



## **Bank Alfalah Limited**

### **Chairman's Message**

I am pleased to see that Bank Alfalah has delivered a solid financial performance along with a satisfactory shareholders' returns despite navigating through a challenging year. The Board of Directors is pleased with the Bank's progress and confident its sound foundation will support it through changing tides.

I am very proud of the fact that our Bank was recognized as the 'Best Customer Franchise' for the third consecutive year along with the 'Best Bank for Small/Medium Businesses' at the Pakistan Banking Awards jointly organised by the Institute of Bankers, A. F. Ferguson & Company and Dawn Media Group in 2018. These awards are a testimony to our customer-centric focus, and outreach which drives us to constantly engage with them and deliver services that surpass expectations.

The Bank is optimistic about the economic prospects in 2019. We will continue to play our role in Pakistan's banking system. The new government inherited a platform with many challenges in the shape of twin deficits, losses in Public Sector Entities (PSE), infrastructure challenges and declining reserves. However, the new Government seems committed towards addressing the macroeconomic challenges, generating higher growth and employment opportunities. Pakistan is poised to recover with agriculture and industrial production gaining momentum. Looking ahead, boost to exports in the backdrop of global economic recovery and improvement in domestic investment climate, backed by various initiatives of the Government, supports favourable growth outlook. It is the time for the private sector of Pakistan to prove its credentials as an 'engine of growth' by committing capital in growth sectors to generate wealth, create jobs and sustain the economy.

Technology is reshaping the world faster than ever. The shifting customer preferences for digital products which has been a success story in the shape of various e-commerce setups has become an inspiration for the banks to revamp the traditional way of banking. The customers, demanding ease of doing transactions, is itself inducing a change in customer behaviour and making customers ask for more convenience from their bank. Many purely digital banks have been setup and performing well in different market. . Further, the rapid growth of the more nimble Fintech players are forcing the banks to enter into partnership with them to improve service delivery and customer service. A Boston Consulting report says that smartphone users will equal bank accounts by 2020. This explains why banks and fintech companies are falling over one another to attract customers by sprucing up their digital banking facilities. It is the bank's core strategy to lead the digital wave and simplify banking for our customers by offering products, enabling secure payments through effective use of technology.

The Bank has a robust balance sheet with strong capital levels, sustainable earnings and inherent value across its businesses. The Bank has always demonstrated its ability to spot emerging opportunities and execute strategies to capture them. I am optimistic about the future, being confident in our ability to turn challenges to opportunities. The Bank is well-positioned to leverage all eventualities for profitable growth and value creation. It will continue its commitment to being a partner in Pakistan's growth and development.



**Bank Alfalah Limited**

**Chairman's Message**

A key strength of the Bank is its depth of leadership talent, and the contribution and commitment of the employees. The management team under the leadership of the President is executing a focused strategy, leveraging existing strengths, and building new capabilities to stay ahead in the evolving environment. I deeply value and appreciate the commitment, dedication and hard work of the Bank's employees. It is their passion to do things passionately and their determination to act with integrity, which has made it possible for the Bank to live up to its values and deliver on the promise made to our stakeholders.

In line with our strategy of delivering superior results in a compliant manner while taking care of our People and our Customers, 2019 has been declared as the **"Year of Happiness at Bank Alfalah"**. We realize that our workplace influences a large part of our lives, and as such we want to commit to making working at Bank Alfalah a truly memorable experience. We believe that by investing in and enriching the employee experience positively impacts both our productivity and our customer experience. This is the journey which we believe will help us stand out and become an employer of choice.

I would like to take this opportunity to thank all our external and internal stakeholders especially Securities and Exchange Commission of Pakistan and State Bank of Pakistan for supporting us through one of our most challenging periods last year. We remain focused in our priorities and will continue to build a trusted, compliant and financially strong Bank, which will remain at the forefront to find new ways to secure the financial future of our customers in this fast changing world of today.

HH SHEIKH NAHAYAN MABARAK AL NAHAYAN  
Abu Dhabi  
21<sup>st</sup> February 2019

## **Directors' Report to the Shareholders**

**Dear shareholders,**

On behalf of the Board of Directors, I am pleased to present the Directors' Report of the Bank along with the audited financial statements and Auditors' report for the year ended December 31, 2018.

### **Economic Review**

The year 2018 saw some of the structural constraints of Pakistan economy come to the fore, which were magnified by the political noise associated with an election year. While the country saw a major positive of democratic continuity, economic challenges continued to grab the headlines.

Key data points announced during the year indicated that the country continued to observe high growth in FY18. Real GDP recorded a growth of 5.8%, highest in a decade, supported by manufacturing and service sectors which grew by 6.84% and 6.43%, respectively. This translated into average GDP growth of the last five years i.e. FY13 to FY18 clocking in at 4.8%, compared to 2.8% in FY08-13. Growth numbers for FY18 have subsequently been revised to 5.2%.

This growth momentum kept credit demand at elevated levels and credit to private sector increased by 16% YoY in FY18. Despite a likely slowdown in GDP growth during FY19, private sector credit has not shown signs of abating during Jun-Dec 2018, where provisional numbers reflect a 20% YoY growth.

The high growth phase seen in the economy during the last few years, has on the other hand resulted in stresses with the external account imbalance leading the way. Strong import growth to meet rising domestic consumption saw Pakistan's import bill grow at a CAGR of 10% over the last five years. In comparison, exports from Pakistan remained stagnant in the last few years due to multitude of factors, which resulted in compressing exports to only 9.4% of the GDP.

Rising domestic demand as well as soaring commodity prices further dented the external position in FY18, stretching country's trade deficit to US\$37.5bn. Capital inflows and worker remittances were insufficient to bridge the trade deficit, which resulted in depletion of Pakistan foreign exchange reserves, from US\$20.2bn at start of 2018 to US\$13.8bn by December 2018.

The impact of depletion of foreign exchange reserves was seen in monetary and currency market adjustments during the year. The cumulative interest rate hike during CY18 stood at 425 bps while the currency depreciated by 26% to PKR139.5/USD by year end. In addition, policy initiatives were also taken to encourage exports and discourage imports. The impact of the above was also seen in inflation, which, as measured by the Consumer Price Index (CPI) increased to 6.2% for December 2018, compared to 4.6% for December 2017. Notable increase was seen in core inflation which increased from 5.5% to 8.4%.

Though inflationary pressures were by and large considered manageable, the depleting Foreign Exchange reserves amid Pakistan's upcoming debt repayments, has put Pakistan in a difficult situation. While structural reforms to address the deficiencies will require time, the new government was able to avert near-term pressures by bridging the shortfall via inflows from friendly countries, namely Saudi Arabia and UAE, while China also extended support in multiple forms.

In addition to cash deposits of US\$3bn each by Saudi Arabia and UAE, the two Middle Eastern countries are also considering to supply oil worth US\$3bn each to Pakistan on a deferred payment basis, which should

provide meaningful respite to Pakistan's external accounts beginning CY19. While the immediate pressures were averted due to timely support from friendly countries, the next phase requires much-needed external account reforms.

Another area that requires immediate attention is the burgeoning fiscal deficit that has grown to 6.6% of GDP in FY18 (highest since FY14) from 5.8% in the previous year. The strain of higher current expenditures has been magnified by a slowdown in non-tax revenues, which can be traced to the absence of Coalition Support Fund (CSF) and lower markup/dividend income from PSEs. Tax revenues showed an increase of 13% YoY but were lower than target. As per provisional data for 1Q FY19, the deficit has not slowed down and is 1.4% of GDP for the quarter. The incoming government has however announced a number of fiscal measures via two Addendums to the Finance Bill.

#### **Outlook:**

Going forward, the key talking point is likely to be the level of engagement between Pakistan and the IMF. Discussions with IMF have been underway since the government assumed power but details have not been made public. While there is consensus on the perceived economic stability that will come with an IMF program, views differ on the conditionalities vis-à-vis the government's economic goals and objectives.

Irrespective of the outcome of ongoing discussions with IMF, the upcoming twelve months are likely to be instrumental in shaping the medium term outlook for Pakistan's economy. With the election year behind us, the government has gradually laid down key pillars of its macroeconomic framework with an emphasis on reindustrialization and export push.

Results of some of the measures and adjustments will start reflecting more meaningfully in macro-economic data over the next few months, but the initial signs indicate that the steps are bearing nascent fruit. While GDP growth is likely to clock in the 3.5-4.5% range, policy decisions will be instrumental in depicting the government's desired equilibrium between stability and economic growth.

#### **BANKING SECTOR REVIEW**

In 2018, despite economic challenges and political noise of an election year, Pakistan's banking sector continued exhibiting positive momentum on multiple fronts. Barring external factors impacting profitability, the banking sector received positive traction with gradual increase in spreads following several rounds of monetary tightening and stable capital adequacy.

Domestic deposits growth remained on lower side, clocking in at 8% YoY, the slowest deposit growth seen in the last decade. The latest available category wise data up to September 2018 however suggest that this could partially be due to a conscious effort by banks to focus on mix of deposits, as banks solicited lower cost transactional deposits and did not aggressively pursue higher-cost fixed deposits. CASA deposits depicted an increase of 12% YoY by September 2018, taking mix to 77.2%; 200bps higher YoY. Further banking industry also faced multiple challenges in deposit generation due to accountability drive, slowdown in government payments and devaluation, where all of these resulted in liquidity erosion and depositors staying away from the banking system.

Gross advances of the sector witnessed another year of remarkable growth in 2018, increasing by 21% YoY, prompted by higher credit to private sector. This led to net Advance to Deposit Ratio (ADR) of the sector increasing to 56% in 2018, highest in last 6 years and marked a shift from investments to advances,

capitalizing the rising capital demand in the economy. Correspondingly, Investment to Deposits Ratio (IDR) receded to 56.7% as of end 2018 vs. 69.0% at the same time last year.

Asset quality of the banking sector witnessed nascent signs of strain, owing to economic challenges domestically, while devaluation of the currency inflated the stock of overseas NPL in PKR terms. Combination of the two saw the stock of outstanding NPLs increase by PKR44bn in first nine months of 2018. The vibrant loan growth, however meant that the gross NPL ratio at 8.0% in September 2018 was materially better than the reading of 9.2% at the same time last year. More importantly, banks ensured that the coverage of increased NPL stock inched up further to 86%.

On the investments front, government securities continued to remain the dominant component of the investment pie, with a visible shortening of maturities seen during the year. Expectation of monetary tightening accompanied by gradual maturity of PIBs shortened the duration of investments of the sector and skewed the concentration towards Treasury Bills.

On the profitability front, rising interest rates saw the sector record gradual increase in spreads. This helped offset the impact of maturity of higher yielding PIBs on net interest income. On the non-interest income front, the increased volatility in the forex market provided the banks an avenue of recording higher income from dealing in foreign currencies. While these emerged as positive contributors, the impact of the same on bottom line was countered by higher credit cost, as banks maintained the coverage ratios on the higher NPL stock mentioned above. Other headwinds to sector profitability emerged from lower capital gains and also due to other extraordinary events impacting some industry players during the year.

On the regulatory front, few notable developments were introduction of 1) Deposit Protection Fund (DPF) and 2) Domestic Systemically Important Banks (DSIBs). While under the first initiative, all banks were mandated to deposit a certain percentage of their deposits into an Insurance / Protection Fund created by the SBP, the second revolved around increased minimum Capital Adequacy Requirements for banks designated as DSIB.

Going forward, the industry outlook will depend on how the economic landscape shapes up in light of policies of the new government. Path of interest rates might emerge as one of the key drivers, while government's fiscal needs and desired maturity profile of borrowing will shape the color of bank's investment books, in terms of the split between shorter tenor T-Bills and longer tenor PIBs. As existing stock of PIBs mature and banks build fresh bond positions as and when the opportunity arises, Capital and Currency markets vibrancy will likely be bigger determinants of market related income for banks for most part of the year. Furthermore, reinstatement of 4% Super Tax with back dated impact and removal of the 1% p.a. reduction in the same announced earlier, would impact profitability for 2019. The banking sector has been singled out by the Government by reinstating this levy and exempting other industries.

Government's focus towards reindustrialization and export push carries positive undertones for both loan growth and trade related fee income but the high interest rate environment will keep banks vary of asset quality pressures, especially in light of SBP looking to transition to a more conservative and forward looking provisioning regime in the near future.

## THE BANK'S PERFORMANCE

The Bank's performance for 2018 remained impressive as we closed the year delivering sound financial results.

The highlights of the financial results for 2018 are as follows:

	<b>2018</b>	<b>2017</b> (Restated)
	Rupees in Millions	
<b>Financial Position</b>		
Shareholders' Equity	75,647	65,800
Total Deposits	702,895	644,985
Total Assets	1,006,218	998,828
Advances – net	501,636	400,655
Investments – net	277,660	400,733
	<b>2018</b>	<b>2017</b> (Restated)
	Rupees in Millions	
<b>Financial Performance</b>		
Net Interest Income and Non Markup Income – continued operations	41,791	38,052
Non Markup Expenses – continued operations	24,365	24,963
Provisions and write offs (net) – continued operations	588	(616)
<b>Profit before tax – continued operations</b>	<b>16,838</b>	<b>13,705</b>
<b>Profit after tax</b>	<b>10,625</b>	<b>8,367</b>
Profit after tax – continued operations	10,150	8,166
Profit after tax – discontinuing operations	475	201
Basic earnings per share – Rupees	5.99	4.74
Diluted earnings per share - Rupees	5.98	4.72

The bank recorded an impressive growth of 27% in profit after tax despite a challenging operating environment. The Bank's profit before taxation (from continued operations) for the year stands at Rs. 16.838 Billion as against Rs. 13.705 Billion last year, showing improvement of 22.9%. Profit after tax (from continued operations) is Rs. 10.150 Billion as against Rs. 8.166 Billion last year, improving by 24.3%. The total profit after tax of the bank stands at Rs. 10.625 Billion against Rs. 8.367 Billion, improving by 27.0%. This translates into an EPS of Rs. 5.99 per share (2017: Rs. 4.74 per share).

On the revenue front, net markup income and non markup income from continued operations show combined growth of 9.83%. The Bank was able to overcome the pressure on net interest income (NII) due to the maturities of high yielding bonds through growth in overall average earning assets and improved spreads. Non-funded income stood at Rs. 10.200 billion, an increase of 12.39% over the corresponding period last year, led by strong growth in foreign exchange income, fee businesses as well as dividend income.

Total non-mark up expenses (from continued operations) were reported at Rs. 24.365 Billion as against Rs. 24.964 Billion last year, declining by 2.4%. This is after taking an impact of branch expansion and investment in IT infrastructure, digital channels, deposit protection premium along with inflationary adjustments and PKR devaluation at the latter part of the year. Excluding the one-offs in 2017 and 2018, the operating expenses remained flat.

The bank's profit from discontinuing operation has increased from Rs. 201.064 million to 474.952 million and includes reversal of provision amounting to Rs. 443.898 million (USD 3.949 million), previously held against amount blocked in the Bank's Nostro account following settlement of dispute, and release of funds in favour of the Bank.

The Bank achieved robust growth in its retail and corporate businesses, across lending and deposit-taking. The Bank's gross advances portfolio increased impressively by Rs. 100.981 Billion, i.e. 25.20% year on year. The bank strategy is to acquire high quality credit while maintaining an efficient risk weighted assets (RWA) profile. The Bank has managed to adequately cover its non-performing advances of Rs. 18.822 Billion. Our NPL ratio has improved to 3.6% as compared to 4.2% last year, and continues to remain one of the lowest infection ratios in the industry. As at December 2018, the Bank's provision coverage stands at 84.39%. These ratios incorporate the impact of subjective provisioning taken by the bank based on prudence.

We continue to carry a diversified deposit mix on the balance sheet, with improved concentration levels. This buildup in the core deposit levels positions the Bank ideally to maximize on the yield upside in its net earnings as interest rates trend upwards. Our focus throughout the year remained on improving our deposit profile and managing spreads. Total Deposits were reported at Rs. 702.895 Billion as against Rs. 644.985 Billion reported last year mainly led by growth in current accounts by 11.07%. At the year end, our gross advances to deposits ratio stands at 73.8%, and remains an indicator where Bank maintains a lead in the industry.

On the investments side, following the significant maturity of PIBs, the investment mix shifted towards Treasury Bills. Investments (net) have been reported at Rs. 277.660 Billion as against Rs. 400.733 Billion reported last year.

As at December 31, 2018, the Bank remains adequately capitalized as outlined in the section on Capital structure below.

#### **SUBSIDIARIES COMPANIES:**

Bank Alfalah posted consolidated profit after tax (PAT) of Rs. 10.991 billion for the year ended December 31, 2018 (2017: Rs. 8.613 billion). Earnings per share (EPS) was measured at Rs. 6.20 in comparison to Rs. 4.88 for the corresponding period last year.

The Bank has 97.91% shareholding in Alfalah Securities (Private) Limited, which is engaged in the business of stock brokerage, investment consultancy and fund placements. During the year, CLSA JV Holdings Limited and Bank Alfalah Limited entered into a strategic partnership in Pakistan that will leverage Alfalah Securities' market leading position and CLSA's award-winning research and outstanding client base of global institutional investors. According to the agreement, CLSA JV and other investors, subsequent to the year-end have acquired shares in Alfalah Securities by way of right issue diluting the bank's holding to 62% of the company. The Bank also has 40.22% shareholding in Alfalah GHP Investment Management Limited, which is registered as an Asset Management Company and Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules.

#### Performance of Subsidiaries:

The Asset Under Management (AUMs) of Alfalah GHP Management Limited increased from Rs 25.59 billion to Rs 31.12 billion; or up 21% YoY. The industry AUMs of open end mutual funds meanwhile increased from Rs 546 billion to Rs 552 billion i.e. 1% during the year. The Company has earned gross revenue amounting to Rs 470 million as compared to Rs 539 million last year. AUMs in high fee earning equity and

equity related funds declined due to bearish stock market resulting in pressure on stock funds both from redemption and revaluation losses. On the other hand due to high interest rates money market and fixed income funds became more attractive. The profit after tax amounted to Rs 164 million as compared to Rs 165 million last year. The bottom line remained intact due to cost control on discretionary expenses and prior year's tax benefit.

Alfalah Securities earned an operating revenue of PKR 130.801 million as compared to PKR 192.867 million for the corresponding period. The company posted before and after-tax loss of PKR 86.229 million and PKR 99.662 million respectively as compared to before and after-tax profit of PKR 31.043 million and PKR 19.536 million respectively for the corresponding period. The loss per share for the year stood at PKR 3.99 as compared to profit per share of PKR 0.33 for the corresponding period. The main reason for decline in revenue and earnings were persistent low market volumes at local bourses and negative sentiment among the investors throughout the year. The focus of the Company in the upcoming year will be on earnings growth through capturing market share, as investor sentiment recovers. The partnership with CLSA should work well to achieve this target.

### **BONUS SHARES AND DIVIDEND**

The Directors have recommended final payment of Cash dividend of Rs. 1.50 per share (15 %) for the year ended December 31, 2018, subject to approval of the shareholders in the upcoming annual general meeting, bringing the total cash dividend for the year to Rs. 2.50 per share. The Board had earlier declared and paid interim cash dividend of Rs. 1.00 per share. The Board had also declared interim stock dividend of 10% i.e. 10 shares for every 100 shares held.

### **ASSETS HELD FOR SALE**

During 2017, the Board accorded its in-principle approval and authorised the management of the Bank to explore the possibility to sell the Afghanistan Operations of the Bank to the potential buyer, subject to obtaining all regulatory approvals, compliance with applicable laws and regulations in the matter.

In Q2 2018, the bank signed a Business Transfer Agreement with the potential buyer for the sale of the Afghanistan operations and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the Central Bank in Afghanistan. The DAB has raised some queries on the application which the Bank and the potential buyers are in the process of responding.

Resultantly, all assets and liabilities and income and expense for the Bank's Afghanistan Operations are presented as a separate line items on the balance sheet as Non-Current Assets and Liabilities Held for Sale and profit after taxation from discontinuing operations respectively, rather than as part of actual line items under which they were being reported historically. The details have been given in note 21 to the unconsolidated financial statements.

### **CREDIT RATING**

The Bank has been assigned an Entity Rating of 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term by PACRA, with Outlook assigned as 'Stable'. The unsecured subordinated debt (Term Finance Certificates) of the Bank has been awarded a credit rating of 'AA' (Double A), with Outlook assigned as 'Stable'.

Furthermore, JCR-VIS Credit Rating Company Limited (JCR-VIS) also assigned an entity rating of 'AA+' (Double A Plus) for the long-term and 'A1+' (A-One Plus) for the short-term to the Bank, with Outlook assigned as 'Stable'. The unsecured Tier 1 Capital (Term Finance Certificate) of the bank has been awarded a credit rating of 'AA-' (Double A Minus), with 'Stable' Outlook.



The assigned ratings reflect the Bank's diversified operations, healthy financial risk profile, strong sponsors and existing market presence. These ratings denote a very low expectation of credit risk, a strong capacity for timely payment of financial commitments in the long term and the highest capacity for timely repayment in the short term, respectively.

## CORPORATE GOVERNANCE

The Bank is in compliance with the significant requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017. A prescribed statement by the management together with the Auditors' Review Report thereon is annexed as part of the Annual Report.

The Directors are pleased to give the following statements required under Chapter XIII - Reporting and Disclosure of the aforementioned Regulations:

1. The total number of directors are nine as per the following:
 

i. Male:	Eight
ii. Female:	One
  
2. The composition of the board is as follows:
 

i. Independent Directors	Three
ii. Other Non-executive Director	Five
iii. Executive Directors	One
  
3. The Board from time-to-time establishes committees to discharge its responsibilities. For each board committee, the Board adopts a formal Terms of Reference (ToRs) setting out the matters relevant to the composition, roles, functions, responsibilities and administration. The following committees have been constituted by the Board:
 

i. Board Audit Committee
ii. Board Strategy and Finance Committee
iii. Board Risk Management Committee
iv. Board Human Resource, Remuneration and Nomination Committee
v. Board Information Technology Committee [new committee formed in 2018]
vi. Board Compensation Committee
  
- For committees' members and ToRs, please refer page xx to xx of the Annual Report.
  
4. The Directors' fee structure was approved by the members in annual general meeting held on March 29, 2012, whereas payout is approved on post facto basis every year by the members, as required by SBP Prudential Regulations. The new Code requires a formal policy which is in the process of being formulated and shall be in place in due course. The required disclosure regarding Directors' fee form part of note 41 of the unconsolidated financial statements.

As a matter of best practice, the Directors are pleased to give the following Statements:

- a) The financial statements, prepared by the management, present fairly the state of affairs of the Bank, the result of its operations, cash flows and changes in equity;
- b) Proper books of accounts of the Bank have been maintained;
- c) Appropriate accounting policies, as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

- d) International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements;
- e) The system of internal control is sound in design and has been effectively implemented and monitored;
- f) There are no significant doubts about the Bank's ability to continue as a going concern;
- g) There has been no material departure from the best practices of corporate governance;
- h) Summarized key operating and financial data of last six years has been presented as part of the Annual Report;
- i) The number of Board and Board Committee meetings held during the year 2018 and the attendance by each director was as follows:

Sr. No	Name of Directors	Board of Directors Meetings	Board Audit Committee Meetings (BAC)	Board Strategy and Finance Committee Meetings (BS&FC)	Board Human Resources, Remuneration & Nomination Committee Meetings (BHR&NC)	Board Risk Management Committee Meetings (BRMC)	Board Information Technology Committee Meetings (BITC)	Board Compensation Committee Meetings (BCC)
	No. of Meetings held during the year	6	7	5	5	5	2	1
1	H.H. Sheikh Nahayan Mubarak Al Nahayan	5	N/A	N/A	N/A	N/A	N/A	N/A
2	Mr. Abdulla Nasser Hawaileel Al Mansoori	4	N/A	N/A	N/A	N/A	N/A	N/A
3	Mr. Abdulla Khalil Al Mutawa	6	7	5	5	5	2	1
4	Mr. Khalid Mana Saeed Al Otaiba	6	7	5	5	5	2	1
5	Mr. Efstratios Georgios Arapogiou	6	7	5	N/A	3	2	N/A
6	Mr. Shehzad Naqvi*	4	4	3	3	3	N/A	N/A
7	Dr. Ayesha Khan*	3	4	N/A	3	N/A	N/A	N/A
8	Mr. Gyorgy Tamas Ladics*	3	N/A	N/A	3	N/A	2	N/A
9	Mr. Nauman Ansari	6	N/A	5	N/A	5	2	N/A
	Mr. Kamran Y. Mirza (Ex-Director)**	2	3	N/A	2	N/A	N/A	1
	Mr. Khalid Qurashi (Ex-Director)**	1	N/A	1	N/A	1	N/A	N/A

\* Directors elected and appointed during the year

\*\* The directors retired/resigned during the year

- j) As at December 31<sup>st</sup> 2018, the Bank is compliant in respect of the Director's training requirement provided in the Code of Corporate Governance;
- k) The pattern of shareholding is attached as part of this annual report;
- l) There are no loans, TFCs, sukuks or any other debt instruments in which the Bank is in default or likely to default; and
- m) Trading pattern in the shares of the Bank, by directors, executives, their spouses and minor children have been disclosed as part of the Annual Report.

## **RISK MANAGEMENT**

During the course of the year, Bank Alfalah continued to further strengthen its risk management framework. This includes automation, refinement of credit approval process and implementation of centralized Loan Origination System for UAE Operations too. Bank has implemented IFRS 9 in its UAE, Afghanistan and Bahrain operations.

Owing to its branch-led model, robust credit underwriting criteria and strong collection framework, the Bank has maintained lower infection ratio than industry average, while at the same time maintaining a strong growth trajectory in advances. The Bank was also selected as sample bank by the Regulator under the D-SIB (Domestically Systematically Important Bank) and it stands complied with enhanced supervisory requirements. In addition, Bank also completed the quantitative & qualitative impact assessment of IFRS 9 for Pakistan Operations.

### **Capital Structure of the Bank**

The Bank remained a well-capitalized institution with a capital base well above the regulatory limits and Basel capital requirements. The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity. Bank's total Capital Adequacy Ratio is 14.95% against the requirement of 11.90% (including capital conservation buffer of 1.90%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 10.90% against the requirement of 6.00%. Bank has ample cushion in its capital base to meet the Capital Conservation Buffer (CCB) of 2.5 % of the total RWA, to be maintained in the form of Common Equity Tier 1 by the year end 2019. Bank's adequate capitalization also resulted in a leverage ratio of 5.64% which is above the regulatory limit of 3.0%.

### **Information Security**

Information security is a key risk for the financial industry amid growing cyber security threats and events across the globe. Information security mitigates risks to bank's technology assets by developing IT security baselines for IT solutions that support products and services. Additionally, significant developments with respect to the cyber security action plan took place during the year including further strengthening our resilience and defence capabilities through monitoring of threats and vulnerabilities via 24/7 Security Operations Centre.

### **Compliance Risk**

Bank Alfalah has been committed to enhance its compliance area across the network including overseas operations. Compliance and Control Group of the bank comprises three divisions i.e. Compliance, Internal Control and Fraud Risk Management Unit. Following the global and local regulatory focus on AML/ CFT and sanctions, the Compliance and Control Group has a major participation in the meetings of Board Audit

Committee. The committee is monitoring an approved Compliance Action Plan, compliance affairs of local and overseas operations and matters pertaining to regulatory concerns.

### **FORWARD LOOKING STATEMENT**

2018 has been a rewarding year for us at Bank Alfalah across many spectrums. We continued on our journey of delivering sustainable and solid financial results. During the year, Bank Alfalah won the 'Best SME Bank' award as well as the 'Best Customer Franchise' award, for the third year running, at the Pakistan Banking Awards. These awards are a testament to our continued commitment and dedication towards our customers and stakeholders. The SME Award is particularly special as SMEs represent one of the most underserved market segment in the country.

Looking ahead, Bank Alfalah is well positioned for sustainable growth and building long-term shareholder value. We will continue to invest in Digital Banking, in our technology infrastructure, in human capital and in strengthening our compliance and controls environment. At the same time, we will continue to focus on building a low cost deposit base, improving the return on capital on risk assets, optimizing returns from the banking book and enforcing a strong cost discipline across the bank. Given the significant rise in interest rates over the last year and the risk of credit headwinds, we will continue to follow prudent risk management practices and manage the loan book optimally.

