Income		191,415	160,952
Dividend Income		–	–
Foreign Exchange Income		39,593	26,705
Income / (loss) from derivatives		–	–
Gain / (loss) on securities		–	–
Other Income		44,672	38,760
Total other income		275,680	226,417
Total Income		3,327,582	2,091,262
Other expenses			
Operating expenses		2,055,179	1,821,321
Workers Welfare Fund		–	–
Other charges		11,212	6
Total other expenses		2,066,391	1,821,327
Profit / (loss) before provisions		1,261,191	269,935
Provisions and write offs - net		185,407	37,358
Profit / (loss) before taxation		1,075,784	232,577

ANNEXURE-2

AS AT DECEMBER 31, 2019

Rupees in '000	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
1. DUE FROM FINANCIAL INSTITUTIONS						
Secured	-	-	-	-	-	-
Unsecured	2,960,000	-	2,960,000	-	-	-
Bai Muajjal Receivable from other Financial Institutions	1,491,797	-	1,491,797	-	-	-
Bai Muajjal Receivable from State Bank of Pakistan	1,878,985	-	1,878,985	-	-	-
Others	-	-	-	-	-	-
	6,330,782	-	6,330,782	-	-	-

Rupees in '000	2019				2018			
	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
2. INVESTMENTS BY SEGMENTS								
Federal Government Securities								
-Ijarah Sukuks	1,000,000	-	(10,000)	990,000	5,539,756	-	(32,130)	5,507,626
-GOP Bai Muajjal	5,246,146	-	-	5,246,146	1,031,054	-	-	1,031,054
	6,246,146	-	(10,000)	6,236,146	6,570,810	-	(32,130)	6,538,680
Non Government Debt Securities								
-Listed	140,000	-	1,102	141,102	210,000	-	1,824	211,824
-Unlisted	2,035,213	(616,152)	-	1,419,061	2,047,942	(628,882)	-	1,419,060
	2,175,213	(616,152)	1,102	1,560,163	2,257,942	(628,882)	1,824	1,630,884
Total Investments	8,421,359	(616,152)	(8,898)	7,796,309	8,828,752	(628,882)	(30,306)	8,169,564

Rupees in '000	Note	2019	2018
3.. ISLAMIC FINANCING AND RELATED ASSETS			
Ijarah	3.1	4,170,338	4,159,292
Murabaha	3.2	4,008,084	5,163,391
Musharaka		16,173,493	16,689,289
Diminishing Musharaka		13,055,698	9,489,949
Salam		4,590,685	6,209,050
Istisna		2,793,995	2,128,828
Receivable against Sale of Istisna/Salam Inventory		250,000	-
Service Ijarah		519,672	390,477
Other Islamic Modes (Executive Car Finance-Qarz-e-Hasana)		73,025	74,351
Advances against Islamic assets	3.3	387,767	1,919,753
Inventory related to Islamic financing	3.4	1,390,185	793,819
Gross Islamic financing and related assets		47,412,942	47,018,199
Less: provision against Islamic financings			
- Specific		574,042	374,871
- General		36,772	33,304
		610,814	408,175
Islamic financing and related assets - net of provision		46,802,128	46,610,024

Rupees in '000	2019								Book value as at December 31, 2019
	Cost				Depreciation				
	As at January 1, 2019	Additions	(Deletions)	As at December 31, 2019	As at January 1, 2019	Charge for the year	Adjustments / (Deletions)	As at December 31, 2019	
3.1 Ijarah									
Plant and machinery	709,242	13,959	(42,232)	680,969	317,654	147,308	(34,586)	430,376	250,593
Vehicles	5,275,275	1,620,502	(1,128,204)	5,767,573	1,614,399	919,393	(598,050)	1,935,742	3,831,831
Equipment	61,925	–	(61,925)	–	43,011	7,654	(50,665)	–	–
Total	6,046,442	1,634,461	(1,232,361)	6,448,542	1,975,064	1,074,355	(683,301)	2,366,118	4,082,424

Rupees in '000	2018								Book value as at December 31, 2018
	Cost				Depreciation				
	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	
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
Total	5,211,273	2,165,913	(1,330,744)	6,046,442	1,798,189	998,670	(821,795)	1,975,064	4,071,378

Rupees in '000	2019				2018			
	Not later than 1 year	Later than 1 year and less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year and less than 5 years	Over five years	Total
	Net investment under Ijarah							
Ijarah rentals receivable	89,767	–	–	89,767	89,767	–	–	89,767
Residual value	1,788	–	–	1,788	1,788	–	–	1,788
Minimum Ijarah payments	91,555	–	–	91,555	91,555	–	–	91,555
Profit for future periods	(3,641)	–	–	(3,641)	(3,641)	–	–	(3,641)
Net Assets / Investments in Ijarah	87,914	–	–	87,914	87,914	–	–	87,914

Rupees in '000	2019				2018			
	Not later than 1 year	Later than 1 year and less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year and less than 5 years	Over five years	Total
	Future Ijarah rental receivable							
Ijarah rentals receivable	1,537,826	2,275,714	40,352	3,853,892	1,458,343	2,402,358	29,866	3,890,567

Rupees in '000	Note	2019		2018	
3.2 Murabaha					
Murabaha financing	3.2.1	3,246,465	–	3,351,076	–
Inventory for Murabaha		761,619	–	1,812,315	–
Advances for Murabaha		4,008,084	–	5,163,391	–
3.2.1 Murabaha receivable - gross	3.2.3	3,432,590	–	3,471,782	–
Less: Deferred murabaha income	3.2.4	89,942	–	54,709	–
Profit receivable shown in other assets		96,183	–	65,997	–
Murabaha financings		3,246,465	–	3,351,076	–
3.2.2 The movement in Murabaha financing during the year is as follows:					
Opening balance		3,351,076	–	3,724,973	–
Sales during the year		10,647,999	–	13,041,068	–
Adjusted during the year		(10,752,610)	–	(13,414,965)	–
Closing balance		3,246,465	–	3,351,076	–

ANNEXURE-2

AS AT DECEMBER 31, 2019

Rupees in '000	2019	2018
3.2.3 Murabaha sale price	3,432,590	3,471,782
Murabaha purchase price	(3,246,465)	(3,351,076)
	186,125	120,706
3.2.4 Deferred murabaha income		
Opening balance	54,709	50,838
Arising during the year	507,940	349,146
Less: Recognised during the year	472,707	345,275
Closing balance	89,942	54,709

Rupees in '000	Ijarah	Musharaka	Diminishing Musharaka	Salam	Istisna	Total
3.3 Advance against islamic assets						
2019	98,679	-	289,088	-	-	387,767
2018	303,763	-	1,615,990	-	-	1,919,753

Rupees in '000	Ijarah	Musharaka	Diminishing Musharaka	Salam	Istisna	Total
3.4 Inventory related to islamic financing						
2019	-	-	-	131,082	1,259,103	1,390,185
2018	-	-	-	126,178	667,641	793,819

Rupees in '000	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
4. DEPOSITS						
Customers						
Current deposits - non remunerative	17,359,803	604,238	17,964,041	14,510,450	430,218	14,940,668
Current deposits - remunerative	833,812	-	833,812	589,527	-	589,527
Savings deposits	18,388,692	420,421	18,809,113	18,927,957	362,480	19,290,437
Term deposits	22,768,441	-	22,768,441	6,395,547	-	6,395,547
Others	441,242	15,576	456,818	504,486	8,725	513,211
	59,791,990	1,040,235	60,832,225	40,927,967	801,423	41,729,390
Financial Institutions						
Current deposits - non remunerative	57,867	567	58,434	9,376	509	9,885
Savings deposits	333,522	-	333,522	474,325	-	474,325
Term deposits	1,635,000	-	1,635,000	125,000	-	125,000
	2,026,389	567	2,026,956	608,701	509	609,210
	61,818,379	1,040,802	62,859,181	41,536,668	801,932	42,338,600

Rupees in '000	2019	2018
4.1 Composition of deposits		
- Individuals	28,115,705	25,078,234
- Government / Public Sector Entities	13,755,110	4,781,433
- Banking Companies	37	72
- Non-Banking Financial Institutions	2,026,919	609,138
- Private Sector	18,961,410	11,869,723
	62,859,181	42,338,600

- 4.2** This includes deposits eligible to be covered under insurance agreements amounting to Rs. 37,922,922 (2018: Rs. 32,258,004).

Rupees in '000	2019	2018
5. ISLAMIC BANKING BUSINESS UNAPPROPRIATED PROFIT / (LOSS)		
Opening Balance	(384,240)	(616,817)
Add: Islamic Banking profit for the period	1,075,784	232,577
Closing Balance	691,544	(384,240)
6. CONTINGENCIES AND COMMITMENTS		
-Guarantees	4,272,245	3,356,190
-Commitments	3,783,099	2,578,471
-Other contingent liabilities	–	–
	8,055,344	5,934,661
7. PROFIT / RETURN EARNED OF FINANCING, INVESTMENTS AND PLACEMENT		
Profit earned on:		
Financing	5,825,596	3,172,049
Investments	893,851	401,899
Placements	68,964	41,552
Bai Muajjal from SBP & Financial Institutions	253,915	–
	7,042,326	3,615,500
8. PROFIT ON DEPOSITS AND OTHER DUES EXPENSED		
Deposits and other accounts	3,094,287	1,356,667
Due to Financial Institutions	619,205	312,528
Due to Head Office	81,800	81,460
Lease liability against right-of-use assets	195,132	–
	3,990,424	1,750,655
9. CHARITY FUND		
Opening Balance	23,209	6,304
Additions during the period		
- Received from customers on account of delayed payment	49,667	24,659
- Non-Shariah compliant income	123	433
- Profit on charity saving account	22	3
- Others	70	59
	49,882	25,154
Payments / utilization during the period		
- Education	(1,366)	(1,139)
- Community welfare	–	(1,850)
- Health	(16,991)	(4,233)
- Orphanage	(2,597)	(1,027)
	(20,954)	(8,249)
Closing Balance	52,137	23,209
9.1 Charity in excess of Rs. 500,000 was paid to following institutions:		
Al Khidmat Foundation Pakistan , Lahore	–	1,850
Bali Memorial Trust, Lahore	2,347	1,027
Child Life Foundation, Karachi	–	1,000
Chef International, Islamabad	925	–
Fatimid Foundation, Multan	–	1,468
Hamza Foundation Welfare Hospital, Peshawar	1,066	965
Pakistan Children's Heart Foundation, Lahore	15,000	–
The Helpcare Society, Lahore	900	900
	20,238	7,210

ANNEXURE-2

AS AT DECEMBER 31, 2019

10. POOL MANAGEMENT

10.1 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 IERS scheme 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 Mudarabah 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 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 depositor's 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.

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:

2019

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%	12.04%	8.75%	0.93	5.30	1,679,980,256	45%	762,406,545
Financial Institution Pool	PKR	Monthly	50%	7.33%	3.84%	0.70	2.10	33,460,326	5%	1,654,664
Foreign Currency Pool	USD	Monthly	50%	1.62%	0.81%	1.00	1.00	3,581,054	-	-

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	-	-

2019

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	*	10.00%-15.40%	4.75%-13.50%	-	-	-	N/A	N/A
IERS pool	PKR	Monthly	*	7.08%	2.16%	-	-	-	N/A	N/A
Special Musharaka Certificate pool	PKR	As required	*	10.00%-16.10%	4.25%-13.50%	-	-	-	N/A	N/A

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

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

ANNEXURE-2

AS AT DECEMBER 31, 2019

10.3 Maturity profile of funds mobilised under various modes:

Rupees in '000 2019

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	1,448,419	1,667,202	2,496,384	8,997,894	46,625	112,456	111,443	-	-	14,880,423
Savings account	PKR	Mudaraba	1,368,919	-	-	-	4,536,998	4,556,555	4,556,555	3,891,650	645,349	19,556,026
Savings account	USD	Mudaraba	29,428	-	-	-	97,537	97,959	97,959	83,664	13,874	420,421
Mudaraba funds from HO	PKR	Mudaraba	-	-	-	-	-	-	-	-	-	-
Interbank borrowing	PKR	Musharka	1,200,000	-	-	-	-	-	-	-	-	1,200,000
Special Musharaka Certificate	PKR	Musharka	6,727,129	495,889	2,300,000	-	-	-	-	-	-	9,523,018
IERS borrowing from SBP	PKR	Musharka	-	120,000	867,925	-	-	-	-	-	-	987,925
			10,773,895	2,283,091	5,664,309	8,997,894	4,681,160	4,766,970	4,765,957	3,975,314	659,223	46,567,813

Rupees 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	Musharka	7,975,000	-	-	-	-	-	-	-	-	7,975,000
Special Musharaka Certificate	PKR	Musharka	-	36,053	-	-	-	-	-	-	-	36,053
IERS borrowing from SBP	PKR	Musharka	-	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

Rupees in '000 2019 2018

10.4 Class of assets by sources of financing:

Jointly financed by the Bank and PLS deposit account holders		
Murabaha	3,246,465	3,351,076
Ijarah	4,660,817	4,509,389
Diminishing Musharaka	12,368,190	8,863,570
Salam	3,591,685	6,209,050
Musharaka	16,173,493	16,689,289
Istisna	1,843,995	2,128,828
Receivables against sale of Salam / Istisna inventory	250,000	-
Balances with other & treasury banks	7,949,404	2,199,572
Sukuk	2,615,251	7,237,735
Bai Muajjal-GOP	5,246,146	1,031,054
Due from Financial Institutions	6,330,782	-
	64,276,228	52,219,563

10.5 Sectors of economy used for deployment of Mudarba based PKR deposits alongwith equity

	2019		2018	
	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / Agribusiness				
Agriculture / Agribusiness	1,082,420	2.14	1,316,891	3.19
Automobiles & Allied	48,857	0.10	54,551	0.13
Cables / Electronics	296,316	0.59	280,020	0.68
Cements	1,457,147	2.88	508,881	1.23
Chemicals / Pharmaceuticals	1,320,710	2.61	1,395,604	3.38
Education	83,557	0.17	-	-
Fertilizers	140,000	0.28	210,000	0.51
Food and Allied	419,150	0.83	703,883	1.70
Fuel / Energy	299,999	0.59	1,257,211	3.04
Ghee and Edible Oil	582,934	1.15	1,201,099	2.91
Glass and Ceramics	278,778	0.55	-	-
GOP Ijarah Sukuk (Airport & Highway Land)	1,000,000	1.97	5,539,756	13.40
GOP Bai Muajjal	5,246,146	10.36	1,031,054	2.49
Hotels and Restaurants	205,994	0.41	-	-
Individuals	4,007,151	7.91	3,950,795	9.56
Investment Banks / Scheduled Banks	5,002,798	9.88	551,001	1.33
Iron / Steel	1,012,441	2.00	-	-
Leather Products and Shoes	122,237	0.24	33,857	0.08
Modarabas	131,247	0.26	-	-
Paper and Board	507,605	1.00	-	-
Plastic products	317,363	0.63	549,826	1.33
Production and transmission of energy	4,813,706	9.51	-	-
Real Estate / Construction	1,067,490	2.11	246,318	0.60
Rice Processing and trading	40,000	0.08	250,000	0.60
Services (Other than Financial, Hotelling & Traveling)	28,884	0.06	123,317	0.30
Sugar	4,346,508	8.58	3,661,243	8.86
Surgical equipment / Metal Products	1,000	0.00	-	-
Textile	2,362,159	4.66	3,470,240	8.39
Transport and communication	519,164	1.03	1,002,959	2.43
Travel Agencies	308	0.00	-	-
Public sector / Government	12,528,567	24.74	9,396,972	22.73
Others	1,369,330	2.70	4,604,282	11.14
	50,639,966	100.00	41,339,760	100.00

10.6 Sectors of economy used for deployment of Mudarba based USD deposits alongwith equity

	2019		2018	
	Rupees in '000	Percent	Rupees in '000	Percent
Investment Banks / Scheduled Banks	38,515	6.38	482,430	92.37
Public sector / Government	46,246	7.66	39,873	7.63
Iron / Steel	364,146	60.31	-	-
Textile	154,848	25.65	-	-
	603,755	100	522,303	100

CONSOLIDATED FINANCIAL STATEMENTS OF
ASKARI BANK LIMITED
FOR THE YEAR ENDED DECEMBER 31, 2019



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, 2019, 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, 2019, 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>Transition from the accounting standard 'IAS 17 – Leases' to 'IFRS 16 – Leases':</p> <p><i>(Refer note 4.1 to the consolidated financial statements)</i></p> <p>IFRS 16 – Leases become applicable to the Bank effective January 1, 2019 and replaces the previously followed standard IAS 17–Leases. IFRS 16 specifies how an entity will recognize, measure, present and discloses leases. The application of the new standard gives rise to a right of use asset of Rs. 8,312 million and a corresponding increase in lease liabilities of Rs. 7,579 million. The Bank has applied the modified retrospective approach for the transition accounting.</p> <p>The assessment of the impact of the new standard is significant to our audit, as the balances recorded are material, the update of the accounting policy requires policy elections, the implementation process to identify and process all relevant data associated with the leases is voluminous and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates and the lease terms, including termination, renewal options and modifications.</p> <p>Due to the significance of the aforesaid matters and the materiality of Leases, relative to the overall statement of financial position of the Bank, we considered the area of IFRS 16 – Leases, as a key audit matter.</p>	<p>Our audit procedures to verify IFRS 16 – Leases, amongst others, included the following:</p> <p>Reviewed the updated accounting policy and policy elections to be in accordance with IFRS 16. We have performed independent testing on a sample basis of the accuracy of the lease contracts, input in the lease accounting system and completeness of the identified lease contracts.</p> <p>We have challenged management assumptions, specifically on the assumptions used to determine the discount rates and the assessment of renewal options.</p> <p>We have recalculated the right-of-use asset and lease liability calculated by the system on sample basis.</p> <p>We have assessed the adequacy of the Bank's disclosures of the impact of the new standard in the consolidated financial statements and challenged management on the disclosure of the remaining uncertainty of the completeness and accuracy review of the input and assumptions for the reported balance.</p>

S. No	Nature of the Key Audit Matter	How the matter was addressed in our audit
2	<p>Provision against advances:</p> <p><i>(Refer note 9.4 to consolidated 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.</p> <p>The PRs also require the creation of general provision for the consumer portfolio.</p> <p>Provision against advances of overseas branch is made as per the requirements of the respective regulatory regime.</p> <p>The Bank has recognized a net reversal of provision against advances amounting to Rs. 14.50 million in the consolidated profit and loss account in the current year. As at December 31, 2019, the Bank holds a provision of Rs 25,634 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"> • Automated (IT system based) controls over correct classification of non-performing advances on time based criteria; • controls over monitoring of advances with higher risk of default and correct classification of non-performing advances on subjective criteria; • controls over accurate computation and recording of provisions; and • controls over the governance and approval process related to provisions, including continuous reassessment by the management. <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"> • 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. • 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. <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>

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 JehanZeb Amin.