In line with our mission, we seek to be the preferred bank for our customers and will always look to put our customers and their needs first. We are also committed to providing the best workplace environment for our employees by living our values and by enriching the employee experience. To this end, 2019 has been declared as the 'Year of Happiness' at Bank Alfalah. It is ultimately through our employees that we will be able to achieve our mission.

### **Uncertainties that could affect the Bank's resource, revenues and operations**

All forward looking statements are, by nature, subject to risks and uncertainties, some beyond control. Factors that may potentially affect the Bank's resource, revenues and operations are:

- Decisions on Discount Rate / Monetary policy;
- Revisions to rate of returns on deposits;
- Geo-Political risks and uncertainties across the geography that we operate in;
- Law and Order situation;
- Local Government rules and regulations;
- Inflation, fuel and general commodity prices; and
- Corporate taxation measures.

The bank's Risk Management Group performs stress testing against various pre-determined scenarios to analyse potential losses and to determine whether the bank has enough capital to withstand the impact of adverse economic developments. The results of such tests has showed that the bank has adequate capital, liquidity and profitability to bear such losses.

### **INTERNAL CONTROLS**

The Board considers Sound Control Framework as a key to sustainable growth and vehicle for Value Creation. In accordance with Board Vision and in line with SBP & SECP guidelines, the Management has been continuously striving for implementing a Comprehensive Governance & Control Framework to ensure

efficiency and effectiveness of operations, compliance with legal requirements and reliability of financial reporting. Adequate systems, processes and controls have been put in place to identify and mitigate the risk of failure to achieve the overall objectives of the Bank.

The Bank has a dedicated Internal Control Division, which, through its regular onsite field visits & offsite thematic reviews facilitates the management in timely identification and resolution of the key control / compliance risk exposures, which can affect bank adversely. The ICD helps management to ensure that the Bank's Operations are carried out as per the defined procedures; transactions are recorded on timely manner; financial and management reporting is accurate, reliable and complete; and that the Bank is compliant with the applicable laws, Regulations and Policies. Showing commitment to culture focusing on controls improvement, in 2018, under the guidance of Board, ICD also introduced a Comprehensive Grading Framework for identification & quantification of different types of control risk exposures, which would help management in developing strategies to mitigate those control gaps with focused & targeted approach. Besides ICD, Compliance Division & Risk Management Division are also integral part of BAFL Control Framework, helping the management in improving controls.

Existing policies and procedures are reviewed on a regular basis and improved from time to time, when required. The Board has constituted its sub committees for oversight of the overall Risk Management framework, Finance and Strategy, which meet at regular intervals to ensure adequacy of governance.

Board also obtains regular independent opinion over control health of the bank through an independent & well-functioning Audit & Inspection Setup, which is reporting to Board through Board Audit Committee. Remedial Actions are advised and followed up for implementation against the control breaches by Board Audit Committee as well.

The Board endorses the management's evaluation on effectiveness of the overall internal controls, including ICFR, as detailed in the Statement of Internal Controls.

#### **CORPORATE SOCIAL RESPONSIBILITY**

At Bank Alfalah, we believe that our success and the success of our customers go hand-in-hand. We aim to conduct business by creating shared values for all our stakeholders. Corporate Social Responsibility is an instrument of positive change and continues to be one of the most important aspects of our business.

We are firm in our commitment to operate within an ethical framework, while contributing to socio-economic development. As we continue to build responsible business practices across the bank, we ensure that we capture every opportunity deepening the impact of our Corporate Social Responsibility and philanthropic footprint. During the year, the Bank has paid charitable donation amounting to Rs. 36.594 million to different educational and charitable institutions, including Rs. 8.650 million to Supreme Court Diaper Bhasha And Mohmand Dam Fund. The staff of the bank has also contributed their one day salary toward the Dam Fund.

As a bank we are focused on energy conservation initiatives and providing sustainable finance. We work to improve the communities around us, especially within the health and education sectors. Please refer the Sustainability section for more information

## EXTERNAL AUDIT

Based on the consent received from the Bank's existing auditors M/s EY Ford Rhodes & Co., Chartered Accountants, to continue to act as auditors of the Bank, if so appointed. The Audit Committee has suggested their name to be appointed as external auditors of the Bank for the next year.

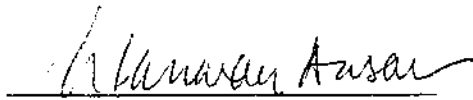
The firm of auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under all applicable laws.

## ACKNOWLEDGEMENT

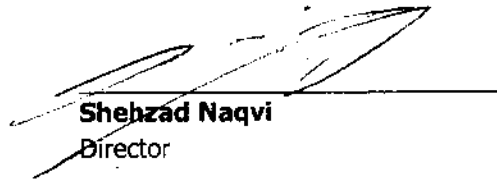
On behalf of the Board, we would once again like to thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Ministry of Finance and other regulatory authorities for their continuous guidance and support. At the same time, we would like to express our gratitude to our shareholders, our customers, business partners and the Bank's staff for their continued patronage.

Our values are to put our customers and their needs front and center, to achieve good results but to do so in a way that treats all of our stakeholders – employees, customers, regulators and shareholders – in a fair and transparent way. This we believe is the RIGHT WAY and will continue to govern our actions.

We expect the Pakistan economy to show reasonable growth in 2019, helped by recovering consumer confidence, improving investment environment and trade. We look forward to seeing 2019 as a prosperous year for Pakistan and Bank Alfalah.



**Nauman Ansari**  
President and Chief Executive Officer



**Shehzad Naqvi**  
Director

Bank Alfalah  
21st February, 2019  
Abu Dhabi

**BANK ALFALAH LIMITED**

**UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

AC/AAR/324/19  
10 February 2019

The Board of Directors  
Bank Alfalah Limited (the Bank)  
B.A. Building, I.I. Chundrigar Road  
Karachi, Pakistan.

Dear Sirs

**DRAFT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

We are pleased to enclose five copies of the draft financial statements of the Bank for the above year, together with our draft audit report thereon to the members initialed by us only for identification purposes. We understand that the enclosed financial statements have been endorsed by the Chief Executive Officer and Chief Financial Officer of the Bank for consideration and approval by the Board.

1. We shall be pleased to sign and issue our audit report after:
  - a) the Board has approved the financial statements and these have been signed by the Chief Financial Officer, Chief Executive and three Directors of the Bank authorized in this behalf;
  - b) the Board has specifically approved the items listed in Annexure 'A' of this letter;
  - c) we have received representation letter duly signed by the Chief Executive and Chief Financial Officer of the Bank; and
  - d) we have received the draft annual report of the Bank containing financial and non-financial information that will be published along with the financial statements which is required to be reviewed by us in terms of the requirements of International Standard on Auditing 720 "Other Information in Documents Containing Audited Financial Statements".

**2. RESPONSIBILITIES OF THE AUDITORS AND MANAGEMENT IN RELATION TO THE FINANCIAL STATEMENTS**

The responsibilities of the independent auditors in respect of statutory audit of Financial Statements are stipulated in Section 249 of the Companies Act, 2017, Section 35 of the Banking Companies Ordinance, 1962 and International Standards on Auditing.

While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for preparation and presentation of such financial statements is primarily that of the Bank's management. The management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Bank and prevention and detection of frauds and irregularities. The audit of the financial statements does not relieve the management of its responsibilities. Accordingly, our audit of financial statements should not be relied upon to disclose all errors or irregularities which are not material in relation to the financial statements taken as whole.

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### **3. REVISED CONTENT OF THE INDEPENDENT AUDITOR'S REPORT AS PER SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP) REGULATIONS**

In January 2015, the International Auditing and Assurance Standards Board (IAASB) issued revised set of auditing standards dealing with the auditors reporting requirements. These new reporting requirements have been adopted by the SECP in its regulations on auditors reporting obligations issued in April 2018. While these changes have resulted in various enhancements in the content of the auditor's report, the most significant change is the requirement to communicate key audit matters as part of the auditor's report. Accordingly, our audit report on the financial statements of the current year (as enclosed with this letter) has been prepared in line with the new requirements and include the following key audit matters:

#### **3.1 PROVISION AGAINST NON PERFORMING CREDIT EXPOSURE**

The Bank's credit portfolios include loans and advances, and non-funded credit facilities. The credit portfolio is spread across various domestic branches and overseas operations.

As per the Bank's accounting policy (refer note 4.5 to the financial statements), the Bank determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) in respect of potential credit losses in the portfolio. Such regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision against certain vulnerable corporate loans, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank. In view of the significance of this area in terms of its impact on the financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.

#### **3.2 PREPARATION OF FINANCIAL STATEMENTS UNDER BPRD CIRCULAR NO.02 OF 2018**

As referred to in note 4.1.1 to the financial statements, State bank of Pakistan (SBP) vide its BPRD circular no. 02 of 2018, (the circular) revised the statutory forms of the annual financial statements of banks effective from the year ended 31 December 2018.

The revised statutory financial reporting framework as applicable to the Bank, prescribes the presentation format, nature and content of disclosures in relation to various elements of the financial statements.

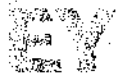
The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements.

### **4. SIGNIFICANT MATTERS**

We would like to draw attention of the Board to the following matters:

#### **4.1 AFGHANISTAN OPERATIONS**

The Board of Director's in their meeting held on 17 August 2017 accorded its in-principal approval and authorized the management to explore the possibility to sell the Afghanistan Operations (the Operations) of the Bank to a potential buyer, subject to obtaining all regulatory approvals, compliance with applicable laws and regulations. Accordingly, in the financial statements of the Bank for the year ended 31 December 2017, the Operations were classified as Assets and liabilities held for sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"



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Subsequently, on 25 February 2018, the Board of Director's in their meeting passed a resolution for sale of the Bank's operations located in Afghanistan to the Azizi Bank (the Purchaser) and Mr. Mirwais Aziz (the Contributor).

A business transfer agreement to this effect was signed on 14 May 2018 between Azizi Bank and the Bank. However, the transfer of the assets and liabilities forming the business is conditional upon approval from DA Afghanistan Bank and the Ministry of Finance which is still pending. We have been informed that recently, the DA Afghanistan Bank has raised certain queries, however, the management and the purchaser are following up with the DA Afghanistan Bank for approval on a regular basis.

IFRS 5 requires that on the date of classification, the sale should be expected to qualify for recognition as a completed sale within one year. However, events or circumstances may extend the period to complete the sale beyond one year. Further, an extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

We have been given to understand by the management, that due to circumstances beyond the control of the Bank, the sale has not been concluded, however, the Bank remains committed to its plan to sell the Operations. Accordingly, as disclosed in note 21 to the financial statements, the assets and liabilities of the Operations continue to be classified as held for sale in the financial statements of the Bank for the year ended 31 December 2018.

#### **4.2 INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) 9 - FINANCIAL INSTRUMENTS**

##### **Local Operations**

During the year, SBP issued letter No. BPRD/RPD/2018 - 7837 on "IFRS 9: Readiness Assessment and Quantitative Impact Assessment" dated 10 April 2018 which required the Bank to perform a quantitative impact analysis of IFRS 9 "Financial Instruments" as of 31 December 2017. This assessment is required to be reviewed by the statutory auditors as well.

The aforesaid assessment have been recently submitted to the State Bank of Pakistan in draft form which inter-alia among other matters highlighted major gaps due to absence of data which would result in difficulties in the future implementation of IFRS 9.

We recommend that management should start a detailed implementation plan of IFRS 9 for the Bank's financial instruments. Significant efforts will be required to implement the standard. An analysis of existing information system and availability of data should be assessed to determine whether changes in existing information system are required to gather such information and data required to meet new ECL and disclosures requirements of IFRS 9.

##### **Overseas Operations**

As disclosed in note 4.1.3 to the unconsolidated financial statements, during the current year, the Bank's Bahrain, Afghanistan and UAE Operations have, in line with their respective locally applicable regulatory frameworks, adopted IFRS 9 'Financial Instruments' as issued by the International Accounting Standards Board (IASB) in July 2014. In order to ensure compliance with the regulatory framework in these countries, the expected credit loss charge arising as a result of adoption of IFRS 9 has been retained as a general provision in these unconsolidated financial statements.

57 -



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As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current year.

The adoption of this standard by the overseas branches have resulted in additional net of tax provisioning requirement of Rs. 81.596 million in respect of prior year which has been incorporated in the opening balance of retained earnings, while net of tax provision reversal of Rs. 21.264 million has been booked in profit and loss statement of overseas operations, in respect of current year.

#### 5. OUTSTANDING CONFIRMATIONS

We have not received responses to our requests for information from:

- various correspondent banks regarding confirmations of outstanding balances at the year-end; and
- Certain legal advisors of the Bank regarding information relating to litigations, existing or anticipated, at the year-end or arising subsequent thereto involving the Bank.

We have provided a list of all such outstanding confirmations to the management for follow up. We have, however, performed alternative audit procedures in relation to the relevant audit areas and have also been represented by the management that no significant liability is likely to arise from in respect of the matters being handled by the legal advisors who have not responded to our request for information till date.

#### 6. CONTINGENCIES AND COMMITMENTS AND RELATED PARTY TRANSACTIONS

We have been informed by the management that there were no contingencies and commitments and transactions with the related parties during the year other than those disclosed in the unconsolidated financial statements.

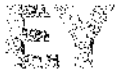
#### 7. MANAGEMENT LETTER

This letter contains our communication to the Board on significant matters relating to the financial statements, however, we also expect to provide you in the due course a separate management letter containing our observations and recommendations on internal controls and related matters.

We place on record our appreciation of the co-operation and courtesy extended to us by the management during the course of our review.

Yours faithfully

OC:AAR:bf.



Ernst & Young  
BANKING & FINANCE

**BANK ALFALAH LIMITED**  
**AUDIT OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

(to be read with our letter reference AC/AAR/324/19 dated 10 February 2019)

**BOARD OF DIRECTORS' APPROVAL**

Before issuing our review report, we require the following items to be considered and specifically approved by the Board:

	(Rupees in thousand)
- Additions to operating fixed assets - at cost	1,307,248
- Proceeds from disposal of fixed assets (having cost of Rs. 705,101 thousand and book value of Rs. 309,998 thousand)	445,792
- Net deferred tax liabilities at year end	2,070,702
- Provision for diminution in value of investment - net charge	1,423,999
- Reversal of provision against non-performing loans amounting to Rs. 2,898,550 thousand net of provision of Rs. 3,277,271 thousand	378,721
- Write offs during the year against loans	239,269
- Taxation	
Current	7,219,414
Prior	(229,453)
Deferred	(302,474)
- Net increase in investment in held-for-trading securities	24,760,040
- Net decrease in investment in available-for-sale securities	142,586,169
- Net decrease in investment in held-to-maturity securities	1,227,241
- Reversal of provision against other assets amounting to Rs. 10,348 thousand net of provision of Rs. 421,760 thousand	411,412
- Change in accounting policy as disclosed in note 4.1 to the unconsolidated financial statements.	-
- Transactions with related parties as disclosed in note 45 to the unconsolidated financial statements	-

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## INDEPENDENT AUDITORS' REPORT

To the members of Bank Alfalah Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed unconsolidated financial statements of Bank Alfalah Limited (the Bank), which comprise the unconsolidated statement of financial position as at 31 December 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information in which are incorporated unaudited certified returns received from the branches except for 60 branches which have been audited by us 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 statement of profit and loss and 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 31 December 2018 and of the profit or loss and other comprehensive income or loss or 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 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 Matters

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

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Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<b>Provision against Non Performing Credit Exposure</b>	
<p>The Bank's credit portfolios include loans and advances, and non-funded credit facilities. The credit portfolio is spread across various domestic branches and overseas operations.</p> <p>As per the Bank's accounting policy (refer note 4.5 to the financial statements), the Bank periodically assess the adequacy of its provisions against non-performing credit exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan. Such regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision against certain vulnerable corporate loans, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"><li>- We reviewed the Bank's process for identification and classification of non-performing loans including the quality of underlying data and systems. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired loans and declassification of accounts from non-performing to regular, as the case may be.</li><li>- We performed independent checks for the computations of provisions in line with the requirements of the applicable Prudential Regulations.</li><li>- In addition, we selected a representative sample of borrowers from the credit portfolios across various branches including individually significant corporate loans and performed tests and procedures such as review of credit documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the bank and status of litigation, if any, with the borrower;</li><li>- Based on the said credit reviews, we identified and discussed with the management the loan accounts where the credit risk appear to have increased. We reviewed the adequacy of provisions against such accounts on the basis of our independent objective evaluation of the risk mitigating factors that exist in such cases;</li><li>- We also assessed adequacy of disclosures as included in note 9.4 and 9.5 to the financial statements regarding the non-performing loans and provisions made for the same in the financial statements in accordance with the requirements of the applicable financial reporting framework.</li></ul>

24/12



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Key audit matters	How the matter was addressed in our audit
<b>- Preparation of Financial Statements under BPRD Circular No.02 OF 2018</b>	
<p>As referred to in note 4.1.1 to the financial statements, State bank of Pakistan (SBP) vide its BPRD circular no. 02 of 2018, (the circular) revised the statutory forms of the annual financial statements of banks effective from the year ended 31 December 2018.</p> <p>The revised statutory financial reporting framework as applicable to the Bank, prescribes the presentation format, nature and content of disclosures in relation to various elements of the financial statements.</p> <p>The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements.</p>	<p>- We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the revised forms for the preparation of such financial statements.</p> <p>- We also evaluated the sources of information used by the management for the preparation of the financial statements disclosures and the internal consistency of the disclosures with other elements thereof.</p> <p>- We considered the adequacy and appropriateness of the additional disclosures and changes in the presentation of the financial statements based on the requirements of the statutory forms.</p>

#### Information Other than the Financial Statements and Auditors' 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 financial statements and our auditors' report thereon.

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

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

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

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

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

24/11



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 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**

1. Based on our audit, we further report that in our opinion:
  - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
  - b) the statement of financial position, the statement of profit or loss and other comprehensive income or the statement of comprehensive income, statement of changes in equity and statement of cash flows (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns

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- 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.

**Other Matters:**

The financial statements of the Bank for the year ended 31 December 2017 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon dated 25 February 2018.

The engagement partner on the audit resulting in this independent auditors' report is Omer Chughtai.

Chartered Accountants *2018*

Place: Karachi

Date:

**BANK ALFALAH LIMITED**  
**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018**

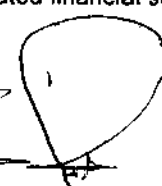
	Note	2018	2017 Restated	2016 Restated
----- (Rupees in '000) -----				
<b>ASSETS</b>				
Cash and balances with treasury banks	5	82,407,700	70,381,435	74,071,384
Balances with other banks	6	3,874,955	3,753,954	9,373,123
Lendings to financial institutions	7	62,172,287	48,895,828	30,149,029
Investments	8	277,660,403	400,733,286	389,092,637
Advances	9	501,636,452	400,655,424	378,720,349
Fixed assets	10	18,272,215	16,155,727	16,476,271
Intangible assets	11	1,283,516	1,472,270	1,656,996
Deferred tax assets		-	-	-
Other assets	12	35,320,826	29,958,291	30,105,955
Assets held for sale	21	23,589,489	26,821,724	-
		<b>1,006,217,843</b>	<b>998,827,939</b>	<b>929,645,744</b>
<b>LIABILITIES</b>				
Bills payable	13	35,988,225	20,882,970	19,091,201
Borrowings	14	123,738,241	207,193,686	178,311,035
Deposits and other accounts	15	702,895,280	644,984,967	634,740,043
Liabilities against assets subject to finance lease		-	-	-
Subordinated debt	16	11,989,000	4,991,000	8,317,670
Deferred tax liabilities	17	2,070,702	3,153,750	2,650,428
Other liabilities	18	33,454,124	27,062,729	26,410,605
Liabilities directly associated with the assets held for sale	21	20,435,396	24,759,096	-
		<b>930,570,968</b>	<b>933,028,198</b>	<b>869,520,982</b>
<b>NET ASSETS</b>		<b>75,646,875</b>	<b>65,799,741</b>	<b>60,124,762</b>
<b>REPRESENTED BY</b>				
Share capital	19	17,743,629	16,075,720	15,952,076
Reserves		23,050,754	18,156,669	15,895,652
Surplus / (deficit) on revaluation of assets	20	7,382,950	7,285,248	10,969,713
Unappropriated profit		27,469,542	24,282,104	17,307,321
		<b>75,646,875</b>	<b>65,799,741</b>	<b>60,124,762</b>
<b>CONTINGENCIES AND COMMITMENTS</b>				
	22			

The annexed notes 1 to 50 and annexures I to III form an integral part of these unconsolidated financial statements.

  
 President & Chief Executive Officer

  
 Chief Financial Officer

  
 Director

  
 Director

  
 Director

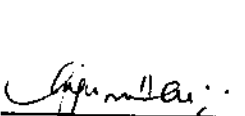
**BANK ALFALAH LIMITED**  
**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018	2017 Restated
------(Rupees in 000)-----			
Mark-up/Return/Interest Earned	24	59,318,342	56,175,501
Mark-up/Return/Interest Expensed	25	27,727,287	27,199,316
Net Mark-up/ Interest Income		<u>31,591,055</u>	<u>28,976,185</u>
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee and Commission Income	26	6,291,672	6,013,006
Dividend Income		576,034	460,319
Foreign Exchange Income		2,168,533	1,442,886
Income / (loss) from derivatives		(20,542)	(58,908)
Gain / (Loss) on securities	27	992,888	1,134,122
Other Income	28	191,773	84,654
Total non-markup/interest Income		<u>10,200,358</u>	<u>9,076,079</u>
Total Income		<u>41,791,413</u>	<u>38,052,264</u>
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Operating expenses	29	23,966,756	24,671,927
Workers Welfare Fund	30	392,089	258,875
Other charges	31	6,430	32,727
Total non-markup/interest expenses		<u>24,365,275</u>	<u>24,963,529</u>
Profit Before Provisions		<u>17,426,138</u>	<u>13,088,735</u>
Provisions and write offs - net	32	588,383	(616,430)
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS</b>		<u>16,837,755</u>	<u>13,705,165</u>
Taxation	33	6,687,487	5,538,933
<b>PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS</b>		<u>10,150,268</u>	<u>8,166,232</u>
<b>DISCONTINUING OPERATIONS</b>			
Profit after tax for the year from discontinued operations	21	474,952	201,064
<b>Profit for the year</b>		<u>10,625,220</u>	<u>8,367,296</u>


		Rupees	
Basic Earnings per share - Restated	34	<u>5.99</u>	<u>4.74</u>
Diluted Earnings per share - Restated	35	<u>5.98</u>	<u>4.72</u>
Basic Earnings per share from continuing operations- Restated		<u>5.72</u>	<u>4.62</u>
Diluted Earnings per share from continuing operations- Restated		<u>5.72</u>	<u>4.61</u>

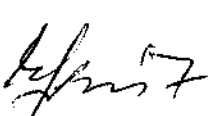
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 President & Chief Executive Officer

  
 Chief Financial Officer

  
 Director


  
 Director

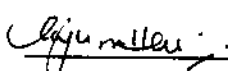
  
 Director

**BANK ALFALAH LIMITED**  
**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	- 2017 Restated
	----- (Rupees in 000) -----	
Profit after taxation	10,625,220	8,367,296
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Effect of translation of net investment in foreign branches	2,974,642	492,787
Movement in surplus / (deficit) on revaluation of investments - net of tax	(2,591,788)	(3,707,865)
	382,854	(3,215,078)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	126,157	247,149
Movement in surplus on revaluation of operating fixed assets - net of tax	2,663,884	51,232
Movement in surplus on revaluation of non-banking assets - net of tax	25,606	5,965
	2,815,647	304,346
<b>Total comprehensive income</b>	<b>13,823,721</b>	<b>5,456,564</b>

The annexed notes 1 to 50 and annexures I to III form an integral part of these unconsolidated financial statements.

  
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 President & Chief Executive Officer

  
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 Chief Financial Officer

  
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 Director

  
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 Director

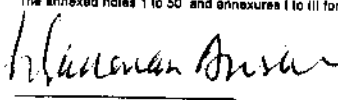
  
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 Director

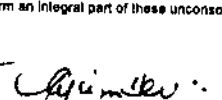
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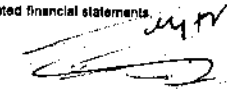
**BANK ALFALAH LIMITED**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**


	Share capital	Capital Reserves			Statutory reserve	Revenue Reserves	Surplus/(Deficit) on revaluation		Unappropriated profit	Total
		Reserve for issue of bonus shares	Share premium	Exchange translation reserve		Employee share option compensation reserve	Investments	Fixed / Non Banking Assets		
(Rupees in '000)										
Balance as at December 31, 2016 as previously reported	15,952,076	-	4,417,126	1,584,020	9,720,886	173,620	6,343,383	4,596,193	17,337,458	60,124,762
Effect of change in accounting policy - note 4.1										
Balance as at January 1, 2017 (Restated)	15,952,076	-	4,417,126	1,584,020	9,720,886	173,620	6,343,383	4,828,330	17,307,321	60,124,762
Profit after taxation									8,387,296	8,387,296
Other comprehensive income - net of tax				492,787			(3,707,865)	57,197	247,149	(2,910,732)
Transfer to statutory reserve					1,673,459				(1,673,459)	
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax								(33,797)	33,787	
Transactions with owners, recorded directly in equity										
Shares issued during the year	123,644		68,078							191,722
Recognition of fair value charge of share based payments - note 40						26,693				26,693
Transfer to Share Premium on Issuance of shares under Stock Option Scheme			127,787			(127,787)				
Opening Balance January 1, 2018	16,075,720		4,612,981	2,076,807	11,394,345	72,526	2,635,518	4,649,730	24,262,104	65,799,741
Effect of change in accounting policy - note 4.1									(81,596)	(81,596)
Restated opening balances as at January 01, 2018 under IFRS 9	16,075,720		4,612,981	2,076,807	11,394,345	72,526	2,635,518	4,649,730	24,200,508	65,718,145
Profit after taxation									10,625,220	10,625,220
Other comprehensive income - net of tax				2,974,642			(2,591,788)	2,723,389	128,157	3,232,400
Transfer to statutory reserve					1,878,770				(1,878,770)	
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax								(33,899)	33,899	
Transactions with owners, recorded directly in equity										
Final cash dividend for the year ended December 31, 2017 @15%									(2,411,358)	(2,411,358)
Interim cash dividend for the half year ended June 30, 2018 @10%									(1,613,057)	(1,613,057)
Shares issued under stock option scheme during the period	54,852		27,937							82,489
Transfer to reserve for issue of bonus shares		1,613,057							(1,613,057)	
Shares issued during the year	1,613,057	(1,613,057)								
Amortisation of deferred employee compensation expense - note 40						13,036				13,036
Transfer of Share Premium on Issuance of shares under Employee S			54,972			(54,972)				
Balance as at December 31, 2018	17,743,629		4,695,600	6,061,449	13,273,115	30,590	43,730	7,338,220	27,489,542	75,646,875

The annexed notes 1 to 50 and annexures I to III form an integral part of these unconsolidated financial statements.