Chartered Accountants
Islamabad:
Dated: February 28, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

Rupees in '000	Note	2019	2018
Assets			
Cash and balances with treasury banks	5	63,039,290	49,187,645
Balances with other banks	6	7,886,702	4,093,402
Lendings to financial institutions	7	20,405,972	–
Investments	8	305,435,633	260,233,987
Advances	9	372,913,863	343,107,147
Fixed assets	10	19,696,568	12,791,827
Intangible assets	11	808,994	741,361
Deferred tax assets	12	2,489,752	3,773,779
Other assets	13	40,450,512	32,522,174
		833,127,286	706,451,322
Assets attributable to discontinued operations	14	315,741	214,757
		833,443,027	706,666,079
Liabilities			
Bills payable	15	15,768,947	15,512,880
Borrowings	16	51,187,681	52,702,323
Deposits and other accounts	17	679,246,312	573,596,926
Liabilities against assets subject to finance lease		–	–
Subordinated debts	18	9,992,000	9,993,600
Deferred tax liabilities		–	–
Other liabilities	19	34,704,048	21,178,476
		790,898,988	672,984,205
Liabilities associated with discontinued operations	14	141,856	81,513
		791,040,844	673,065,718
Net Assets			
		42,402,183	33,600,361
Represented by			
Share capital	20	12,602,602	12,602,602
Reserves		19,408,889	15,588,694
Surplus on revaluation of assets - net of tax			
Continued operations	21	4,300,426	1,649,197
Discontinued operations		39,467	5,723
Unappropriated profit		6,002,253	3,710,867
		42,353,637	33,557,083
Non-controlling interest		48,546	43,278
		42,402,183	33,600,361

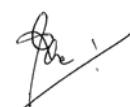
Contingencies and commitments

22

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, 2019

Rupees in '000	Note	2019	2018
Mark-up / return / interest earned	24	71,704,373	43,669,883
Mark-up / return / interest expensed	25	49,567,851	25,059,925
Net mark-up / interest income		22,136,522	18,609,958
Non mark-up / interest income			
Fee and commission income	26	3,616,428	3,116,070
Dividend income		274,440	231,312
Foreign exchange income		2,507,707	1,596,027
Income / (loss) from derivatives		-	-
Gain on securities	27	739,351	260,103
Other income	28	266,102	418,081
Total non-markup / interest income		7,404,028	5,621,593
Total income		29,540,550	24,231,551
Non mark-up / interest expenses			
Operating expenses	29	18,235,061	16,430,676
Workers' welfare fund	30	42,117	(540,060)
Other charges	31	99,947	905
Total non-markup / interest expenses		18,377,125	15,891,521
Profit before provisions		11,163,425	8,340,030
Provisions and write offs - net	32	773,275	1,460,575
Extraordinary / unusual items		-	-
Profit before taxation		10,390,150	6,879,455
Taxation	33	(3,372,249)	(2,448,177)
Profit after taxation - continued operations		7,017,901	4,431,278
Profit / (loss) after taxation - discontinued operations	14	14,669	(2,659)
		7,032,570	4,428,619
Attributable to:			
Equity holders of the Bank		7,028,756	4,429,310
Non-controlling interest		3,814	(691)
		7,032,570	4,428,619
Rupees			
Basic and diluted earnings per share	34	5.58	3.51

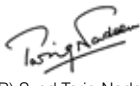
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President & Chief Executive


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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, 2019

Rupees in '000	2019	2018
Profit after taxation for the year	7,032,570	4,428,619
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	(33,992)	186,164
Movement in deficit on revaluation of investments - net of tax		
Continued operations	2,563,232	(4,488,014)
Discontinued operations	33,744	(14,154)
	2,562,984	(4,316,004)
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	285,311	3,095
Discontinued operations	(130)	(1,478)
Movement in surplus on revaluation of operating fixed assets	(34,687)	709,447
Movement in surplus on revaluation of non-banking assets	122,684	285,510
	373,178	996,574
Total comprehensive income	9,968,732	1,109,189
Attributable to:		
Equity holders of the Bank	9,956,178	1,113,944
Non-controlling interest	12,554	(4,755)
	9,968,732	1,109,189
Total comprehensive income arises from:		
Continued operations	9,920,449	1,127,480
Discontinued operations	48,283	(18,291)
	9,968,732	1,109,189

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



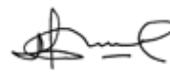
Abid Sattar
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Director



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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

Rupees in '000	Share capital	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, 2018	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 January 1, 2019	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
Impact of IFRS 9 of discontinued operations	-	-	-	-	-	-	-	-	4,235	4,235	1,488	5,723
Total comprehensive income for the year ended December 31, 2019												
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	-	7,028,756	7,028,756	3,814	7,032,570
Other comprehensive income related to equity	-	(33,992)	-	-	-	2,563,232	33,744	87,997	285,215	2,936,196	(34)	2,936,162
Transfer to:												
Statutory reserve	-	-	-	1,403,580	-	-	-	-	(1,403,580)	-	-	-
General reserve	-	-	-	-	2,450,607	-	-	-	(2,450,607)	-	-	-
	-	-	-	1,403,580	2,450,607	-	-	-	(3,854,187)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	87,627	87,627	-	87,627
Transaction with owners, recorded directly in equity												
Final dividend 2018: Re. 1 per share	-	-	-	-	-	-	-	-	(1,260,260)	(1,260,260)	-	(1,260,260)
Balance as at December 31, 2019	12,602,602	275,169	234,669	10,098,727	8,800,324	(1,534,291)	39,467	5,834,717	6,002,253	42,353,637	48,546	42,402,183


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


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Saleem Anwar
Chief Financial Officer


Rehan Laiq
Director


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Director


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Chairman

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2019

Rupees in '000	Note	2019	2018
Cash flow from operating activities			
Profit before taxation		10,390,150	6,879,455
Less: dividend income		(274,440)	(231,312)
		10,115,710	6,648,143
Adjustments:			
Depreciation		1,383,858	1,022,835
Amortization		206,420	195,294
Depreciation on ROU assets		1,497,366	–
Mark-up expense on lease liability against ROU assets		970,082	–
Termination of lease contracts under IFRS - 16 Leases		(49,422)	–
Reversal of rent expense already booked on IFRS 16 - Lease contracts		(1,559,120)	–
Charge for defined benefit plan		359,011	586,359
Provisions and write offs - net		890,345	1,603,111
Unrealised loss on held for trading securities		1,503	–
Loss on sale of fixed assets		60,406	5,253
		3,760,449	3,412,852
		13,876,159	10,060,995
(Increase) / decrease in operating assets			
Lendings to financial institutions		(14,075,190)	1,500,000
Held for trading securities		(41,591)	–
Advances		(29,020,740)	(85,084,938)
Other assets (excluding advance taxation)		(7,964,051)	(3,375,295)
		(51,101,572)	(86,960,233)
Increase / (decrease) in operating liabilities			
Bills payable		256,067	4,743,618
Borrowings		(1,514,642)	(18,884,988)
Deposits		105,649,386	47,791,875
Other liabilities (excluding current taxation)		6,215,885	4,246,359
		110,606,696	37,896,864
Discontinued operations		67,417	52,608
Cash flow generated from / (used in) operations		73,448,700	(38,949,766)
Payment made to defined benefit plan		–	(730,670)
Income tax paid		(4,256,330)	(3,894,037)
Net cash flow generated from / (used in) from operating activities		69,192,370	(43,574,473)
Cash flow from investing activities			
Net investments in available for sale securities		27,475,288	51,626,569
Net investments in held to maturity securities		(68,984,101)	(5,030,369)
Dividend received		273,675	236,639
Investments in operating fixed assets		(774,064)	(3,240,613)
Investments in intangible assets		(268,623)	(93,786)
Proceeds from sale of fixed assets		83,591	16,104
Effect of translation of net investment in Wholesale Bank Branch		(33,992)	186,164
Discontinued operations		(54,052)	(16,935)
Net cash flow (used in) / generated from investing activities		(42,282,278)	43,683,773
Cash flow from financing activities			
(Payments) / receipts of subordinated debts - net		(1,600)	5,000,800
Payments against lease liabilities		(1,683,902)	–
Dividend paid		(1,248,867)	(12,203)
Net cash flow (used in) / generated from financing activities		(2,934,369)	4,988,597
Increase in cash and cash equivalents		23,975,723	5,097,897
Cash and cash equivalents at beginning of the year		53,281,057	48,183,160
Cash and cash equivalents at end of the year	35	77,256,780	53,281,057

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



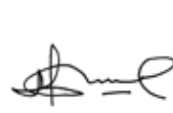
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Director



Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. The ultimate parent of the Bank is Fauji Foundation. The Bank has 535 branches (2018: 516 branches); 534 in Pakistan and Azad Jammu and Kashmir including 94 (2018: 91) Islamic Banking branches and 50 (2018: 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

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.

The SBP, vide its BSD Circular Letter no. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 40, Investment Property, for banking companies till further instructions. Further, the SECP, through S.R.O 411(1)/2008 dated April 28, 2008, has deferred the applicability of IFRS 7, Financial Instruments: Disclosures, to banks. Additionally, the SBP has deferred the applicability of IFRS 9 to banks to accounting periods beginning on or after January 1, 2021. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

IFRS 16: 'Leases', became effective from annual period beginning on or after January 1, 2019. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is disclosed in note 4.1.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

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	July 1, 2009
IFRS 17	Insurance Contracts	January 1, 2022

- 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)
IAS 1	Presentatation of financial statements	January 1, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2020
IFRS 3	Business Combinations	January 1, 2020
IFRS 9	Financial Instruments	January 1, 2021
IFRS 7	Financial Instruments: Disclosures	January 1, 2020
IAS 39	Financial Instruments: Recognition and Measurement	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2022

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

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) and fixed assets (note 4.8)
- 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 equipments, 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)
- viii) lease term and effective interest rate of lease contracts (note 4.1)

2.5 During the year the Group has changed the depreciation method on machine and equipment and furniture and office equipment from diminishing balance method to straight line method. This change in accounting estimate has been accounted for prospectively as per International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in these consolidated financial statements. Impact has been disclosed in note 10.2.2 to these consolidated financial statements.

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

During the period, IFRS 16 - Leases became applicable to the banks and replaces previously followed standard on accounting for leases, including IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 - Operating Leases - Incentive, and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS - 16 Leases introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use (ROU) asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the previously followed standard i.e. lessors continue to classify leases as either finance or operating leases.

The Group has adopted IFRS - 16 Leases from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as is permitted under the specific transitional provisions in the standard.

On adoption of IFRS - 16 Leases, the Group has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities are initially measured at the present value of remaining lease payment, discounted using the Group's contract wise incremental borrowing rate as at January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

Rupees in '000	December 31, 2019	January 1, 2019
Total lease liability recognised	7,358,016	7,578,841

On adoption of IFRS 16 - Leases, the associated ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

The ROU assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability plus any initial direct costs incurred.

The ROU assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The ROU assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

Rupees in '000	December 31, 2019	January 1, 2019
The recognised ROU assets relate to the following type of asset: Property	7,316,960	8,312,292
The effect of this change in accounting policy is as follows:		
Impact on Statement of Financial Position		
Increase in fixed assets - ROU assets	7,316,960	8,312,292
Decrease in other assets - Advances, deposits, advance rent and other prepayments	(817,341)	(733,451)
Increase in other assets - Advance taxation	334,973	-
	6,834,592	7,578,841
Increase in other liabilities - lease liability against ROU assets	(7,358,016)	(7,578,841)
Increase in exchange translation reserve	(509)	-
Decrease in net assets	(523,933)	-

Rupees in '000	For the year ended December 31, 2019
Impact on Profit and Loss account	
Increase in mark-up expense - lease liability against ROU assets	(970,082)
(Increase) / decrease in operating expenses	
- Depreciation on ROU assets	(1,497,366)
- Rent expense	1,559,120
Termination of lease contracts under IFRS - 16 Leases	49,422
Decrease in profit before tax	(858,906)
Decrease in tax	334,973
Decrease in profit after tax	(523,933)

Earnings per share for the year ended December 31, 2019 are Re. 0.42 per share lower as a result of the adoption of IFRS - 16 Leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- While implementing IFRS 16 - Leases, the Group has used a single discount rate methodology for a portfolio of leases with similar characteristics and
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

4.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiary company, ASL with 74% holding (2018: 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. Analysis of subsidiary’s assets and liabilities, income and expenses and cash flows have been presented as a separate note as disclosed in note 14 to the consolidated financial statement.

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 recognised 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 recognised 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 04, 2000 and BPRD circular 06 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 specific and general provisions. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4.7.1 Finance lease receivables

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.

4.7.2 Islamic financing and related assets

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.

Murabaha transactions are reflected as receivable at the invoiced amount. Actual sale and purchase are not reflected as the goods are purchased by the customer as agent of the Group and all documents relating to purchase are in customers' name.

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 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.

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. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the profit and loss account.

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. Surplus on revaluation of fixed assets (net of associated deferred tax) to the extent of the incremental depreciation charged on the related assets is transferred to unappropriated profit.

Intangible assets

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

Depreciation / amortization

Depreciation / amortization is computed on monthly basis over the estimated useful lives of the related assets at the rates set out in note 10.2 and 11.1 respectively on monthly basis. The cost of assets is depreciated / amortized on straight line basis, except for buildings which are depreciated on reducing balance method. 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.

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 operating 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. Markup 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 'Saving 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 Bank and ASL 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.

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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 operation

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.

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 or losses on sale of investments are recognized in consolidated profit and loss account.

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-Muslam 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.

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.

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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 capitalised.

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 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.

4.23 Appropriations subsequent to date of consolidated 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 including branchless banking services to small enterprises, medium enterprises, agriculture and individual customers.

Corporate banking

Corporate banking includes project financing, trade financing and working capital to corporate and commercial customers of the Bank. 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, short term lendings and borrowings from counterparties.

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 consists of the banking activities performed through its Wholesale Bank Branch in the Kingdom of Bahrain.

Head office / others

This consists of banking operations not performed by any of above segments.

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4.26.2 Geographical segments

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

4.27 Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for on consolidated statement of financial position both as assets and liabilities.

Rupees in '000	Note	2019	2018
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		11,990,404	10,368,791
Foreign currencies		2,441,156	1,935,969
		14,431,560	12,304,760
With the State Bank of Pakistan in:			
Local currency current accounts	5.1	34,638,383	24,210,710
Foreign currency current accounts	5.1	3,107,745	2,829,226
Foreign currency deposit account	5.2	8,684,787	7,946,957
		46,430,915	34,986,893
With National Bank of Pakistan in:			
Local currency current accounts		1,899,188	1,883,326
Prize Bonds			
		277,627	12,666
		63,039,290	49,187,645

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 0.76% (2018: 1.5%) per annum.

Rupees in '000	Note	2019	2018
6. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		469,619	354,396
In deposit accounts	6.1	476	291
		470,095	354,687
Outside Pakistan			
In current accounts		753,774	1,047,160
In deposit accounts	6.2	6,662,839	2,691,565
		7,416,613	3,738,725
Provision held against balances with other banks	6.3	(6)	(10)
		7,886,702	4,093,402

6.1 These represent placements with local banks, carrying interest rate of 11.25% (2018: 8.0%) per annum.

6.2 These represent placements with international correspondent banks, carrying interest rates upto 1.05% (2018: upto 1.78%) per annum.