  
 Haseem Anwar  
 President & Chief Executive Officer

  
 Chief Financial Officer

  
 Director

  
 Director

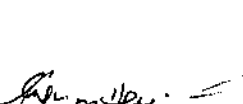
  
 Director

**BANK ALFALAH LIMITED**  
**UNCONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Note	2018	2017 Restated
------(Rupees in 000)-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation from continuing operations		16,837,755	13,705,165
Profit before taxation from discontinuing operations		780,500	339,819
Dividend income		(576,034)	(460,319)
		<u>17,042,221</u>	<u>13,584,665</u>
<b>Adjustments</b>			
Depreciation		1,718,405	1,819,620
Amortisation		488,400	446,135
Provisions and write offs - net		588,383	(616,430)
Unrealised loss / (gain) on revaluation of investments classified as held for trading - net		42,406	7,351
Gain on sale of operating fixed assets - net		(135,794)	(11,655)
Charge for defined benefit plan		185,753	250,153
		<u>2,887,553</u>	<u>1,895,174</u>
		<u>19,929,774</u>	<u>15,479,839</u>
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		(18,366,107)	(3,797,453)
Held for trading securities		(24,767,391)	(7,376,396)
Advances		(100,850,303)	(22,609,576)
Other assets (excluding advance taxation)		(3,510,739)	(14,228,013)
		<u>(147,494,540)</u>	<u>(48,011,438)</u>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		15,105,255	(416,549)
Borrowings		(83,432,878)	26,942,423
Deposits		57,910,313	36,952,995
Other liabilities (excluding current taxation)		999,738	4,647,528
		<u>(9,417,572)</u>	<u>68,126,397</u>
		<u>(136,982,338)</u>	<u>35,594,798</u>
Contribution made to gratuity fund		(185,753)	(250,153)
Income tax paid		(5,301,420)	(5,037,257)
<b>Net cash generated from / (used in) operating activities</b>		<u>(142,469,511)</u>	<u>30,307,388</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		142,542,537	(23,774,461)
Net investments in held-to-maturity securities		1,227,241	1,541,900
Investment in subsidiaries / associated companies		-	(769,230)
Disposal of investment in subsidiaries / associated companies		-	1,280,627
Dividends received		587,158	488,730
Investments in operating fixed assets		(1,307,248)	(1,850,956)
Proceed from sale proceeds of fixed assets		445,792	90,208
<b>Net cash (used in) / generated from investing activities</b>		<u>143,495,480</u>	<u>(22,993,182)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance / (redemption) of sub-ordinated debt		6,998,000	(3,326,670)
Issue of share capital		82,489	191,722
Dividend paid		(4,000,915)	(1,931)
<b>Net cash used in financing activities</b>		<u>3,079,574</u>	<u>(3,136,879)</u>
Effect of translation of net investment in foreign branches		2,974,642	492,787
		<u>7,080,185</u>	<u>4,670,114</u>
<b>Increase / (decrease) in cash and cash equivalents</b>		<u>99,526,939</u>	<u>90,124,073</u>
Cash and cash equivalents at beginning of the year		(6,105,728)	(1,372,976)
Effects of exchange rate changes on cash and cash equivalents		93,421,211	88,751,097
<b>Cash and cash equivalents at end of the year</b>	36	<u>100,501,396</u>	<u>93,421,211</u>

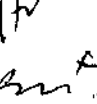
The annexed notes 1 to 50 and annexures I to III form an integral part of these unconsolidated financial statements.

  
 President & Chief Executive Officer

  
 Chief Financial Officer

  
 Director

  
 Director

  
 Director

**BANK ALFALAH LIMITED**  
**NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**1 STATUS AND NATURE OF BUSINESS**

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company. It commenced its banking operations on November 1, 1992. The Bank's registered office is located at B. A. Building, I. J. Chundrigar Road, Karachi and is listed on the Pakistan Stock Exchange. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 486 conventional banking branches including 24 sub branches (2017: 475 branches including 22 sub branches), 10 overseas branches (2017: 10 branches), 152 Islamic banking branches including 1 sub branch (2017: 152 branches) and 1 offshore banking unit (2017: 1 unit).

**2 BASIS OF PRESENTATION**

**2.1.1 STATEMENT OF COMPLIANCE**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under Companies Act 2017.
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017.
- 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, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks through its notification S.R.O 411(I)/2008 dated April 28, 2008. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. The State Bank of Pakistan through BPRO Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit and Loss Sharing on Deposits (IFAS-3) issued by the ICAP and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for institutions offering Islamic Financial Services (IIFS). Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

**2.1.2** These unconsolidated financial statements represent separate financial statements of Bank Alfalah Limited in which investment in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results.

**2.1.3** Key financial figures of the Islamic Banking branches are disclosed in Annexure II to the unconsolidated financial statements.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated financial statements.

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2.3 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2019:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
IFRS 9 – Financial Instruments: Classification and Measurement	July 01, 2018
IFRS 9 – Prepayment Features with Negative Compensation - (Amendments)	January 01, 2019
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	July 01, 2018
IFRS 16 – Leases	January 01, 2019
IFRIC 23 – Uncertainty over Income Tax Treatments	January 01, 2019
IAS 1/ IAS 8 – Definition of Material – Amendments to IAS 1 and IAS 8	January 01, 2020
IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application, other than IFRS 9 and IFRS 16. With regard to IFRS 9, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan. With regard to IFRS 16, the Bank is currently evaluating the impact of application of IFRS 16 on its financial statements.

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2018 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 financial statements.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Bank expects that such improvements to the standards will not have any impact on the Bank's financial statements in the period of initial application.

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2021

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## 2.4 Critical accounting estimates and judgments

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

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

- i) classification and provisioning against investments (notes 4.4 and 8)
- ii) classification and provisioning against non-performing loans and advances (notes 4.5 and 9)
- iii) income taxes (notes 4.13 and 33)
- iv) accounting for defined benefit plan and compensated absences (notes 4.10 and 38)
- v) depreciation of operating fixed assets (notes 4.6 and 10)
- vi) amortisation of intangibles (notes 4.6.3 and 11)
- vii) revaluation of fixed assets and non banking assets acquired in satisfaction of claim (note 4.6.2, 4.6.5, 10 and 12.1)
- viii) impairment of assets (note 4.4.5)
- ix) employee stock option scheme (note 40)
- x) fair value measurement of financial instruments (note 42)
- xi) other provisions and contingent liabilities (notes 22 and 32)

## 3 BASIS OF MEASUREMENT

### 3.1 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain fixed assets and non banking assets acquired in satisfaction of claims are stated at revalued amounts; held for trading, available for sale investments and derivative financial instruments are measured at fair value and defined benefit obligation which are carried at present value.

### 3.2 Functional and Presentation Currency

These unconsolidated financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unconsolidated financial statements are consistent with those of previous financial year except as disclosed below in note 4.1.

### 4.1 Changes in accounting policies

#### 4.1.1 Change in reporting format

The SBP vide BPRD Circular No.2 dated January 25, 2018 specified the new reporting format for the financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the year ended December 31, 2018 which has resulted in certain additional disclosures and reclassifications of the items in these unconsolidated financial statements.

#### 4.1.2 Surplus / Deficit on Revaluation of Fixed Assets

The Companies Ordinance, 1984 (the repealed Ordinance) was repealed through the enactment of the Companies Act, 2017 on May 30, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular number 23 dated October 4, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 1, 2018.

The repealed Ordinance specified the accounting treatment for the surplus on revaluation on fixed assets, wherein, a deficit arising on revaluation of a particular property was to be adjusted against the total balance in the surplus account or, if no surplus existed, was to be charged to the profit and loss account as an impairment of the asset. However, the Companies Act, 2017 removed the specific provisions allowing the above treatment and hence, a deficit arising on revaluation of a particular property is now to be accounted for in accordance with IAS 16, which requires that such deficit is to be taken to the profit and loss account as an impairment.

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Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets and accordingly, any surplus/deficit arising on revaluation of owned property and non-banking assets acquired in satisfaction of claims is accounted for at individual assets level.

The effect of this change in accounting policy, which is applied with retrospective effect, is as follows:

	December 31, 2016 (Rupees in '000)
Impact over statement of financial position	
Decrease in unappropriated profit	30,137
Increase in surplus on revaluation of assets – net of tax	30,137

Impact over profit and loss account, statement of comprehensive income and statement of cash flows is immaterial.

#### 4.1.3 Adoption of IFRS 9 - 'Financial Instrument'

During the current year, the Bank's Bahrain, Afghanistan and UAE Operations have, in line with their respective locally applicable regulatory frameworks, adopted IFRS 9 'Financial Instruments' as issued by the International Accounting Standards Board (IASB) in July 2014. In order to ensure compliance with the regulatory framework in these countries, the expected credit loss charge arising as a result of adoption of IFRS 9 has been retained as a general provision in these unconsolidated financial statements.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

The adoption of this standard by the overseas branches have resulted in additional net of tax provisioning requirement of Rs. 81.596 million in respect of prior year which has been incorporated in the opening balance of retained earnings, while net of tax provision reversal of Rs. 63.820 million has been booked in profit and loss statement of overseas operations, in respect of current period.

Had IFRS 9 not been adopted by the overseas branches, unappropriated profit, investments, advances, other assets and deferred tax liabilities as at December 31, 2018 would have been higher by Rs. 17.776 million, Rs. 19.264 million, Rs. 0.568 million, Rs. 4.891 million and Rs. 6.947 million, respectively.

#### Measurement of Redeemable Participating Certificates - IFRS 9

During the current year, the adoption of IFRS 9 at Bahrain Operations of the Bank has resulted in investments in Redeemable Participating Certificates held abroad, being mandatorily measured at "Fair Value through Profit and Loss Account". However, based on the clarification received from the State Bank of Pakistan (SBP) vide their letter No. BPRD/RPD/2018-16203 dated July 26, 2018, such investments have been reported and measured under "Available for Sale" investments in these unconsolidated financial statements.

#### 4.2 Cash and cash equivalents

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

#### 4.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of repurchase agreements (repo) and agreements to resell (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

##### Sale under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in these unconsolidated financial statements as investments and the counter party liability is included in borrowings. The difference between the sale and contracted repurchase price is accrued on a time proportion basis over the period of the contract and recorded as an expense.

##### Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are not recognised in these unconsolidated financial statements as investments and the amount extended to the counter party is included in lendings. The difference between the purchase and contracted resale price is accrued on a time proportion basis over the period of the contract and recorded as income.

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#### 4.4 Investments

##### 4.4.1 Classification

The Bank classifies its investments as follows:

##### Held for trading

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

##### Held to maturity

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

##### Available for sale

These are investments, other than those in subsidiaries and associates, which do not fall under the 'held for trading' and 'held to maturity' categories.

##### Associates

Associates are all entities over which the Bank has significant influence but not control. Investment in associates is carried at cost less accumulated impairment losses, if any.

##### Subsidiaries

Subsidiary is an entity over which the Bank has control. Investment in subsidiary is carried at cost less accumulated impairment losses, if any.

##### 4.4.2 Regular way contracts

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

##### 4.4.3 Initial recognition and measurement

Investments are initially recognised at fair value. Transaction costs associated with investments other than held for trading securities are included in cost of investments. Transaction costs on held for trading securities are expensed in the profit and loss account.

##### 4.4.4 Subsequent measurement

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

Unquoted equity securities, excluding investment in subsidiaries and associates are valued at lower of cost and the break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in subsidiaries and associates are carried at cost, less accumulated impairment losses, if any.

##### 4.4.5 Impairment

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

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

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## 4.5 Advances

### Loans and advances

Loans and advances including net investment in finance lease are stated net of provision against non-performing advances. Specific and general provisions against loans and advances in Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Provisions pertaining to overseas loans and advances are made in accordance with the requirements of regulatory authorities of the respective countries. Advances are written off when there are no realistic prospects of recovery.

### Islamic Financing and Related Assets

The Bank provides Islamic financing and related assets mainly through Murabaha, Ijarah, Diminishing Musharakah, Musharakah, Running Musharakah, Salam, Istisna, Tijara and Export Refinance under SBP Islamic Export Refinance Scheme. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financings is recognised in accordance with the principles of Islamic Shariah. The Bank determines specific and general provisions against Islamic financing and related assets on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

### Finance Lease Receivables

Leases where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease. The Bank determines specific provisions against investment in finance lease on a prudent basis in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against net investment in finance lease. The assets are written off when there are no realistic prospects of recovery.

#### 4.5.1 Ijarah Assets (IFAS 2)

Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental received/ receivable on Ijarah under IFAS 2 are recorded as income / revenue. The Bank charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method. Impairment of Ijarah rentals are determined in accordance with the Prudential Regulations of SBP. The provision for impairment of Ijarah Rentals is shown as part of 'Islamic financing and related assets'.

## 4.6 Fixed assets and depreciation

### 4.6.1 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. (These are transferred to specific assets as and when assets become available for use).

### 4.6.2 Property and Equipment (owned and leased)

Property and equipment are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any, except land and buildings which are carried at revalued amount less accumulated depreciation and impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is charged by applying the straight-line method using the rates specified in note 10.2 to these unconsolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Land and buildings are revalued by professionally qualified valuers every three years to ensure that the net carrying amount does not differ materially from their fair value.

A revaluation surplus is recorded in OCI and credited to the surplus on revaluation of fixed asset in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. A transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are taken to the profit and loss account except that the related surplus / deficit on revaluation of operating fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

#### 4.6.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful lives. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any. Intangible assets are assessed for impairment, if any, as described under note 4.14.

#### 4.6.4 Goodwill

Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is tested for impairment annually or whenever there is an indication of impairment, as per the requirement of IAS 36, Impairment of Assets. An impairment charge in respect of goodwill is recognized through the profit and loss account.

#### 4.6.5 Non-banking assets acquired in satisfaction of claim

Non-banking assets acquired in satisfaction of claims are stated at revalued amounts less accumulated depreciation thereon. The valuation of properties acquired under this head is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value. Any surplus arising on revaluation of such properties is transferred to the surplus on revaluation of non-banking assets in other comprehensive income, while any deficit arising on revaluation is charged to profit and loss account directly. In addition, all direct costs, including legal fees and transfer costs linked with transferring the title of the property to bank is accounted as an expense in the profit and loss account.

#### 4.7 Non-current assets held for sale and discontinued operations

The Bank classifies a non-current asset (or disposal group) as held for sale if it represents a separate major line of business or a geographical area of operations or is a subsidiary acquired exclusively with a view to resale; and its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

Resultantly, all assets and liabilities of assets held for sale are presented as separate line items on statement of financial position. The post tax results of such operations are presented separately in the profit and loss account.

#### 4.8 Borrowings / Deposits and their cost

- a) Borrowings / deposits are recorded at the proceeds received.
- b) Borrowing costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset.

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#### 4.8.1 Deposits - Islamic Banking

Deposits are generated on the basis of two modes i.e. Qard and Modaraba.

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

No profit or loss is passed on to current account depositors.

Profits realised in investment pools are distributed in pre-agreed profit sharing ratio.

Rab-ul-Maal (Customer) share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Mudarib (Bank) can distribute its share of profit to Rab-ul-Maal upto a specified percentage of its profit.

Profits are distributed from the pool so the depositors (remunerative) only bear the risk of assets in the pool during the profit calculation period.

Asset pools are created at the Bank's discretion and the Bank can add, amend, transfer an asset to any other pool in the interests of the deposit holders.

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.

#### 4.9 Subordinated loans

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on subordinated loans is recognised separately as part of other liabilities and is charged to the profit and loss account over the period on an accrual basis.

#### 4.10 Staff retirement / Employee benefits

##### a) Defined benefit plan

The Bank operates an approved funded gratuity scheme, administered by the trustees, covering eligible employees whose period of employment with Bank is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains and losses are recognised immediately in other comprehensive income.

##### b) Defined contribution plan

The Bank operates an approved provident fund scheme for all its regular permanent employees, administered by the Trustees. Equal monthly contributions are made both by the Bank and its employees to the fund at the rate of 8.33% of the basic salary in accordance with the terms of the scheme.

##### c) Compensated absences

The Bank recognises the liability for compensated absences in respect of employees in the period in which these are earned up to the balance sheet date. The provision has been recognised on the basis of actuarial recommendations.

##### d) Employees Stock Option Scheme

The Bank has granted share options to its employees under the Bank's Employee Stock Options Scheme (ESOS), as approved by the shareholders and SECP. Under the scheme, the employees can subscribe to new ordinary shares for which options have been granted to them under the scheme upto the period of 2019. As per the scheme the entitlements and exercise price are subject to adjustments because of issuance of right shares and bonus issues.

The grant date fair value of equity settled share based payments to employees, determined as option discount as allowed by Public Companies (Employee Stock Option Scheme) Rules 2001, is recognized as employee compensation expense on a straight line basis over the vesting period with a consequent credit to equity as employee stock option compensation reserve. The deferred employee stock option cost is shown as a deduction from employee stock option compensation reserve. Option discount means the excess of market price of the share at the date of grant of an option under a Scheme over exercise price of the option.

When an unvested option lapses by virtue of an employee not conforming to the vesting conditions after recognition of an employee compensation expense in the profit and loss account, such employee compensation expense is reversed in the profit and loss account equal to the amortized portion with a corresponding effect to employee stock option compensation reserve equal to the un amortized portion.

When a vested option lapses on expiry of the exercise period, employee compensation expense already recognized in the profit or loss is reversed with a corresponding reduction to employee stock option compensation reserve.

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When the options are exercised, employee stock option compensation reserve relating to these options is transferred to share capital and share premium. An amount equivalent to the face value of related shares is transferred to share capital. Any amount over and above the share capital is transferred to share premium.

#### 4.11 Foreign currencies

##### 4.11.1 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates.

##### 4.11.2 Transactions and balances

Transactions in foreign currencies are translated into Pakistani rupees at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Forward contracts relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. The forward cover received / paid on forward purchase contracts relating to foreign currency deposits are realised / charged directly to profit and loss account.

##### 4.11.3 Foreign operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the reporting date. The results of foreign operations are translated at average rate of exchange for the year.

##### 4.11.4 Translation gains and losses

Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the statement of comprehensive income. These are recognised in the profit and loss account on disposal.

##### 4.11.5 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the exchange rates ruling on the reporting date.

#### 4.12 Revenue recognition

Revenue is recognised to the extent that the economic benefits associated with a transaction will flow to the Bank and the revenue can be reliably measured.

##### 4.12.1 Advances and investments

Income on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract. Where debt securities are purchased at a premium or discount, such premium / discount is amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Income recoverable on classified advances and investments is recognized on a receipt basis. Income on rescheduled / restructured advances and investments is recognized as permitted by SBP regulations or by the regulatory authorities of the countries where the Bank operates.

Murabaha income is recognised on deferred income basis.

##### 4.12.2 Lease financing

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised as income when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

Ijarah income is recognised on an accrual basis as and when the rentals becomes due.

##### 4.12.3 Non Markup / interest income

Fee, commission and brokerage income are accounted for on receipt basis.

Dividend income is recognised at the time when the Bank's right to receive the dividend has been established.

Other income is recognised on accrual basis.

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**4.13 Taxation**

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

**4.13.1 Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebate, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments during the year.

**4.13.2 Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

**4.14 Impairment**

The carrying amount of assets is reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the unconsolidated financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

**4.15 Provision for claims under guarantees**

Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. Expected recoveries are recognised by debiting the customer's account. Charge to the profit and loss account is stated net-of expected recoveries.

**4.16 Other Provisions**

Other provisions are recognised when the Bank has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

**4.17 Contingent Liabilities**

Contingent liabilities are not recognised in the statement of financial position as they are possible obligations where it has yet to be confirmed whether a liability, which will ultimately result in an outflow of economic benefits, will arise. If the probability of an outflow of economic resources under contingent liability is considered remote, it is not disclosed.

**4.18 Off-setting**

Financial assets and financial liabilities are off-set and the net amount reported in the unconsolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

**4.19 Derivative financial instruments**

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



**4.20 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 as on balance sheet transactions.

**4.21 Dividend and appropriation to reserves**

Dividend and appropriation to reserves after the reporting date, except appropriations which are required under the law, are recognised in the Bank's unconsolidated financial statements in the year in which these are approved.

**4.22 Earnings per share**

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. 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.

**4.23 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting structure of the Bank. Segmented performance is reported to the senior management of the Bank on monthly basis for the purpose of strategic decision making and performance management.

**4.23.1 Business segments****Retail banking**

This includes loans, deposits, trading activity, wealth management and other banking transactions with retail, individual customers, commercial and small and middle sized customers of the Bank. Product suite offered to individual customers includes credit cards, auto loans, housing finance and personal loans.

**Corporate banking**

This comprises of loans, deposits, project financing, trade financing, investment banking and other banking activities with Bank's corporate and public sector customers.

**Treasury**

This segment includes liquidity management activities carried out through borrowing, lending, money market, capital market and merchant banking operations. The investments of the Bank primarily towards government securities and risk management activities via use of forward contracts & derivatives are reported here.

**Digital banking**

This segment includes branchless banking accounts, deposits and lending products, digital channels (including ATMs, internet banking, call centre and alfa app), corporate, G2P & SMME portfolio (including EOBI, BISP, payroll solutions), digital payments and digital products.

**Islamic banking**

This segment pertains to full scale Islamic Banking operations of the Bank.

**International operations**

This segment includes amounts related to Bank's overseas operations, namely, commercial banking activities in Bangladesh, Afghanistan, United Arab Emirates and wholesale banking activities in the Kingdom of Bahrain.

**Others**

This includes the head office related activities, and all other activities not tagged to the segments above.

**4.23.2 Geographical segments**

The Bank operates in three geographical regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East

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Note	2018	2017
	----- (Rupees in 000) -----	
<b>5</b>	<b>CASH AND BALANCES WITH TREASURY BANKS</b>	
	In hand	
	Local currency	
5.1	11,801,703	10,464,270
	Foreign currency	
5.2	5,711,022	4,031,567
	17,512,725	14,495,837
	With State Bank of Pakistan in	
	Local currency current account	
5.3	31,122,141	28,767,491
	Foreign currency current account	
5.4	4,413,423	2,927,953
	Foreign currency deposit account	
5.5	10,931,812	6,998,393
	46,467,376	38,693,837
	With other central banks in	
	Foreign currency current account	
5.6	2,733,265	1,403,720
	Foreign currency deposit account	
5.6	744,879	555,392
	3,478,144	1,959,112
	With National Bank of Pakistan in local currency current account	
	14,931,225	15,208,850
	Prize bonds	
	18,230	23,799
	<u>82,407,700</u>	<u>70,381,435</u>

- 5.1 This includes cash in transit amounting to Rs. 77.743 million (2017: Rs. 7.001 million).
- 5.2 This includes cash in transit amounting to Rs. 478.410 million (2017: Rs. 4.230 million).
- 5.3 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.
- 5.4 As per BSD Circular No. 9 dated December 3, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).
- 5.5 Special cash reserve of 15% is required to be maintained with the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. These deposits carry markup rates ranging from 0.56% to 1.35% per annum (2017: 0.06% to 0.37%).
- 5.6 These represent deposits with other central banks to meet their minimum cash reserves and capital requirements pertaining to the overseas operations of the Bank. The deposit accounts carry markup 0.62% to 1.71% (2017: 0.31% to 1.01%).

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Note 2018 2017  
------(Rupees in 000)-----

6 BALANCES WITH OTHER BANKS

In Pakistan in current account

432,345 519,902

Outside Pakistan

In current account

6.1 2,184,134 1,301,341

In deposit account

6.2 1,258,476 1,932,711

3,442,610 3,234,052

3,874,955 3,753,954

6.1 This includes amount held in Automated Investment Plans. The Bank is entitled to earn interest from the correspondent banks at agreed upon rates when the balance exceeds a specified amount.

6.2 This includes placement of funds generated through foreign currency deposits scheme (FE-25) and non-contractual deposits at interest rates ranging from 1.00% to 3.00% per annum (2017: 1.00% to 8.40% per annum).

7 LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings

7.1.1 15,166,288 20,255,936

Repurchase agreement lendings (Reverse Repo)

7.1.2 & 7.3 37,214,313 11,848,536

Bai Muajjal receivable with other financial institutions

7.1.3 9,811,504 16,791,356

62,192,105 48,895,828

Less: expected credit loss - overseas branches

(19,818) -

Lending to Financial Institutions - net of provision

62,172,287 48,895,828

7.1.1 These represent lendings to financial institutions at interest rates ranging from 0.50% to 9.90% per annum (2017: 1.5% to 9.75% per annum) having maturities upto June 2019 (2017: March 2018).

7.1.2 These represent short term lending to financial institutions against investment securities. These carry markup rates ranging from 3.00% to 10.45% per annum (2017: 5.8% to 6.2% per annum) with maturities upto January 2019 (2017: June 2018).

7.1.3 These represent Bai Muajjal agreements entered into with State Bank of Pakistan (SBP) / other commercial banks. The rates of return range from 9.90% to 10.05% per annum (2017: 5.71% to 5.80% per annum), and these are due to mature by March 2019 (2017: March 2018).

7.2 Particulars of lending - gross

in local currency

55,400,871 43,346,538

In foreign currencies

6,791,234 5,549,290

62,192,105 48,895,828

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## 7.3 Securities held as collateral against Lending to financial institutions

	2018			2017		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000')					
Market Treasury Bills	28,757,067	-	28,757,067	5,593,265	-	5,593,265
Pakistan Investment Bonds	8,457,246	-	8,457,246	1,003,918	5,251,353	6,255,271
Total	37,214,313	-	37,214,313	6,597,183	5,251,353	11,848,536

## 8 INVESTMENTS

Note

## 8.1 Investments by type:

## Held-for-trading securities

## Federal Government Securities

## Market Treasury Bills

## Pakistan Investment Bonds

## Shares

## Fully paid up ordinary shares / units - Listed

## Foreign Securities

## Overseas Bonds - Sovereign

## Available-for-sale securities

## Federal Government Securities

## Market Treasury Bills

## Pakistan Investment Bonds

## Government of Pakistan Sukuks

## Government of Pakistan Euro Bonds

## Shares

## Fully paid up ordinary shares - Listed

## Fully paid up ordinary shares - Unlisted

## Preference Shares - Listed

## Preference Shares - Unlisted

## Non Government Debt Securities

## Term Finance Certificates

## Sukuks

## Commercial Papers

## Foreign Securities

## Overseas Bonds - Sovereign

## Overseas Bonds - Others

## Redeemable Participating Certificates

## Held-to-maturity securities

## Federal Government Securities

## Market Treasury Bills

## Pakistan Investment Bonds

## Government of Pakistan Euro Bonds

## Other Federal Government Securities

## Non Government Debt Securities

## Term Finance Certificates

## Sukuks

## Foreign Securities

## Overseas Bonds - Sovereign

## Overseas Bonds - Others

## Associates

8.1.1

## Subsidiaries

8.1.1

## General provision and expected credit loss-

## Overseas operations

## Total Investments

	2018				2017			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	(Rupees in '000')							
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	45,898,967	-	(13,261)	45,885,698	22,759,650	-	(11,486)	22,748,164
Pakistan Investment Bonds	1,209,673	-	(13,174)	1,196,499	-	-	-	-
Shares								
Fully paid up ordinary shares / units - Listed	155,944	-	(22,122)	133,822	28,140	-	(990)	27,150
Foreign Securities								
Overseas Bonds - Sovereign	302,699	-	6,151	308,850	19,443	-	5,125	24,568
	47,667,273	-	(42,406)	47,524,867	22,807,233	-	(7,351)	22,799,882
Available-for-sale securities								
Federal Government Securities								
Market Treasury Bills	114,893,151	-	(40,902)	114,852,249	162,885,001	-	(82,650)	162,802,351
Pakistan Investment Bonds	26,490,800	-	(464,211)	26,026,589	108,088,932	-	3,156,472	111,245,404
Government of Pakistan Sukuks	15,726,083	-	(120,264)	15,605,819	34,284,664	-	315,035	34,599,699
Government of Pakistan Euro Bonds	2,440,076	-	(134,045)	2,306,031	2,281,177	-	105,351	2,386,528
Shares								
Fully paid up ordinary shares - Listed	7,371,290	(22,383)	712,253	8,061,160	5,773,258	(15,000)	366,505	6,124,763
Fully paid up ordinary shares - Unlisted	382,056	(59,661)	-	322,394	350,507	(103,293)	-	247,214
Preference Shares - Listed	108,836	(108,835)	-	-	108,835	(108,835)	-	-
Preference Shares - Unlisted	25,000	(25,000)	-	-	25,000	(25,000)	-	-
Non Government Debt Securities								
Term Finance Certificates	1,504,126	(359,706)	(12,071)	1,132,349	1,297,084	(302,904)	(8,474)	985,706
Sukuks	4,775,082	(98,510)	323,930	5,002,602	3,673,571	(102,142)	43,563	3,614,992
Commercial Papers	-	-	-	-	90,201	-	-	90,201
Foreign Securities								
Overseas Bonds - Sovereign	1,367,353	-	(49,426)	1,307,927	552,041	-	1,959	554,000
Overseas Bonds - Others	9,147,217	-	(223,671)	8,923,546	8,626,230	-	3,621	8,629,851
Redeemable Participating Certificates	2,362,923	-	-	2,362,923	1,133,659	-	-	1,133,659
	186,583,991	(672,096)	(8,407)	185,903,488	329,170,160	(657,174)	3,901,382	332,414,368
Held-to-maturity securities								
Federal Government Securities								
Market Treasury Bills	-	-	-	-	1,470,741	-	-	1,470,741
Pakistan Investment Bonds	26,280,990	-	-	26,280,990	31,637,988	-	-	31,637,988
Government of Pakistan Euro Bonds	243,011	-	-	243,011	193,239	-	-	193,239
Other Federal Government Securities	4,122,215	-	-	4,122,215	-	-	-	-
Non Government Debt Securities								
Term Finance Certificates	524,266	(524,266)	-	-	524,266	(524,266)	-	-
Sukuks	2,689,965	(141,399)	-	2,548,566	4,097,810	(167,890)	-	3,929,920
Foreign Securities								
Overseas Bonds - Sovereign	8,185,947	-	-	8,185,947	5,492,169	-	-	5,492,169
Overseas Bonds - Others	690,721	-	-	690,721	548,143	-	-	548,143
	42,737,115	(665,665)	-	42,071,450	43,984,358	(692,156)	-	43,272,200
Associates	1,816,343	-	-	1,816,343	1,816,343	-	-	1,816,343
Subsidiaries	430,493	(42,981)	-	387,512	430,493	-	-	430,493
General provision and expected credit loss-								