Rupees in '000	2019	2018
6.3 Provision held against balances with other banks		
Opening balance	10	–
Provision under IFRS 9 related to WBB	–	24
Opening balance after IFRS 9 impact of Wholesale Bank Branch	10	24
Reversal of provision under IFRS 9 related to WBB	(4)	(14)
Closing balance	6	10
7. LENDINGS TO FINANCIAL INSTITUTIONS		
Call / clean money lendings	6,330,782	–
Repurchase agreement lendings (reverse repo)	14,075,190	–
Purchase under resale arrangement of equity securities	148,606	148,606
Provision held against lending to financial institutions	20,554,578 (148,606)	148,606 (148,606)
Lending to financial institutions - net of provision	20,405,972	–
7.1 Particulars of lending		
In local currency	20,554,578	148,606

7.2 Securities held as collateral against lending to financial institutions

Rupees in '000	2019			2018		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
Pakistan Investment Bonds	14,075,190	–	14,075,190	–	–	–

7.3 Category of classification

Rupees in '000	2019		2018	
	Classified lending	Provision held	Classified lending	Provision held
Domestic				
Loss	148,606	148,606	148,606	148,606

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8. INVESTMENTS

Rupees in '000	2019				2018			
	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.1 Investments by type:								
Held for trading securities								
Fully paid ordinary shares	41,591	-	(1,503)	40,088	-	-	-	-
Available for sale securities								
Federal Government Securities	211,166,999	(37,369)	(3,109,664)	208,019,966	244,060,807	(41,600)	(6,125,979)	237,893,228
Shares	6,048,578	(1,607,285)	490,064	4,931,357	5,898,588	(1,437,160)	(153,307)	4,308,121
Units of open end mutual funds	1,305,036	(146,912)	114,137	1,272,261	1,032,012	(2,376)	(58,190)	971,446
Fully paid preference shares	27,314	(9,189)	43,820	61,945	27,314	(7,139)	39,570	59,745
Non Government Debt Securities	12,215,395	(1,489,262)	93,993	10,820,126	6,957,717	(1,540,848)	(480)	5,416,389
Foreign securities	159,646	(1,881)	7,202	164,967	421,818	(2,659)	(5,496)	413,663
	230,922,968	(3,291,898)	(2,360,448)	225,270,622	258,398,256	(3,031,782)	(6,303,882)	249,062,592
Held to maturity securities								
Federal Government Securities	77,030,069	(133,887)	-	76,896,182	11,293,815	(122,420)	-	11,171,395
Non Government Debt Securities	110,000	(110,000)	-	-	110,000	(110,000)	-	-
Foreign securities	3,247,847	(19,106)	-	3,228,741	-	-	-	-
	80,387,916	(262,993)	-	80,124,923	11,403,815	(232,420)	-	11,171,395
Total investments	311,352,475	(3,554,891)	(2,361,951)	305,435,633	269,802,071	(3,264,202)	(6,303,882)	260,233,987

Rupees in '000	2019				2018			
	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
8.2 Investments by segments:								
Federal Government Securities								
Market Treasury Bills	129,093,836	-	(71,269)	129,022,567	124,708,053	-	(10,339)	124,697,714
Pakistan Investment Bonds	138,589,333	-	(3,084,302)	135,505,031	105,470,628	-	(6,430,011)	99,040,617
Euro Bonds	6,629,340	(139,991)	36,217	6,525,566	4,806,143	(67,251)	(10,724)	4,728,168
GOP Bai Muajjal	5,246,146	-	-	5,246,146	-	-	-	-
Ijarah Sukuks	8,638,413	(31,265)	9,690	8,616,838	20,369,798	(96,769)	325,095	20,598,124
	288,197,068	(171,256)	(3,109,664)	284,916,148	255,354,622	(164,020)	(6,125,979)	249,064,623
Shares								
Listed companies	5,784,489	(1,601,605)	488,561	4,671,445	5,592,908	(1,431,480)	(153,307)	4,008,121
Unlisted companies	305,680	(5,680)	-	300,000	305,680	(5,680)	-	300,000
	6,090,169	(1,607,285)	488,561	4,971,445	5,898,588	(1,437,160)	(153,307)	4,308,121
Units of open end mutual funds	1,305,036	(146,912)	114,137	1,272,261	1,032,012	(2,376)	(58,190)	971,446
Fully paid preference shares	27,314	(9,189)	43,820	61,945	27,314	(7,139)	39,570	59,745
Non Government Debt Securities								
Listed	2,990,636	(221,636)	93,993	2,862,993	1,433,411	(226,836)	3,706	1,210,281
Unlisted	9,334,759	(1,377,626)	-	7,957,133	5,634,306	(1,424,012)	(4,186)	4,206,108
	12,325,395	(1,599,262)	93,993	10,820,126	7,067,717	(1,650,848)	(480)	5,416,389
Foreign Securities								
Government securities	3,407,493	(20,987)	7,202	3,393,708	421,818	(2,659)	(5,496)	413,663
Total investments	311,352,475	(3,554,891)	(2,361,951)	305,435,633	269,802,071	(3,264,202)	(6,303,882)	260,233,987

Rupees in '000	2019	2018
8.2.1 Investments given as collateral		
The market value of investment given as collateral is as follows		
Market Treasury Bills	12,480,754	12,792,806
Euro Bonds	5,527,143	3,331,957
Bahrain International Bonds	–	141,153
Srilankan Investment Bonds	166,848	279,001
Turkish Euro Bonds	445,961	–
Turkish Sukuks	956,958	–
Ijarah Sukuks	5,586,569	8,369,037
	25,164,233	24,913,954

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	3,264,202	2,042,279
Provision under IFRS 9 related to WBB	–	173,151
Opening balance after IFRS 9 impact of WBB	3,264,202	2,215,430
Exchange adjustments	19,368	–
Charge for the year	976,751	1,331,427
Provision / (reversal of provision) under IFRS 9 related to WBB	6,197	(6,472)
Reversals for the year	(51,586)	(268,539)
Net charge	931,362	1,056,416
Reversal on disposals	(660,041)	(7,644)
Closing balance	3,554,891	3,264,202

8.3.2 Particulars of provision against debt securities

Rupees in '000	2019		2018	
	NPL	Provision	NPL	Provision
Category of classification				
Domestic				
Loss	1,599,262	1,599,262	1,650,848	1,650,848
Overseas				
Not past due but impaired as per IFRS 9	–	192,244	–	166,679
	1,599,262	1,791,506	1,650,848	1,817,527

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8.4 Quality of available for sale securities

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

Rupees in '000	2019		2018	
	Cost		Cost	
Federal Government Securities - Government guaranteed				
Market Treasury Bills	121,652,726		124,708,053	
Pakistan Investment Bonds	85,342,730		105,023,310	
Euro Bonds	1,688,321		1,049,793	
Ijarah Sukuks	2,483,222		13,279,651	
	211,166,999		244,060,807	
Shares				
Listed				
Commercial banks	899,663		978,868	
Chemicals	503,234		381,695	
Fertilizer	224,782		382,188	
Cement	294,112		660,776	
Power generation and distribution	1,061,821		971,289	
Investment banks / investment companies	12,956		12,956	
Leasing companies	38,162		38,162	
Paper and board	154,515		154,515	
Glass and ceramics	79,411		80,915	
Automobile parts and accessories	42,847		80,176	
Cable and electrical goods	31,125		73,304	
Automobile assembler	57,046		57,046	
Engineering	127,834		194,793	
Insurance	110,112		96,133	
Oil and gas marketing companies	842,047		455,040	
Refinery	–		99,065	
Oil and gas exploration	280,694		–	
Textile composite	192,646		140,610	
Pharmaceuticals	87,330		114,383	
Real estate investment trust	572,760		580,242	
Technology and communication	16,949		31,684	
Vanaspati and allied industries	15,722		9,068	
Industrial metals and mining	97,130		–	
	5,742,898		5,592,908	

Rupees in '000	2019		2018	
	Cost	Breakup value	Cost	Breakup value
Unlisted				
DHA Cogen Limited	–	–	–	(590,898)
Pakistan Export Finance Guarantee Agency Limited	5,680	–	5,680	–
Pakistan Mortgage Refinance Company Limited	300,000	352,200	300,000	304,200
	305,680	352,200	305,680	(286,698)

8.4.1 Breakup value has been calculated on the basis of latest available financial statements.

Rupees in '000	2019	2018
		Cost
Units of Open end mutual funds		
Listed		
NI(UT)	500,000	500,000
NIT Islamic Equity Fund	50,000	50,000
Askari Islamic Asset Allocation Fund	–	53,226
Askari Asset Allocation Fund	100,846	100,846
Askari Equity Fund	–	53,988
Askari Islamic Income Fund	–	387
Askari High Yield Scheme	173,565	173,565
Askari Sovereign Yield Enhancer Fund	100,000	100,000
Askari Cash Fund (Formerly Askari Sovereign Cash Fund)	337,509	–
Pak Oman Islamic Asset Allocation Fund	42,705	–
Pak Oman Advantage Islamic Income Fund	411	–
	1,305,036	1,032,012
Fully Paid Preference Shares		
Listed		
Banks	2,214	2,214
Textile	25,100	25,100
	27,314	27,314
Non Government Debt Securities		
Listed		
AAA	–	235,575
AA+, AA, AA-	1,918,000	771,000
A+, A, A-	300,000	200,000
CCC and below	221,636	226,836
	2,439,636	1,433,411
Unlisted		
AAA	7,072,920	2,604,170
AA+, AA, AA-	600,850	249,950
A+, A, A-	725,000	700,000
CCC and below	761,474	795,129
Unrated	615,515	1,175,057
	9,775,759	5,524,306

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Rupees in '000	2019		2018	
	Cost	Rating	Cost	Rating
Foreign Securities				
Bahrain International Bond	159,646	B+	144,748	B+
Sri Lanka Bond	–	–	277,070	B
	159,646		421,818	

Rupees in '000	2019	2018
	Cost	Cost
8.5 Particulars relating to Held to Maturity securities are as follows:		
Federal Government Securities - Government guaranteed		
Market Treasury Bills	7,441,110	–
Pakistan Investment Bonds	53,246,603	447,318
Government of Pakistan Euro Bonds	4,941,019	3,756,350
Ijarah Sukuks	6,155,191	6,059,093
GOP Bai Muajjal	5,246,146	1,031,054
	77,030,069	11,293,815
Non Government Debt Securities		
Unlisted		
CCC and below	110,000	110,000

Rupees in '000	2019		2018	
	Cost	Rating	Cost	Rating
Foreign Securities				
Turkish Sukuk	933,737	BB-	–	–
Turkish Euro Bonds	1,156,717	BB-	–	–
Srilanka Euro Bond	1,157,393	BB-	–	–
	3,247,847		–	

8.5.1 Market value of held to maturity securities other than classified investments as at December 31, 2019 is Rs. 83,778,547 thousand (2018: Rs. 11,029,123 thousand).

9. ADVANCES

Rupees in '000	Note	Performing		Non performing		Total	
		2019	2018	2019	2018	2019	2018
Loans, cash credits, running finances, etc.	9.1	307,069,106	279,232,463	26,257,191	26,166,223	333,326,297	305,398,686
Islamic financing and related assets- note 3 of Annexure II		45,596,566	46,583,103	1,816,376	435,096	47,412,942	47,018,199
Bills discounted and purchased		17,749,166	16,786,319	60,406	55,767	17,809,572	16,842,086
Advances - gross		370,414,838	342,601,885	28,133,973	26,657,086	398,548,811	369,258,971
Provision against advances							
- Specific		–	–	(24,408,056)	(25,113,169)	(24,408,056)	(25,113,169)
- General		(1,226,892)	(1,038,655)	–	–	(1,226,892)	(1,038,655)
		(1,226,892)	(1,038,655)	(24,408,056)	(25,113,169)	(25,634,948)	(26,151,824)
Advances - net of provision		369,187,946	341,563,230	3,725,917	1,543,917	372,913,863	343,107,147

9.1 Includes net investment in finance lease as disclosed below:

Rupees in '000	2019				2018			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Lease rentals receivable	2,895,815	2,576,164	2,106	5,474,085	3,090,048	3,165,598	8,224
Residual value	950,981	1,726,078	3,420	2,680,479	872,487	2,071,589	27,690	2,971,766
Minimum lease payments	3,846,796	4,302,242	5,526	8,154,564	3,962,535	5,237,187	35,914	9,235,636
Financial charges for future periods	(445,870)	(344,595)	(3)	(790,468)	(364,904)	(301,495)	(375)	(666,774)
Present value of minimum lease payments	3,400,926	3,957,647	5,523	7,364,096	3,597,631	4,935,692	35,539	8,568,862

Rupees in '000	2019	2018
9.2 Particulars of advances (Gross)		
In local currency	368,646,263	347,815,947
In foreign currencies	29,902,548	21,443,024
	398,548,811	369,258,971

9.3 Advances include Rs. 28,133,973 thousand (2018: Rs. 26,657,086 thousand) which have been placed under non-performing status as detailed below:

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Rupees in '000	2019		2018	
	Non performing loans	Provision	Non performing loans	Provision
Category of Classification				
Domestic				
Other Assets Especially Mentioned - note 9.3.1	2,125,144	68	90,038	1,883
Substandard	477,321	50,418	286,591	23,421
Doubtful	661,347	209,962	429,231	187,411
Loss	24,870,161	24,147,608	25,851,226	24,900,454
	28,133,973	24,408,056	26,657,086	25,113,169

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

9.4 Particulars of provision against advances

Rupees in '000	2019				2018			
	Specific	General	Consumer financing - general	Total	Specific	General	Consumer financing - general	Total
Opening balance	25,113,169	498,429	540,226	26,151,824	24,962,069	236,940	447,575	25,646,584
Provision under IFRS 9 related to WBB	-	-	-	-	-	164,947	-	164,947
Opening balance after IFRS 9 impact of WBB	25,113,169	498,429	540,226	26,151,824	24,962,069	401,887	447,575	25,811,531
Exchange adjustment	-	22,252	-	22,252	-	-	-	-
Charge for the year	1,467,527	22,525	108,884	1,598,936	2,413,023	81,302	102,568	2,596,893
Provision under IFRS 9 related to WBB	-	48,525	-	48,525	-	16,119	-	16,119
Reversal for the year	(1,648,011)	(7,586)	(6,363)	(1,661,960)	(2,134,869)	(879)	(9,917)	(2,145,665)
	(180,484)	63,464	102,521	(14,499)	278,154	96,542	92,651	467,347
Amounts written off - note 9.5	(402,506)	-	-	(402,506)	-	-	-	-
Amounts charged off- agriculture financing - note 9.7	(122,123)	-	-	(122,123)	(127,054)	-	-	(127,054)
Closing balance	24,408,056	584,145	642,747	25,634,948	25,113,169	498,429	540,226	26,151,824

9.4.1 Particulars of provision against advances

Rupees in '000	2019				2018			
	Specific	General	Consumer financing - general	Total	Specific	General	Consumer financing - general	Total
In local currency	24,003,766	332,302	642,747	24,978,815	24,748,225	317,363	540,226	25,605,814
In foreign currencies	404,290	251,843	-	656,133	364,944	181,066	-	546,010
	24,408,056	584,145	642,747	25,634,948	25,113,169	498,429	540,226	26,151,824

9.4.2 The net FSV benefit already availed has been reduced by Rs. 108,591 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. 108,591 thousand (2018: Rs. 187,900 thousand) and Rs. 70,584 thousand (2018: Rs. 122,135 thousand) respectively. Further, at December 31, 2019, cumulative net of tax benefit availed for Forced Saled Value (FSV) was Rs. 527,484 thousand (December 31, 2018: Rs. 598,068 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.

9.4.3 The Group has availed the relaxation of Rs. 101,394 thousand (2018: Rs. 102,460 thousand) allowed by the SBP for maintaining provisions as per time based criteria of prudential regulations.

9.5 This represents write off against provision amounting to Rs. 402,506 thousand related to domestic advances (2018: NIL).

9.6 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, 2019 is given at Annexure - I.

9.7 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	2019	2018
10. FIXED ASSETS			
Capital work-in-progress	10.1	126,731	53,738
Property and equipment	10.2	12,252,877	12,738,089
Right of use asset - IFRS 16	10.3	7,316,960	–
		19,696,568	12,791,827

10.1 This represents civil works performed during the year.

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10.2 Property and equipment

		2019												
Rupees in '000		Land - freehold	Land - leasehold	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
As at January 1, 2019														
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
Year ended December 31, 2019														
Opening 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
Additions		-	-	-	-	145,239	89,047	14,712	216,375	180,269	24,628	-	-	670,270
Transfers from non banking assets		-	-	341,572	-	-	-	-	-	-	-	-	-	341,572
Movement in surplus on assets revalued during the year		-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals		-	(60,900)	-	-	(15,250)	(54,871)	(641)	(12,022)	(313)	-	-	-	(143,997)
Depreciation charge		-	-	(22,831)	(29,120)	(385,687)	(184,831)	(8,323)	(516,682)	(211,724)	(24,528)	(132)	-	(1,383,858)
Other adjustments / transfers		-	-	-	18,448	(80)	(144)	1	(1,211)	14,137	(350)	-	-	30,801
Closing net book value		3,226,063	4,797,275	785,918	535,026	680,286	666,443	26,791	1,065,430	423,852	45,504	289	-	12,252,877
As at December 31, 2019														
Cost / Revalued Amount		3,226,063	4,797,275	1,228,823	984,192	3,755,191	1,365,891	56,847	3,425,162	3,043,096	216,862	45,761	1,834	22,146,997
Accumulated Depreciation		-	-	442,905	449,166	3,074,905	699,448	30,056	2,359,732	2,619,244	171,358	45,472	1,834	9,894,120
Net book value		3,226,063	4,797,275	785,918	535,026	680,286	666,443	26,791	1,065,430	423,852	45,504	289	-	12,252,877
Rate of depreciation (percentage)		-	-	5	5	20	10	20	10-20	20	20	20	20	

		2018												
Rupees in '000		Land - freehold	Land - leasehold	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
As at January 1, 2018														
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
Year ended December 31, 2018														
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
As at December 31, 2018														
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
Rate of depreciation (percentage)		-	-	5	5	20	10	20	20	20	20	20	20	

		2018												
Rupees in '000		Land - freehold	Land - leasehold	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													
	2019	-	-	-	-	2,009,865	91,000	11,444	313,569	2,131,224	113,540	45,100	-	4,715,742
	2018	-	-	-	-	1,745,242	1,974	11,757	26,094	1,955,689	78,718	45,100	1,834	3,866,408

10.2.2 During the year the Group has changed the depreciation method of machine and equipment and furniture and office equipment from diminishing balance method to straight line method. This change in accounting estimate has been accounted for prospectively as per International Accounting Standard 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in these consolidated financial statements. Had the depreciation method not changed, the written down value of operating fixed assets and profit before tax would have been higher by Rs. 348 million.

10.2.3 During the year, the Group has transferred properties to fixed assets from non-banking assets having book values of Rs. 341,572 thousand.