Overseas operations

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## 8.1.1 Particulars of Assets and Liabilities of Subsidiaries and Associates

2018                      2017  
------(Rupees in 000)-----

**SUBSIDIARIES****Alfalah Securities (Private) Limited**

Percentage of holding: 97.91% (2017: 97.91%)  
Country of incorporation: Pakistan

Date of un-audited financial statements: December 31,2018 (December 31, 2017)

Assets	567,219	929,124
Liabilities	455,395	697,447
Revenue	130,807	192,868
(Loss) / profit for the year	(99,662)	19,537
Total comprehensive income	(99,662)	19,537

**Alfalah GHP Investment Management Limited**

Percentage of holding: 40.22% (2017: 40.22%)  
Country of incorporation: Pakistan

Date of un-audited financial statements: December 31,2018 (December 31,2017)

Assets	1,064,233	947,545
Liabilities	206,295	254,687
Revenue	469,443	539,105
Profit for the year	164,899	164,739
Total comprehensive income	165,080	158,466

**ASSOCIATES****Alfalah Insurance Limited**

Percentage of holding: 30% (2017: 30%)  
Country of incorporation: Pakistan

Date of un-audited financial statements: December 31,2018 (December 31,2017)

Assets	3,187,385	3,150,483
Liabilities	2,115,633	2,096,066
Revenue	112,924	187,990
Profit after taxation for the year	70,653	123,040
Total comprehensive income	17,335	69,232

**Sapphire Wind Power Company Limited**

Percentage of holding: 30% (2017: 30%)  
Country of incorporation: Pakistan

Date of un-audited financial statements: December 31,2018 (December 31,2017)

Assets	15,866,719	14,998,221
Liabilities	10,038,327	9,607,747
Revenue for the six months period	1,570,653	1,184,593
Profit for the six months period - after tax	837,917	469,955
Total comprehensive income	837,917	469,955

**TriconBoston Consulting Corporation (Private) Limited**

Percentage of holding: 9.25% (2017: 9.25%)  
Country of incorporation: Pakistan

Date of un-audited financial statements: December 31,2018 (December 31,2017)

Assets	46,805,961	24,253,943
Liabilities	38,350,514	16,107,746
Revenue	2,085,328	161
Profit / (Loss) for the six months period - after tax	365,622	(35,196)
Total comprehensive income / (loss)	365,622	(35,196)

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## 8.2 Investments by segments:

## Federal Government Securities:

Market Treasury Bills  
Pakistan Investment Bonds  
Pakistan Euro Bonds  
Other Federal Government Securities  
Government of Pakistan Sukuks

## Shares:

Listed Companies  
Unlisted Companies

## Non Government Debt Securities

Listed  
Unlisted

## Foreign Securities

Government securities  
Non Government Debt securities

## Associates

Alfalah Insurance Limited  
Sapphire Wind Power Company Limited  
TriconBoston Consulting Corporation (Private) Limited

## Subsidiaries

Alfalah Securities (Private) Limited  
Alfalah GHP Investment Management Limited

General provision and expected credit loss- Overseas operations

## Total Investments

	2018				2017			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost (Amortised cost)	Provision for diminution	Surplus / (Deficit)	Carrying Value
	(Rupees in '000)							
180,792,108	-	(84,163)	160,737,945	187,115,392	-	(94,136)	187,021,256	
53,981,463	-	(477,386)	53,504,078	139,726,920	-	3,156,472	142,883,392	
2,883,087	-	(134,048)	2,849,042	2,474,418	-	105,351	2,579,767	
4,122,215	-	-	4,122,215	-	-	-	-	
15,726,083	-	(120,264)	15,806,819	34,284,664	-	315,035	34,599,699	
237,304,966	-	(785,857)	236,519,099	363,601,392	-	3,482,722	367,084,114	
7,838,089	(131,218)	690,131	8,194,982	5,910,233	(123,835)	365,515	6,151,913	
407,066	(84,661)	-	322,394	375,507	(128,293)	-	247,214	
8,043,124	(216,878)	690,131	8,517,378	6,285,740	(252,126)	365,515	6,399,127	
881,785	1,785	12,081	886,644	301,925	2,185	1,553	305,663	
8,841,874	(1,123,668)	289,765	8,017,778	9,381,007	(1,099,387)	33,536	8,315,156	
9,493,439	(1,121,881)	311,888	8,683,417	9,682,932	(1,097,202)	35,089	8,620,819	
9,846,999	-	(43,275)	9,802,724	6,063,853	-	7,084	6,070,737	
12,200,861	-	(223,671)	11,977,190	10,308,032	-	3,821	10,311,853	
22,046,860	-	(266,946)	21,779,814	16,371,685	-	10,705	16,382,390	
68,990	-	-	68,990	68,990	-	-	68,990	
978,123	-	-	978,123	978,123	-	-	978,123	
769,230	-	-	769,230	769,230	-	-	769,230	
1,816,343	-	-	1,816,343	1,816,343	-	-	1,816,343	
300,000	(42,981)	-	257,019	300,000	-	-	300,000	
130,493	-	-	130,493	130,493	-	-	130,493	
430,493	(42,981)	-	387,512	430,493	-	-	430,493	
	(43,258)		(43,258)					
279,135,215	(1,423,999)	(50,813)	277,660,403	388,188,585	(1,349,330)	3,894,031	400,733,286	

## 8.2.1 Investments given as collateral

Market Treasury Bills  
Pakistan Investment Bonds  
Pakistan Euro Bonds  
Overseas Bonds  
Sukuk Bonds

	2018	2017
	(Rupees in 000)	
39,446,702	85,274,643	
15,854,600	64,920,622	
-	845,802	
4,818,676	3,821,444	
3,885,659	6,939,721	
64,004,637	161,602,232	

The market value of securities given as collateral is Rs. 63,858.995 million (2017: Rs. 163,429.313 million).

## 8.3 Provision for diminution in value of investments

## 8.3.1 Opening balance

Impact of adoption of IFRS 09 - overseas branches

Exchange adjustments

Charge / reversals

Charge for the year  
Reversals for the year  
Reversal on disposals

Transfers - net

Provision adjusted during the year  
Closing Balance

1,349,330	2,079,781
77,698	-
1,427,028	2,079,781
13,876	-
128,747	111,134
(98,073)	(15,539)
30,674	95,595
(3,947)	(46)
(43,632)	(826,000)
1,423,999	1,349,330

8.3.2 Particulars of provision against debt securities  
Category of classification

## Domestic

Other assets especially mentioned  
Substandard  
Doubtful  
Loss

## Overseas

Not past due but impaired

Overdue by:

Upto 90 days  
91 to 180 days  
181 to 365 days  
> 365 days

Total

	2018		2017	
	NPI	Provision	NPI	Provision
	(Rupees in 000)			
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,121,881	1,121,881	1,097,202	1,097,202	
1,121,881	1,121,881	1,097,202	1,097,202	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
1,121,881	1,121,881	1,097,202	1,097,202	

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## 8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	2018	2017
	Cost	
	----- (Rupees in '000) -----	
<b>Federal Government Securities - Government guaranteed</b>		
Market Treasury Bills	114,893,151	162,885,001
Pakistan Investment Bonds	26,490,800	108,088,932
Government of Pakistan Sukuks	15,726,083	34,284,664
Government of Pakistan Euro Bonds	2,440,076	2,281,177
	<u>159,550,110</u>	<u>307,539,774</u>
<b>Shares</b>		
<b>Listed Companies</b>		
<b>Ordinary Shares</b>		
Automobile Parts & Accessories	169,581	123,882
Cement	1,224,060	1,752,247
Chemicals	17,909	17,909
Commercial Banks	1,596,590	812,564
Engineering	333,633	167,071
Fertilizer	308,635	444,315
Insurance	92,708	-
Investment Banks	15,000	15,000
Oil and Gas Exploration Companies	1,754,619	835,627
Oil and Gas Marketing Companies	534,549	290,839
Pharmaceuticals	202,738	-
Power Generation & Distribution	749,175	855,961
Real Estate Investment Trust	372,093	457,843
	<u>7,371,290</u>	<u>5,773,258</u>
<b>Preference Shares</b>		
Fertilizer	108,835	108,835
	<u>7,480,125</u>	<u>5,882,093</u>

Unlisted Companies	Break up value as at	2018		2017	
		Cost	Breakup value	Cost	Breakup value
----- (Rupees in '000) -----					
<b>Ordinary Shares</b>					
AGP Pharma Limited **		-	-	256,212	212,544
Al-Hamara Avenue (Private) Limited	June 30, 2010	50,000	47,600	50,000	47,600
Pakistan Export Finance Guarantee Agency Limited	June 30, 2010	5,725	286	5,725	286
Pakistan Mobile Communication Limited	Dec 31, 2017	22,235	53,150	22,235	33,752
Pakistan Mortgage Refinance Company Limited	Dec 31, 2017	300,000	300,686	12,240	12,299
Society for worldwide Interbank Financial Telecommunication	Dec 31, 2016	4,095	11,754	4,095	11,754
		<u>382,055</u>	<u>413,476</u>	<u>350,507</u>	<u>318,235</u>
<b>Preference Shares</b>					
Trust Investment Bank Limited	Dec 31, 2017	25,000	27,784	25,000	27,700
		<u>407,055</u>	<u>441,260</u>	<u>375,507</u>	<u>345,935</u>

\*\* Represent securities listed during the year and hence reclassified to 'listed companies'.

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	2018	2017
	Cost	
	----- (Rupees in 000) -----	

### Non Government Debt Securities

#### Listed

Categorised based on long term rating by Credit Rating Agency :

- AAA	-	99,860
- AA+, AA, AA-	-	-
- A+, A, A-	-	-
- BBB+, BBB, BBB-	550,000	100,000
- BB+, BB, BB-	99,980	99,880
- B+, B, B-	-	-
- CCC and below	-	-
- Unrated	-	-
	<u>1,785</u>	<u>2,185</u>
	<u>651,765</u>	<u>301,925</u>

#### Unlisted

Categorised based on long term rating by Credit Rating Agency:

- AAA	4,444,440	2,600,000
- AA+, AA, AA-	-	-
- A+, A, A-	-	-
- BBB+, BBB, BBB-	-	-
- BB+, BB, BB-	-	-
- B+, B, B-	-	-
- CCC and below	-	-
- Unrated	-	-
	<u>1,183,003</u>	<u>2,158,931</u>
	<u>5,627,443</u>	<u>4,758,931</u>

### Foreign Securities

#### Government Securities

Abu Dhabi Government Int Bond 2027  
Saudi International Bond 2026  
Kingdom of Bahrain Sukuk

	2018		2017	
	Cost	Rating	Cost	Rating
	----- (Rupees in '000) -----			
Abu Dhabi Government Int Bond 2027	685,183	AA	-	-
Saudi International Bond 2026	672,170	A1	-	-
Kingdom of Bahrain Sukuk	-	-	552,040	B+
	<u>1,357,353</u>		<u>552,040</u>	

### Non Government Debt Securities

#### Unlisted

Categorised based on long term rating by Credit Rating Agency

	2018	2017
	----- (Rupees in 000) -----	
- AAA	-	-
- AA+, AA, AA-	-	977,192
- A+, A, A-	-	-
- BBB+, BBB, BBB-	8,040,314	5,396,168
- BB+, BB, BB-	1,106,903	1,209,742
- B+, B, B-	-	1,043,129
- CCC and below	-	-
- Unrated	-	-
	<u>2,362,923</u>	<u>1,133,659</u>
	<u>11,510,140</u>	<u>9,759,890</u>

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2018                      2017  
Cost  
------(Rupees in 000)-----

8.5 Particulars relating to Held to Maturity securities are as follows:

**Federal Government Securities - Government guaranteed**

Market Treasury Bills	-	1,470,741
Pakistan Investment Bonds	26,280,990	31,637,988
Pakistan Euro Bonds	243,011	193,239
Other Federal Government Securities	<u>4,122,215</u>	-
	<u><u>30,646,216</u></u>	<u><u>33,301,968</u></u>

**Non Government Debt Securities**

**Unlisted**

*Categorised based on long term rating by Credit Rating Agency*

- AAA	1,041,670	1,041,670
- AA+, AA, AA-	566,667	1,133,333
- A+, A, A-	190,230	254,918
- Unrated	<u>1,415,664</u>	<u>2,192,155</u>
	<u><u>3,214,231</u></u>	<u><u>4,622,076</u></u>

**Foreign Securities**

**Government Securities**

	2018		2017	
	Cost	Rating	Cost	Rating
	------(Rupees in '000)-----			
Bangladesh Government Bonds	7,497,232	Unrated	4,945,043	Unrated
State of Qatar	<u>688,715</u>	AA-	<u>547,126</u>	AA-
	<u><u>8,185,947</u></u>		<u><u>5,492,169</u></u>	

**Non Government Debt Securities**

**Unlisted**

- BBB+, BBB, BBB-

	2018	2017
	-----Cost-----	
	------(Rupees in 000)-----	
	<u>690,721</u>	<u>548,143</u>
	<u><u>690,721</u></u>	<u><u>548,143</u></u>

8.5.1 The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 40,750 million (December 31, 2017 : Rs. 43,844 million).

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## 9 ADVANCES

Note	Performing		Non Performing		Total	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000')					
Loans, cash credits, running finances, etc.	402,385,420	333,594,696	17,284,834	15,904,954	419,670,254	349,499,650
Islamic financing and related assets	85,660,964	55,284,996	1,393,959	1,595,173	87,054,923	56,880,169
Bills discounted and purchased	11,524,510	10,723,399	143,478	78,714	11,667,988	10,802,113
Advances - gross	499,570,894	399,603,091	18,822,271	17,578,841	518,393,165	417,181,932
Provision against advances						
- Specific	-	-	(15,883,399)	(15,683,771)	(15,883,399)	(15,683,771)
- General	(873,314)	(842,737)	-	-	(873,314)	(842,737)
	(873,314)	(842,737)	(15,883,399)	(15,683,771)	(16,756,713)	(16,526,508)
Advances - net of provision	498,697,580	398,760,354	2,938,872	1,895,070	501,636,452	400,655,424

## 9.1 Includes Net Investment in Finance Lease as disclosed below:

	2018				2017			
	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
	(Rupees in '000')							
Lease rentals receivable	1,403,651	2,030,833	41,335	3,475,819	925,485	2,089,153	70,316	3,084,954
Residual value	594,353	998,435	13,347	1,606,135	370,194	911,824	40,100	1,322,118
Minimum lease payments	1,998,004	3,029,268	54,882	5,081,954	1,295,679	3,000,977	110,416	4,407,072
Financial charges for future periods	(220,675)	(258,985)	-	(479,660)	(94,838)	(220,262)	(1,027)	(316,127)
Present value of minimum lease payments	1,777,329	2,770,283	54,682	4,602,294	1,200,841	2,780,715	109,389	4,090,945

9.1.2 Advances include an amount of Rs.82.95 million (2017: Rs. 25.11 million), being Employee Loan facilities allowed to Citibank, N.A, Pakistan's employees, which were either taken over by the Bank, or were granted afresh, under a specific arrangement executed between the Bank and Citibank, N.A, Pakistan. The said arrangement is subject to certain relaxations as specified vide SBP Letter BPRD/BRD/Citi/2017/21089 dated September 11, 2017.

The said arrangement covers only existing employees of Citibank, N.A, Pakistan, and the relaxations allowed by the SBP are on continual basis, but subject to review by SBP's BID and OSED departments. These loans carry markup at the rates ranging from 9.46% to 20.30% (2017: 9.46% to 16.48%) with maturities up to December 2038 (2017: December 2022).

9.2 These represents financing and related assets placed under shariah permissible modes and presented in note Annexure-II.

## 9.3 Particulars of advances (Gross)

	2018	2017
	(Rupees in 000)	
In local currency	493,634,332	392,298,138
In foreign currencies	24,758,833	24,883,794
	518,393,165	417,181,932

9.4 Advances include Rs. 18,822 million (2017: Rs. 17,579 million) which have been placed under non-performing status as detailed below:

Category of Classification	2018		2017	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupees in '000')			
<b>Domestic</b>				
Other Assets Especially Mentioned	104,121	3,330	84,960	4,979
Substandard	3,077,658	762,678	1,359,006	338,582
Doubtful	552,920	235,663	1,854,513	1,245,152
Loss	14,590,618	14,517,512	13,977,344	13,836,719
	18,325,317	15,519,183	17,275,823	15,425,432
<b>Overseas</b>				
Not past due but impaired				
Overdue by:				
Upto 90 days				
91 to 180 days	42,787	3,536	-	-
181 to 365 days	104,384	46,837	-	-
> 365 days	349,783	314,043	303,018	258,339
	496,954	364,216	303,018	258,339
<b>Total</b>	18,822,271	15,883,399	17,578,841	15,683,771

## 9.5 Particulars of provision against advances

Note	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000')					
Opening balance	15,683,771	842,737	16,526,508	16,366,993	775,967	17,142,960
Impact of adoption of IFRS 9	-	25,297	25,297	-	-	-
Exchange adjustments	62,512	2,944	65,456	2,221	1,599	3,820
Charge for the year	3,007,907	269,364	3,277,271	2,230,902	156,384	2,387,286
Reversals	(2,631,522)	(267,028)	(2,898,550)	(2,741,259)	(91,213)	(2,832,472)
	376,385	2,336	378,721	(510,357)	65,171	(445,186)
Amounts written off	(179,305)	-	(179,305)	(72,056)	-	(72,056)
Amounts charged off - agriculture financing	(59,964)	-	(59,964)	(103,030)	-	(103,030)
9.6	(239,269)	-	(239,269)	(175,086)	-	(175,086)
Closing balance	15,883,399	873,314	16,756,713	15,683,771	842,737	16,526,508

## 9.5.1 Particulars of provision against advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000')					
In local currency	14,707,026	698,705	15,405,731	14,800,991	701,035	15,502,026
In foreign currencies	1,176,373	174,609	1,350,982	882,780	141,702	1,024,482
	15,883,399	873,314	16,756,713	15,683,771	842,737	16,526,508

9.5.2 The additional profit arising from availing the forced sales value (FSV) benefit - net of tax at December 31, 2018 which is not available for distribution as either cash or stock dividend to shareholders/ bonus to employees amounted to Rs. 30.106 million (2017: Rs. 29.899 million).

9.5.3 General provision includes provision against consumer loans being maintained at an amount equal to 1% of the fully secured performing portfolio and 4% of the unsecured performing portfolio. Provision against SE portfolio is being maintained at an amount equal to 1% against unsecured performing SE portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision also includes provision held at overseas branches to meet the requirements of regulatory authorities of the respective countries in which overseas branches operates.

9.5.4 Exposure amounting to Rs. Nil (2017 : Rs. 8.421 billion) relating to certain non performing facilities of Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan, had not been classified as non-performing, pursuant to a relaxation given by SBP in this respect.

9.5.5 Although the Bank has made provision against its non-performing portfolio as per the category of classification of the loan, the Bank holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade etc.

9.6 PARTICULARS OF WRITE OFFS:	Note	2018	2017
		(Rupees In 000)	
9.6.1 Against Provisions	9.5	239,269	175,086
Directly charged to Profit & Loss account		-	-
		239,269	175,086
9.6.2 Write Offs of Rs. 500,000 and above			
- Domestic	9.7	130,566	113,741
- Overseas		-	-
Write Offs of Below Rs. 500,000		108,703	61,345
		239,269	175,086

## 9.7 DETAILS OF LOAN WRITE OFF OF Rs. 500,000/- AND ABOVE

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2018 is given in Annexure-I.

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	Note	2018	2017
		----- (Rupees in '000) -----	
<b>10 FIXED ASSETS</b>			
Capital work-in-progress	10.1	175,339	79,639
Property and equipment	10.2	18,096,876	18,076,088
		<b>18,272,215</b>	<b>18,155,727</b>
<b>10.1 Capital work-in-progress</b>			
Civil-works		115,840	14,816
Equipment		55,670	43,868
Advances to suppliers		1,075	12,968
Others		2,754	7,987
		<b>175,339</b>	<b>79,639</b>
<b>10.2 Property and Equipment</b>			

	2018								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixture	Office equipment	Vehicles	Total
	----- (Rupees in '000) -----								
<b>At January 1, 2018</b>									
Cost / Revalued amount	4,376,934	2,959,930	1,243,306	2,744,105	5,110,322	1,973,238	11,155,314	429,008	29,992,157
Accumulated depreciation	-	(33,745)	(71,991)	(156,504)	(3,375,387)	(1,641,720)	(8,509,580)	(227,143)	(13,916,070)
Net book value	<b>4,376,934</b>	<b>2,926,185</b>	<b>1,171,315</b>	<b>2,587,601</b>	<b>1,734,935</b>	<b>431,518</b>	<b>2,645,734</b>	<b>201,866</b>	<b>18,076,087</b>
<b>Year ended December 2018</b>									
Opening net book value	4,376,934	2,926,185	1,171,315	2,587,601	1,734,935	431,518	2,645,734	201,866	18,076,088
Additions	11,000	-	9,114	75,031	193,907	29,643	645,457	18,479	982,631
Movement in surplus on assets revalued during the year	1,773,612	624,804	321,619	473,718	-	-	-	-	3,193,653
Deficit on revaluation recognised in the profit and loss account - net	(11,000)	(12,273)	(24,027)	(19,589)	-	-	-	-	(66,869)
Disposals	-	(242,480)	-	-	(12,367)	(3,643)	(8,137)	(43,361)	(309,998)
Depreciation charge	-	(17,525)	(37,992)	(78,698)	(329,593)	(116,063)	(1,072,882)	(88,662)	(1,718,405)
Exchange rate adjustments	-	-	-	-	988	1,559	4,779	3,179	10,505
Other adjustments / transfers	-	-	-	-	(14,009)	(319)	(56,388)	(12)	(70,729)
Closing net book value	<b>6,160,446</b>	<b>3,276,701</b>	<b>1,440,029</b>	<b>3,038,083</b>	<b>1,578,861</b>	<b>342,705</b>	<b>2,158,562</b>	<b>111,489</b>	<b>18,096,876</b>
<b>At December 31, 2018</b>									
Cost / Revalued amount	6,160,446	3,276,701	1,440,029	3,038,083	5,272,666	1,996,622	11,620,228	349,844	33,048,809
Accumulated depreciation	-	-	-	-	(3,696,796)	(1,654,117)	(9,361,666)	(238,366)	(14,949,933)
Net book value	<b>6,160,446</b>	<b>3,276,701</b>	<b>1,440,029</b>	<b>3,038,083</b>	<b>1,578,861</b>	<b>342,705</b>	<b>2,158,562</b>	<b>111,489</b>	<b>18,096,876</b>
Rate of depreciation (percentage)	-	1% - 3%	2.5%	2.6%	10% - 20%	10% - 25%	12.5% - 50%	25%	-

	2017								
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Lease hold improvement	Furniture and fixture	Office equipment	Vehicles	Total
	----- (Rupees in '000) -----								
<b>At January 1, 2017</b>									
Cost / Revalued amount	4,358,934	3,007,930	1,171,324	2,629,975	4,802,297	1,975,248	10,364,540	413,895	28,724,143
Accumulated depreciation	-	(17,025)	(35,060)	(60,504)	(3,200,899)	(1,423,640)	(7,830,817)	(237,486)	(12,625,431)
Net book value	<b>4,358,934</b>	<b>2,990,905</b>	<b>1,136,264</b>	<b>2,549,471</b>	<b>1,601,398</b>	<b>551,608</b>	<b>2,733,723</b>	<b>176,409</b>	<b>16,098,712</b>
<b>Year ended December 2017</b>									
Opening net book value	4,358,934	2,990,905	1,136,264	2,549,471	1,601,398	551,608	2,733,723	176,409	16,098,712
Additions	18,000	-	71,820	116,453	518,612	26,108	1,058,880	123,575	1,933,446
Movement in surplus on assets revalued during the year	-	-	-	-	-	-	-	-	-
Deficit on revaluation recognised in the profit and loss account - net	-	-	-	-	-	-	-	-	-
Disposals	-	(47,834)	-	(2,100)	(37,919)	(1,258)	(7,142)	(19,897)	(116,150)
Depreciation charge	-	(16,888)	(36,932)	(76,060)	(329,292)	(140,416)	(1,136,082)	(78,197)	(1,813,865)
Exchange rate adjustments	-	-	-	-	(443)	(526)	(4,155)	189	(4,935)
Other adjustment / transfer	-	-	183	(163)	(17,421)	(3,996)	510	(213)	(21,120)
Closing net book value	<b>4,376,934</b>	<b>2,926,185</b>	<b>1,171,315</b>	<b>2,587,601</b>	<b>1,734,935</b>	<b>431,518</b>	<b>2,645,734</b>	<b>201,866</b>	<b>18,076,088</b>
<b>At December 31, 2017</b>									
Cost / Revalued amount	4,376,934	2,959,930	1,243,306	2,744,105	5,110,322	1,973,238	11,155,314	429,008	29,992,158
Accumulated depreciation	-	(33,745)	(71,991)	(156,504)	(3,375,387)	(1,641,720)	(8,509,580)	(227,143)	(13,916,070)
Net book value	<b>4,376,934</b>	<b>2,926,185</b>	<b>1,171,315</b>	<b>2,587,601</b>	<b>1,734,935</b>	<b>431,518</b>	<b>2,645,734</b>	<b>201,866</b>	<b>18,076,088</b>
Rate of depreciation (percentage)	-	1% - 3%	2.5%	2.6%	10% - 20%	10% - 25%	12.5% - 50%	25%	-

10.2.1 The properties of the Bank have been revalued by independent professional valuers as at December 31, 2018. The revaluation was carried out by M/s. Akbani & Javed Associates, M/s. Harvester Services (Private) Limited and M/s. Hamid Mukhtar & Co. (Private) Limited on the basis of professional assessment of present market values which resulted in an increase in surplus by Rs. 3,194 million and a deficit of Rs. 66.8 million. Accordingly, the surplus has been transferred to the equity and the deficit has been charged to the profit and loss account.

Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2018 would have been Rs. 5,443,968 million (2017: Rs. 5,742,060 million).

	2018		2017	
	Net book value at Cost	Net book value at Revalued amount	Net book value at Cost	Net book value at Revalued amount
	----- (Rupees in '000) -----			
Freehold land	1,536,928	6,160,446	1,536,928	4,376,934
Leasehold land	1,441,658	3,276,701	1,696,418	2,926,185
Buildings on freehold land	1,043,992	1,440,029	1,094,877	1,171,315
Buildings on leasehold land	1,421,392	3,038,083	1,413,837	2,587,601
	<b>6,443,968</b>	<b>13,907,259</b>	<b>5,742,060</b>	<b>11,082,035</b>

10.2.2 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 9,773.91 million (2017: Rs. 8,644.77 million).

	2018	2017
	----- (Rupees in '000) -----	
10.2.3 Carrying amount of idle and held for sale properties.	299,150	186,416

10.2.4 Sale of fixed assets to related parties are disclosed in Annexure III to these unconsolidated financial statements.