10.3 Additions to right of use asset during the year amounted to Rs. 1,429,390 thousand (2018: NIL).

Rupees in '000	2019	2018
11. INTANGIBLE ASSETS		
Software	682,889	704,885
Less: Provision against intangibles	(9,866)	(24,404)
	673,023	680,481
Capital work in progress	135,971	60,880
	808,994	741,361
11.1 Software		
As at January 1,		
Cost	2,142,847	2,070,599
Accumulated amortization	1,437,962	1,242,668
Net book value	704,885	827,931
Year ended December 31,		
Opening net book value	704,885	827,931
Additions		
- directly purchased	193,532	72,248
Amortization charge	(206,420)	(195,294)
Other adjustments / transfers	(9,108)	–
Closing net book value	682,889	704,885
As at December 31,		
Cost	2,327,271	2,142,847
Accumulated amortization	1,644,382	1,437,962
Net book value	682,889	704,885
Rate of amortization (percentage)	10	10
Useful life	10 years	10 years

11.1.1 Cost of fully amortized intangible assets still in use amounts to Rs. 227,739 thousand (2018: Rs. 139,831 thousand).

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FOR THE YEAR ENDED DECEMBER 31, 2019

Rupees in '000	2019			
	At January 1, 2019	Recognized in P&L A/C	Recognized in OCI	At December 31, 2019
12. DEFERRED TAX ASSETS				
Deductible Temporary Differences on				
- Post retirement employee benefits	163,600	-	(153,629)	9,971
- Deficit on revaluation of investments	2,206,359	-	(1,380,202)	826,157
- Impact under IFRS 9 related to WBB	3,934	-	-	3,934
- Provision against advances, off balance sheet	1,568,007	-	-	1,568,007
	3,941,900	-	(1,533,831)	2,408,069
- Impact under IFRS 9 related to WBB	117,937	-	-	117,937
	4,059,837	-	(1,533,831)	2,526,006
Taxable Temporary Differences on				
- Surplus on revaluation of investments	-	-	-	-
- Accelerated tax depreciation	(286,058)	249,804	-	(36,254)
	(286,058)	249,804	-	(36,254)
	3,773,779	249,804	(1,533,831)	2,489,752

Rupees in '000	2018			
	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	165,267	-	(1,667)	163,600
- Deficit on revaluation of investments	-	-	2,206,359	2,206,359
- Impact under IFRS 9 related to WBB	-	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	-	-	-	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	Note	2019	2018
13. OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision	13.1	16,320,068	9,793,092
Income / mark-up accrued in foreign currencies		558,708	477,756
Advances, deposits, advance rent and other prepayments		666,068	1,321,871
Advance taxation (payments less provisions)		6,552,849	5,918,572
Non-banking assets acquired in satisfaction of claims	13.3	2,555,343	3,201,319
Mark to market gain on forward foreign exchange contracts - net		396,433	607,925
Suspense account		50,741	48,637
Stationary and stamps in hand		92,639	105,007
Dividend receivable	13.2	1,904	1,139
Acceptances		10,498,594	8,735,265
Receivable from defined benefit plan		71,364	–
Others		704,061	472,257
		38,468,772	30,682,840
Provision held against other assets	13.4	(238,089)	(257,811)
Other assets - net of provision		38,230,683	30,425,029
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		2,219,829	2,097,145
Other assets - total		40,450,512	32,522,174

13.1 This balance is net of interest in suspense amounting to Rs. 9,429,970 thousand (2018: Rs. 10,057,089 thousand).

13.2 This balance is net of dividend in suspense amounting to Rs. 81,020 thousand (2018: Rs. 81,020 thousand).

Rupees in '000	2019	2018
13.3 Market value of non-banking assets acquired in satisfaction of claims	4,775,172	5,298,464

The Group's non-banking assets were revalued by the valuers approved by the Pakistan Banks' Association on December 31, 2019. The valuation was carried out by M/s Gulf Consultants and M/s Arch-e-Decon on the basis of their professional assessment of the present market value and resulted in increase of Rs. 203,133 thousand. The total surplus arising against revaluation of non-banking asset acquired in satisfaction of claims as at December 31, 2019 amounts to Rs. 2,219,829 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Rupees in '000	2019	2018
13.3.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	5,298,464	5,001,571
Additions	–	550,224
Revaluation	203,133	452,228
Disposals	(281,882)	(629,580)
Transfers to Owned Assets	(341,572)	–
Adjustments	(73,145)	(16,907)
Depreciation	(29,826)	(59,072)
Closing balance	4,775,172	5,298,464
13.3.2 (Loss) / gain on disposal of non-banking assets acquired in satisfaction of claims		
Disposal proceeds	269,100	845,207
Less		
- Carrying value	(281,882)	(629,580)
- Depreciation	12,636	11,165
	(269,246)	(618,415)
(Loss) / gain	(146)	226,792
13.4 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	139,068	142,470
Non-banking assets acquired in satisfaction of claims	15,952	15,952
Suspense account	34,408	34,408
Stationery and stamps in hand	14,321	–
Provision under IFRS 9 related to WBB	–	447
Others	34,340	64,534
	238,089	257,811
13.4.1 Movement in provision held against other assets		
Opening balance	257,811	272,565
Provision under IFRS 9 related to WBB	–	149
Opening balance after IFRS 9 impact of WBB	257,811	272,714
Charge for the year	14,593	230
Provision under IFRS 9 related to WBB	(447)	298
Reversals for the year	(26,759)	(15,431)
	(12,613)	(14,903)
Amount written off	(7,109)	–
Closing balance	238,089	257,811

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	2019	2018
14.1.1 Assets attributable to discontinued operations		
Cash and balances with treasury banks	–	–
Balances with other banks	101,704	69,943
Lendings to financial institutions	–	–
Investments	106,797	57,429
Advances	25,259	911
Fixed assets	15,151	4,238
Intangible assets	16,189	16,696
Deferred tax assets	–	–
Other assets	50,641	65,540
	315,741	214,757
Liabilities associated with discontinued operations		
Bills payable	–	–
Borrowings	–	–
Deposits and other accounts	–	–
Liabilities against assets subject to finance lease	–	–
Sub-ordinated debt	–	–
Deferred tax liabilities	6,986	–
Other liabilities	134,870	81,513
	141,856	81,513
	173,885	133,244
14.1.2 Financial Performance		
Mark-up / return / interest earned	7,838	1,160
Mark-up / return / interest expensed	181	59
Net mark-up / interest income	7,657	1,101
Non mark-up / interest income		
Fee and commission income	37,768	33,484
Dividend income	2,132	2,287
Foreign exchange income	–	–
Income / (loss) from derivatives	–	–
Gain on securities	567	4,486
Other income	221	1,245
Total non-markup / interest income	40,688	41,502
Total income	48,345	42,603
Non mark-up / interest expenses		
Operating expenses	37,530	42,517
Workers' welfare fund	–	–
Other charges	–	–
Total non-markup / interest expenses	37,530	42,517
Profit before provisions	10,815	86
Provisions and write offs - net	–	–
Extraordinary / unusual items	–	–
Profit before taxation	10,815	86
Taxation	3,854	(2,745)
Profit / (loss) after taxation	14,669	(2,659)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Rupees in '000	Note	2019	2018
14.1.3 Other Comprehensive Income			
Profit after taxation		14,669	(2,659)
Remeasurement loss on defined benefit plan - net of tax		(183)	(1,478)
Movement in deficit on revaluation of investments - net of tax		33,744	(14,154)
Deferred tax on remeasurement of benefits		53	–
		48,283	(18,291)
14.1.4 Cash Flow Information			
Net cash flows from operating activities		67,417	52,608
Net cash flows from investing activities		(54,052)	(16,935)
Net cash flows from financing activities		–	–
15. BILLS PAYABLE			
In Pakistan		15,768,947	15,512,880
16. BORROWINGS			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	16.1.1	13,656,666	12,455,680
Long term financing facility	16.1.2	5,622,997	6,281,267
Financing facility for storage of agricultural produce	16.1.3	2,500	5,833
Renewable energy financing facility	16.1.4	429,526	224,077
Refinance from SBP - credit guarantee scheme for women entrepreneurs	16.1.5	1,618	–
		19,713,307	18,966,857
Repurchase agreement borrowings			
State Bank of Pakistan	16.1.6	7,666,640	–
Financial institutions	16.1.7	14,248,475	20,766,755
		21,915,115	20,766,755
Refinance from Pakistan Mortgage Refinance Company	16.1.8	1,972,026	1,000,000
Total secured		43,600,448	40,733,612
Unsecured			
Call borrowings	16.1.9	6,162,763	10,851,663
Overdrawn nostro accounts		1,424,470	1,117,048
Total unsecured		7,587,233	11,968,711
		51,187,681	52,702,323

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 2% (2018: 1% to 3%) 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% (2018: 2.0% to 8.4%) per annum payable on a quarterly basis.

16.1.3 These are secured against demand promissory note and carry mark-up of 3.25% (2018: 3.25%) per annum and have maturities upto July 2020.

16.1.4 These are secured against demand promissory note and carry mark-up of 2% (2018: 2%) per annum and have maturities upto 2030.

16.1.5 These are secured against demand promissory note and carry mark-up of NIL (2018: NIL) per annum and have maturities upto 2022.

16.1.6 These are secured against collateral of Government Securities and carry mark-up of 13.32% (2018: NIL) per annum and have maturities upto 1 month (2018: NIL). The market value of securities given as collateral is given in note 8.2.1.

16.1.7 These are secured against collateral of Government Securities and carry mark-up of 2.89% to 13.20% (2018: 3.40% to 10.35%) per annum and have maturities upto 3 months (2018: 1 month). The market value of securities given as collateral is given in note 8.2.1.

16.1.8 This is secured against mortgage finance portfolio of the Bank and carry mark-up of 10% to 11% (2018: 10.71%) per annum and has maturity upto 2021 (2018: upto 2021).

16.1.9 These carry mark-up rate of 1.3% to 13% (2018: 1.35% to 9.55%) per annum and having maturity upto 5 months (2018: upto 6 months).

Rupees in '000	2019	2018
16.2 Particulars of borrowings with respect to currencies		
In local currency	36,883,840	40,876,145
In foreign currencies	14,303,841	11,826,178
	51,187,681	52,702,323

17. DEPOSITS AND OTHER ACCOUNTS

Rupees in '000	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Customers						
Current accounts	174,842,702	19,411,555	194,254,257	152,097,142	16,648,265	168,745,407
Savings deposits	326,751,449	34,103,203	360,854,652	284,295,933	30,842,212	315,138,145
Fixed deposits	112,600,623	6,664,632	119,265,255	80,061,600	5,961,134	86,022,734
	614,194,774	60,179,390	674,374,164	516,454,675	53,451,611	569,906,286
Financial institutions						
Current accounts	494,830	41,087	535,917	811,441	-	811,441
Savings deposits	1,584,231	-	1,584,231	1,441,152	-	1,441,152
Fixed deposits	2,752,000	-	2,752,000	1,438,047	-	1,438,047
	4,831,061	41,087	4,872,148	3,690,640	-	3,690,640
	619,025,835	60,220,477	679,246,312	520,145,315	53,451,611	573,596,926

Rupees in '000	2019	2018
17.1 Composition of deposits		
- Individuals	245,870,270	225,474,253
- Government (Federal and Provincial)	239,953,178	187,851,067
- Public Sector Entities	48,142,129	41,581,294
- Banking Companies	76	107
- Non-Banking Financial Institutions	4,925,246	3,729,463
- Private Sector	140,355,413	114,960,742
	679,246,312	573,596,926

17.2 Total deposits include eligible deposits of Rs. 289,461,352 thousand (2018: Rs. 259,578,178 thousand) as required by the Deposit Protection Corporation's (a subsidiary of SBP) vide circular No. 04 of 2018 dated June 22, 2018.

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Rupees in '000	Note	2019	2018
18. SUBORDINATED DEBTS			
Term Finance Certificates - V	18.1	3,992,000	3,993,600
Term Finance Certificates - VI (ADT-1)	18.1	6,000,000	6,000,000
		9,992,000	9,993,600

18.1 The Group has raised unsecured sub-ordinated 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	3,992,000	6,000,000
Issue amount	Rupees 4,000 million	Rupees 6,000 million
Issue date	September 30, 2014	July 03, 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	Neither profit nor principal will be payable (even at maturity), if such payment will result in a shortfall in the Bank's Minimum Capital Requirement or Capital Adequacy Ratio or results in an increase in any existing shortfall in Minimum Capital Requirement or Capital Adequacy Ratio.	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	The instrument will be subject to Loss Absorbency under SBP's Basel III Circular	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	2019	2018
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		5,488,211	3,167,365
Mark-up / return / interest payable in foreign currencies		229,291	166,309
Unearned commission and income on bills discounted		923,438	558,086
Accrued expenses		1,724,514	1,125,210
Advance payments		444,390	439,176
Acceptances		10,498,594	8,735,265
Dividends payable		138,446	127,053
Branch adjustment account		498,814	310,170
Payable to defined benefit plan		–	52,851
Security deposit against lease / Ijarah financing		4,247,512	4,473,848
Withholding taxes payable		252,129	134,361
Federal excise duty payable		56,894	68,562
Workers' Welfare Fund	30	172,117	130,000
Switch fee payable		666,416	747,778
Provision against off-balance sheet obligations	19.1	101,154	108,025
Lease liability against ROU assets as per IFRS - 16 Leases	4.1	7,358,016	–
Advance against Term Finance Certificate - VII	19.2	700,000	–
Others		1,204,112	834,417
		34,704,048	21,178,476

19.1 Provision against off-balance sheet obligations

Opening balance		108,025	6,116
Charge for the year		1,154	101,909
Reversal for the year		(517)	–
Net charge		637	101,909
Amount written off		(7,508)	–
Closing balance		101,154	108,025

19.2 This represents advance received against issuance of term finance certificates (TFC VII) of Rs. 7,000,000 thousand.

20. SHARE CAPITAL

20.1 Authorized capital

2019		2018	2019		2018
Number of shares			Rupees in '000		
2,000,000,000	2,000,000,000	Ordinary shares of Rs. 10 each	20,000,000	20,000,000	

20.2 Issued, subscribed and paid up capital

2019		2018	2019		2018
Number of shares			Rupees in '000		
514,689,096	514,689,096	Ordinary shares of Rs. 10 each	5,146,891	5,146,891	
717,297,769	717,297,769	Fully paid in cash	7,172,978	7,172,978	
28,273,315	28,273,315	Issued as bonus shares	282,733	282,733	
		Issued on Askari Leasing Limited merger			
1,260,260,180	1,260,260,180		12,602,602	12,602,602	

20.3 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, 2019.

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Rupees in '000	Note	2019	2018
21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) on revaluation of:			
- Available for sale securities	8.1	(2,360,448)	(6,303,882)
- Fixed Assets	21.1	3,614,888	3,649,575
- Non-banking assets acquired in satisfaction of claims	21.2	2,219,829	2,097,145
		3,474,269	(557,162)
Deferred tax on deficit on revaluation of available for sale securities		826,157	2,206,359
		4,300,426	1,649,197
21.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January, 1		3,649,575	2,940,128
Recognised during the year		–	709,447
Realised on disposal during the year		(34,687)	–
Surplus on revaluation of fixed assets as at December, 31		3,614,888	3,649,575
21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January, 1		2,097,145	1,811,635
Recognised during the year		203,133	452,228
Realised on disposal during the year		(83,073)	(165,184)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		–	(628)
Adjustment during the year		2,624	(906)
Surplus on revaluation as at December, 31		2,219,829	2,097,145
22. CONTINGENCIES AND COMMITMENTS			
- Guarantees	22.1	188,434,387	177,859,159
- Commitments	22.2	314,557,897	311,768,322
- Other contingent liabilities	22.3	721,349	792,879
		503,713,633	490,420,360
22.1 Guarantees			
Financial guarantees		5,908,830	3,841,612
Performance guarantees		124,661,353	114,818,848
Other guarantees		57,864,204	59,198,699
		188,434,387	177,859,159

Rupees in '000	Note	2019	2018
22.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		162,130,911	212,101,045
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	94,380,989	58,918,497
- forward government securities transactions	22.2.2	14,500,000	–
- forward lending	22.2.3	43,352,110	40,682,738
Commitments for acquisition of:			
- operating fixed assets		65,963	29,633
- intangible assets		112,330	30,628
Commitments in respect future contract transactions of equity securities		15,594	5,781
		314,557,897	311,768,322

22.2.1 Commitments in respect of forward foreign exchange contracts

Purchase		50,072,221	36,434,542
Sale		44,308,768	22,483,955
		94,380,989	58,918,497

The above commitments have maturities falling within one year.

22.2.2 Commitments in respect of forward government securities transactions

Purchase		14,500,000	–
Sale		–	–
		14,500,000	–

22.2.3 Commitments in respect of forward lending

Forward repurchase agreement lending		36,096,228	20,806,907
Undrawn commitments	22.2.3.1	7,255,882	19,875,831
		43,352,110	40,682,738

22.2.3.1 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		2019	2018
22.3 Other contingent liabilities			
22.3.1	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.	721,349	792,879

22.3.2 The ASL has pledged / hypothecated Trading Right entitlement Certificate (TREC) of Pakistan Stock Exchange Limited (PSX) at a notional value of Rs 2.5 million and 3,034,603 shares of ISE Towers Reit Management Co. Ltd aggregating to Rs. 43.9 million against the Base Minimum Capital (BMC) requirement of Rs. 23 million.

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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 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 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 un-favourably, the Group will loose 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 as determined by the 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 4.22.