	Note	2018 ------(Rupees in 000)-----	2017
<b>11 INTANGIBLE ASSETS</b>			
Capital work-in-progress / Advance payment to suppliers		180,901	129,689
Software	11.1	1,102,615	1,342,581
		<u>1,283,516</u>	<u>1,472,270</u>
<b>11.1 At January 1</b>			
Cost		3,448,109	2,918,660
Accumulated amortisation and impairment		(2,105,528)	(1,659,513)
Net book value		<u>1,342,581</u>	<u>1,259,147</u>
<b>Year ended December 31</b>			
Opening net book value		1,342,581	1,259,147
Additions - directly purchased		249,669	529,449
Amortisation charge		(488,400)	(446,135)
Exchange rate adjustments		1,170	-
Other adjustments		(2,405)	120
Closing net book value		<u>1,102,615</u>	<u>1,342,581</u>
<b>At December 31</b>			
Cost		3,761,048	3,448,109
Accumulated amortisation and impairment		(2,658,433)	(2,105,528)
Net book value		<u>1,102,615</u>	<u>1,342,581</u>
Rate of amortisation (percentage)		<u>20%</u>	<u>20%</u>
Useful life		<u>5 years</u>	<u>5 years</u>
<b>11.2</b> Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 1,349.493 million (2017: Rs. 1,010.07 million).			
<b>12 OTHER ASSETS</b>			
Income/ Mark-up accrued in local currency - net of provision		11,861,352	11,306,280
Income/ Mark-up accrued in foreign currency - net of provision		538,855	462,647
Advances, deposits, advance rent and other prepayments		2,397,511	2,104,045
Advance taxation (payments less provisions)		-	1,067,133
Non-banking assets acquired in satisfaction of claims	12.1.1	615,517	647,286
Dividend receivable		2,768	13,892
Mark to market gain on forward foreign exchange contracts		4,519,604	1,978,336
Mark to market gain on derivatives		68,224	14,174
Stationery and stamps on hand		37,631	67,522
Defined benefit plan	38.7	923,633	729,546
Branch adjustment account		311,104	-
Account receivable		527,067	362,932
Receivable against fraud and forgeries	12.2	206,651	145,583
Acceptances		13,319,265	10,701,434
Others		221,880	376,810
		<u>35,551,062</u>	<u>29,977,620</u>
Less: Provision held against other assets	12.3	(389,766)	(147,254)
Other Assets (Net of Provision)		<u>35,161,296</u>	<u>29,830,366</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	12.1.1	159,530	127,925
		<u>35,320,826</u>	<u>29,958,291</u>

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	Note	2018 ----- (Rupees in 000) -----	2017
<b>12.1</b>	<b>Market value of Non-banking assets acquired in satisfaction of claims - properties only</b>	<b>748,865</b>	<b>782,636</b>
	The properties of the Bank have been revalued by independent professional valuers as at December 31, 2018. The revaluation was carried out by M/s. Akbani & Javed Associates and M/s. Harvester Services (Private) Limited on the basis of professional assesment of present market values which resulted in an increase in surplus by Rs. 33.421 million.		
<b>12.1.1</b>	<b>Non-banking assets acquired in satisfaction of claims</b>		
	Opening Balance	775,211	471,365
	Additions	-	234,191
	Revaluation	33,421	78,906
	Disposals	(24,775)	(3,893)
	Depreciation	(8,810)	(5,358)
	Impairment	-	-
	Closing Balance	<u>775,047</u>	<u>775,211</u>
<b>12.1.2</b>	<b>Gain/Loss on Disposal of Non-banking assets acquired in satisfaction of claims</b>		
	Disposal Proceeds	24,775	8,241
	less		
	- Cost	24,775	(3,893)
	- Impairment / Depreciation	(24,775)	-
	Gain/Loss	<u>24,775</u>	<u>4,348</u>
<b>12.2</b>	This represents fraud and forgery amount receivable from the insurance company and other sources. Provision has been created against non-recoverable amount.		
<b>12.3</b>	<b>Provision held against other assets</b>		
	Advances, deposits, advance rent & other prepayments	371,811	104,524
	Non banking assets acquired in satisfaction of claims	17,955	42,730
		<u>389,766</u>	<u>147,254</u>
<b>12.4</b>	<b>Movement in provision held against other assets</b>		
	Opening balance	147,254	623,878
	Impact of adoption of IFRS 9 - overseas branches	5,795	-
	Balance as at 01 on adoption of IFRS 9	<u>153,049</u>	<u>623,878</u>
	Charge for the year	421,760	-
	Reversals	(10,348)	(37,723)
	Amount Written off	(144,945)	(1,229)
	Exchange and other adjustments	(29,750)	(5,047)
	Classified as held for sale	-	(432,625)
	Closing balance	<u>389,766</u>	<u>147,254</u>
<b>13</b>	<b>BILLS PAYABLE</b>		
	In Pakistan	35,825,039	20,792,002
	Outside Pakistan	163,186	90,968
		<u>35,988,225</u>	<u>20,882,970</u>

24/11

	Note	2018 ------(Rupees in 000)-----	2017
<b>14 BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	14.1	26,344,557	20,568,840
Long-Term Finance Facility	14.2	11,199,254	7,173,372
Financing Facility for Storage of Agriculture Produce (FFSAP)	14.3	263,033	56,536
Repurchase agreement borrowings	14.4	35,962,700	107,982,494
		<b>73,769,544</b>	<b>135,781,242</b>
Repurchase agreement borrowings	14.5	11,163,509	17,237,602
Bai Muajjal	14.6	22,268,894	37,650,637
<b>Total secured</b>		<b>107,201,947</b>	<b>190,669,481</b>
<b>Unsecured</b>			
Call borrowings	14.7	14,951,967	10,332,574
Overdrawn nostro accounts	14.8	947,547	970,114
Trading liabilities	14.9	-	5,221,517
Others	14.10	636,780	-
<b>Total unsecured</b>		<b>16,536,294</b>	<b>16,524,205</b>
		<b>123,738,241</b>	<b>207,193,686</b>

- 14.1 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 1.00% to 3.75% per annum (2017: 1.00% to 3.00% per annum) payable on a quarterly basis.
- 14.2 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility ranges from 2.00% to 5.00% per annum (2017: 2.00% to 5.00% per annum) payable on a quarterly basis.
- 14.3 This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 6.00% per annum (2017: 2.50% to 10.00% per annum) payable on a quarterly basis.
- 14.4 This represents repurchase agreement borrowing from SBP at the rate ranging from 5.78% to 10.16% per annum (2017: 5.80% to 5.82% per annum) having maturities upto January 2019 (2017: January 2018).
- 14.5 This represents repurchase agreement borrowing from other banks at the rate of 2.78% to 10.25% per annum (2017: 1.55% to 5.82% per annum) having maturities upto January 2019 (2017: February 2018).
- 14.6 This represents borrowings from financial institutions at mark-up rates ranging from 6.10% to 9.70% per annum (2017: 5.73% to 5.83%) having maturities upto March 2019 (2017: October 2018).
- 14.7 This represents borrowings from financial institutions at mark-up rates ranging from 0.50% to 10.25% per annum (2017: 0.60% to 5.75%) having maturities upto June 2019 (2017: March 2018).
- 14.8 This represents book overdrawn balances appearing under certain nostro accounts which are due for settlement and the balance exist only due to timing differences. These do not carry any mark-up rates.
- 14.9 This represents liability in respect of short selling of Pakistan Investment Bonds held as collateral against repurchase agreement lendings.
- 14.10 This includes borrowing from Pakistan Mortgage Refinance Company Limited (PMRC) to extend housing finance facilities to the Bank's customers on the agreed terms and conditions. This borrowing carries mark-up rate of 3 years PKRV less 50bps.

This also includes borrowing from Karandaaz Pakistan Limited in lieu of Risk Participation Agreement to support Bank's venture into SME segments. The participation carries a spread of 315 bps over the KIBOR rate.

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	2018	2017
	----- (Rupees in 000) -----	
<b>14.11 Particulars of borrowings with respect to Currencies</b>		
In local currency	101,980,729	186,966,566
In foreign currencies	21,757,512	20,227,120
	<u>123,738,241</u>	<u>207,193,686</u>

## 15 DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local Currency	in Foreign currencies	Total	In Local Currency	in Foreign currencies	Total
	----- (Rupees in '000') -----					
<b>Customers</b>						
Current deposits	253,826,090	31,077,261	284,903,351	236,043,622	21,553,885	257,597,507
Savings deposits	182,286,764	29,222,301	211,509,065	190,264,019	26,277,335	216,541,354
Term deposits	103,144,924	42,383,783	145,528,707	110,563,893	20,446,144	131,010,037
Others	10,007,520	1,920,061	11,927,581	4,162,476	931,961	5,094,437
	<u>549,265,298</u>	<u>104,603,406</u>	<u>653,868,704</u>	<u>541,034,010</u>	<u>69,209,325</u>	<u>610,243,335</u>
<b>Financial Institutions</b>						
Current deposits	2,133,977	533,400	2,667,377	1,147,240	165,696	1,312,936
Savings deposits	30,625,516	53,409	30,678,925	20,319,241	34,698	20,353,939
Term deposits	14,220,573	1,401,959	15,622,532	8,043,869	1,150,279	9,194,148
Others	47,926	9,816	57,742	3,880,609	-	3,880,609
	<u>47,027,992</u>	<u>1,998,584</u>	<u>49,026,576</u>	<u>33,390,959</u>	<u>1,350,673</u>	<u>34,741,632</u>
	<u>596,293,290</u>	<u>106,601,990</u>	<u>702,895,280</u>	<u>574,424,969</u>	<u>70,559,998</u>	<u>644,984,967</u>

	2018	2017
	----- (Rupees in 000) -----	
<b>15.1 Composition of deposits</b>		
- Individuals	347,909,428	342,182,573
- Government (Federal and Provincial)	45,416,762	32,446,285
- Public Sector Entities	46,524,311	28,802,279
- Banking Companies	528,326	1,994,835
- Non-Banking Financial Institutions	48,498,250	32,746,797
- Private Sector	<u>214,018,203</u>	<u>206,812,198</u>
	<u>702,895,280</u>	<u>644,984,967</u>

15.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs 400,654.623 million (2017: Nil).



2018                      2017  
 -----(Rupees in 000)-----

16 SUBORDINATED DEBT

16.1 Term Finance Certificates V - Quoted, Unsecured

4,989,000                      4,991,000

Issue amount	Rs. 5,000,000,000
Issue date	February 2013
Maturity date	February 2021
Rating	"AA-" (Double A Minus) by Pakistan Credit Rating Company Limited ("PACRA").
Security Ranking	Unsecured Subordinated to all other indebtedness of the Bank including deposits but superior to equity and ADT-1 instruments.
Profit payment frequency	Payable semi-annually in arrears.
Redemption	The instrument will be structured to redeem semi-annually in such a way that 0.30% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month.
Mark-up	Base Rate + 1.25 percent Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on one business day prior to each redemption date, for the redemption amount payable on the beginning of each semi-annual period for the markup due at the end of that period.
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to time.
Call option	There is no call option available to the Bank.

16.2 Term Finance Certificates - Additional Tier-i - Quoted, Unsecured

7,000,000

Issue amount	Rs. 7,000,000,000
Issue date	March 2018
Maturity date	Perpetual
Rating	"AA-" (double A minus) by JCR-VIS Credit Rating Company Limited.
Security Ranking	Unsecured Subordinated to all other indebtedness of the Bank including deposits but superior to equity.
Profit payment frequency	Payable semi-annually in arrears.
Redemption	Perpetual
Mark-up	For the period at end of which the Bank is in compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) requirements of SBP, mark-up rate will be Base Rate + 1.50% with no step up feature. (Base Rate is defined as the six months KIBOR (Ask side) prevailing on one (1) business day prior to previous profit payment date
Lock-in-clause	Mark-up will only be paid from the Bank's current year's earning and if the Bank is in compliance of regulatory MCR and CAR requirements set by SBP from time to
Loss absorbency clause	In conformity with SBP Basel III Guidelines, the TFCs shall, if directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event ; (ii) the point of non-viability Trigger Event ; or (iii) failure by the Bank to comply with the Lock-In Clause. The SBP will have full discretion in declaring the point of non-viability Trigger Event.
Call Option	The Bank may, at its sole discretion, exercise call option any time after five years from the Issue Date, subject to prior approval of SBP.

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4,991,000

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## 17 DEFERRED TAX LIABILITIES

	2018			
	At January 1, 2018	Recognised in P&L A/C	Recognised in OCI	At December 31 2018
	----- (Rupees in 000) -----			
Deductible Temporary Differences on				
- Provision against investments	(174,218)	32,844	(27,194)	(168,568)
- Provision against advances	(118,504)	(148,434)	-	(266,938)
- Provision against off balance sheet obligations	-	-	-	-
- Provision against other assets	(244,487)	20,621	-	(223,866)
- Provision against lending to financial institutions	-	(5,720)	-	(5,720)
- Ijarah depreciation taxed	-	(16,690)	-	(16,690)
- Unrealised loss on revaluation of HFT investments	(2,573)	(12,269)	-	(14,842)
	(539,782)	(129,648)	(27,194)	(696,624)
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	828,306	(2,807)	503,685	1,329,184
- Surplus on revaluation of investments	1,411,085	-	(1,413,967)	(2,882)
- Accelerated tax depreciation	1,454,141	(170,019)	670	1,284,792
- Exchange translation reserve	-	-	156,232	156,232
	3,693,532	(172,826)	(753,380)	2,767,326
	<b>3,153,750</b>	<b>(302,474)</b>	<b>(780,574)</b>	<b>2,070,702</b>

	2017			
	At January 1, 2017	Recognised in P&L A/C	Recognised in OCI	At December 31 2017
	----- (Rupees in 000) -----			
Deductible Temporary Differences on				
- Provision against investments	(2,264,329)	2,090,111	-	(174,218)
- Provision against advances	(392,066)	273,562	-	(118,504)
- Provision against off balance sheet obligations	(13,078)	13,078	-	-
- Gain on revaluation of HFT investments	38	(2,611)	-	(2,573)
- Provision against other assets	(309,218)	64,731	-	(244,487)
	(2,978,653)	2,438,871	-	(539,782)
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	840,539	(18,198)	5,965	828,306
- Surplus on revaluation of investments	3,399,873	-	(1,988,788)	1,411,085
- Accelerated tax depreciation	1,388,669	92,708	(27,236)	1,454,141
	5,629,081	74,510	(2,010,059)	3,693,532
	<b>2,650,428</b>	<b>2,513,381</b>	<b>(2,010,059)</b>	<b>3,153,750</b>

## 18 OTHER LIABILITIES

	Note	2018	2017
		----- (Rupees in 000) -----	
Mark-up/ Return/ Interest payable in local currency		2,107,388	1,388,950
Mark-up/ Return/ Interest payable in foreign currency		610,511	202,738
Unearned commission and income on bills discounted and guarantees		220,584	230,353
Accrued expenses		3,954,081	3,350,008
Current taxation		926,956	-
Acceptances		13,319,265	10,701,434
Dividends payable		84,229	60,729
Mark to market loss on forward foreign exchange contracts		970,502	968,982
Mark to market loss on derivatives		1,169	-
Branch adjustment account		-	220,523
Provision for Compensated absences		498,010	393,496
Payable against redemption of customer loyalty / reward points		274,076	200,433
Charity fund balance		20	833
Provision against off-balance sheet obligations	18.1	78,450	65,463
Security deposits against leases, lockers and others		6,808,459	6,210,193
Worker's Welfare Fund		970,920	578,831
Payable to vendors and suppliers		601,657	504,868
Indirect Taxes Payable		449,732	326,769
Others		1,578,115	1,658,126
		<b>33,454,124</b>	<b>27,062,729</b>

24/11

18.1 Provision against off-balance sheet obligations	2018	2017
	----- (Rupees in 000) -----	
Opening balance	65,463	69,708
Exchange adjustment and other adjustments	13,759	(2,907)
Charge for the year	33,994	37,875
Reversals	(34,766)	(39,213)
	(772)	(1,338)
Closing balance	78,450	65,463

The provision against off balance sheet obligations include general provision of Rs. 66.50 million (2017: Rs. 53.50 million) held in Bangladesh book as required under the local regulation and specific provision of Rs. 11.95 million held against defaulted Letter of Guarantees. The bank is making efforts for recovery of the defaulted amount.

## 19 SHARE CAPITAL

### 19.1 Authorized Capital

2018	2017		2018	2017
----- (Number of shares) -----			----- (Rupees in 000) -----	
2,300,000,000	2,300,000,000	Ordinary shares of Rs. 10 each	23,000,000	23,000,000

### 19.2 Issued, subscribed and paid up Capital

2018	2017		2018	2017
----- (Number of shares) -----			----- (Rupees in 000) -----	
888,650,908	883,165,724	<u>Ordinary shares</u>		
885,711,966	724,406,250	Fully paid in cash	8,886,509	8,831,657
1,774,362,874	1,607,571,974	Issued as bonus shares	8,857,120	7,244,063
<u>1,774,362,874</u>	<u>1,607,571,974</u>		<u>17,743,629</u>	<u>16,075,720</u>
			<u>17,743,629</u>	<u>16,075,720</u>

During the year the Bank has issued 5,485,184 ordinary shares having face value of Rs. 10/- each to its employees on exercise of options vested under the Employees Stock Option Scheme (ESOS) (note 39). The paid-up capital of the Bank before issuance of shares to employees was Rs. 16,075,719,740 (divided into 1,607,571,974 shares of Rs. 10 each) and after issuance of shares to the employees has increased to Rs. 16,130,571,580 (divided into 1,613,057,158 shares of Rs. 10 each). Subsequent to this, the Bank issued 161,305,716 number of shares as a 10% bonus issue. The share capital after such issue increased to Rs. 17,743,628,740 (representing 1,774,362,874 shares of Rs. 10 each).

20 SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS	Note	2018	Restated 2017
		----- (Rupees in 000) -----	
Surplus / (deficit) on revaluation of			
- Available for sale securities	8.1	(8,407)	3,901,382
- Fixed Assets	20.1	8,508,874	5,365,558
- Non-banking assets acquired in satisfaction of claims	20.2	159,530	127,925
- Surplus on revaluation of Investment held for sale in Afghanistan		303	130,288
		8,660,300	9,525,153
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(2,943)	1,365,484
- Fixed Assets	20.1	1,298,531	819,099
- Non-banking assets acquired in satisfaction of claims	20.2	30,653	24,654
- Surplus on revaluation of Investment held for sale in Afghanistan		61	45,601
		1,326,302	2,254,838
Derivatives		48,952	14,933
		<u>7,382,950</u>	<u>7,285,248</u>

24/11

	2018 ------(Rupees in 000)-----	Restated 2017
<b>20.1 Surplus on revaluation of fixed assets</b>		
Surplus on revaluation of fixed assets as at January 1	5,365,558	5,385,843
Effect of change in accounting policy for surplus / (deficit) on operating fixed assets - note 4.1.2	-	45,583
Surplus on revaluation of fixed assets as at January 1 - restated	5,365,558	5,431,426
Recognised during the year	3,193,653	-
Realised on disposal during the year - net of deferred tax	-	(15,744)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(32,719)	(32,370)
Related deferred tax liability on incremental depreciation charged during the year	(17,618)	(17,754)
Surplus on revaluation of fixed assets as at December 31	8,508,874	5,365,558
Less: related deferred tax liability on:		
Revaluation as at January 1	819,099	826,917
Effect of change in accounting policy for surplus / (deficit) on operating fixed assets - note 4.1.2	-	15,446
Revaluation as at January 1 - Restated	819,099	842,363
- revaluation recognised during the year	497,050	-
- surplus realised on disposal during the year	-	(5,510)
- incremental depreciation charged during the year	(17,618)	(17,754)
	1,298,531	819,099
	<u>7,210,343</u>	<u>4,546,459</u>
<b>20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>		
Surplus on revaluation as at January 1	127,925	50,890
Recognised during the year	33,421	78,906
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(1,180)	(1,427)
Related deferred tax liability on incremental depreciation charged during the year	(636)	(444)
Surplus on revaluation as at December 31	159,530	127,925
Less: related deferred tax liability on:		
- revaluation as at January 1	24,654	13,623
- revaluation recognised during the year	6,635	11,475
- incremental depreciation charged during the year	(636)	(444)
	30,653	24,654
	<u>128,877</u>	<u>103,271</u>

## 21 ASSETS HELD FOR SALE

21.1 During 2017, the Board of Directors of the Bank accorded its in-principle approval and authorised the management of the Bank to explore the possibility to sell the Afghanistan Operations of the Bank to a potential buyer, subject to obtaining all regulatory approvals, compliance with applicable laws and regulations in the matter.

During the current year, the Bank signed a Business Transfer Agreement with a potential buyer for the sale of the Afghanistan operations and subsequently an application for approval of the transaction was made to the DA Afghanistan Bank (DAB), the Central Bank in Afghanistan. The DAB has raised some queries on the application which the Bank and the potential buyers are in the process of responding.

Resultantly, all assets and liabilities and income and expenses for the Bank's Afghanistan Operations are being presented as separate line items on the balance sheet as Non-Current Assets and Liabilities Held for Sale and profit after tax from discontinuing operations respectively, rather than as part of actual line items under which they were being reported historically.

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21.2 The financial position and results of assets classified as held for sale are as follows:

### STATEMENT OF FINANCIAL POSITION

	Note	2018	2017
		----- (Rupees in 000) -----	
<b>Assets held for sale</b>			
Cash and balances with treasury banks		4,764,918	7,594,852
Balances with other banks		3,431,895	1,025,996
Lendings to financial institutions		10,470,354	5,288,982
Investments - net		4,596,965	11,592,895
Advances - net		224,090	1,108,663
Fixed assets		9,370	11,918
Other assets		91,897	198,418
		<u>23,589,489</u>	<u>26,821,724</u>

### Liabilities directly associated with the assets held for sale

Bills payable		4,549	8,575
Deposits and other accounts		20,287,651	24,491,178
Deferred tax liabilities		223	45,601
Other liabilities		142,973	213,742
		<u>20,435,396</u>	<u>24,759,096</u>

### PROFIT AND LOSS ACCOUNT

Mark-up/Return/Interest Earned		353,937	743,588
Mark-up/Return/Interest Expensed		18,929	154,769
Net Mark-up/ Interest Income		<u>335,008</u>	<u>588,819</u>
Non mark-up/interest income			
Fee and Commission Income		188,049	153,492
Foreign Exchange Income		14,653	18,947
Income / (loss) from derivatives		48,637	-
Gain / (Loss) on securities		(42,586)	132,593
Other Income		-	(14)
Total non-markup/interest income		<u>208,753</u>	<u>305,018</u>
Total Income		<u>543,761</u>	<u>893,837</u>
Non mark-up/interest expenses			
Operating expenses		323,774	458,803
Other charges		1,263	1,923
Total non-markup/interest expenses		<u>325,037</u>	<u>460,726</u>
Profit Before Provisions		<u>218,724</u>	<u>433,111</u>
Provisions and write offs - net	21.2.1	(561,776)	93,292
Profit before taxation from discontinuing operations		<u>780,500</u>	<u>339,819</u>
Taxation		305,548	138,755
Profit after taxation from discontinuing operations		<u>474,952</u>	<u>201,064</u>

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21.2.1 This includes reversal of provision amounting to Rs. 443.898 million (USD 3.949 million), previously held against amount blocked in the Bank's Nostro account following settlement of dispute, and release of funds in favour of the Bank.

	Note	2018 ------(Rupees in 000)-----	2017
<b>22 CONTINGENCIES AND COMMITMENTS</b>			
-Guarantees	22.1	57,086,398	64,176,351
-Commitments	22.2	437,946,961	349,133,904
-Other contingent liabilities	22.3.1	13,222,064	9,787,372
		<u>508,255,423</u>	<u>423,097,627</u>
<b>22.1 Guarantees:</b>			
Financial guarantees		731,536	176,943
Performance guarantees		32,153,833	34,549,521
Other guarantees		24,201,029	29,449,887
		57,086,398	64,176,351
<b>22.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- Letters of credit		68,026,025	73,773,817
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	228,265,364	92,108,750
- forward government securities transactions	22.2.2	76,821,957	128,052,456
- derivatives	22.2.3	12,051,091	8,865,756
- forward lending	22.2.4	34,773,260	30,207,372
- operating leases		16,897,381	15,782,823
Commitments for acquisition of:			
- operating fixed assets		604,674	99,373
- intangible assets		507,209	219,605
Other commitments	22.2.5	-	23,952
		<u>437,946,961</u>	<u>349,133,904</u>

*24/12*

		2018	2017
		----- (Rupees in 000) -----	
22.2.1	<b>Commitments in respect of forward foreign exchange contracts</b>		
	Purchase	140,128,603	60,285,544
	Sale	88,136,761	31,823,206
		228,265,364	92,108,750
22.2.2	<b>Commitments in respect of forward government securities transactions</b>		
	Purchase	39,518,422	116,034,680
	Sale	37,303,535	12,017,776
		76,821,957	128,052,456
22.2.3	<b>Commitments in respect of derivatives</b>		
22.2.3.1	<b>Interest Rate Swaps</b>		
	Purchase	10,650,708	8,865,756
	Sale	-	-
		10,650,708	8,865,756
22.2.3.2	<b>Futures</b>		
	Purchase	-	-
	Sale	1,400,383	-
		1,400,383	-
22.2.4	<b>Commitments in respect of forward lending</b>		
	Undrawn formal standby facilities, credit lines and other commitments to lend	29,428,567	22,628,329
	Commitments in respect of investments	5,344,693	7,579,043
		34,773,260	30,207,372
22.2.4.1	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.		
22.2.5	<b>Other commitments</b>		
	Donations	-	23,952
22.3	<b>Other contingent liabilities</b>		
22.3.1	<b>Claims against the Bank not acknowledged as debts</b>	13,222,064	9,787,372
22.4	<b>Contingency for tax payable</b>		
22.4.1	There were no tax related contingencies other than as disclosed in note 33.2.		

These mainly represents counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as hypothecated / mortgaged / pledged assets kept as security), damage to reputation and cases filed by Ex. employees of the Bank for damages sustained by them consequent to the termination from the Bank's employment. Based on legal advice and / or internal assessment, management is confident that the matters will be decided in Bank's favour and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

4/11

## 23 DERIVATIVE INSTRUMENTS

Derivatives are a type of financial contract, the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include futures, swaps and options. Derivatives also include structured financial products that have one or more characteristics of forwards, futures, swaps and options.

## 23.1 Product Analysis

Counterparties	2018					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / loss	No. of contracts	Notional Principal	Mark to market gain / loss
	(Rupees in 000)					
With Banks for Hedging	22	10,650,708	88,487	-	-	-
With FIs other than banks Hedging	-	-	-	88	1,400,383	(21,432)
Total Hedging	22	10,650,708	88,487	88	1,400,383	(21,432)

Counterparties	2017					
	Interest Rate Swaps			Futures		
	No. of contracts	Notional Principal	Mark to market gain / loss	No. of contracts	Notional Principal	Mark to market gain / loss
	(Rupees in 000)					
With Banks for Hedging	23	8,865,756	13,241	-	-	-
Total Hedging	23	8,865,756	-	-	-	-

## 23.2 Maturity Analysis

Remaining Maturity	No. of Contracts	Notional Principal	2018		
			Mark to Market		Net
			Negative	Positive	
			(Rupees in 000)		
Upto 1 month	-	-	-	-	-
1 to 3 months	88	1,400,383	21,432	-	(21,432)
3 to 6 months	6	3,540,979	-	16,651	16,651
6 month to 1 Year	4	1,624,684	-	13,821	13,821
1 to 2 Year	2	1,388,619	-	17,286	17,286
2 to 3 Years	4	1,596,912	-	20,548	20,548
3 to 5 Years	2	1,110,895	-	12,432	12,432
5 to 10 years	4	1,388,619	-	7,749	7,749
Above 10 Years	-	-	-	-	-
Total	110	12,051,091	21,432	88,487	67,055

Remaining Maturity	No. of Contracts	Notional Principal	2017		
			Mark to Market		Net
			Negative	Positive	
			(Rupees in 000)		
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	11	4,504,277	5,168	17,166	11,998
2 to 3 Years	2	1,104,172	1,033	5,689	4,656
3 to 5 Years	6	2,153,135	-	9,866	9,866
5 to 10 years	4	1,104,172	13,275	929	(12,346)
Above 10 Years	-	-	-	-	-
Total	23	8,865,756	19,476	33,650	14,174

## 23.3 Risk management related to derivatives is discussed in note 47.7



	Note	2018 ------(Rupees in 000)-----	2017
<b>24 MARK-UP/RETURN/INTEREST EARNED</b>			
On:			
a) Loans and advances		37,196,298	28,273,923
b) Investments		19,005,495	25,297,579
c) Lendings to financial institutions		1,332,729	2,057,213
d) Balances with banks		86,237	52,039
e) On securities purchased under resale agreements		1,697,583	494,747
		<u>59,318,342</u>	<u>58,175,501</u>
<b>25 MARK-UP/RETURN/INTEREST EXPENSED</b>			
On:			
a) Deposits		19,694,356	15,822,067
b) Borrowings		1,302,924	1,027,470
c) Securities sold under repurchase agreements		4,355,706	8,802,388
d) Subordinated debt and ADT-1 instrument		989,221	626,498
e) Cost of foreign currency swaps against foreign currency deposits / borrowings		1,282,525	852,503
f) Reward points		102,555	68,390
		<u>27,727,287</u>	<u>27,199,316</u>
<b>26 FEE &amp; COMMISSION INCOME</b>			
Branch banking customer fees		1,462,816	1,335,569
Consumer finance related fees		224,228	190,589
Card related fees (debit and credit cards)		848,104	907,652
Credit related fees		148,340	217,400
Investment banking fees		195,491	281,326
Commission on trade		1,242,681	1,037,828
Commission on guarantees		370,779	372,561
Commission on cash management		20,948	23,330
Commission on remittances including home remittances		165,419	77,770
Commission on bancassurance		394,931	391,316
Card acquiring business		296,297	96,497
Wealth Management Fee		67,006	159,845
Commission on EOBI		114,130	99,435
Commission on BISP		282,920	384,736
ADC		330,650	286,517
Others		126,932	150,635
		<u>6,291,672</u>	<u>6,013,006</u>
<b>27 GAIN / (LOSS) ON SECURITIES</b>			
Realised	27.1	1,035,294	1,141,473
Unrealised - held for trading	8.1	(42,406)	(7,351)
		<u>992,888</u>	<u>1,134,122</u>
<b>27.1 Realised gain/(loss) on:</b>			
Federal Government Securities		1,243,684	637,871
Shares		(242,227)	512,477
Non Government Debt Securities		2,811	(9,876)
Foreign Securities		31,026	1,001
		<u>1,035,294</u>	<u>1,141,473</u>
<b>28 OTHER INCOME</b>			
Gain on sale of fixed assets-net		135,794	11,668
Gain on sale of non banking assets - net	12.1.2	24,775	4,348
Income from short sell of securities		-	29,783
Profit from sale of leased assets		31,204	38,855
		<u>191,773</u>	<u>84,654</u>

24/11

	Note	2018 ------(Rupees in 000)-----	2017
<b>29 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	29.1	9,653,606	10,044,344
<b>Property expense</b>			
Rent and taxes		2,047,627	2,017,041
Insurance		-	-
Utilities cost		876,260	886,779
Security (including guards)		598,283	635,419
Repair and maintenance (including janitorial charges)		778,795	535,044
Depreciation		460,809	459,340
Others		-	-
		4,761,774	4,533,623
<b>Information technology expenses</b>			
Software maintenance		876,760	662,726
Hardware maintenance		200,168	227,341
Depreciation		380,242	425,284
Amortisation		488,400	446,135
Network charges		329,082	389,332
Others		-	-
		2,274,652	2,150,818
<b>Other operating expenses</b>			
Directors' fees and allowances		153,981	126,018
Fees and allowances to Shariah Board		6,990	6,720
Legal and professional charges		275,736	1,204,104
Outsourced services costs	37.1	1,278,434	1,302,518
Travelling and conveyance		511,652	437,670
NIFT clearing charges		71,180	80,423
Depreciation		877,354	929,241
Training and development		59,634	158,623
Postage and courier charges		238,107	176,327
Communication		257,198	194,790
Stationery and printing		458,603	441,190
Marketing, advertisement and publicity		610,126	745,113
Donations	29.3	36,594	9,948
Auditors Remuneration	29.4	39,119	30,490
Brokerage and Commission		142,102	166,306
Entertainment		206,725	180,688
Repairs and maintenance		287,582	347,877
Insurance		860,609	615,845
Cash Handling Charges		369,228	413,743
CNIC Verification		92,465	91,077
Others		443,305	284,431
		7,276,724	7,943,142
		23,966,756	24,671,927
<b>29.1 Total compensation expense</b>			
Fees and Allowances etc		-	-
Managerial Remuneration		7,609,980	7,384,019
i) Fixed			
ii) Variable			
of which;			
a) Cash Bonus / Awards etc.	29.1.1	1,202,259	1,171,339
b) Bonus and Awards in Shares etc.		13,036	26,693
Charge for defined benefit plan	38.8	185,753	250,153
Contribution to defined contribution Plan	39	324,410	320,476
Medical		12,996	9,934
Conveyance		181,747	177,008
Staff compensated absences		104,514	(8,148)
Others		(43,132)	9,758
<b>Sub-total</b>		9,591,563	9,341,232
Sign-on Bonus		37,850	8,638
Severance Allowance	29.1.2	24,193	694,474
<b>Grand Total</b>		9,653,606	10,044,344

24/12

29.1.1 The Bank operates a short term employee benefit scheme which includes cash awards/ performance bonus for all eligible employees. Under this scheme, the bonus for all executives, including the CEO is determined on the basis of employees' evaluation and Bank's performance during the year. The aggregate amount determined for the eligible employees in respect of the above scheme relating to the Key Management Personnel of the Bank and for Other Executives amounted to Rs. 239.49 million (2017: Rs. 260.190 million) and Rs. 482.278 million (2017: Rs. 369.285 million) respectively.

29.1.2 This includes exgratia payment made to the outgoing CEO in 2017.

29.2 Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs 636.858 million (2017: Rs 653.673 million) pertaining to the payment to companies incorporated in Pakistan. This includes payments other than outsourced services costs, which are disclosed above.

29.3 Donations	Note	2018 ------(Rupees in 000)-----	2017
Child Aid Association		1,700	-
Family Educational Services Foundation		3,250	-
IBA Karachi		22,000	-
Manabik Shahajya Sangstha		994	-
Supreme Court Diامر Bhasha And Mohmand Dam Fund		8,650	-
Aman Foundation		-	6,300
Karachi Lions Pediatric Nephrology Project (NICH)		-	1,000
Shabab Murshid Development Foundation - Bangladesh		-	648
The Aga Khan University Hospital Medical College Foundation		-	2,000
		<u>36,594</u>	<u>9,948</u>

29.3.1 None of the Directors, Sponsor shareholders, Key management personnel or their spouses have any direct interest in the Donees.

#### 29.4 Auditors' remuneration

Audit fee	14,553	12,690
Fee for other statutory certifications	6,588	6,372
Fee for audit of foreign branches	7,969	7,966
Special certifications and sundry advisory services	8,009	1,652
Out-of-pocket expenses	2,000	1,810
	<u>39,119</u>	<u>30,490</u>

#### 30 WORKERS WELFARE FUND

Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged and conflicting judgments were rendered by various courts. Appeals against these orders were filed in the Supreme Court.

The Supreme Court of Pakistan vide its order dated November 10, 2016 held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue filed review petitions against the above judgment. These petitions are currently pending with the Supreme Court of Pakistan.

A legal advice was obtained by the Pakistan Banking Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petition is decided. Accordingly, the amount charged for Workers Welfare Fund since 2008 has not been reversed.

#### 31 OTHER CHARGES

Penalties imposed by State Bank of Pakistan	<u>6,430</u>	<u>32,727</u>
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#### 32 PROVISIONS & WRITE OFFS - NET

Provisions against lending to financial institutions		16,344	-
Provisions for diminution in value of investments	8.3.1	30,674	95,595
Provisions against loans & advances	9.5	378,721	(445,186)
Provision against other assets	12.4	411,412	(37,723)
Provision against off-balance sheet obligations	18.1	(772)	(1,338)
Recovery of written off / charged off bad debts		(247,996)	(227,778)
		<u>588,383</u>	<u>(616,430)</u>

#### 33 TAXATION

Current	7,219,414	4,908,758
Prior years	(229,453)	(1,883,206)
Deferred	(302,474)	2,513,381
	<u>6,687,487</u>	<u>5,538,933</u>

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		2018	2017
		----- (Rupees in 000) -----	
<b>33.1</b>	<b>Relationship between tax expense and accounting profit</b>		
	Accounting Profit before taxation	<u>16,837,755</u>	<u>13,705,165</u>
	Tax at the applicable rate of 35% (2017: 35%)	<u>5,893,214</u>	<u>4,796,808</u>
	Effect of:		
	- permanent differences	7,010	42,844
	- tax charge pertaining to overseas branches	33,512	110,039
	- adjustment of prior years	-	517,925
	- Super tax	737,015	-
	- others	16,736	71,317
	Tax expense for the year	<u>6,687,487</u>	<u>5,538,933</u>
<b>33.2</b>	a) The income tax assessments of the Bank have been finalized upto and including tax year 2018. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Inland Revenue (Appeals), Appellate Tribunal Inland Revenue (ATIR), High Court of Sindh and Supreme Court of Pakistan. These issues mainly relate to addition of mark up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.		
	In respect of tax years 2008, 2014, 2017 and 2018, the tax authorities have raised certain issues including default in payment of WWF, allocation of expenses to dividend and capital gains, dividend income from mutual funds not being taken under income from business, disallowance of Leasehold improvements and provision against other assets resulting in additional demand of Rs.789.862 million (December 31, 2017 : Rs.1,033.519 million). As a result of appeal filed before Commissioner Appeals against these issues, relief has been provided for tax amount of Rs.116.351 million appeal effect orders are pending. Bank has filed appeals on these issues which are pending before Commissioner Appeals. The management is confident that these matters will be decided in favour of the Bank and consequently has not made any provision in respect of these amounts.		
	b) The Bank has received an order from a provincial tax authority wherein tax authority has disallowed certain exemptions of sales tax on banking services and demanded sales tax and penalty amounting to Rs.77.592 million (December 31, 2017 : Rs.77.592 million) (excluding default surcharge) for the period from July 2011 to June 2014. Bank's appeal against this order is currently pending before Commissioner Appeals. The Bank has not made any provision against this order and the management is of the view that the matter will be settled in Bank's favour through appellate process.		
<b>34</b>	<b>BASIC EARNINGS PER SHARE</b>		
	Profit for the year	<u>10,625,220</u>	<u>8,367,296</u>
	Weighted average number of ordinary shares	<u>1,773,672</u>	<u>1,766,588</u>
	Basic earnings per share	<u>5.99</u>	<u>4.74</u>
<b>35</b>	<b>DILUTED EARNINGS PER SHARE</b>		
	Profit for the year	<u>10,625,220</u>	<u>8,367,296</u>
	Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	<u>1,775,732</u>	<u>1,772,196</u>
	Diluted earnings per share	<u>5.98</u>	<u>4.72</u>
<b>35.1</b>	<b>Reconciliation of basic and diluted earning per share</b>		
	Weighted average number of ordinary shares	1,773,672	1,766,588
	Plus: Employee stock option scheme	2,060	5,608
	Dilutive potential ordinary shares	<u>1,775,732</u>	<u>1,772,196</u>
<b>36</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and Balance with Treasury Banks	5 <u>82,407,700</u>	70,381,435
	Balance with other banks	6 <u>3,874,955</u>	3,753,954
	Call money lendings	7 <u>15,166,288</u>	20,255,936
	Overdrawn nostro accounts	14 <u>(947,547)</u>	(970,114)
		<u>100,501,396</u>	<u>93,421,211</u>

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37	STAFF STRENGTH	2018			2017		
		(Number of employees)					
		Domestic	Overseas	Total	Domestic	Overseas	Total
	Permanent	8,221	198	8,419	7,503	195	7,698
	On Bank contract	29	82	111	66	85	151
	Bank's own staff strength at the end of the year	8,250	280	8,530	7,569	280	7,849

37.1 In addition to the above, 2,106 (2017: 3,776) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.

### 38 DEFINED BENEFIT PLAN

#### 38.1 General description

The Bank operates an approved funded gratuity scheme which cover all regular permanent employees. The liability of the Bank in respect of the plan is determined based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial valuation of the defined benefit plan is carried out every year and the latest valuation was carried out as at December 31, 2018. The significant assumptions are detailed below

#### 38.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit plan are:

	2018	2017
	(Number)	
- Gratuity fund	8,185	7,506

#### 38.3 Principal actuarial assumptions

The disclosures made below are based on the information included in the actuarial valuation report of the Bank as of December 31, 2018

	2018	2017
	(Per annum)	
Withdrawal rates	Moderate	High
Mortality rates	SLIC	Adjusted SLIC
	2001 - 2005	2001 - 2005
Valuation Discount rate (p.a)	13.25%	9.50%
Salary increase rate (p.a) - Short term (3 years)	8.25%	5.75%
Salary increase rate (p.a) - Long term	11.25%	9.00%
Expected rate of return on plan assets (p.a)	13.25%	9.50%
Normal retirement age	60 Years	60 Years
Duration	09 Years 6 months	10 Years

#### 38.4 Reconciliation of (receivable from) / payable to defined benefit plans

	Note	2018	2017
		(Rupees in 000)	
Present value of obligations	38.5	1,474,598	1,657,387
Fair value of plan assets	38.6	(2,398,231)	(2,386,933)
(Receivable) / payable		(923,633)	(729,546)

#### 38.5 Movement in defined benefit obligations

Obligations at the beginning of the year	1,657,387	1,920,065
Current service cost	270,272	306,923
Interest cost	149,967	167,766
Benefits paid by the Bank	(304,841)	(304,133)
Re-measurement loss / (gain)	(298,187)	(433,234)
Obligations at the end of the year	1,474,598	1,657,387

#### 38.6 Movement in fair value of plan assets

Fair value at the beginning of the year	2,386,933	2,269,382
Interest income on plan assets	234,486	224,536
Contribution by the Bank - net	185,753	250,153
Benefits paid	(304,841)	(304,133)
Re-measurements: Net return on plan assets over interest income gain / (loss)	(104,100)	(53,005)
Fair value at the end of the year	2,398,231	2,386,933

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38.7	Movement in (receivable) / payable under defined benefit plan	Note	2018 ------(Rupees in 000)-----	2017
	Opening balance		(729,546)	(349,317)
	Charge / (reversal) for the year		185,753	250,153
	Contribution by the Bank - net		(185,753)	(250,153)
	Re-measurement loss / (gain) recognised in OCI during the year	38.8.2	(194,087)	(380,229)
	Benefits paid by the Bank		(923,633)	(729,546)
	Closing balance		<u>(923,633)</u>	<u>(729,546)</u>
38.8	<b>Charge for defined benefit plans</b>			
38.8.1	<b>Cost recognised in profit and loss</b>			
	Current service cost		270,272	306,923
	Net interest on defined benefit asset / liability		(84,519)	(56,770)
			<u>185,753</u>	<u>250,153</u>
38.8.2	<b>Re-measurements recognised in OCI during the year</b>			
	Loss / (gain) on obligation			
	- Demographic assumptions		(992)	-
	- Financial assumptions		(310,891)	(149,752)
	- Experience adjustment		13,896	(283,482)
	Return on plan assets over interest income		104,100	53,005
	Total re-measurements recognised in OCI		<u>(194,087)</u>	<u>(380,229)</u>
38.9	<b>Components of plan assets</b>			
	Cash and cash equivalents - net		372,963	258,914
	Government Securities		-	659,789
	Ordinary shares/TFCs		375,000	1,172,369
	Units of mutual funds		1,650,268	295,861
			<u>2,398,231</u>	<u>2,386,933</u>
38.10	<b>Sensitivity analysis</b>			

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

Particulars	2018	
	PV of Defined Benefit Obligation	Change
	------(Rupees in 000)-----	
1% increase in discount rate	1,332,323	142,275
1% decrease in discount rate	1,612,385	(137,787)
1 % increase in expected rate of salary increase	1,622,818	(148,220)
1 % decrease in expected rate of salary increase	1,321,666	152,932
10% increase in withdrawal rate	1,468,848	5,750
10% decrease in withdrawal rate	1,454,266	20,332
1 year Mortality age set back	1,460,734	13,864
1 year Mortality age set forward	1,462,760	11,838

	2018 (Rupees. in '000)
38.11	<b>Expected contributions to be paid to the funds in the next financial year</b>
	<u>106,243</u>
38.12	<b>Expected charge / (reversal) for the next financial year</b>
	<u>106,243</u>
38.13	<b>Maturity profile</b>

The undiscounted expected payments maturity is tabulated below:

Particulars	Undiscounted Payments (Rs. in '000)
Year 1	148,556
Year 2	108,648
Year 3	115,755
Year 4	105,011
Year 5	121,440
Year 6 to Year 10	746,583
Year 11 and above	7,610,572

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**38.14 Funding Policy**

The bank's policy for funding the staff retirement benefit schemes, is given in note 4.9 (a).

**38.15 Risks Associated with Defined Benefit Plans****Asset Volatility**

The risk arises due to the inclusion of the risky assets in the pension/gratuity fund portfolio, inflation and interest rate volatility.

**Changes in Bond yields**

The risk arises when bond yield is lower than the expected return on the plan assets (duration based PIB discount rate).

**Inflation Risks**

The risk arises if pension/gratuity benefits are linked to inflation and the inflation is higher or higher than expected, which results in higher liabilities

**Life expectancy / 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.

**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.

**39 DEFINED CONTRIBUTION PLAN**

The Bank operates an approved provident fund scheme for all its permanent employees to which both the Bank and employees contribute @ 8.33% of basic salary in equal monthly contributions.

During the year, the Bank contributed Rs. 309.371 million (2017: Rs. 307.135 million) in respect of this fund.

**40 EMPLOYEES STOCK OPTION SCHEME**

The Bank has granted share options to certain critical employees, (the "employees") under the Employee Stock Options Scheme (ESOS) as approved by the shareholders and Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SMD/CIW/ESOS/02/2013 dated December 27, 2013.

Under the Scheme, the Bank has granted options to these employees (as selected by the Board Compensation Committee, specifically formulated as required under the Public Companies (Employees Stock Option Scheme) Rules, 2001) to subscribe for fresh ordinary shares of the Bank (being issuance of further capital without issue of rights) in the years 2014, 2015 and 2016. No fresh grants were made after the year 2016. However, due to a bonus issue of 10% in October 2018, all employees having exercisable options outstanding were entitled to additional Shares worked out in accordance with the provisions of the scheme. The revised option entitlement and the revised option price have been disclosed below.

Under the scheme, the options entitle the selected employees to purchase shares at 40% discount (the Option Discount), of the market price prevailing at the date of the grant. As per the Scheme, the entitlements and exercise price are subject to adjustments because of issue of right shares and bonus shares. The options carry neither right to dividends nor voting rights till shares are issued to employees on exercise of options.

Details of share options granted under the scheme together with the status as at December 31, 2018 are as follows:

	Granted in		
	the year 2016	Granted in the year 2015	Granted in the year 2014
	------(In '000)-----		
Option issued	13,737	12,614	11,331
Option no longer in issue	4,199	3,294	1,732
Options vested	3,113	2,407	N/A
Options exercised	3,058	2,428	N/A
Options available for exercise	2,405	-	-
Exercise price per share	Rs. 14.95	15.15	16.32
Adjusted exercise per share for final tranche of year 2016	Rs. 13.59	N/A	N/A
Option discount per share	Rs. 9.96	10.10	10.88

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## 41 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	----- (Rupees in '000) -----					
Fee	-	-	153,981	126,018	-	-
Managerial remuneration	99,467	107,186	-	-	1,951,451	3,320,026
Post employment benefits	5,887	7,676	-	-	93,366	378,720
Rent and house maintenance	-	-	-	-	514,037	990,317
Utilities	3,533	4,607	-	-	119,597	249,635
	<b>108,887</b>	<b>119,469</b>	<b>153,981</b>	<b>126,018</b>	<b>2,678,451</b>	<b>4,938,698</b>
Number of persons	1	2	9	6	541	1,973

- 41.1 The Chief Executive and certain Executives have been provided with the free use of cars and household equipment as per Bank's policy.
- 41.2 All executives, including the CEO are entitled to certain short term employee benefits which are disclosed in note 29.1.1 to these financial statements. In addition, the Bank also granted share options to certain key employees of the Bank in the year 2014, 2015 and 2016, which shall vest till the year 2019 - refer note 39 and Annexure on Employee Stock Option Scheme.
- 41.3 The count for Executives has been reduced from 1,973 in 2017 to 541 in 2018 due to a change in definition of the Executives. Earlier, any employee having an annual basic salary of Rs. 0.5 million or above was defined as an Executive. This threshold has now been increased to Rs. 1.2 million.

## 42 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short-term in nature or, in the case of customer loans and deposits, are frequently repriced.

## 42.1 Fair value of financial assets

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

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

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

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

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

	2018			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
Investments				
Federal Government Securities	-	205,872,883	-	205,872,883
Shares	8,194,982	-	-	8,194,982
Non-Government Debt Securities	-	8,497,774	-	8,497,774
Foreign Securities	-	10,540,323	-	10,540,323
Others	-	-	-	-
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	-	4,519,804	-	4,519,804
Forward sale of foreign exchange	-	(970,502)	-	(970,502)
Forward purchase government securities transactions	-	-	-	-
Forward sale government securities transactions	-	-	-	-
Derivatives purchases	-	68,224	-	68,224
Derivatives sales	-	(1,169)	-	(1,169)
	2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
- Investments				
Federal Government Securities	-	333,782,146	-	333,782,146
Shares	6,151,913	-	-	6,151,913
Non-Government Debt Securities	-	5,824,558	-	5,824,558
Foreign Securities	-	9,208,419	-	9,208,419
Others	-	-	-	-
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	-	1,978,336	-	1,978,336
Forward sale of foreign exchange	-	(968,982)	-	(968,982)
Forward agreements for lending	-	-	-	-
Forward agreements for borrowing	-	-	-	-
Derivatives purchases	-	14,174	-	14,174
Derivatives sales	-	-	-	-

42.2 Certain categories of fixed assets (land and buildings) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in notes 10 and 12. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan.

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

42.4 Valuation techniques used in determination of fair values:

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in ordinary shares of listed companies.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds, GoP Sukuks, Overseas Government Sukuks, Overseas and Euro Bonds, Term Finance Certificates, and other than Government Sukuks, forward foreign exchange contracts, and interest rate swaps.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

Item	Valuation approach and input used
Forward foreign exchange contracts	The valuation has been determined by interpolating the FX revaluation rates announced by State Bank of Pakistan.
Interest rate swaps	The fair value of interest rate swaps and futures is determined using prices and curves through Bloomberg.
Market Treasury Bills (MTB) / Pakistan Investment Bonds (PIB), and GoP Sukuks (GIS)	The fair value of MTBs and PIBs are derived using PKRV rates. GIS are revalued using PKISRV rates. Floating rate PIBs are revalued using PKFRV rates
Overseas Government Sukuks, Overseas and Euro Bonds	The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.
Debt Securities (TFCs) and Sukuk other than Government	Investment in WAPDA Sukuks, debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Ordinary shares - listed	The fair value of investments in listed equity securities are valued on the basis of closing quoted market price available at the Pakistan Stock Exchange.
Operating fixed assets and non banking assets acquired in satisfaction of claims	The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations can not be determined with certainty accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

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## 43 SEGMENT INFORMATION

## 43.1 Segment Details with respect to Business Activities

		2018							
		Retail	CIBG	IBG	Treasury	Digital	Overseas	Others	Total
		(Rupees in '000)							
<b>Profit &amp; Loss</b>									
Net mark-up/return/profit	(197,079)	13,611,402	5,633,022	11,781,327	-	1,773,656	(1,011,173)	-	31,591,055
Inter segment revenue - net	19,386,606	(9,028,965)	(837,417)	(10,397,516)	227,663	(164,375)	614,002	-	-
Non mark-up / return / interest income	4,024,840	742,075	1,018,861	3,365,155	399,326	252,940	397,171	-	10,200,358
Total Income	23,214,369	5,324,512	6,014,456	4,748,966	626,989	1,862,121	-	-	41,791,413
Segment direct expenses	10,468,834	682,250	3,030,781	407,791	777,182	966,713	8,031,744	-	24,365,275
Inter segment expense allocation	5,666,516	623,276	1,304,054	273,987	45,670	118,339	(8,031,744)	-	-
Total expenses	16,135,352	1,305,526	4,334,815	681,778	822,762	1,085,052	-	-	24,365,275
Provisions	29,608	(212,287)	(299,255)	(72,649)	(54)	(33,766)	-	-	(588,383)
Profit before tax - continued operations	7,108,625	3,806,719	1,380,366	3,984,539	(195,817)	743,303	-	-	16,837,756
Profit before tax - discontinued operations	-	-	-	-	-	-	-	-	780,500
<b>Balance Sheet</b>									
Cash & Bank balances	54,448,024	11,605,738	12,356,256	2,438,440	334,892	5,099,305	-	-	88,282,655
Investments	860,704	694,426	22,896,107	221,983,048	-	29,434,619	1,791,499	-	277,660,403
Net inter segment lending	268,412,271	-	-	-	4,241,251	-	43,856,982	-	336,510,504
Lendings to financial institutions	-	-	17,986,558	33,315,352	-	10,870,377	-	-	62,172,287
Advances - performing	153,750,402	235,172,283	85,573,549	-	-	19,233,298	4,969,048	-	498,697,580
Advances - non-performing	366,716	1,453,002	282,226	-	-	132,738	724,190	-	2,938,872
Others	16,456,975	10,628,391	6,508,382	6,258,899	407,786	11,612,080	26,593,533	-	78,466,046
Total Assets	514,295,092	259,653,840	145,563,078	263,995,739	4,983,929	76,382,417	77,934,262	-	1,342,728,347
Borrowings	10,480,314	22,698,781	5,909,819	62,173,164	-	22,092,452	403,711	-	123,738,241
Subordinated debt	-	-	-	-	-	-	11,989,000	-	11,989,000
Deposits & other accounts	464,559,440	92,224,318	113,541,482	-	4,899,848	27,670,192	-	-	702,895,280
Net inter segment borrowing	-	135,169,568	-	201,340,936	-	-	-	-	336,510,504
Others	38,622,551	9,554,126	10,975,954	1,186,034	84,081	23,234,243	8,291,458	-	91,948,447
Total Liabilities	513,642,305	259,646,793	130,427,265	264,700,134	4,983,929	72,996,887	20,684,169	-	1,267,081,472
Net Assets	652,787	(92,953)	15,155,823	(704,395)	-	3,385,530	57,250,093	-	75,646,875
Equity	-	-	-	-	-	-	-	-	75,646,875
Contingencies & Commitments	58,274,791	76,420,934	31,777,895	298,162,272	47,934	30,646,372	14,925,225	-	508,255,423
		2017							
		Retail	CIBG	IBG	Treasury	Digital	Overseas	Others	Total
		(Rupees in '000)							
<b>Profit &amp; Loss</b>									
Net mark-up/return/profit	(216,573)	10,920,980	4,577,481	12,742,488	(198)	1,558,327	(606,320)	-	28,976,185
Inter segment revenue - net	14,343,074	(7,113,901)	(344,887)	(7,613,699)	169,124	(21,497)	581,786	-	-
Non mark-up / return / interest income	3,667,144	753,620	1,028,042	2,600,666	786,746	215,327	24,534	-	9,076,079
Total Income	17,793,645	4,560,699	5,260,636	7,729,455	955,672	1,752,157	-	-	38,052,264
Segment direct expenses	10,626,062	738,826	3,032,484	550,115	522,610	894,604	8,598,828	-	24,963,529
Inter segment expense allocation	5,532,064	731,403	1,462,405	641,985	67,292	143,679	(8,598,828)	-	-
Total expenses	16,158,126	1,470,229	4,514,889	1,192,100	589,902	1,038,283	-	-	24,963,529
Provisions	482,056	268,283	(89,234)	-	-	(44,675)	-	-	616,430
Profit before tax - continued operations	2,117,575	3,358,753	656,513	6,537,355	365,770	669,199	-	-	13,705,165
Profit before tax - discontinued operations	-	-	-	-	-	-	-	-	339,819
<b>Balance Sheet</b>									
Cash & Bank balances	43,181,802	7,712,857	10,392,898	7,251,880	488,248	5,107,704	-	-	74,135,389
Investments	1,195,021	713,213	37,914,192	333,926,476	-	24,598,438	2,385,946	-	400,733,266
Net inter segment lending	263,161,028	-	-	-	6,245,726	-	29,366,960	-	298,773,714
Lendings to financial institutions	-	-	30,891,460	11,848,536	-	6,155,832	-	-	48,895,828
Advances - performing	130,728,918	193,641,955	55,209,459	-	-	14,601,488	4,578,534	-	398,760,354
Advances - non-performing	987,923	342,551	395,716	-	-	44,679	124,201	-	1,895,070
Others	16,823,933	8,482,472	4,403,704	5,720,313	386,162	17,539,195	21,052,233	-	74,408,012
Total Assets	456,078,625	210,693,048	139,207,429	358,747,205	7,120,136	68,047,336	57,507,674	-	1,297,601,653
Borrowings	8,178,746	15,870,996	3,648,712	159,167,819	-	19,809,092	518,321	-	207,193,686
Subordinated debt	-	-	-	-	-	-	4,991,000	-	4,991,000
Deposits & other accounts	428,713,427	76,990,726	113,414,363	-	7,046,550	18,926,920	(107,019)	-	644,984,967
Net inter segment borrowing	-	103,588,014	-	195,185,700	-	-	-	-	298,773,714
Others	12,957,986	8,970,164	8,781,718	3,093,270	73,586	26,197,366	15,784,455	-	75,858,545
Total Liabilities	449,850,159	205,419,900	125,844,793	357,446,789	7,120,136	64,933,378	21,186,757	-	1,231,801,912
Net Assets	6,228,466	5,473,148	13,362,636	1,300,416	-	3,113,958	36,321,117	-	65,799,741
Equity	-	-	-	-	-	-	-	-	65,799,741
Contingencies & Commitments	59,258,274	85,721,796	27,996,102	220,265,858	40,585	18,913,337	10,901,695	-	423,097,627

During the year, the Bank has classified Digital Banking as a separate reportable segment in a manner consistent with the internal reporting structure of the Bank. Segmented results are reported to the senior management of the Bank for the purpose of strategic decision making, resources, systems and infrastructure to be allocated to this segment and assess its performance.