Rupees in '000	2019	2018
24.. MARK-UP / RETURN / INTEREST EARNED		
On:		
Loans and advances	42,674,869	23,859,186
Investments	27,125,698	18,436,042
Lendings to financial institutions	371,146	93,870
Balances with banks	142,505	106,818
Securities purchased under resale agreements	1,390,155	1,173,967
	71,704,373	43,669,883

Rupees in '000	Note	2019	2018		
25. MARK-UP / RETURN / INTEREST EXPENSED					
On:					
Deposits		42,789,937	22,104,113		
Borrowings		4,505,643	2,302,209		
Subordinated debts		1,302,189	653,603		
Interest expense on lease liability against ROU assets		970,082	–		
		49,567,851	25,059,925		
26. FEE AND COMMISSION INCOME					
Branch banking customer fees		558,582	415,748		
Consumer finance related fees		106,306	80,538		
Card related fees (debit and credit cards)		874,269	809,492		
Credit related fees		141,884	123,343		
Investment banking fees		271,506	186,465		
Commission on trade		632,504	592,296		
Commission on guarantees		561,947	502,400		
Commission on remittances including home remittances		236,234	96,994		
Commission on bancassurance		156,241	228,946		
Others		76,955	79,848		
		3,616,428	3,116,070		
27. GAIN ON SECURITIES					
Realised	27.1	740,854	260,103		
Unrealised - held for trading	8.1	(1,503)	–		
		739,351	260,103		
27.1 Realised gain / (loss) on:					
Federal Government Securities		566,789	237,818		
Shares		176,471	(10,631)		
Non Government Debt Securities		88	1,780		
Mutual Funds		(2,494)	31,136		
		740,854	260,103		
28. OTHER INCOME					
Rent on property		1,292	9,359		
Loss on sale of fixed assets		(60,406)	(5,253)		
Rent of lockers		41,416	38,525		
(Loss) / gain on sale of non-banking asset	28.1	(146)	226,792		
Recovery of expenses from customers		234,524	148,658		
Termination of lease contracts under IFRS - 16 Leases		49,422	–		
		266,102	418,081		
28.1 (Loss) / gain on sale of non-banking asset					
		2019			
Name of party	Cost	Revalued amount	Cash received	Gain / (loss) on sale	Mode of disposal
	Rupees '000				
Mr. Aamer Mehmood	85,539	103,148	105,600	2,452	Tender
M/s Sajid Textiles	154,749	166,098	163,500	(2,598)	Tender
	240,288	269,246	269,100	(146)	

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Name of party	2018				
	Cost	Revalued amount	Cash received	Gain on sale	Mode of disposal
	Rupees '000				
M/s A.H. International (Pvt) Limited	395,292	517,566	735,000	217,434	Buy Back
M/s Shafi Exports (Pvt) Limited	69,104	100,849	110,207	9,358	Buy Back
	464,396	618,415	845,207	226,792	

Rupees in '000	Note	2019	2018
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29. OPERATING EXPENSES

Total compensation expenses 29.1 8,783,319 8,502,023

Property expense

Rent and taxes		294,366	1,692,027
Insurance		131,180	93,144
Utilities cost		634,301	547,660
Security (including guards)		489,076	546,841
Repair & maintenance (including janitorial charges)		255,476	230,124
Depreciation on ROU assets		1,497,366	-
Depreciation		437,629	430,449
		3,739,394	3,540,245

Information technology expense

Software maintenance		250,650	256,653
Hardware maintenance		45,081	41,898
Depreciation		211,737	186,905
Amortisation		206,420	195,294
Network charges		208,178	221,761
		922,066	902,511

Other operating expenses

Directors' fees, allowances		11,375	8,250
Fees and allowances to shariah board		5,847	4,940
Rent, taxes, insurance etc.		214,936	186,866
Legal and professional charges		97,154	110,524
Brokerage and commission		80,140	81,567
NIFT clearing charges		62,030	53,463
Repair and maintenance		284,191	254,147
Communications		507,406	417,668
Stationery and printing		351,474	216,611
Marketing, advertisement and publicity		164,839	114,548
Donations	29.2	60,600	43,388
Auditors' remuneration	29.3	16,537	13,126
Travelling, conveyance and entertainment		280,881	229,249
Vehicle running expenses		868,377	736,598
Depreciation		734,492	405,481
Security service charges		218,416	183,657
Training and development		40,571	19,305
Premium paid to Deposit Protection Corporation		415,325	190,162
Other expenditure		375,691	216,347
		4,790,282	3,485,897

18,235,061 16,430,676

Rupees in '000	Note	2019	2018
29.1 Total compensation expenses			
Managerial remuneration			
i) Fixed		3,694,226	4,007,601
ii) Variable			
- Cash bonus / awards etc.		1,358,110	665,984
		5,052,336	4,673,585
Charge for defined benefit plans	29.1.1	359,011	586,359
Contribution to defined contribution plan	38	269,660	263,112
Rent and house maintenance		1,640,820	1,578,787
Utilities		357,433	345,968
Medical		501,094	485,054
Conveyance		331,700	344,721
Other staff cost	29.1.2	271,265	224,437
		8,783,319	8,502,023

29.1.1 This includes charge of gratuity fund and leave encashment.

29.1.2 This includes incentive to consumer sales staff, dearness allowance, cash handling allowance, staff group insurance etc.

29.2 This includes contribution amounting to Rs. 10,000 thousand (2018: NIL) to Sona Welfare Foundation (SWF) for the purpose of construction of the first Farmer Facility Center (Sona Sahulat Markaz), Rs. 600 thousand (2018: NIL) for installation of water supply bore at Gokdan Turbat Girls School. It also includes amount of donation of Rs. 50,000 thousand (2018: NIL) to Fauji Foundation Hospital for the purchase of medical equipment where common directors interest is limited to the extent of their employment with Fauji Foundation.

Rupees in '000		2019	2018
29.3 Auditors' remuneration			
Statutory auditors of the Bank			
Audit fee		3,795	3,795
Fee for the audit of provident and gratuity funds		360	300
Special certifications, half year review, audit of consolidated financial statements and sundry advisory services		6,638	4,781
Out of pocket expenses		1,425	1,321
		12,218	10,197
Auditors of Wholesale Bank Branch, Bahrain			
Audit fee		4,319	2,929
		16,537	13,126
30. WORKERS' WELFARE FUND			
Opening balance		130,000	670,060
Charge for the year		42,117	159,940
Reversal for the prior periods		-	(700,000)
		42,117	(540,060)
Closing balance		172,117	130,000

31. This represents penalties imposed by the State Bank of Pakistan.

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Rupees in '000	Note	2019	2018
32. PROVISIONS AND WRITE OFFS - NET			
Provision for diminution in value of investments	8.3.1	931,362	1,048,772
(Reversal) / provision against loans and advances	9.4	(14,499)	467,347
Reversal of provision against other assets	13.4.1	(12,613)	(14,903)
Reversal of provision against intangible assets		(14,538)	–
Provision against off-balance sheet obligations	19.1	637	101,909
Reversal of provision against cash and bank balances	6.3	(4)	(14)
Recovery of written off / charged off bad debts		(117,070)	(142,536)
		773,275	1,460,575
33. TAXATION			
Current		4,329,226	2,009,641
Prior years		(707,173)	1,578,208
Deferred		(249,804)	(1,139,672)
		3,372,249	2,448,177
33.1 Relationship between tax expense and accounting profit			
Profit before taxation		10,389,271	6,879,455
Tax at applicable tax rate of 39 percent (2018: 35 percent)		4,051,816	2,407,809
Effect of:			
- charge for prior year		(717,002)	39,183
- permanent differences		37,435	1,185
		3,372,249	2,448,177

33.2 Tax status

- i) The Group has filed tax returns for and up to tax year 2019 (year ended 31 December 2018). 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 High Court. However the likelihood of an adverse decision is considered low due to a favourable decision of the High Court in a parallel case.

	2019	2018
34. BASIC AND DILUTED EARNINGS PER SHARE		
Profit for the year - Rupees in '000	7,028,756	4,429,310
Weighted average number of Ordinary Shares - numbers	1,260,260,180	1,260,260,180
Basic and diluted earnings per share - Rupees	5.58	3.51

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	2019	2018
35. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	63,039,290	49,187,645
Balances with other banks	7,886,708	4,093,412
Call money lendings	6,330,782	-
	77,256,780	53,281,057

	2019	2018
36. STAFF STRENGTH	Number of employees	
Permanent	6,921	6,640
On Bank's contract	927	898
Total staff strength	7,848	7,538

In addition to the above, out of total employees, 6 (2018: 5) employees are working abroad.

Further, a total of 37 (2018: 19) employees are working for ASL as at December 31

37. DEFINED BENEFIT PLAN

37.1 General description

The Bank and ASL 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 of the Bank are 6,916 employees (2018: 6,611 employees).

37.3 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2019 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2019	2018
Discount rate - per annum	13.00%	10.75%
Expected rate of increase in salaries - per annum	10.0% - 12.5%	10.25%
Expected rate of return on plan assets - per annum	13.00%	10.75%
Duration	10.21 years	10.84 years
Mortality rate	SLIC 2001 - 2005 mortality table	SLIC 2001 - 2005 mortality table

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

Rupees in '000	Note	2019	2018
37.4 Reconciliation of (receivable) from / payable to defined benefit plan			
Present value of defined benefit obligation		2,733,220	2,782,116
Fair value of plan assets		(2,816,595)	(2,741,274)
Benefits payable		12,011	12,009
Net (asset) / liability		(71,364)	52,851
37.5 Movement in defined benefit obligations			
Obligation at the beginning of the year		2,782,116	2,505,491
Current service cost		302,411	278,585
Interest cost		299,771	224,074
Re-measurement gain		(503,532)	(47,892)
Benefits paid by the Bank		(147,546)	(166,133)
Benefits payable		–	(12,009)
Obligation at the end of the year		2,733,220	2,782,116
37.6 Movement in fair value of plan assets			
Fair value at the beginning of the year		2,741,274	2,042,650
Interest income on plan assets		287,459	203,902
Actuarial loss on assets		(64,592)	(43,130)
Contributions by employer		(147,546)	730,670
Benefits paid		–	(166,133)
Benefits payable - opening		–	(26,685)
Fair value at the end of the year		2,816,595	2,741,274
37.7 Movement in (receivable) / payable under defined benefit schemes			
Opening balance		52,851	489,526
Charge for the year		314,725	298,757
Contribution by the Bank - net		–	(730,670)
Re-measurement gain recognised in OCI during the year	37.8.2	(438,940)	(4,762)
Closing balance		(71,364)	52,851
37.8 Charge for defined benefit plan			
37.8.1 Cost recognised in profit and loss			
Current service cost		302,411	278,585
Net interest income on defined benefit liability		12,314	20,172
		314,725	298,757
37.8.2 Re-measurements recognised in OCI during the year			
(Gain) / loss on obligation			
- Experience adjustment		(503,532)	(47,892)
Actuarial loss on assets		64,592	43,130
Total re-measurements recognised in OCI		(438,940)	(4,762)

Rupees in '000	2019	2018
37.9 Components of plan assets		
Cash and cash equivalents	39,813	183,901
Government securities	2,268,702	1,859,754
Term Finance Certificates	155,852	274,926
Shares	71,713	89,646
Mutual funds	280,515	333,047
	2,816,595	2,741,274

37.10 Amounts for current and previous four annual periods are as follows:

Rupees in '000	2019	2018	2017	2016	2015
As at December 31,					
Defined benefit obligation	2,733,220	2,782,116	2,505,491	2,192,580	1,813,892
Plan assets	(2,816,595)	(2,741,274)	(2,042,650)	(1,808,216)	(1,813,892)
Benefits payable	12,011	12,009	26,685	–	–
(Surplus) / deficit	(71,364)	52,851	489,526	384,364	–
Experience adjustments					
Actuarial gain on obligation	503,532	47,892	58,839	–	51,437
Actuarial (loss) / gain on plan assets	(64,592)	(43,130)	(116,540)	–	34,266

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	Impact on Defined Benefit Obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
	Rupees in '000		
Discount rate	1.00%	(250,617)	291,056
Salary increase	1.00%	278,036	(244,175)
Mortality rate change	1 year	586	(588)

37.12 The expected contribution for the next one year should take into account the maximum annual contribution limit set by the Income Tax Rules, 2002 i.e. the basic payroll of the last month of the financial year end. If the contribution exceeds the limit defined in the Income Tax Rules, the Bank may apply to the Commissioner of Inland Revenue (CIR) for special contribution for the excess amount.

37.13 Expected charge for the next financial year (Rupees in '000) 240,861

37.14 Maturity profile

Periods	Undiscounted payments Rupees in '000
Year 1	135,124
Year 2	113,009
Year 3	135,958
Year 4	111,040
Year 5	153,638
Year 6 to Year 10	1,707,848
Year 11 and above	13,532,318

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37.15 Funding Policy

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

37.16 Significant risks associated with the staff retirement benefit scheme:

Longevity Risks	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.

37.17 In addition, the liability in respect of defined benefit plan of ASL is Rs. 1,225 thousand (2018: Rs. 2,331 thousand).

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, 2018 were Rs. 4,729,632 thousand (December 31, 2017: Rs. 4,250,161 thousand) as per latest available audited financial statements of the fund. The employees covered under this scheme are 6,129 (2018: 6,437 employees).

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.

38.1 The details of size and investment of the provident fund is as follows:

Rupees in '000	2019	2018
	Un-audited	Audited
Size of the fund	5,384,207	4,700,387
Cost of investments	5,284,243	4,526,516
Fair value of investments	5,397,441	4,535,520
Percentage of investments	98.14%	96.30%

38.2 Breakup of provident fund investments

	2019 (Un-audited)		2018 (Audited)	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Pakistan Investment Bonds	3,019,080	57.13	2,285,000	50.48
Market Treasury Bills	951,216	18.00	911,000	20.13
Term Finance Certificates	419,652	7.94	368,000	8.13
Mutual Funds	644,664	12.20	712,885	15.75
Shares	249,631	4.73	249,631	5.51
	5,284,243	100.00	4,526,516	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 and ASL grants compensated absences to all its regular employees as per effective Service Rules. Provisions are recorded in accordance with the actuarial recommendation.

Under the unfunded scheme of the Bank, regular employees are entitled to 30 days privilege leave for each completed year of service and unutilized privilege leaves are accumulated upto a maximum of 90 days out of which 45 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, 2019 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2019 was Rs. 569,382 thousand (2018: Rs. 574,690 thousand). Expense for the year of Rs. 44,286 thousand (2018: Rs 287,602 thousand) has been included in administrative expenses. The main assumptions used for actuarial valuation for the Bank are as follows:

	2019	2018
Discount rate - per annum	13.00%	10.75%
Expected rate of increase in salaries - per annum	10.00% to 12.50%	10.25%
Leave accumulation factor - days	8	8

39.3 In addition, the net liability in respect of staff compensated absences of ASL is Rs. 2,209 thousand (2018: 1,788 thousand) and expense for the year is Rs. 1,412 thousand (2018: Rs. 1,786 thousand)

40. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

40.1 Total Compensation Expense

Items	For the year ended December 31, 2019					Total
	Non Executive Director	Member Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers	
	Rupees in '000					
Fees and Allowances etc.						
Managerial Remuneration						
i) Fixed	11,375	5,400	20,717	125,287	120,783	283,562
ii) Total Variable of which						
a) Cash Bonus / Awards	–	–	3,422	22,730	26,459	52,611
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	1,768	8,644	10,665	21,077
Contribution to defined contribution plan	–	–	1,666	8,000	9,159	18,825
Rent & house maintenance	–	–	8,998	51,480	56,425	116,903
Utilities	–	–	2,000	11,339	11,486	24,825
Medical	–	–	2,000	11,339	11,486	24,825
Conveyance	–	447	–	29,952	42,982	73,381
Others	–	–	120	9,067	12,269	21,456
Total	11,375	5,847	40,691	277,838	301,714	637,465
Number of Persons	10	3	1	24	57	95

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Items	For the year ended December 31, 2018					Total
	Non Executive Director	Member Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers	
Rupees in '000						
Fees and Allowances etc.						
Managerial Remuneration						
i) Fixed	8,250	4,559	34,484	109,030	112,980	269,303
ii) Total Variable of which						
a) Cash Bonus / Awards	–	–	11,695	25,548	22,265	59,508
b) Bonus & Awards in Shares	–	–	–	–	–	–
Charge for defined benefit plan	–	–	1,330	6,059	8,284	15,673
Contribution to defined contribution plan	–	–	1,634	6,499	11,201	19,334
Rent & house maintenance	–	–	7,064	42,616	45,725	95,405
Utilities	–	–	1,671	9,270	9,984	20,925
Medical	–	–	1,671	9,270	9,984	20,925
Conveyance	–	381	–	23,700	35,365	59,446
Others	–	–	11,663	3,758	4,766	20,187
Total	8,250	4,940	71,212	235,750	260,554	580,706
Number of Persons	11	3	2	26	54	96

For the purposes of the foregoing, the term “Key Management Personnel” as per BPRD Circular No. 2 dated January 25, 2018 means the following functional responsibilities:

- (a) Any executive or key executive, acting as second to CEO, by whatever name called, and including the Chief Operating Officer (COO) and Deputy Managing Director.
- (b) Any executive or key executive reporting directly to the CEO / President or the person mentioned in (a) above.

Risk Taker is a function of the Group which takes, or is in a position to take, risk that may result in financial losses as circumstances may change, but also present an opportunity for a rewarding outcome for the Bank.

Risk Controller is a function of the Group positioned to pro-actively identify risks associated with the businesses of the Group and advise the mitigation thereof. Risk Controller is independent of the business and support units it monitors and controls. In addition, the compensation to chief executive of ASL amounts to Rs. 2,206 thousand (2018: Rs. 7,407 thousand).