## 43.2 Segment details with respect to geographical locations

## GEOGRAPHICAL SEGMENT ANALYSIS

## Profit &amp; Loss

Net mark-up/return/profit  
Inter segment revenue - net  
Non mark-up / return / interest income  
Total Income

## Segment direct expenses

Inter segment expense allocation  
Total expenses  
Provisions  
Profit before tax - continued operations  
Profit before tax - discontinued operations

2018				
Pakistan	Middle East	Bangladesh	Afghanistan - Held for Sale	Total
(Rupees in '000)				
29,817,498	1,174,718	598,839	-	31,591,055
164,375	(133,243)	(31,132)	-	-
9,947,418	247,111	5,829	-	10,200,358
39,929,291	1,288,586	573,536	-	41,791,413
23,398,562	687,839	278,874	-	24,365,275
(118,339)	55,508	62,831	-	-
23,280,223	743,347	341,705	-	24,365,275
(554,618)	(30,550)	(3,215)	-	(588,383)
16,094,450	514,689	228,616	-	16,837,755
-	-	-	780,500	780,500

## Balance Sheet

Cash and Bank balances  
Investments  
Net inter segment lendings  
Lendings to financial institutions  
Advances - performing  
Advances - non-performing  
Others  
Total Assets

Borrowings  
Subordinated debt  
Deposits & other accounts  
Net inter segment borrowing  
Others  
Total liabilities  
Net Assets  
Equity

## Contingencies &amp; Commitments

2018				
Pakistan	Middle East	Bangladesh	Afghanistan - Held for Sale	Total
(Rupees in '000)				
81,163,350	1,318,443	3,780,862	-	86,282,655
248,225,784	21,628,793	7,805,826	-	277,660,403
338,619,074	-	-	-	338,619,074
51,301,911	6,477,660	5,392,526	-	62,172,287
479,464,281	3,001,998	16,231,301	-	498,697,580
2,806,134	-	132,738	-	2,938,872
66,853,967	(4,588,665)	(5,423,764)	21,625,498	78,466,046
1,268,454,501	26,837,429	27,919,488	21,625,498	1,344,836,917
101,645,790	21,496,018	596,433	-	123,738,241
11,989,000	-	-	-	11,989,000
675,225,068	4,633,530	23,036,662	-	702,895,280
338,619,074	-	-	-	338,619,074
67,550,863	312,035	2,460,051	21,625,498	91,948,447
1,185,029,815	26,441,683	28,093,146	21,625,498	1,269,190,042
73,424,686	395,846	1,826,343	-	75,646,876
-	-	-	-	75,646,876
477,609,051	25,773,028	4,412,416	460,928	508,255,423

## Profit &amp; Loss

Net mark-up/return/profit  
Inter segment revenue - net  
Non mark-up / return / interest income  
Total Income

## Segment direct expenses

Inter segment expense allocation  
Total expenses  
Provisions  
Profit before tax - continued operations  
Profit before tax - discontinued operations

2017				
Pakistan	Middle East	Bangladesh	Afghanistan - Held for Sale	Total
(Rupees in '000)				
27,417,859	997,173	561,153	-	28,976,185
21,497	(77,719)	56,222	-	-
8,860,752	189,586	25,741	-	9,076,079
36,300,108	1,109,040	643,116	-	38,052,264
24,068,925	705,022	189,582	-	24,963,529
(143,678)	116,846	28,832	-	-
23,925,247	821,868	216,414	-	24,963,529
(681,076)	44,646	-	-	(616,430)
12,892,259	359,372	453,534	-	13,705,165
-	-	-	339,819	339,819

## Balance Sheet

Cash & Bank balances  
Investments  
Net inter segment lendings  
Lendings to financial institutions  
Advances - performing  
Advances - non-performing  
Others  
Total Assets

Borrowings  
Subordinated debt  
Deposits & other accounts  
Net inter segment borrowing  
Others  
Total liabilities  
Net Assets  
Equity

## Contingencies &amp; Commitments

2017				
Pakistan	Middle East	Bangladesh	Afghanistan - Held for Sale	Total
(Rupees in '000)				
69,027,685	4,025,789	1,081,915	-	74,135,389
376,134,848	6,440,353	18,159,085	-	400,733,286
298,773,714	-	-	-	298,773,714
42,739,996	3,953,627	2,202,205	-	48,895,828
384,357,764	12,810,576	1,790,912	-	398,959,252
1,651,493	44,679	-	-	1,696,172
56,868,817	(4,641,022)	(3,175,873)	25,356,090	74,408,012
1,229,554,317	22,634,002	20,057,244	25,356,090	1,297,601,653
187,384,594	1,720,215	18,088,877	-	207,193,686
4,991,000	-	-	-	4,991,000
626,058,047	17,821,781	1,105,159	-	644,984,987
298,773,714	-	-	-	298,773,714
49,659,590	1,478,839	41,774	24,678,342	75,858,545
1,166,866,945	21,020,815	19,235,810	24,678,342	1,231,801,912
62,687,372	1,613,187	821,434	677,748	65,799,741
-	-	-	-	65,799,741
404,184,290	13,331,876	4,479,300	1,102,161	423,097,627

## 44 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, it acts as security agent for various Term Finance Certificates it arranges and distributes on behalf of its customers. In addition, the Bank is also holding investments of other entities in its IPS account maintained with the State Bank of Pakistan.

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## 45 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel.

The Banks 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 during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	As at Dec 31, 2018					As at Dec 31, 2017				
	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties	Directors/ CEO	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)					(Rupees in '000)				
<b>Balances with other banks</b>										
In current accounts	-	-	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-	-	-
<b>Lending to financial institutions</b>										
Opening balance	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	1,500,000	-	-	-	-	-
Repaid during the year	-	-	-	-	134,478,846	-	-	-	-	89,750,000
Closing balance	-	-	-	-	(136,978,846)	-	-	-	-	(88,250,000)
<b>Investments</b>										
Opening balance	-	-	-	-	-	-	-	-	-	-
Investment made during the year	-	430,493	1,816,343	1,317,808	-	-	1,781,967	1,602,266	2,579,469	-
Investment redeemed / disposed off during the year	-	-	-	464,122	-	-	-	769,230	1,619,585	-
Transfer in / (out) - net	-	-	-	(739,269)	-	-	(1,351,474)	(755,153)	(3,081,266)	-
Closing balance	-	430,493	1,816,343	1,042,641	-	-	430,493	1,816,343	1,317,808	-
Provision for diminution in value of investments	-	47,941	-	63,938	-	-	-	-	-	53,938
<b>Advances</b>										
Opening balance	-	458,240	-	-	7,591,327	79,130	351,335	-	-	8,040,236
Addition during the year	-	206,248	-	-	6,738,387	21,130	301,712	-	-	15,820,727
Repaid during the year	(6,068)	(88,866)	-	-	(5,301,259)	-	(155,260)	-	-	(14,149,786)
Transfer in / (out) - net	111,718	(118,198)	-	-	(2,873,866)	(100,260)	(39,547)	-	-	(1,919,850)
Closing balance	106,650	449,323	-	-	3,366,610	-	456,240	-	-	7,591,327
Provision held against advances	-	-	-	-	-	-	-	-	-	1,540,079
<b>Other Assets</b>										
Interest / mark-up accrued	6,607	42,388	-	-	47,813	-	43,725	-	-	577,813
Receivable from staff retirement fund	-	-	-	-	923,633	-	-	-	-	729,546
Prepayment / rent receivable	-	-	-	832	5,973	-	-	-	-	-
Profit Receivable on Sukuk	-	-	-	-	1,858	-	-	2,496	-	1,819
Advance against shares	-	-	-	-	50,800	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	923
<b>Borrowings</b>										
Opening balance	-	-	-	-	602,800	-	-	-	-	-
Borrowings during the year	-	-	-	-	36,346,898	-	-	-	-	34,192,883
Settled during the year	-	-	-	-	(36,346,898)	-	-	-	-	(33,690,063)
Closing balance	-	-	-	-	-	-	-	-	-	502,800
<b>Subordinated debt</b>										
Opening balance	-	19,964	-	45,044	-	-	132,348	-	79,003	332,467
Redemption / Sold during the year	-	(19,964)	-	(45,044)	-	-	(112,384)	-	(33,959)	(332,467)
Closing balance	-	-	-	-	-	-	19,964	-	45,044	-
<b>Deposits and other accounts</b>										
Opening balance	6,275	160,416	59,984	1,608,843	4,178,787	10,201	164,508	90,030	1,031,859	8,662,988
Received during the year	206,294	1,380,283	5,831,871	33,656,882	82,682,968	302,823	1,660,636	7,676,858	56,650,035	111,897,088
Withdrawn during the year	(205,131)	(1,337,204)	(5,643,700)	(34,138,664)	(87,189,776)	(197,410)	(1,334,598)	(7,706,702)	(56,171,951)	(115,305,412)
Transfer in / (out) - net	-	10,459	-	-	3,686,601	(109,339)	(350,130)	-	-	(1,075,873)
Closing balance	7,438	193,964	46,155	1,056,941	3,217,676	6,275	160,416	59,984	1,509,943	4,178,787
<b>Other Liabilities</b>										
Interest / mark-up payable	11	1,960	494	7,446	11,918	-	1,448	277	7,945	40,025
Unearned rent	-	-	-	-	-	-	-	-	8,938	-
Others	-	2,085	201	-	3,961	-	-	316	-	-
<b>Contingencies and Commitments</b>										
Other contingencies	-	-	-	162,468	-	-	-	-	129,188	2,589,842
	For the year ended Dec 31, 2018					For the year ended Dec 31, 2017				
	(Rupees in '000)					(Rupees in '000)				
<b>Income</b>										
Mark-up / return / interest earned	6,607	16,963	-	-	478,686	2,319	22,197	-	-	452,954
Fees and commission income	-	-	83,167	-	-	-	-	156,149	-	-
Dividend income	-	-	-	219,000	2,109	-	-	-	-	9,481
Net gain on sale of securities	-	-	-	-	5,675	-	-	-	323,375	-
Other income	-	3,180	-	2,496	21,231	-	2,027	-	8,478	18,808
<b>Expense</b>										
Mark-up / return / interest paid	20	4,538	3,842	55,367	192,261	119	19,668	5,748	79,015	274,682
Other operating expenses	108,867	994,463	1,172	-	666,599	484,135	1,356,377	967	-	983,646
Provision / (Reversal) against non-performing advances and investments	-	-	-	-	-	-	-	-	-	(3,025)
Dividend paid	640,921	11,684	-	6,454	1,638,460	-	-	-	-	-
Insurance premium paid	-	-	-	497,497	-	-	-	-	505,826	-
Insurance claims settled	-	-	-	310,344	-	-	-	-	321,392	-

24/11

## 46 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS

2018  
----- (Rupees in 000) -----

2017

**Minimum Capital Requirement (MCR):**

Paid-up capital (net of losses)

17,743,629 16,075,720

**Capital Adequacy Ratio (CAR):**

Eligible Common Equity Tier 1 (CET 1) Capital

59,809,769 53,661,948

Eligible Additional Tier 1 (ADT 1) Capital

7,000,000 -

Total Eligible Tier 1 Capital

66,809,769 53,661,948

Eligible Tier 2 Capital

15,239,737 12,117,256

Total Eligible Capital (Tier 1 + Tier 2)

82,049,506 65,779,204

**Risk Weighted Assets (RWAs):**

Credit Risk

485,931,845 426,690,882

Market Risk

2,633,875 3,607,588

Operational Risk

60,228,638 60,929,350

Total

548,794,358 491,227,820

Common Equity Tier 1 Capital Adequacy ratio

10.90% 10.92%

Tier 1 Capital Adequacy Ratio

12.17% 10.92%

Total Capital Adequacy Ratio

14.95% 13.39%

In line with Basel III Capital Adequacy guidelines, following capital requirements are applicable to the Bank:

Common Equity Tier 1 Capital Adequacy ratio

6.00% 6.00%

Tier 1 Capital Adequacy Ratio

7.50% 7.50%

Total Capital Adequacy Ratio

11.90% 11.28%

For Capital adequacy calculation, Bank has adopted Standardized Approach for Credit &amp; Market Risk related exposures and Alternate Standardized Approach (ASA) for operational risk.

**Leverage Ratio (LR):**

Eligible Tier-1 Capital

66,809,769 53,661,948

Total Exposures

1,185,191,511 1,320,360,473

Leverage Ratio

5.64% 4.06%

**Liquidity Coverage Ratio (LCR):**

Total High Quality Liquid Assets

252,703,051 234,488,065

Total Net Cash Outflow

162,363,261 165,803,247

Liquidity Coverage Ratio

156% 141%

**Net Stable Funding Ratio (NSFR):**

Total Available Stable Funding

630,592,999 555,280,073

Total Required Stable Funding

472,759,179 405,154,261

Net Stable Funding Ratio

133% 137%

46.1 The full disclosures on the Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP instructions has been placed on the website. The link to the full disclosure is available at <https://www.bankalfalah.com/financial-reports/>.

## 47 RISK MANAGEMENT

The variety of business activities undertaken by the Bank require effective identification, measurement, monitoring, integration and management of different financial and non-financial risks that are constantly evolving as business activities change in response to concurrent internal and external developments. The Board Risk Management Committee (BRMC) is appointed and authorized by the Board of Directors (BOD) to assist in design, regular evaluation and timely updating of the risk management framework of the Bank. The Board has further authorized management committees i.e. Central Management Committee (CMC) and Central Credit Committee (CCC). To supervise risk management activities within their respective scopes. CMC has further established sub-committees such as Assets & Liabilities Committee (ALCO), Investment Committee, Information Technology Steering Committee (ITSC), Internal Control & Compliance Committee (ICCC) and Process Improvement Committee (PIC).

The risk management framework endeavours to be a comprehensive and evolving guideline to cater to changing business dynamics. The framework includes:

- Clearly defined risk management policies and procedures.
- Well constituted organizational structure, in the form of a separate risk management department, which ensures that individuals responsible for risk approval are independent from risk taking units i.e. Business Units.
- Mechanism for ongoing review of policies and procedures and risk exposures.

The primary objective of this architecture is to inculcate risk management into the organization flows to ensure that risks are accurately identified & assessed, properly documented, approved, and adequately monitored & managed in order to enhance long term earnings and to protect the interests of the Bank's depositors and shareholders.

The Bank's risk management framework has a well-defined organizational structure for effective management of Credit Risk, Market Risk, Liquidity Risk, Operational Risk, IT security Risk, Credit Risk Systems and Environment and Social Risk.

## 47.1 Credit Risk

Credit risk is the identification of probability that counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligation. This credit risk arises mainly from both direct lending activities as well as contingent liabilities. Credit risk management processes encompass identification, assessment, measurement, monitoring and control of Bank's exposure to credit risk. The Bank's credit risk management philosophy is based on Bank's overall business strategy / direction as established by the Board. The Bank is committed to the appropriate level of due diligence to ensure that credit risks have been properly analysed, fully disclosed to the approving authorities and appropriately quantified, also ensuring that the credit commitment is appropriately structured, priced (in line with market practices) and documented.

The Bank has built and maintained a sound loan portfolio in terms of well-defined credit policy approved by BOD. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. In order to have an effective and efficient risk assessment, and to closely align its functions with Business, Credit Division has separate units for corporate banking, Islamic banking, commercial & SME banking, agricultural financing, and overseas operations.

The Bank manages its portfolio of loan assets with a view to limit concentrations in terms of risk quality, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted on regular basis. This portfolio level oversight is maintained by Credit &

For Domestic operations, Bank determines the amount for Specific & General provisions as per the Prudential Regulations issued by the State Bank of Pakistan (SBP). Provisions at overseas branches are held to meet the requirements of regulatory authorities of the respective countries in which overseas branches operate.

A sophisticated internal credit rating system is in place, which is capable of quantifying counter-party & transaction risk in accordance with the best practices. The risk rating system takes into consideration qualitative and quantitative factors of the counter-party, transaction structure & security and generates internal ratings at Obligor and Facility levels. The facility rating system, developed in line with SBP's guidelines, also provides expected LGD (Loss Given Default). This has been implemented in Corporate Banking, Islamic Banking and Retail & Middle Market segments. Furthermore, this system has an integrated loan origination module, which is currently being used in Corporate Banking, Islamic Banking and Retail segments. The system is regularly reviewed for improvements as per SBP's guidelines for Internal Credit Rating and Risk Management. Furthermore, Bank has also automated Internal Rating validation process based on statistical tests for Corporate, Commercial, ME, SE & Agri rating models. It covers both discrimination & calibration statistical tests as per best practices. The system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making. The system has been enhanced to compute the risk weighted assets required for supporting the credit facilities at the time of credit origination and computation of Risk Weighted Assets for the quarterly credit risk related Basel submissions.

A centralized Credit Administration Division (CAD) under Credit & Risk Management Group is working towards ensuring that terms of approval of credit sanctions and regulatory stipulations are complied, all documentation including security documentation is regular & fully enforceable and all disbursements of approved facilities are made only after necessary authorization by CAD. Credit Monitoring, under CAD, keeps a watch on the quality of the credit portfolio in terms of borrowers' behaviour, identifies weakening accounts relationships and reports it to the appropriate authority with a view to arrest deterioration.

To handle the specialized requirements of managing delinquent and problem accounts, the Bank has a separate client facing unit to negotiate repayment/ settlement of the Bank's non-performing exposure and protect the interests of the bank's depositors and stakeholders. Unlike other banking groups, where the priority is the maximization of Bank's revenue, the priority of the Special Asset Management Group (SAMG) is recovery of funds and/or to structure an arrangement (such as rescheduling, restructuring, settlement or a combination of these) by which the interests of the Bank are protected. Where no other recourse is possible, SAMG may proceed with legal recourse so as to maximize the recovery of the Bank's assets. The Risk Management Division also monitors the NPL portfolio of the Bank and reports the same to CCC/ BRMC.

24/11

#### 47.1.1 Credit Risk - General Disclosures Basel Specific

Bank Alfalah Limited is using Standardized Approach (SA) of SBP Basel accord for the purpose of estimating Credit Risk Weighted Assets. Under SA, banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying return-based formats, methodologies and processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel Standardized Approach is in place and firmly adhered to.

#### 47.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights

##### 47.1.2.1 External ratings

SBP Basel III guidelines require banks to use ratings assigned by specified External Credit Assessment Institutions (ECAIs) namely PACRA, JCR-VIS, Moodys, Fitch and Standard & Poors.

The State Bank of Pakistan through its letter number BSD/BAI-2/201/1200/2009 dated December 21, 2009 has accorded approval to the Bank for use of ratings assigned by Credit Rating Agency of Bangladesh (CRAB) and CRISL. The Bank uses these ECAIs to rate its exposures denominated in Bangladeshi currency on certain corporate and banks incorporated in Bangladesh.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel III framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved Rating Agencies is used, whereas for long-term exposure with maturity of greater than one year, long-term rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

#### 47.1.3 Disclosures with respect to Credit Risk Mitigation for Standardised Approach

##### 47.1.3.1 Credit risk mitigation policy

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

##### 47.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II / III guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel III guidelines. In line with Basel II / III guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.

##### 47.1.3.3 Types of collateral taken by the Bank

Bank Alfalah Limited determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and SME financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors / Borrowers are also obtained generally by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product policies which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Central Credit Committee (CCC) under its delegation powers. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

##### 47.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes (capital adequacy purposes), the Bank considers all types of financial collaterals that are eligible under SBP Basel III accord. This also includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognised credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities (Government of Pakistan, Banks etc.) under substitution effect of Basel in general, for capital calculation purposes, in line with the SBP Basel III requirements, the Bank recognises only eligible collaterals as mentioned in the SBP Basel III accord.

##### 47.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers. Moreover, in order to restrict the industry concentration risk, Bank's annual credit plan spells out the maximum allowable exposure that it can take on specific industry. Additionally, the Internal Rating System allows the Bank to monitor risk rating concentration of borrowers against different grades / scores ranging from 1 - 12 (1 being the best and 12 being loss category). Concentration in customers that are rated in high risk category is also monitored against the approved appetite set by the management.

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

24/11

47.1.4 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public/ Government	-	-	-	-	-	-
Private	62,172,287	48,895,828	-	-	-	-
	<b>62,172,287</b>	<b>48,895,828</b>	-	-	-	-

47.1.5 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-
Textile	187,888	173,520	187,888	173,520	187,888	173,520
Chemical and Pharmaceuticals	606,732	617,638	606,732	617,638	606,732	617,638
Cement	-	-	-	-	-	-
Sugar	-	-	-	-	-	-
Footwear and Leather garments	-	-	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	-	-	-	-	-	-
Construction	1,785	2,185	1,785	2,185	1,785	2,185
Power (electricity), Gas, Water, Sanitary	7,154,912	7,062,456	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-
Exports/Imports	-	-	-	-	-	-
Transport, Storage and Communication	848,387	1,357,832	281,700	224,498	281,700	224,498
Financial	613,758	469,302	63,778	79,361	63,778	79,361
Insurance	-	-	-	-	-	-
Services	-	-	-	-	-	-
Individuals	-	-	-	-	-	-
Others	-	-	-	-	-	-
	<b>9,393,440</b>	<b>9,682,933</b>	<b>1,121,881</b>	<b>1,097,202</b>	<b>1,121,881</b>	<b>1,097,202</b>

Credit risk by public / private sector

	Gross investments		Non-performing Investments		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public/ Government	8,964,682	8,807,539	-	-	-	-
Private	2,428,758	2,875,394	-	1,097,202	-	1,097,202
	<b>9,393,440</b>	<b>9,682,933</b>	-	<b>1,097,202</b>	-	<b>1,097,202</b>

47.1.6 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	52,389,474	32,080,952	236,973	235,231	124,732	150,350
Automobile and transportation equipment	10,413,594	7,856,545	1,000,984	996,428	378,148	367,279
Cement	13,081,710	8,187,225	-	-	-	-
Chemical and Pharmaceuticals	21,724,564	17,746,542	822,917	845,938	822,917	830,271
Construction	7,857,587	1,995,896	511,397	118,291	511,397	117,291
Electronics and electrical appliances	10,716,745	9,876,062	130,474	146,684	130,474	146,684
Exports / Imports	8,423,173	6,337,714	715,315	733,558	647,563	682,557
Financial	9,628,594	6,611,404	926,031	951,150	926,031	951,150
Food & Allied Products	47,322,246	31,504,922	2,387,089	687,555	2,145,133	669,842
Footwear and Leather garments	2,050,714	2,271,226	203,343	180,212	183,840	171,187
Individuals	48,287,482	42,018,970	787,135	868,987	539,168	701,760
Insurance	9,505	14,575	-	-	-	-
Metal & Allied industries	16,981,841	10,717,131	635,551	754,329	635,350	744,349
Mining and Quarrying	2,319,851	1,558,348	-	-	-	-
Oil and Allied	15,091,286	6,477,959	-	635,574	-	635,574
Others	35,544,447	26,114,688	1,094,076	1,100,531	864,097	836,627
Power (electricity), Gas, Water, Sanitary	79,888,350	66,719,696	1,157,905	-	289,476	-
Services	6,824,348	14,523,265	84,578	477,503	82,733	477,503
Sugar	11,827,823	9,981,647	841,130	3,608	372,009	3,166
Textile	93,676,652	71,480,957	3,830,707	3,834,443	3,617,203	3,554,234
Transport, Storage and Communication	6,587,342	6,592,228	1,788,981	1,788,981	1,788,981	1,788,981
Wholesale & Retail Trade	18,044,357	34,533,980	1,877,105	3,219,838	1,826,156	2,854,966
	<b>518,393,165</b>	<b>417,181,932</b>	<b>18,822,271</b>	<b>17,578,841</b>	<b>15,883,399</b>	<b>15,683,771</b>

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Public/ Government	98,240,545	67,044,059	-	-	-	-
Private	420,152,620	350,137,873	18,822,271	17,578,841	15,883,399	15,683,771
	<b>518,393,165</b>	<b>417,181,932</b>	<b>18,822,271</b>	<b>17,578,841</b>	<b>15,883,399</b>	<b>15,683,771</b>

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47.1.7 Contingencies and Commitments

## Credit risk by industry sector

	2018	2017
	----- (Rupees in '000) -----	
Agriculture, Forestry, Hunting and Fishing	644,423	271,048
Automobile and transportation equipment	3,199,346	4,625,145
Cement	475,659	2,509,863
Chemical and Pharmaceuticals	3,802,147	3,992,081
Construction	4,333,141	6,243,762
Electronics and electrical appliances	1,816,994	1,867,320
Exports / Imports	5,048,665	4,530,444
Financial	17,923,587	22,038,188
Food & Allied Products	7,599,602	5,280,610
Footwear and Leather garments	176,289	401,764
Individual	218,898	323,678
Insurance	66,831	97,548
Metal & Allied industries	343,183	9,845,722
Mining and Quarrying	3,922,471	74,011
Oil and Allied	586,399	9,836,992
Others	30,749,298	20,739,714
Power (electricity), Gas, Water, Sanitary Services	7,283,152	5,648,991
Sugar	882,925	11,079,370
Textile	431,895	707,252
Transport, Storage and Communication	22,378,081	16,964,787
Wholesale and Retail Trade	3,354,176	3,880,401
	9,874,261	7,011,479
	<u>125,112,423</u>	<u>137,950,168</u>
<b>Credit risk by public / private sector</b>		
Public/ Government	14,722,902	27,669,599
Private	110,389,521	110,280,569
	<u>125,112,423</u>	<u>137,950,168</u>

47.1.8 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 136.994 million (2017 : 100.748 million) are as following:

Funded	119,953,989	68,344,569
Non Funded	17,039,556	32,403,343
Total Exposure	<u>136,993,545</u>	<u>100,747,912</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 191.245 Million (prior year: 153.992 Million)

## Total funded classified therein

	2018		2017	
	Amount	Provision held	Amount	Provision held
	----- (Rupees in '000) -----			
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total			5,358	5,358
	<u>Nil</u>	<u>Nil</u>	<u>5,358</u>	<u>5,358</u>

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

47.1.9 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2018						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	1,011,452,333	998,920,172	5,379,193	65,309	831	7,047,968	38,861
Sindh	728,308,305	3,367,574	724,787,847	70	18,725	135,088	-
KPK including FATA	17,503,980	-	-	17,148,717	-	355,263	-
Balochistan	3,594,319	-	-	-	3,594,319	-	-
Islamabad	75,984,135	9,031,826	-	188,364	115,751	66,628,194	-
AJK including Gilgit-Baltistan	574,345	-	-	-	-	-	-
Total	<u>1,837,398,417</u>	<u>1,011,319,572</u>	<u>730,167,040</u>	<u>17,402,460</u>	<u>3,729,626</u>	<u>74,166,513</u>	<u>574,345</u>
							<u>613,206</u>
	2017						
	Utilization						
	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	785,889,975	785,889,975	-	-	-	-	-
Sindh	695,395,725	-	695,395,725	-	-	-	-
KPK including FATA	15,813,443	-	-	15,813,443	-	-	-
Balochistan	2,371,813	-	-	-	2,371,813	-	-
Islamabad	50,005,989	-	-	-	-	50,005,989	-
AJK including Gilgit-Baltistan	872,361	-	-	-	-	-	872,361
Total	<u>1,550,329,306</u>	<u>785,889,975</u>	<u>695,395,725</u>	<u>15,813,443</u>	<u>2,371,813</u>	<u>50,005,989</u>	<u>872,361</u>

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## 47.2 Market Risk

Market risk exposes the Bank to the risk of financial losses resulting from movements in market prices. It is the risk associated with changes in the interest rates, foreign exchange rates, equity prices and commodity prices. To manage and control market risk, a comprehensive Board approved Market & Liquidity Risk Management Policy, is in place. The policy outlines a well-defined risk control structure, responsibilities of relevant stakeholders with respect to market risk management and methods to measure and control market risk carried out at a portfolio level. Moreover, it also includes controls which are applied, where necessary, to individual risk types, to particular books and to specific exposures. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers. This structure is reviewed, adjusted and approved periodically.