40.2 Remuneration paid to Directors of the Bank for participation in Board and Committee Meetings

		2019					
		Meeting fees and allowances paid for Board Committees					
S.No	Name of Director	Board meetings	Human	Risk	Audit	Information	Total amount paid
			resource and remuneration committee	management committee	committee	technology committee	
		Rupees in '000					
1	Lt Gen Syed Tariq Nadeem Gilani HI (M) Retd	625	–	–	–	–	625
2	Lt Gen Javed Iqbal HI (M) Retd	375	375	–	–	–	750
3	Lt Gen Tariq Khan HI (M) Retd	250	–	–	–	–	250
4	Dr. Nadeem Inayat	625	281	375	656	281	2,218
5	Mr. Rehan Laiq	625	–	94	563	–	1,282
6	Mr. Manzoor Ahmed	500	–	375	656	–	1,531
7	Mr. Kamal A. Chinoy	625	188	–	–	–	813
8	Syed Ahmed Iqbal Ashraf	625	375	–	656	–	1,656
9	Mr. Mushtaq Malik	625	375	–	–	–	1,000
10	Brig Saleem Ahmed Moeen SI Retd	500	–	375	–	375	1,250
Total amount paid		5,375	1,594	1,219	2,531	656	11,375

		2018					
		Meeting fees and allowances paid for Board Committees					
S.No	Name of Director	Board meetings	Human	Risk	Audit	Information	Total amount paid
			resource and remuneration committee	management committee	committee	technology committee	
		Rupees in '000					
1	Lt Gen Syed Tariq Nadeem Gilani HI (M) Retd	625	–	–	–	–	625
2	Lt Gen Javed Iqbal HI (M) Retd	312	238	–	–	–	550
3	Lt Gen Tariq Khan HI (M) Retd	250	–	–	–	–	250
4	Mr. Qaiser Javed	500	–	144	313	–	957
5	Dr. Nadeem Inayat	625	238	188	406	94	1,551
6	Mr. Manzoor Ahmed	625	–	238	356	–	1,219
7	Mr. Kamal A. Chinoy	344	187	–	–	–	531
8	Justice (R) Sarmad Jalal Osmany	93	–	24	–	–	117
9	Syed Ahmed Iqbal Ashraf	625	238	–	406	–	1,269
10	Mr. Mushtaq Malik	625	212	–	–	–	837
11	Brig Saleem Ahmed Moeen SI Retd	250	–	–	–	94	344
Total amount paid		4,874	1,113	594	1,481	188	8,250

Further, the remuneration paid to directors of ASL for attending board meetings during the year ended December 31, 2019 amounts to Rs. 260 thousand (2018: Rs. 220 thousand)

40.3 Remuneration paid to Shariah Board Members

Items	Meeting fees and allowances paid					
	2019			2018		
	Chairman	Resident member	Non-resident member	Chairman	Resident member	Non-resident member
Rupees in '000						
a. Meeting Fees and Allowances	–	–	–	–	–	–
b. Managerial Remuneration Fixed	1,800	1,800	1,800	1,510	1,539	1,510
c. Fuel	–	447	–	–	381	–
Total amount	1,800	2,247	1,800	1,510	1,920	1,510
Total number of persons	1	1	1	1	1	1

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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.

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 Funds 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 asset or liability 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.

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	2019			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	208,019,966	–	208,019,966
Shares	4,671,445	–	300,000	4,971,445
Units of open end mutual funds	–	1,272,261	–	1,272,261
Fully paid preference shares	61,945	–	–	61,945
Non Government Debt Securities	–	2,862,993	7,957,133	10,820,126
Foreign securities	–	164,967	–	164,967
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	76,896,182	–	76,896,182
Foreign securities	–	3,228,741	–	3,228,741
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	–	50,072,221	–	50,072,221
Forward sale of foreign exchange	–	44,308,768	–	44,308,768
Forward agreements for lending	–	–	–	–
Forward agreements for borrowing	–	–	36,096,228	36,096,228

Rupees in '000	2018			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	–	237,893,228	–	237,893,228
Shares	4,008,121	–	300,000	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
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	–	11,171,395	–	11,171,395
Off-balance sheet financial instruments - measured at fair value				
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

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

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Rupees in '000	2019 Level 3	2018 Level 3
41.2 Fair value of non-financial assets		
Fixed assets		
Property and equipment (freehold and leasehold land)	8,023,338	8,084,238
Other assets		
Non-banking assets acquired in satisfaction of claims	4,775,172	5,298,464

42. Segment Information

42.1 Segment details with respect to Business Activities

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

Rupees in '000	2019							Total
	Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head office / others	
Profit and loss								
Net mark-up / return / profit	(32,109,760)	26,011,451	23,186,379	2,896,790	3,051,902	769,863	(1,670,103)	22,136,522
Inter segment revenue - net	49,211,908	(20,333,777)	(27,004,856)	(2,073,037)	-	322,279	(122,517)	-
Non mark-up / return / interest income	1,416,066	2,403,402	2,518,054	310,403	275,680	28,047	452,376	7,404,028
Total income / (loss)	18,518,214	8,081,076	(1,300,423)	1,134,156	3,327,582	1,120,189	(1,340,244)	29,540,550
Segment direct expenses	9,738,135	692,762	189,844	788,197	2,066,391	96,558	4,805,238	18,377,125
Inter segment expense allocation	2,584,128	1,798,926	295,218	126,966	-	-	(4,805,238)	-
Total expenses	12,322,263	2,491,688	485,062	915,163	2,066,391	96,558	-	18,377,125
(Reversal of provisions) / provisions	(27,993)	(468,647)	(728)	71,212	185,407	55,355	958,669	773,275
Profit / (loss) before tax	6,223,944	6,058,035	(1,784,757)	147,781	1,075,784	968,276	(2,298,913)	10,390,150
Statement of financial position								
Cash and bank balances	23,658,156	2,731,715	18,995,752	-	9,312,065	170,548	16,057,756	70,925,992
Investments	-	9,560,837	264,527,598	-	7,796,309	17,546,111	6,004,778	305,435,633
Net inter segment lending	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	14,075,190	-	6,330,782	-	-	20,405,972
Advances - performing - net of provision	12,374,428	274,288,120	-	17,953,030	45,559,794	12,503,225	6,509,349	369,187,946
Advances - non-performing - net of provision	684,502	1,567,268	-	231,813	1,242,334	-	-	3,725,917
Others	1,053,872	17,132,320	5,201,442	708,117	5,365,508	271,906	33,712,661	63,445,826
	37,770,958	305,280,260	302,799,982	18,892,960	75,606,792	30,491,790	62,284,544	833,127,286
Assets attributable to discontinued operations	-	-	-	-	-	-	315,741	315,741
Total assets	37,770,958	305,280,260	302,799,982	18,892,960	75,606,792	30,491,790	62,600,285	833,443,027
Borrowings	1,352,907	17,372,474	13,810,495	1,972,026	2,187,925	13,067,383	1,424,471	51,187,681
Subordinated debts	-	-	-	-	-	-	9,992,000	9,992,000
Deposits and other accounts	547,601,944	68,398,729	-	19,187	62,859,181	289,553	77,718	679,246,312
Net inter segment balances - net	(521,270,904)	196,917,169	288,295,379	15,597,961	-	14,354,373	6,106,022	-
Others	10,087,011	22,591,888	694,108	1,303,786	5,277,040	1,514,653	9,004,509	50,472,995
	37,770,958	305,280,260	302,799,982	18,892,960	70,324,146	29,225,962	26,604,720	790,898,988
Liabilities associated with discontinued operations	-	-	-	-	-	-	141,856	141,856
Total liabilities	37,770,958	305,280,260	302,799,982	18,892,960	70,324,146	29,225,962	26,746,576	791,040,844
Equity	-	-	-	-	5,282,646	1,265,828	35,853,709	42,402,183
Total equity and liabilities	37,770,958	305,280,260	302,799,982	18,892,960	75,606,792	30,491,790	62,600,285	833,443,027
Contingencies and commitments	5,846,170	342,698,169	135,443,232	602,579	8,055,344	9,523,859	1,544,280	503,713,633

Rupees in '000	2018							Total
	Branch banking	Corporate banking	Treasury	Consumer banking	Islamic banking	Foreign operations	Head office / others	
Profit and loss								
Net mark-up / return / profit	(15,498,583)	12,593,552	16,911,770	2,041,682	1,864,845	581,932	114,760	18,609,958
Inter segment revenue - net	26,456,782	(8,915,076)	(16,582,367)	(1,213,144)	-	221,706	32,099	-
Non mark-up / return / interest income	1,662,135	1,742,742	1,366,088	217,419	226,417	2,322	404,470	5,621,593
Total income	12,620,334	5,421,218	1,695,491	1,045,957	2,091,262	805,960	551,329	24,231,551
Segment direct expenses	8,997,966	682,889	179,674	625,997	1,821,327	81,455	3,502,213	15,891,521
Inter segment expense allocation	1,665,368	1,542,302	197,439	97,104	-	-	(3,502,213)	-
Total expenses	10,663,334	2,225,191	377,113	723,101	1,821,327	81,455	-	15,891,521
Provisions / (reversal of provisions)	11,261	(45,558)	(8)	20,058	37,358	9,931	1,427,533	1,460,575
Profit / (loss) before tax	1,945,739	3,241,585	1,318,386	302,798	232,577	714,574	(876,204)	6,879,455
Statement of financial position								
Cash and bank balances	17,736,565	830,522	29,951,560	-	3,809,342	874,204	78,854	53,281,047
Investments	-	7,852,655	223,738,330	-	8,169,564	13,627,192	6,846,246	260,233,987
Net inter segment lending	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-
Advances - performing - net of provision	20,533,474	238,852,002	-	19,304,293	46,549,799	9,621,704	6,701,958	341,563,230
Advances - non-performing - net of provision	410,474	924,226	-	148,992	60,225	-	-	1,543,917
Others	1,941,288	9,773,333	3,457,096	585,079	2,173,734	189,483	31,709,128	49,829,141
	40,621,801	258,232,738	257,146,986	20,038,364	60,762,664	24,312,583	45,336,186	706,451,322
Assets attributable to discontinued operations	-	-	-	-	-	-	214,757	214,757
Total assets	40,621,801	258,232,738	257,146,986	20,038,364	60,762,664	24,312,583	45,550,943	706,666,079
Borrowings	1,088,350	16,854,146	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	451,709,680	79,201,117	-	29,564	42,338,600	272,887	45,078	573,596,926
Net inter segment balances - net	(421,777,364)	145,546,523	244,158,060	17,473,521	2,168,060	11,386,676	1,044,524	-
Others	9,601,135	16,630,952	199,652	1,535,279	3,071,189	1,039,532	4,613,617	36,691,356
	40,621,801	258,232,738	257,146,986	20,038,364	56,577,210	23,553,239	16,813,867	672,984,205
Liabilities associated with discontinued operations	-	-	-	-	-	-	81,513	81,513
Total liabilities	40,621,801	258,232,738	257,146,986	20,038,364	56,577,210	23,553,239	16,895,380	673,065,718
Equity	-	-	-	-	4,185,454	759,344	28,655,563	33,600,361
Total equity and liabilities	40,621,801	258,232,738	257,146,986	20,038,364	60,762,664	24,312,583	45,550,943	706,666,079
Contingencies and commitments	6,012,336	396,694,625	71,602,764	515,246	5,934,661	8,011,980	1,648,748	490,420,360

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42.2 Segment details with respect to geographical locations

Rupees in '000	2019		
	Pakistan	Middle East	Total
Profit and loss			
Net mark-up / return / profit	21,366,659	769,863	22,136,522
Inter segment revenue - net	(322,279)	322,279	–
Non mark-up / return / interest income	7,375,981	28,047	7,404,028
Total income	28,420,361	1,120,189	29,540,550
Segment direct expenses	18,280,567	96,558	18,377,125
Inter segment expense allocation	–	–	–
Total expenses	18,280,567	96,558	18,377,125
Provisions	717,920	55,355	773,275
Profit before tax	9,421,874	968,276	10,390,150
Statement of financial position			
Cash and bank balances	70,755,444	170,548	70,925,992
Investments	287,889,522	17,546,111	305,435,633
Net inter segment lending	–	–	–
Lendings to financial institutions	20,405,972	–	20,405,972
Advances - performing - net of provision	356,684,721	12,503,225	369,187,946
Advances - non-performing - net of provision	3,725,917	–	3,725,917
Others	63,173,920	271,906	63,445,826
	802,635,496	30,491,790	833,127,286
Assets attributable to discontinued operations	315,741	–	315,741
Total assets	802,951,237	30,491,790	833,443,027
Borrowings	38,120,298	13,067,383	51,187,681
Subordinated debts	9,992,000	–	9,992,000
Deposits and other accounts	678,956,759	289,553	679,246,312
Net inter segment balances - net	(14,354,373)	14,354,373	–
Others	48,958,342	1,514,653	50,472,995
	761,673,026	29,225,962	790,898,988
Liabilities associated with discontinued operations	141,856	–	141,856
Total liabilities	761,814,882	29,225,962	791,040,844
Equity	41,136,355	1,265,828	42,402,183
Total equity and liabilities	802,951,237	30,491,790	833,443,027
Contingencies and commitments	494,189,774	9,523,859	503,713,633

Rupees in '000	2018		
	Pakistan	Middle East	Total
Profit and loss			
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
Total income	23,425,591	805,960	24,231,551
Segment direct expenses	15,810,066	81,455	15,891,521
Inter segment expense allocation	–	–	–
Total expenses	15,810,066	81,455	15,891,521
Provisions	1,450,644	9,931	1,460,575
Profit before tax	6,164,881	714,574	6,879,455
Statement of financial position			
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
Total assets	682,353,496	24,312,583	706,666,079
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 - net	(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
Total liabilities	649,512,479	23,553,239	673,065,718
Equity	32,841,017	759,344	33,600,361
Total equity and liabilities	682,353,496	24,312,583	706,666,079
Contingencies and commitments	482,408,380	8,011,980	490,420,360

43. TRUST ACTIVITIES

The Group is not involved in any trust activities on behalf of its customers except that it holds government securities on behalf of certain customers in its Investors Portfolio Services account maintained with SBP.

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% (2018: 71.91%) of the Group's share capital at the year end. The Group 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 Group 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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Details of transactions with related parties and balances as at the year end are as follows:

Rupees in '000	2019					2018				
	Parent	Director	Key management personnel	Companies with common directorship	Other related parties	Parent	Director	Key management personnel	Companies with common directorship	Other related parties
Investments										
Opening balance	-	-	-	49,133	-	-	-	-	217,634	-
Investment made during the period / year	-	-	-	364,176	-	-	-	-	154,796	-
Investment redeemed / disposed off during the period / year	-	-	-	-	-	-	-	-	(26,322)	-
Transfer in / (out) – net	-	-	-	306,002	300,000	-	-	-	(296,975)	-
Closing balance	-	-	-	719,311	300,000	-	-	-	49,133	-
Provision for diminution in value of investments	-	-	-	100,158	-	-	-	-	9,097	-
Advances										
Opening balance	9,581,279	451	332,540	3,803,463	-	781,073	695	397,255	3,797,303	-
Addition during the period / adjustment	139,634,599	24,193	156,780	23,395,671	-	97,898,658	27,104	70,238	32,784,743	-
Repaid during the period / adjustment	(144,180,374)	(4,873)	(95,164)	(23,386,102)	-	(89,098,452)	(63,482)	(74,429)	(31,663,208)	-
Transfer in / (out) – net	-	-	(29,703)	888,444	-	-	36,134	(60,524)	(1,115,375)	-
Closing balance	5,035,504	19,771	364,453	4,701,476	-	9,581,279	451	332,540	3,803,463	-
Other assets										
Interest / mark-up receivable	106,869	261	71,401	128,318	-	52,483	3,671	65,415	23,533	-
Receivable from staff retirement fund	-	-	-	-	71,364	-	-	-	-	-
Security deposits receivable	3,600	-	-	-	-	3,600	-	-	-	-
Acceptances	-	-	-	58,420	-	-	-	-	172,199	-
Advance rent	982	-	-	-	-	7,517	-	-	-	-
Borrowings										
Opening balance	-	-	-	-	-	-	-	-	-	-
Borrowings during the period	-	-	-	-	1,000,000	-	-	-	-	-
Settled during the period	-	-	-	-	(27,974)	-	-	-	-	-
Transfer in / (out) – net	-	-	-	-	1,000,000	-	-	-	-	-
Closing balance	-	-	-	-	1,972,026	-	-	-	-	-
Subordinated debts										
Opening balance	-	-	-	24,960	-	-	-	-	24,970	-
Issued / purchased during the year	-	-	-	-	-	-	-	-	-	-
Redemption / sold during the year	-	-	-	(10)	-	-	-	-	(10)	-
Closing balance	-	-	-	24,950	-	-	-	-	24,960	-
Deposits and other accounts										
Opening 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
Received during the period / adjustment	496,469,213	257,541	853,208	307,604,618	37,960,371	356,365,334	310,892	704,636	248,876,185	18,009,853
Withdrawn during the period / adjustment	(501,600,876)	(218,194)	(879,966)	(297,710,115)	(36,337,556)	(352,326,164)	(299,993)	(676,343)	(251,057,728)	(17,858,065)
Transfer in / (out) – net	-	-	(15,396)	42,683	-	-	(15,008)	(55,165)	159,156	-
Closing balance	4,678,222	64,239	117,562	15,124,817	4,817,176	9,809,885	24,892	159,716	5,187,631	3,194,361
Other liabilities										
Interest / mark-up payable	30,293	113	2,750	54,079	79,885	16,717	68	1,390	37,455	8,840
Acceptances	-	-	-	58,420	-	-	-	-	172,199	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	52,851
Security deposits payable	-	-	287	210,172	-	-	-	287	161,946	-
Others	4,021	-	-	-	-	3,084	-	-	-	-
Contingencies and commitments	124,565	-	-	2,239,471	-	55,910	-	-	1,353,114	-
Others										
Securities held as custodian	2,465,000	-	-	-	6,632,750	1,760	-	-	-	5,066,000

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

Rupees in '000	2019					2018				
	Parent	Director	Key management personnel	Companies with common directorship	Other related parties	Parent	Director	Key management personnel	Companies with common directorship	Other related parties
Income										
Mark-up / return / interest earned	325,946	753	18,445	576,685	-	127,757	3,250	13,055	325,324	-
Fee and commission received	209	-	-	18,189	-	83	-	-	23,881	-
Dividend income	-	-	-	2,115	-	-	-	-	7,963	-
Other income	-	-	-	-	-	-	-	-	749	-
Expense										
Mark-up / return / interest expensed	716,408	1,842	6,761	1,114,786	626,918	685,007	649	5,677	583,493	231,679
Contribution to employees funds	-	-	-	-	584,385	-	-	-	-	561,869
Remuneration and allowances paid	-	-	448,741	-	5,847	-	-	426,312	-	4,940
Post employment benefits	-	-	28,419	-	-	-	-	23,914	-	-
Rent	18,646	-	-	-	-	24,918	-	-	-	-
Fee and commission paid	-	-	-	138	39,145	-	-	-	261	22,125
Fee paid	-	11,375	-	-	-	-	8,250	-	-	-
Dividend paid	906,282	104	75	-	7,830	-	-	-	-	-
Donations	50,000	-	-	-	10,000	-	-	-	-	-

The term 'key management personnel' has the same meaning as defined in IAS 24 - Related Party Disclosures.

45. CAPITAL ADEQUACY, LEVERAGE RATIO & 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 Group recognises the need to maintain a balance between the higher returns that might be possible with greater exposure and the advantages and security afforded by a sound capital position.

Rupees in '000	2019	2018
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	12,602,602	12,602,602
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	36,371,717	29,036,877
Eligible Additional Tier 1 (ADT 1) Capital	5,883,752	5,747,573
Total Eligible Tier 1 Capital	42,255,469	34,784,450
Eligible Tier 2 Capital	6,773,058	5,064,335
Total Eligible Capital (Tier 1 + Tier 2)	49,028,527	39,848,785
Risk Weighted Assets (RWAs):		
Credit Risk	304,732,822	269,107,754
Market Risk	15,988,883	9,771,875
Operational Risk	45,640,429	39,361,691
Total	366,362,134	318,241,320
Common Equity Tier 1 Capital Adequacy Ratio	9.93%	9.12%
Tier 1 Capital Adequacy Ratio	11.53%	10.93%
Total Capital Adequacy Ratio	13.38%	12.52%

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As of December 2019, the Group must meet a Tier 1 to RWA ratio and CAR, including CCB, of 10% and 12.50% 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	2019	2018
Leverage Ratio (LR):		
Eligible Tier 1 Capital	42,255,468	34,784,450
Total Exposures	1,222,816,384	1,157,947,222
Leverage Ratio	3.46%	3.00%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	239,545,379	278,917,759
Total Net Cash Outflow	152,412,055	154,131,589
Liquidity Coverage Ratio	157.17%	180.96%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	679,424,953	584,918,449
Total Required Stable Funding	398,262,286	312,211,738
Net Stable Funding Ratio	170.60%	187.35%

The full disclosure 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 can be accessed through Bank's website <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 Group. BRMC is responsible for reviewing the extent of design and adequacy of the 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 line with 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 45% of the total asset base and is also the largest source of credit risk for the Group. 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 from a risk / return perspective.

Credit Risk Review is conducted at obligor as well as at portfolio level to ensure adherence to regulatory requirement 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 HOCC. Audit and inspection division reviews the advances portfolio on a post approval basis.

The Group has undertaken a number of initiatives to strengthen its credit risk management framework including in-house development of internal risk rating models (obligor and facility) for the portfolio in respective segments and transition & migration matrices to study the realized default rates and performance of the risk rating models over the years. Based on a validation / back-testing exercise, a Probability of Default has been introduced for each obligor risk rating.

The Group is in the process of implementing an Enterprise Risk Management solution and a Loan Origination System. These systems will not only enhance operational efficiency in the risk management processes, but also promote integrated risk assessment.

Risk Asset Review (RAR) performs an independent review of the credit portfolio. It provides an independent assessment of portfolio quality, efficacy of processes for acquisition of risk assets, regulatory/policy compliance and appropriateness of classification and risk rating.

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 counterparties 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 & Pours (S&P).

Types of exposure and ECAIs used

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

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

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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 Group's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

Rupees in '000	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	2019	2018	2019	2018
46.1.1 Lendings to financial institutions						
Credit risk by public / private sector						
Public / Government	15,954,175	-	-	-	-	-
Private	4,600,403	148,606	148,606	148,606	148,606	148,606
	20,554,578	148,606	148,606	148,606	148,606	148,606

Rupees in '000	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
46.1.2 Investment in debt securities						
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	1,279,351	999,351	999,351	999,351	999,351	999,351
Mining and Quarrying	-	-	-	-	-	-
Textile	311,716	336,972	311,716	336,972	311,716	336,972
Chemical and Pharmaceuticals	694,189	488,918	56,189	68,919	56,189	68,919
Cement	-	-	-	-	-	-
Sugar	-	-	-	-	-	-
Footwear and Leather Garments	-	-	-	-	-	-
Automobile and Transportation Equipment	10,370	18,770	10,370	18,770	10,370	18,770
Electronics and Electrical Appliances	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	8,072,920	2,604,170	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-
Exports / Imports	-	-	-	-	-	-
Transport, Storage and Communication	109,363	656,175	-	-	-	-
Telecommunication	221,636	226,836	221,636	226,836	221,636	226,836
Groups and Financial Institutions	1,625,850	1,736,525	-	-	-	-
Insurance	-	-	-	-	-	-
Services	-	-	-	-	-	-
Individuals	-	-	-	-	-	-
Government	288,197,068	255,354,622	-	-	171,256	164,020
Foreign Government	3,407,493	421,818	-	-	20,987	2,659
	303,929,956	262,844,157	1,599,262	1,650,848	1,791,505	1,817,527
Credit risk by public / private sector						
Public / Government	288,197,068	255,354,622	-	-	171,256	164,020
Private	15,732,888	7,489,535	1,599,262	1,650,848	1,620,249	1,653,507
	303,929,956	262,844,157	1,599,262	1,650,848	1,791,505	1,817,527

Rupees in '000	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
46.1.3 Advances						
Credit risk by industry sector						
Agriculture, Forestry, Hunting and Fishing	7,611,285	6,052,398	333,485	351,035	132,134	196,686
Mining and Quarrying	5,393,852	2,274,965	-	-	-	-
Textile	49,156,516	48,018,815	11,277,670	12,335,315	10,912,788	11,696,354
Chemical and Pharmaceuticals	13,722,368	20,292,417	645,386	211,248	616,889	211,248
Cement	7,522,947	5,911,502	401	401	401	401
Sugar	11,623,458	9,166,459	-	6,190	-	1,548
Footwear and Leather Garments	1,568,947	1,485,763	371,336	404,057	371,336	404,057
Automobile and Transportation Equipment	1,083,407	944,527	730,827	447,278	442,507	424,497
Electronics and Electrical Appliances	3,634,713	3,547,871	1,119,429	1,113,552	1,109,929	1,113,552
Construction	3,983,708	5,126,602	693,546	645,001	623,249	625,303
Power (electricity), Gas, Water, Sanitary	29,342,778	28,193,363	3,570,878	1,671,611	1,629,054	1,671,611
Wholesale and Retail Trade	12,113,996	9,822,151	544,801	564,157	381,761	474,639
Exports / Imports	-	285,452	-	-	-	-
Transport, Storage and Communication	2,667,646	7,840,196	499,153	505,905	343,880	350,664
Financial	7,115,600	11,880,936	-	-	-	-
Insurance	108,622	90,055	-	-	-	-
Services	20,244,401	9,004,661	608,606	585,846	595,710	554,056
Individuals	33,553,706	33,516,454	2,166,505	2,111,521	1,937,549	1,958,569
Public / Government	135,487,857	116,597,785	-	-	-	-
Edible Oil and Ghee	5,660,916	4,474,849	512,951	549,956	450,957	457,957
Rice Processing (husking, semi-wholly milled etc.)	7,590,986	6,506,316	2,551,252	2,505,178	2,444,601	2,402,950
Refined Petroleum and Products	-	5,696,168	-	-	-	-
Basic Iron and Steel	12,057,155	9,939,210	431,455	484,825	396,464	449,834
Others	27,303,947	22,590,056	2,076,292	2,164,010	2,018,847	2,119,243
	398,548,811	369,258,971	28,133,973	26,657,086	24,408,056	25,113,169
Credit risk by public / private sector						
Public / Government	135,487,857	116,597,785	-	-	-	-
Private	263,060,954	252,661,186	28,133,973	26,657,086	24,408,056	25,113,169
	398,548,811	369,258,971	28,133,973	26,657,086	24,408,056	25,113,169

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Rupees in '000	2019	2018
46.1.4 Contingencies and Commitments		
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	142,716	6,130,430
Mining and Quarrying	96,746	19,021
Textile	14,640,603	7,382,976
Chemical and Pharmaceuticals	4,583,914	6,264,673
Cement	1,526,477	2,378,667
Sugar	56,419	784,968
Footwear and Leather Garments	615,171	682,761
Automobile and Transportation Equipment	192,581	614,480
Electronics and Electrical Appliances	1,479,486	3,445,319
Construction	15,501,045	17,770,222
Power (electricity), Gas, Water, Sanitary	9,186,131	19,719,704
Wholesale and Retail Trade	7,666,282	936,488
Exports / Imports	–	100,000
Transport, Storage and Communication	1,884,808	551,784
Groups and Financial Institutions	182,448,263	151,847,195
Telecommunication	–	328,041
Financial	12,076,312	–
Insurance	5,058	12,899
Food and Allied	4,035,077	3,025,000
Services	7,768,127	3,879,607
Individuals	1,855,212	2,409,179
Public / Government	206,807,858	207,044,313
Others	31,145,347	55,092,633
	503,713,633	490,420,360
Credit risk by public / private sector		
Public / Government	206,807,858	207,044,313
Private	296,905,775	283,376,047
	503,713,633	490,420,360

46.1.5 Concentration of Advances

The Group's top 10 exposures on the basis of total funded and non-funded exposures aggregated to Rs. 245,634,294 thousand (2018: Rs. 277,045,219 thousand) are as following:

Rupees in '000	2019	2018
Funded	124,813,589	99,159,075
Non-funded	120,820,705	177,886,144
Total exposure	245,634,294	277,045,219

The sanctioned limits against these top 10 exposures aggregated to Rs. 303,168,218 thousand (2018: Rs. 337,790,859 thousand).

The above does not include any classified exposure.

46.1.6 Advances - Province / Region-wise disbursement and utilization

Province / Region	2019						
	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan	
Punjab	844,250,600	785,467,749	28,610,182	6,196,236	80,875	23,850,552	45,006
Sindh	610,645,549	4,216,326	603,173,646	1,847,490	33,889	1,370,986	3,212
KPK including FATA	9,764,650	101,286	11,006	9,643,737	3,000	2,321	3,300
Baluchistan	765,768	15,810	10,063	5,475	732,819	100	1,501
Islamabad	90,187,102	4,568,113	1,539,507	88,601	36,496	83,931,331	23,054
AJK including Gilgit-Baltistan	715,229	47,553	2,000	86,385	900	51,359	527,032
Total	1,556,328,898	794,416,837	633,346,404	17,867,924	887,979	109,206,649	603,105

Province / Region	2018						
	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Baluchistan	Islamabad	AJK including Gilgit-Baltistan	
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
Total	1,275,264,738	695,166,032	492,686,727	11,407,274	462,406	75,133,132	409,167

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 Available for Sale (AFS) securities that are held with intention of short term trade. All assets not included in trading book are included in 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. Risk Management Group 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 abnormal market movements across different portfolios 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. 1,279,111 thousand (2018: Rs. 781,750 thousand).

46.2.1 Balance sheet split by trading and banking books

Rupees in '000	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Cash and balances with treasury banks	63,039,290	–	63,039,290	49,187,645	–	49,187,645
Balances with other banks	7,886,702	–	7,886,702	4,093,402	–	4,093,402
Lendings to financial institutions	20,405,972	–	20,405,972	–	–	–
Investments	251,911,694	53,523,939	305,435,633	248,254,020	11,979,967	260,233,987
Advances	372,913,863	–	372,913,863	343,107,147	–	343,107,147
Fixed assets	19,696,568	–	19,696,568	12,791,827	–	12,791,827
Intangible assets	808,994	–	808,994	741,361	–	741,361
Deferred tax assets	2,489,752	–	2,489,752	3,773,779	–	3,773,779
Other assets	40,450,512	–	40,450,512	32,522,174	–	32,522,174
Assets attributable to discontinued operations	315,741	–	315,741	214,757	–	214,757
	779,919,088	53,523,939	833,443,027	694,686,112	11,979,967	706,666,079

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 of 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	2019			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
United States Dollar	69,341,957	71,272,572	826,102	(1,104,513)
Pound Sterling	765,166	4,802,138	4,012,952	(24,020)
Euro	1,057,255	1,667,512	575,055	(35,202)
Other European currencies	43,967	–	11,778	55,745
Other currencies	765,193	594,312	337,567	508,448
	71,973,538	78,336,534	5,763,454	(599,542)

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	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	-	61,028	-	142,766
- 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 conditions 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 2019 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	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on				
- Profit and loss account	-	(2,004)	-	-
- Other comprehensive income	(228,076)	-	(196,161)	-

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.

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Rupees in '000	2019		2018	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	165,200	(555,021)	187,870	(112,193)
- Other comprehensive income	(826,000)	-	241,914	-

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	Effective Yield / Interest rate	2019										
		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	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.76%	63,039,290	8,684,787	-	-	-	-	-	-	-	-	54,354,503
Balances with other banks	1.02%	7,886,702	6,550,373	-	-	-	-	-	-	-	-	1,336,329
Lendings to financial institutions	10.77%	20,405,972	16,535,190	3,870,782	-	-	-	-	-	-	-	-
Investments	9.70%	305,435,633	997,773	34,989,307	34,806,967	103,978,486	34,961,505	32,179,773	37,748,536	19,467,644	-	6,305,642
Advances	11.38%	372,913,863	98,250,996	119,136,062	50,125,061	70,802,714	14,312,861	5,964,061	6,606,518	7,006,055	709,535	-
Other assets	-	16,880,680	-	-	-	-	-	-	-	-	-	16,880,680
		786,562,140	131,019,119	157,996,151	84,932,028	174,781,200	49,274,366	38,143,834	44,355,054	26,473,699	709,535	78,877,154
Liabilities												
Bills payable	-	15,768,947	-	-	-	-	-	-	-	-	-	15,768,947
Borrowings	7.31%	51,187,681	27,568,097	11,126,324	4,414,020	1,018,350	2,421,248	1,483,877	1,483,877	1,271,895	211,982	188,011
Deposits and other accounts	6.96%	679,246,312	30,735,867	34,820,468	20,780,524	45,333,793	84,452,419	84,808,111	93,283,552	71,353,579	11,898,613	201,779,386
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	13.03%	9,992,000	-	3,992,000	6,000,000	-	-	-	-	-	-	-
Other liabilities	14.75%	6,555,948	-	700,000	-	-	-	-	-	-	-	5,855,948
		762,750,888	58,303,964	50,638,792	31,194,544	46,352,143	86,873,667	86,291,988	94,767,429	72,625,474	12,110,595	223,592,292
On-balance sheet gap		23,811,253	72,715,155	107,357,359	53,737,484	128,429,057	(37,599,301)	(48,148,154)	(50,412,375)	(46,151,775)	(11,401,060)	(144,715,137)
Off-balance sheet financial instruments												
Purchase and resale agreements	11.75%	14,084,250	14,084,250	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	9.62%	22,011,978	22,011,978	-	-	-	-	-	-	-	-	-
Commitments to extend credits	-	7,255,882	7,255,882	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(15,183,610)	(15,183,610)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		57,531,545	107,357,359	53,737,484	128,429,057	(37,599,301)	(48,148,154)	(50,412,375)	(46,151,775)	(11,401,060)	(144,715,137)	
Cumulative yield / interest risk sensitivity gap		57,531,545	164,889,904	218,626,388	347,055,445	309,456,144	261,307,990	210,895,615	164,743,840	153,342,780		

Mismatch of interest rate sensitive assets and liabilities

		2018																			
		Exposed to yield / interest risk																			
Rupees in '000	Effective Yield / Interest rate	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		Non-interest bearing financial instruments
			Month	Month	Months	Months	Year	Years	Years	Years	Years	Years	Years	Years	Years	Years	Years	Years			
On-balance sheet financial instruments																					
Assets																					
Cash and balances with treasury banks	1.50%	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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
Liabilities																					
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%	573,596,926	172,921,684	111,508,816	92,767,054	24,332,148	2,589,341	127,439	354,198	-	-	-	-	-	-	-	-	-	-	-	168,996,246
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	8.66%	9,993,600	-	3,993,600	6,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	11,178,294	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,178,294
		662,984,023	217,853,778	116,907,019	103,943,938	24,332,148	2,652,255	190,353	1,417,112	-	-	-	-	-	-	-	-	-	-	-	195,687,420
On-balance sheet gap		4,387,478	(12,105,445)	91,607,928	(25,259,253)	11,305,153	32,975,691	16,176,206	8,028,302	13,506,671	3,689,421	(135,537,196)	-	-	-	-	-	-	-	-	-
Off-balance sheet financial instruments																					
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			(52,788,183)	91,607,928	(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				38,819,745	13,560,492	24,865,645	57,841,336	74,017,542	82,045,844	95,552,515	99,241,936	-	-	-	-	-	-	-	-	-	-

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. 19,696,568 (2018: Rs. 12,791,823) thousand, Intangible assets of Rs. 808,994 (2018: Rs. 741,361) thousand and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealized gain on forward foreign exchange contracts-net, suspense account and stationary, stamps in hand and acceptances of Rs. 20,812,667 (2018: Rs. 19,938,596) thousand.

46.2.5.4 Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, acceptances branch adjustment account, withholding taxes payable, federal excise duty, provision against off-balance sheet items and Worker's Welfare Fund of Rs. 12,947,530 (2018: Rs. 10,483,645) 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 Group strives to manage operational risk within acceptable levels through sound operational risk management practices.

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

Group already has in place an Operational Risk Management framework which is aligned with global best market practices. Group 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 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 saving 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 Group

		2019												
		Over 1	Over 7	Over 14	Over 1	Over 2	Over 3	Over 6	Over 9	Over 1	Over 2	Over 3		
		Upto 1	to 7	to 14	days to 1	to 2	to 3	to 6	to 9	months	to 2	to 3	to 5	
		day	days	days	month	months	months	months	months	to 1 year	years	years	year	
Rupees in '000		Total											Over 5 year	
Assets														
Cash and balances with treasury banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	20,405,972	-	14,935,190	-	1,600,000	3,870,782	-	-	-	-	-	-	-	-
Investments	299,129,111	28,220	-	-	-	109,363	33,242,894	31,943,517	58,349,991	41,226,012	35,871,497	33,321,202	41,121,121	23,915,293
Advances	372,913,863	338,054	534,250	749,780	98,107,424	29,675,476	3,446,254	50,891,687	21,112,198	17,231,765	18,102,205	12,150,568	53,823,256	66,750,946
Fixed assets	19,696,568	6,863	43,916	48,045	237,943	222,072	181,088	587,170	555,103	558,828	1,926,926	1,689,803	2,486,369	11,152,442
Intangible assets	808,994	584	4,086	4,086	144,727	23,331	11,666	52,159	51,102	51,102	134,814	71,569	118,873	140,885
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	10,498,514	-	-	-	5,075,563	879,045	-	3,283,890	90,759	1,169,257	-	-	-	-
	723,453,022	373,721	15,517,442	801,911	105,165,657	34,780,069	36,881,902	86,758,423	80,159,153	60,236,964	56,035,442	47,233,142	97,549,619	101,959,576
Assets attributable to discontinued operations	315,741	-	-	-	-	-	-	-	-	315,741	-	-	-	-
	723,768,763	373,721	15,517,442	801,911	105,165,657	34,780,069	36,881,902	86,758,423	80,159,153	60,552,705	56,035,442	47,233,142	97,549,619	101,959,576
Liabilities														
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	31,286,362	-	13,665,065	4,721,703	926,763	4,230,460	2,153,012	3,633,639	-	1,018,350	937,370	-	-	-
Deposits and other accounts	121,964,080	301,237	596,783	2,541,852	4,395,377	10,158,355	24,808,450	20,674,637	9,483,529	36,076,111	1,247,276	1,564,031	10,047,200	69,242
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	9,992,000	-	-	-	-	-	800	-	800	-	1,600	1,600	3,987,200	6,000,000
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,498,514	-	-	-	5,075,563	879,045	-	3,283,890	90,759	1,169,257	-	-	-	-
	173,740,956	301,237	14,261,848	7,263,555	10,397,703	15,267,860	26,962,262	27,592,166	9,575,088	38,263,718	2,186,246	1,565,631	14,034,400	6,069,242
Liabilities associated with discontinued operations	141,856	-	-	-	-	-	-	-	-	141,856	-	-	-	-
	173,882,812	301,237	14,261,848	7,263,555	10,397,703	15,267,860	26,962,262	27,592,166	9,575,088	38,405,574	2,186,246	1,565,631	14,034,400	6,069,242
Net assets	549,885,951	72,484	1,255,594	(6,461,644)	94,767,954	19,512,209	9,919,640	59,166,257	70,584,065	22,147,131	53,849,196	45,667,511	83,515,219	95,880,334

		2018													
		Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 year
Assets															
Cash and balances with treasury banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	684,310	-	684,310	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	255,063,881	30,261	86,325,458	137,848	-	40,337,658	2,691,360	4,008,759	161,496	104,156,363	1,971,610	3,846,230	5,219,613	6,177,225	
Advances	343,288,212	336,013	434,685	736,504	82,812,617	32,251,814	38,882,035	26,191,114	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	
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	612,579,591	372,877	87,494,075	920,577	82,924,879	72,678,813	41,662,736	30,462,292	20,132,112	117,046,231	17,402,413	22,659,374	47,234,000	71,589,212	
Assets attributable to discontinued operations	214,757	-	-	-	-	-	-	-	-	214,757	-	-	-	-	
	612,794,348	372,877	87,494,075	920,577	82,924,879	72,678,813	41,662,736	30,462,292	20,132,112	117,260,988	17,402,413	22,659,374	47,234,000	71,589,212	
Liabilities															
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	32,590,452	-	22,459,393	5,611,224	3,726,100	-	-	793,735	-	-	-	-	-	-	-
Deposits and other accounts	87,546,854	222,169	2,165,582	4,331,702	6,164,934	9,374,925	23,027,207	13,398,674	5,970,289	18,466,782	2,787,633	137,439	530,944	948,574	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sub-ordinated loans	9,993,600	-	-	-	-	-	800	-	-	800	1,600	1,600	3,200	9,985,600	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	130,130,906	222,169	24,644,975	9,942,926	9,891,034	9,374,925	23,028,007	14,192,409	5,970,289	18,467,582	2,789,233	139,039	534,144	10,934,174	
Liabilities associated with discontinued operations	81,513	-	-	-	-	-	-	-	-	81,513	-	-	-	-	
	130,212,419	222,169	24,644,975	9,942,926	9,891,034	9,374,925	23,028,007	14,192,409	5,970,289	18,549,095	2,789,233	139,039	534,144	10,934,174	
Net assets	482,581,929	150,708	62,849,100	(9,022,349)	73,033,845	63,303,888	18,634,729	16,269,883	14,161,823	98,711,893	14,613,180	22,520,335	46,699,856	60,655,038	

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46.4.2 Maturities of Assets and Liabilities - based on expected maturity of assets and liabilities of the Group

		2019									
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
Assets											
Cash and balances with treasury banks	63,039,290	19,542,180	-	-	-	10,874,278	10,874,278	10,874,278	9,320,809	1,553,467	-
Balances with other banks	7,886,702	2,659,396	2,908,616	1,324,966	993,724	-	-	-	-	-	-
Lendings to financial institutions	20,405,972	16,535,190	3,870,782	-	-	-	-	-	-	-	-
Investments	305,435,633	1,611,663	33,735,819	32,091,095	99,649,791	36,826,035	34,275,740	42,235,659	24,203,306	806,525	-
Advances	372,913,863	99,729,508	33,121,731	50,891,687	38,343,963	18,102,205	12,150,568	53,823,256	35,869,131	30,881,814	-
Fixed assets	19,696,568	336,768	411,388	594,587	1,101,934	1,926,643	1,689,517	2,486,884	1,939,869	9,208,978	-
Intangible assets	808,994	153,440	34,997	52,159	102,205	134,814	71,569	118,873	140,937	-	-
Deferred tax assets	2,489,752	1,518,749	-	-	99,261	99,488	284,767	487,487	-	-	-
Other assets	40,450,512	11,365,547	879,045	3,283,890	1,260,016	5,915,504	5,915,502	5,915,504	5,070,432	845,072	-
Assets attributable to discontinued operations	833,127,286 315,741	153,452,441 -	74,962,378 -	88,238,384 -	141,550,894 315,741	73,878,967 -	65,261,941 -	115,941,941 -	76,544,484 -	43,295,856 -	- -
	833,443,027	153,452,441	74,962,378	88,238,384	141,866,635	73,878,967	65,261,941	115,941,941	76,544,484	43,295,856	-
Liabilities											
Bills payable	15,768,947	7,682,631	6,260,374	1,043,396	782,546	-	-	-	-	-	-
Borrowings	51,187,681	27,680,904	11,190,785	4,424,763	1,018,350	2,421,248	1,483,877	1,483,877	1,271,895	211,982	-
Deposits and other accounts	679,246,312	102,748,319	42,528,313	20,769,033	45,308,154	114,977,575	115,333,115	123,803,769	97,518,590	16,259,444	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	9,992,000	-	800	-	800	1,600	1,600	3,987,200	-	6,000,000	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	34,704,048	18,388,607	879,045	3,283,890	1,260,016	2,723,123	2,723,123	2,723,123	2,334,103	389,018	-
Liabilities associated with discontinued operations	790,898,988 141,856	156,500,461 -	60,859,317 -	29,521,082 -	48,369,866 141,856	120,123,546 -	119,541,715 -	131,997,969 -	101,124,588 -	22,860,444 -	- -
	791,040,844	156,500,461	60,859,317	29,521,082	48,511,722	120,123,546	119,541,715	131,997,969	101,124,588	22,860,444	-
Net assets	42,402,183	(3,048,020)	14,103,061	58,717,302	93,354,913	(46,244,579)	(54,279,774)	(16,056,028)	(24,580,104)	20,435,412	-
Share Capital	12,602,602	-	-	-	-	-	-	-	-	-	-
Reserves	19,408,889	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	6,002,253	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	-	-	-	-	-	-	-	-	-	-	-
Continued operations	4,300,426	-	-	-	-	-	-	-	-	-	-
Discontinued operations	39,467	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	48,546	-	-	-	-	-	-	-	-	-	-
	42,402,183	-	-	-	-	-	-	-	-	-	-

		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
Assets											
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	-	-
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	-
Assets attributable to discontinued operations	706,451,322 214,757	224,208,483 -	115,313,436 -	65,252,141 -	61,189,646 214,757	67,229,168 -	46,660,530 -	41,741,167 -	46,674,564 -	38,182,187 -	- -
	706,666,079	224,208,483	115,313,436	65,252,141	61,404,403	67,229,168	46,660,530	41,741,167	46,674,564	38,182,187	-
Liabilities											
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	573,596,926	74,515,512	38,650,491	13,503,597	24,293,218	102,319,759	99,857,857	105,060,562	57,697,965	57,697,965	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	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	-
Liabilities associated with discontinued operations	672,984,205 81,513	135,792,825 -	40,055,894 -	19,621,280 -	33,760,532 81,513	107,353,685 -	102,407,077 -	107,369,030 -	62,304,741 -	64,319,141 -	- -
	673,065,718	135,792,825	40,055,894	19,621,280	33,842,045	107,353,685	102,407,077	107,369,030	62,304,741	64,319,141	-
Net assets	33,600,361	88,415,658	75,257,542	45,630,861	27,562,358	(40,124,517)	(55,746,547)	(65,627,863)	(15,630,177)	(26,136,954)	-
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	-	-	-	-	-	-	-	-	-	-

46.5 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 Group monitors Group's overall derivative exposure in forward exchange contracts, which are marked to market and are included in Banks 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 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 13, 2020 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, 2019 do not include the effect of the appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2020 as follows:

Rupees in '000	2019	2018
Transfer from unappropriated profit to:		
Proposed final cash dividend - Rs. 1.5 per share (2018: Re. 1 per share)	1,890,390	1,260,260
General reserve	4,111,863	2,450,607

47.2 Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 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

Where necessary, corresponding figures have been regrouped to conform to the presentation of current year amounts. Such regrouping does not have an impact on previously reported consolidated statement of financial position or consolidated profit and loss account.

49. DATE OF AUTHORIZATION


These consolidated financial statements were authorized for issue on February 13, 2020 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, 2019

Number of shareholders	Shareholding		Total shares held
	From	To	
1,943	1	100	77,356
2,917	101	500	841,163
2,010	501	1,000	1,555,894
4,299	1,001	5,000	10,938,083
1,888	5,001	10,000	13,939,241
928	10,001	15,000	11,703,782
842	15,001	50,000	22,290,485
384	50,001	500,000	53,795,344
26	535,001	1,000,000	20,047,819
17	1,005,001	2,000,000	23,928,813
22	2,030,001	5,000,000	73,292,060
9	5,125,001	10,635,000	65,497,000
5	22,925,001	271,885,000	419,786,416
1	542,565,001	542,570,000	542,566,724
15,291			1,260,260,180

Categories of Shareholders Particulars	Numbers of shareholders	Shares Held	Percentage
Directors, CEO, Children	6	103,500	0.0082
Associated companies & Related Parties	9	920,398,417	73.0324
Executives / Employees of the Bank	17	195,536	0.0155
Public Sector Companies & Corporations	18	32,718,684	2.5962
Banks, DFI & NBF, Insurance Companies, Takaful, modarabas, Pension Funds	36	32,099,858	2.5471
Mutual Funds	10	34,769,211	2.7589
General Public (Local)	14,991	196,768,492	15.6133
General Public (Foreign)	6	62,780	0.0050
Others	189	38,866,849	3.0840
Foreign investors (Foreign Companies)	9	4,276,853	0.3394
Total	15,291	1,260,260,180	100.0000

Associated companies & Related Parties: 9 920,398,417 73.0324

Fauji Foundation Group

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

Related Parties

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

Mutual Funds 10 34,769,211 2.7589

CDC - Trustee AKD Index Tracker Fund	1	91,313	0.0072
CDC - Trustee NIT-Equity Market Opportunity Fund	1	4,323,442	0.3431
CDC - Trustee National Investment (Unit) Trust	1	23,771,856	1.8863
CDC - Trustee MCB Pakistan Stock Market Fund	1	3,755,000	0.2980
CDC - Trustee First Habib Stock Fund	1	1,000	0.0001
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	1	9,500	0.0008
CDC - Trustee MCB Pakistan Asset Allocation Fund	1	25,500	0.0020
CDC - Trustee Lakson Equity Fund	1	2,310,000	0.1833
CDC - Trustee Lakson Tactical Fund	1	348,600	0.0277
CDC - Trustee NBP Sarmaya Izafa Fund	1	133,000	0.0106

Categories of Shareholders Particulars	Numbers of shareholders	Shares Held	Percentage
Board of Directors Shareholding	6	103,500	0.0082
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
Executives / Employees of the Bank	17	195,536	0.0155
Public Sector Companies & Corporations	18	32,718,684	2.5962
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas	36	32,099,858	2.5471
General Public (Local) - Individuals	14,991	196,768,492	15.6133
General Public (Foreign) - Individuals	6	62,780	0.0050
Foreign Companies	9	4,276,853	0.3394
Others	189	38,866,849	3.0840
	15,195	239,974,974	19.0417
Total	15,291	1,260,260,180	100.0000

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: During the year, there have been no trades in the shares of the Bank by its Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children.

NOTES

AGM

Friday, March 27, 2020 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 28th Annual General Meeting of the Bank to be held on Friday, March 27, 2020 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 2020.

(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 - Pakistan

پراکسی فارم عسکری بینک لمیٹڈ

میں / نام _____ ولدیت / بنت / زوجہ _____ شہر _____ بحیثیت ممبر عسکری بینک لمیٹڈ، حامل عام شیئرز برطانیق فولیو / سی ڈی سی اکاؤنٹ نمبر _____
 ممبر / مسز / مس _____ فولیو / سی ڈی سی اکاؤنٹ نمبر _____ شہر _____ اسکی ناکامی کی صورت میں، مسز / مسز / مس _____ فولیو / سی ڈی سی اکاؤنٹ
 نمبر _____ شہر _____ کو اپنے / ہمارے ایما پر بطور پراکسی مقرر کرتا ہوں / کرتے ہیں تاکہ وہ میری / ہماری طرف سے بینک کے 28 ویں سالانہ اجلاس عام جو بتاریخ 27 مارچ 2020ء بروز
 جمعہ دن بوقت 10:00 بجے بمقام ٹوٹی رکھ کیلیکس (گلیکسی ہال)، آری ہیر ٹیج فاؤنڈیشن، ایوب نیشنل پارک، جہلم روڈ، راولپنڈی میں منعقد ہونے والے با اس کے کسی ملتی شدہ اجلاس میں شرکت کرے، بات کرے اور حق
 رائے دہی استعمال کرے۔
 آج بروز _____ بتاریخ _____ مارچ 2020ء کو بطور گواہ دستخط کیے۔

دستخط ممبر
(پارنچ روپے کارسیدی گلٹ)

_____ گواہ نمبر 1	_____ گواہ نمبر 2
_____ نام	_____ نام
_____ شناختی کارڈ نمبر	_____ شناختی کارڈ نمبر
_____ پتہ	_____ پتہ

نوٹس:-

الف - عام

- ۱- 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، اسٹیٹ 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۔
- ۲- 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 اسٹیٹ بینک آف پاکستان کے علاوہ) ایک کاروباری ادارہ ہے تو اس کی عام ممبر دستاویز پر لگی ہونی چاہیے۔
- ۳- 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۔
- ۴- پراکسی فارم دو گواہان سے تصدیق شدہ ہونا چاہیے۔ جن کے نام، پتے اور سی این آئی سی نمبرز فارم کے اوپر درج ہوں۔
- ۵- 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 عدم قرار دی جائیں گی۔

ب- سی ڈی سی اکاؤنٹ رکھنے والوں کے لئے

- ۱- مستفید مالکان کے سی این آئی سی یا پاسپورٹ کی نقول پراکسی فارم کے ساتھ فراہم کی جانی چاہئیں۔
- ۲- پراکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ فراہم کرنا ہوگا۔
- ۳- گورنمنٹ آف پاکستان / اسٹیٹ بینک آف پاکستان / کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد یا پورا آف اٹارنی بمعدہ نمونہ دستخط پراکسی فارم کے ساتھ جمع کروانی ہوگی۔

The Company Secretary
ASKARI BANK LIMITED
4th Floor, NPT Building
F-8 Markaz
Islamabad - Pakistan

www.jamapunji.pk











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