Under the BoD approved policy, the Bank's Asset and Liability Committee (ALCO) and Investment Committee (IC) are primarily responsible for the oversight of the market risk, supported by market risk management Unit of Risk Management Division (RMD). The Bank uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II / III. Furthermore, the Bank carries out risk assessment via diversified tools including Value at Risk (VaR), PV01 (price value per basis point) and Duration on a regular basis. The Bank also ascertains the impact of market risk on relevant factors through stress testing and Internal Capital Adequacy Assessment processes.

## 47.3 Foreign exchange risk

Foreign exchange (FX) risk arises from the fluctuation in the value of financial instruments due to the changes in foreign exchange rates. FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as forwards and swaps.

The Bank also manages FX risk by setting and monitoring dealer and currency-wise limits. The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits. Risk Assessment with respect to FX risk is also conducted on a regular basis through VaR

The analysis below represents the concentration of the Bank's foreign currency risk for on and off balance sheet financial instruments:

Currency-wise assets and liabilities considered above have been presented on gross basis as per respective currencies.

	2018				2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)				(Rupees in '000)			
United States Dollar	72,109,056	117,349,741	45,325,354	84,669	61,529,055	80,687,137	20,318,024	1,159,942
Great Britain Pound Sterling	2,339,753	5,093,350	2,760,223	6,628	1,659,846	5,457,565	3,808,651	10,931
Euro	2,332,247	4,132,522	1,813,236	12,981	189,571	198,056	12,024	3,539
Japanese Yen	315	1,400	3,908	2,823	2,409,902	5,288,262	2,881,809	5,449
Other currencies	30,918,270	30,990,150	75,877	3,997	27,848,884	27,844,252	3,531	8,163
	<b>107,699,641</b>	<b>157,967,163</b>	<b>49,978,598</b>	<b>111,076</b>	<b>93,637,257</b>	<b>119,473,272</b>	<b>27,024,039</b>	<b>1,188,024</b>

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account			1,111	11,880
- Other comprehensive income			-	-

## 47.3.1 Balance sheet split by trading and banking books

	2018			2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	82,407,700	-	82,407,700	70,381,435	-	70,381,435
Balances with other banks	3,874,955	-	3,874,955	3,753,954	-	3,753,954
Lendings to financial institutions	62,172,287	-	62,172,287	48,895,828	-	48,895,828
Investments	230,135,538	47,524,867	277,660,403	377,933,404	22,799,882	400,733,286
Advances	501,636,452	-	501,636,452	400,655,424	-	400,655,424
Fixed assets	18,272,215	-	18,272,215	16,155,727	-	16,155,727
Intangible assets	1,283,516	-	1,283,516	1,472,270	-	1,472,270
Deferred tax assets	-	-	-	-	-	-
Non current assets held for sale	23,589,489	-	23,589,489	26,821,724	-	26,821,724
Other assets	35,320,826	-	35,320,826	29,958,291	-	29,958,291
	<b>958,892,876</b>	<b>47,524,867</b>	<b>1,006,217,843</b>	<b>876,028,057</b>	<b>22,799,882</b>	<b>998,827,939</b>

## 47.3.2 Equity position Risk

Equity position risk arises due to adverse movements in the prices of equities and instruments exhibiting behaviour similar to equities held by the bank. The Bank's equity investments are classified as Available for Sale (AFS) and Held for Trading (HFT) investments. The objective of investments classified as HFT portfolio is to take advantage of short term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. The Bank's Investment Committee is primarily responsible for the oversight of the equity investment risk. Market Risk Management Unit of RMD monitors and reports portfolio and scrip level internal and external limits.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
- Profit and loss account			(6,691)	(1,357)
- Other comprehensive income			-	-
	<b>(520,838)</b>		<b>(290,281)</b>	

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

Interest Rate Risk is the adverse impact on the bank's shareholder's equity due to changes in the interest rates. It may be further elaborated as changes in the present value of the asset, liabilities and commitments due to changes in the term structure of the interest rates. The Bank is exposed to interest rate risk primarily as a result of mismatches in the amounts of assets, liabilities and off-balance sheet interest sensitive instruments within a certain range of maturity or re-pricing (whichever is earlier). The Bank has formulated a separate Interest Rate Risk Management (IRRMM) framework which establishes aggregate and tenor-wise balance sheet level PVOY (Price Value of 1bp) limits to manage interest rate risk within the Board approved risk appetite. Treasury and Capital Markets Group is primarily responsible for management of interest rate risk on a daily basis, and the Asset and Liability Committee (ALCO) oversees the interest rate risk at Bank level. Market Risk Department of Risk Management Division independently monitors, analyses and reports various limits including management action point limits and re-pricing of the assets and liabilities on a regular basis.

The increase (decline) in earnings or economic value (or any other relevant measures used by management) for upward and downward shocks according to management's method for measuring IRRBB, broken down by currencies (if any, and than translated into Rupees)

	2016		2017	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in interest rates on	(Rupees in '000)			
- Profit and loss account	(1,100)	(460)	(570)	(206)
- Other comprehensive income				

47.4.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/ Interest rate	Total	2016										
		Exposed to Yield/ interest risk										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-Interest bearing financial instruments	
(Rupees in '000)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	0.10%	82,407,700	11,875,990	-	-	-	-	-	-	-	-	70,731,910
Balances with other banks	1.84%	3,874,988	1,288,478	-	-	-	-	-	-	-	-	2,618,479
Lending to financial institutions	7.14%	82,172,287	52,042,898	10,028,428	99,964	-	-	-	-	-	-	-
Investments	6.71%	877,660,403	124,806,081	53,287,090	18,772,087	8,143,014	12,336,429	17,690,441	11,207,473	8,600,389	13,327	10,721,232
Advances	7.87%	301,634,482	207,222,086	128,800,758	103,271,140	39,080,743	1,184,682	1,837,447	4,612,688	12,008,747	3,803,249	23,889,489
Assets held for sale		23,549,498	-	-	-	-	-	-	-	-	-	23,549,498
Other assets		30,877,857	-	-	-	-	-	-	-	-	-	30,877,857
		982,318,343	401,106,198	198,097,277	119,143,181	48,203,757	13,624,081	19,827,848	18,820,132	20,809,138	3,918,478	141,570,237
<b>Liabilities</b>												
Bills payable		35,888,228	-	-	-	-	-	-	-	-	-	35,888,228
Borrowings	4.51%	123,738,241	87,993,682	33,283,177	10,367,307	252,736	59,040	327,020	2,104,432	5,171,447	200,000	428,800
Deposits and other accounts	2.96%	702,885,280	296,878,074	58,062,949	28,814,931	16,937,603	703,823	1,760,406	113,074	4,130	-	288,888,061
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	8.39%	11,949,000	-	11,889,000	-	-	-	-	-	-	-	-
Liabilities directly associated with the assets held for sale		20,438,396	-	-	-	-	-	-	-	-	-	20,438,396
Other liabilities		31,417,410	-	-	-	-	-	-	-	-	-	31,417,410
		928,463,682	384,871,156	103,274,283	38,881,838	17,190,339	742,693	2,087,428	2,217,606	9,178,677	828,800	387,397,042
<b>On-balance sheet gap</b>		<b>58,254,781</b>	<b>31,235,042</b>	<b>94,823,012</b>	<b>80,261,343</b>	<b>31,013,418</b>	<b>12,781,318</b>	<b>17,440,400</b>	<b>13,602,526</b>	<b>11,433,569</b>	<b>3,290,678</b>	<b>(246,828,845)</b>
<b>Off-balance sheet financial instruments</b>												
Documentary credits and short-term trade-related transaction		126,112,423	14,385,817	38,187,897	34,051,342	21,643,420	8,242,240	1,224,234	9,820,083	478,781	1,088,989	-
Commitments in respect of:		-	-	-	-	-	-	-	-	-	-	-
- Forward exchange contracts - purchase		140,128,803	68,818,887	68,048,790	12,752,828	340,138	-	-	-	-	-	-
- Forward exchange contracts - sale		58,136,781	48,298,780	26,788,686	12,632,878	419,418	-	-	-	-	-	-
- Interest Rate Swaps - receipts		10,850,708	1,844,097	8,369,488	347,184	-	-	-	-	-	-	-
- Interest Rate Swaps - payments		10,850,708	-	-	3,440,978	1,624,884	1,388,619	1,594,912	1,110,888	1,388,620	-	-
- Futures - sale		1,400,383	1,400,383	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>176,703,642</b>	<b>36,682,781</b>	<b>74,424,904</b>	<b>31,007,608</b>	<b>19,859,448</b>	<b>8,883,621</b>	<b>(362,878)</b>	<b>8,706,188</b>	<b>(905,889)</b>	<b>1,088,989</b>	<b>-</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>		<b>73,187,803</b>	<b>170,047,818</b>	<b>111,298,831</b>	<b>80,972,688</b>	<b>17,835,139</b>	<b>17,077,782</b>	<b>22,811,814</b>	<b>10,523,700</b>	<b>4,398,888</b>	<b>(246,828,845)</b>	<b>-</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>		<b>73,187,803</b>	<b>243,218,721</b>	<b>354,504,442</b>	<b>405,477,418</b>	<b>423,112,687</b>	<b>440,190,339</b>	<b>462,902,183</b>	<b>473,028,883</b>	<b>477,368,519</b>	<b>231,558,873</b>	<b>-</b>

Effective Yield/ Interest rate	Total	2017										
		Exposed to Yield/ interest risk										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-Interest bearing financial instruments	
(Rupees in '000)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	0.02%	70,361,435	7,553,783	-	-	-	-	-	-	-	-	62,827,650
Balances with other banks	1.53%	3,753,854	324,360	853,440	-	-	-	-	-	-	-	2,578,124
Lending to financial institutions	5.76%	48,885,828	30,893,824	16,031,822	2,170,182	-	-	-	-	-	-	-
Investments	6.83%	400,733,288	88,286,210	142,701,377	28,814,457	24,753,061	43,882,519	25,299,398	33,956,355	8,300,078	290,869	8,645,964
Advances	7.26%	400,855,424	174,725,259	85,137,877	80,788,167	28,482,451	1,690,872	1,810,295	8,019,137	17,836,363	3,747,465	437,542
Assets held for sale		20,821,724	-	-	-	-	-	-	-	-	-	20,821,724
Other assets		28,048,430	-	-	-	-	-	-	-	-	-	28,048,430
		978,280,081	301,583,484	244,724,518	109,752,808	51,235,512	45,373,381	27,109,991	41,978,492	24,138,441	4,038,334	129,357,434
<b>Liabilities</b>												
Bills payable		20,882,970	-	-	-	-	-	-	-	-	-	20,882,970
Borrowings	4.92%	207,193,888	133,022,865	49,275,497	8,922,888	17,754,270	47,430	114,330	993,120	8,143,898	-	268,455,998
Deposits and other accounts	2.60%	644,984,987	240,800,347	51,264,080	67,373,238	16,091,828	810,098	308,848	82,329	-	-	24,759,098
Subordinated debt	8.77%	4,991,000	-	4,991,000	-	-	-	-	-	-	-	-
Liabilities directly associated with the assets held for sale		24,759,098	-	-	-	-	-	-	-	-	-	24,759,098
Other liabilities		26,188,081	-	-	-	-	-	-	-	-	-	26,188,081
		928,999,800	373,823,013	96,530,577	78,295,906	33,856,196	657,538	421,279	985,449	8,143,898	-	340,286,140
<b>On-balance sheet gap</b>		<b>50,280,281</b>	<b>(72,239,548)</b>	<b>148,193,939</b>	<b>31,456,901</b>	<b>17,378,314</b>	<b>44,715,850</b>	<b>26,688,412</b>	<b>40,993,043</b>	<b>17,982,743</b>	<b>4,038,334</b>	<b>(210,928,712)</b>
<b>Off-balance sheet financial instruments</b>												
Documentary credits and short-term trade related transactions		137,950,168	22,987,034	38,820,408	41,788,066	20,807,234	5,485,941	721,083	499,565	8,640,502	270,301	-
Commitments in respect of:		-	-	-	-	-	-	-	-	-	-	-
- Forward exchange contracts - purchase		80,285,544	27,287,134	22,912,300	8,573,250	1,510,880	-	-	-	-	-	-
- Forward exchange contracts - sale		31,823,208	8,200,656	12,131,925	10,859,209	631,418	-	-	-	-	-	-
- Interest Rate Swaps - receipts		8,885,756	1,942,598	8,923,158	-	-	-	-	-	-	-	-
- Interest Rate Swaps - payments		9,885,756	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>186,412,508</b>	<b>43,698,114</b>	<b>36,523,941</b>	<b>38,485,137</b>	<b>21,886,878</b>	<b>4,504,278</b>	<b>1,104,172</b>	<b>2,153,135</b>	<b>1,104,173</b>	<b>270,301</b>	<b>-</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>		<b>(28,243,435)</b>	<b>204,717,880</b>	<b>72,942,034</b>	<b>39,065,892</b>	<b>45,677,521</b>	<b>28,305,323</b>	<b>39,328,473</b>	<b>23,529,072</b>	<b>4,308,635</b>	<b>(210,928,712)</b>	<b>-</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>		<b>(28,243,435)</b>	<b>176,474,445</b>	<b>249,416,483</b>	<b>288,482,475</b>	<b>334,159,996</b>	<b>380,465,319</b>	<b>389,793,792</b>	<b>423,322,864</b>	<b>427,631,499</b>	<b>218,702,787</b>	<b>-</b>

47.4.2 Reconciliation of Assets and Liabilities exposed to yield / Interest rate risk with Total Assets and Liabilities

	2016	2017
	(Rupees in 000)	
Total financial assets as per note 47.4.1	982,318,343	979,280,081
Add: Non financial assets		
Operating fixed assets	18,272,215	16,155,727
Intangible	1,283,516	1,472,270
Other assets	4,343,789	1,909,881
Total assets as per statement of financial position	1,006,217,863	998,827,939
Total financial liabilities as per note 47.4.1	928,463,652	928,999,800
Add: Non financial liabilities		
Deferred tax liabilities	2,070,702	3,153,750
Other liabilities	2,036,714	874,648
Total liabilities as per statement of financial position	930,570,968	933,028,198

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**47.5 Operational Risk**

Basel II defines Operational risk as, "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management (ORM) Unit is established within RMD.

The Operational risk management policy of the Bank is duly approved by the Board and Operational Risk Management Manual covers the processes, structure and functions of Operational risk management and provides guidelines to identify, assess, monitor, control and report operational risk in a consistent and transparent manner across the Bank.

**47.5.1 Operational Risk Disclosures - Basel II Specific**

Bank Alfalah Limited is among the first few banks to secure SBP approval for adoption of Alternative Standardized Approach (ASA) under Basel II for determining capital charge on Operational Risk in December 2013 and Bank started calculating its capital charge for operational risk on ASA in its financials from December 31, 2013.

The SBP Approval stipulated a capital floor i.e. operational risk charge under ASA should not fall below as a certain percentage of operational risk capital charge calculated under Basic Indicator Approach for initial 3 years. These floors were 90% for 2013 and 2014, 80% for 2015 and 70% for 2016. However, removal of Capital Floor for calculation of Capital Charge under ASA was extended in line with International developments and consultations of the Basel Committee on Banking Supervision (BCBS), State Bank of Pakistan is in process of reviewing its instructions on Operational risk.

The Bank's ORM framework and practices address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators (KRIs), Operational Loss Data Management, and Operational Risk Reporting. The ORM Unit engages with Bank's business / support units and regularly collaborates in determining and reviewing the risks, and suggests controls on need basis. Additionally, all the policies, procedures and systems of the Bank are reviewed from the operational risk perspective, and the recommendations of RMD are taken into consideration before their approval. A Process Improvement Committee (PIC) in this regard has been formed to evaluate and consider the recommendations of all the reviewers. Further, the unit also reviews functional specification documents (FSDs) and reviews / test the functionalities and systems prepared on premise of the FSD. The Operational Loss Database and KRIs systems are in place which have been further enhanced and the reports are submitted to Central Management Committee and Board Risk Management Committee. State Bank has further extended the timeline for collection of loss data base reports till further notice.

As required by Basel, Bank has categorized all its operational loss/near miss incidents into following loss event categories:

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management

And also mapped the incidents into following Business Lines:

- Retail Banking
- Commercial Banking
- Corporate Finance
- Trading & Sales
- Payment & Settlement
- Agency Services
- Cost centers/Centralized functions

**47.5.2 IT Security Risk**

The Bank has in place an IT Security Risk Management Policy and an IT Management Policy, duly approved by the Board of Directors, which derive from the regulatory mandates and the ISO 27001:2013 international standards framework. A dedicated IT Security Risk Management unit, functioning within RMD manages IT and information security risks to bank's technology assets by developing IT security baselines for IT solutions that support products and services, Security solutions selection, and acquisition including vendor and/or service provider selection managed by IT Security in close coordination with ITG and procurement/central administration, monitoring of threats and vulnerabilities through Security Operations Centre( 24/7 ), investigation of reported information security incidents, reinforcement of IT security risk awareness to employees via periodic communications, following up on due dates with stakeholders responsible for remediation of open issues, and reporting the status of IT security risk to the management and Board IT Committee(BITC) /ITSC/Board.

**47.5.3 Environmental & Social Risk Management Unit**

Initiative to integrate sustainable finance approach in credit evaluation and approval process. Being a responsible corporate citizen wherever BAFL operates, the Bank has integrated sustainable finance approach in its lending activities. In this regard, Green Banking Policy and Environmental & Social Management System (ESMS), duly approved by the Board of Directors, has been put in place in close coordination with IFC.

The ESMS Framework essentially requires that any relevant lending opportunity is to be reviewed and evaluated under against:

- IFC Exclusion List
- Applicable national laws on environment, health, safety and social issues
- IFC Performance Standards.

This Framework is an integral part of the credit approval process and all relevant credit proposals require clearance of E&S Officer prior to approval of the competent authority. The Environmental & Social Risk Management Unit, part of RMD and E&S Unit is responsible for identifying, vetting and approving projects from an Environmental & Social Management Risk (ESRM) perspective.

24/11

#### 47.5.4 Credit Risk

This unit is primarily responsible for development and management of Credit Risk Systems including Credit Initiation & Internal Rating System (CIIRS) and its related modules like Bank Alfalah CAR Calculator (BACK). It also supports other credit related automation & optimization initiatives like eCIB automation and Credit Decision engine for Consumer Finance Group as desired by Management from time to time.

#### 47.5.5 Country risk

Country risk, refers to the possibility that economic and political conditions in a foreign country could adversely impact the Bank's exposure in that country. For the Bank, country risk arises as a result of the Bank's foreign currency lending, trade and treasury business with counterparties domiciled in other countries as well as investments and capital transactions. In order to manage the risk, Bank has in place a comprehensive country risk management framework. Under this framework, the transfer risk is measured using financial market and economic factors. Political risk is measured using a variety of indicia indicative of country's willingness to honour its foreign obligations. Based on this framework, risk limits are assigned to countries within the Board approved limits. The limits and their utilization are monitored and managed at head office level and country risk exposures are reported to the relevant committees at a defined frequency.

#### 47.6 Liquidity Risk

Liquidity is a financial institution's capacity to meet its obligations as they fall due without incurring losses. Liquidity risk is the risk to an institution's earnings, capital & reputation arising from its inability (real or perceived) to meet its contractual obligations in a timely manner without incurring unacceptable losses when they come due.

With reference to SBP Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016, Bank Alfalah calculates Liquidity Coverage Ratio (LCR) on monthly basis. Based on December 31, 2018 numbers Bank's LCR is 1.42 or 142% against SBP minimum requirement of 100%, with Total Stock of High Quality Liquid Assets (HQLA) of PKR 281,732.849 million and Net Cash Outflows of PKR 198,337.514 million.

Moreover, under the same circular the Banks are expected to calculate Net Stable Funding Ratio (NSFR) on quarterly basis. Based on December 31, 2018 numbers Bank Alfalah's NSFR is 133% against SBP minimum requirement of 100%, with Total Available Stable Funding of PKR 630,592,999 million and Total Required Stable Funding of PKR 472,759.178 million.

The Bank manages and controls liquidity risk through a detailed risk management framework, which includes BoD approved policy, management level procedural document and Asset & Liability Committee (ALCO) level guidelines. Under this framework, various liquidity metrics are implemented and monitored on a regular basis.

At BAFL, BoD approves the Liquidity Risk Policy. Further, it also approves the Bank's overall liquidity risk appetite and broad liquidity risk strategy through Annual Business Plan. The Bank's ALCO is primarily responsible for the implementation of BoD's strategy through oversight of the asset liability function including liquidity management. Treasury front office manages the Bank's liquidity on day to day basis and is the Bank's first line of defense against liquidity risk. Under Risk Management Division, Liquidity Risk Management Unit is responsible for independent monitoring of the overall liquidity risk in line with regulatory requirements and bank's own risk appetite.

The Bank's overall funding strategy is based on the principles of diversification and stability. The Bank has a diverse funding base, which includes stable funding in the form of equity, Sub-ordinated loans, retail and small business deposits. Moreover, for non-stable funding in form of Large Volume Depositors. The Bank has in place internally approved limits to monitor and manage risk emanating from volatile funding concentration. Moreover, the Bank is fully compliant with Basel III LCR and NSFR, which ensure sufficient stock of High Quality Liquidity Assets in relation to its liability profile.

At BAFL, Stress Testing is used in an attempt to highlight the vulnerability of the Bank's Balance Sheet to hypothetical stress events and scenarios. Under the same, liquidity risk factors are given major shocks and their resulting impact on the balance sheet is calculated. BAFL carries out the stress testing based on SBP Stress Tests and internal defined scenarios to gauge the potential impacts of different liquidity stress scenarios on the Bank's stock of liquid assets. The results are shared with the senior management, BoD and the regulator.

At BAFL, Contingency Funding Plan, is implemented to address liquidity issues in times of stress / crises situations. The Global Treasury prepares the CFPs for all operations on annual basis for identifying the stress scenarios and the funding plan for such scenarios along with early warning indicators. These plans are reviewed by the Risk Management Division and are approved by the ALCO annually.

Main drivers of LCR results are HQLA and Net Cash Outflow. HQLA is defined by the liquidity quality of the Bank's assets and net cash outflow is mainly determined through volatility of the Bank's liability profile. The table below showcases the composition of HQLA as of December 31, 2018.

HQLA*	Market Value	Weighted Amount
	----- (Rupees in 000) -----	
Level 1 Assets	279,406,840	279,406,840
Level 2A Assets	-	-
Level 2B Assets	4,652,019	2,326,009
	<b>284,058,859</b>	<b>281,732,849</b>

\* These have been defined in detail in SBP Circular No. 08, dated June 23, 2016.

2018

	(Rupees in '000)											
	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>												
Cash and balances with treasury banks	67,094,201	180,428	222,165	507,807	2,166,994	2,166,994	1,200,626	563,513	1,723,748	427,240	654,480	4,725,991
Balances with other banks	2,154,427	3,604,669	830,642	879,886	3,596,347	100,000	-	-	-	-	-	-
Lending to financial institutions	926,456	42,799,027	3,504,669	5,328,416	5,917,392	100,000	-	-	-	-	-	-
Investments	277,660,403	591,536,452	26,085,500	69,861,334	26,707,504	4,488,037	4,665,257	4,665,257	13,093,595	18,629,274	11,557,473	36,718,989
Advances	8,644,077	60,692,436	59,693,789	140,918,128	23,470,214	30,990,352	11,789,670	3,732,037	20,361,623	21,672,036	46,062,867	83,200,027
Fixed assets	18,272,215	17,291	20,173	46,109	86,467	568,516	259,369	259,369	1,037,475	1,037,475	1,892,142	12,978,500
Intangible assets	1,283,518	714	4,991	11,409	21,392	64,176	64,176	64,176	266,703	266,703	513,406	-
Assets held for sale	35,320,828	13,918,128	4,192,064	9,881,862	309,548	669,767	420,954	420,954	1,014,798	239,751	359,627	359,627
Other assets	1,008,217,843	97,098,471	123,382,180	98,901,567	228,532,961	56,640,471	56,358,456	61,591,983	17,742,939	9,705,306	60,228,985	117,983,144
<b>Liabilities</b>												
Bills payable	35,988,225	2,063,488	2,436,363	5,348,031	10,297,866	10,897,642	4,671	4,671	28,077	109,373	1,896,403	9,482,795
Borrowings	123,738,241	596,433	14,370,089	8,120,622	31,404,200	20,296,145	10,566,873	6,913,235	1,036,000	2,010,519	8,649,335	6,712,317
Deposits and other accounts	631,967,877	15,037,857	10,650,377	29,849,741	1,000	1,000	2,070,702	2,070,702	2,014,723	1,146,369	1,968,900	7,000,000
Subordinated debt	11,989,000	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	2,070,702	-	-	-	-	-	-	-	-	-	-	-
Liabilities directly associated with the assets held for sale	33,454,124	13,657,366	2,038,726	5,409,919	967,792	1,077,234	2,039,075	2,014,723	1,146,369	1,009,351	1,968,900	-
Other liabilities	930,570,968	972,376,104	64,523,384	29,323,878	48,546,313	42,069,858	50,888,060	1,077,234	14,671,325	8,940,342	12,514,658	23,195,112
<b>Net assets</b>	75,646,875	(475,275,713)	58,858,776	69,077,809	178,287,539	14,570,613	5,470,397	3,894,648	3,071,614	764,964	35,275,476	47,715,307
Share capital/ Head office capital account	17,743,629											
Reserves	23,090,764											
Unappropriated/ Unremitted profit	27,469,642											
Surplus/(Deficit) on revaluation of assets	7,392,950											
	75,646,875											

2017

	(Rupees in '000)											
	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>												
Cash and balances with treasury banks	15,015,395	2,574,556	6,444,871	5,453,352	1,643,989	2,132,155	1,757,579	1,757,579	5,066,636	1,321,047	9,350,708	15,819,578
Balances with other banks	3,753,954	11,058,477	5,895,996	13,510,902	161,819	3,946,136	2,200,980	-	-	-	-	-
Lending to financial institutions	48,695,828	36,519,444	31,989,092	53,326,714	40,433,881	98,207,048	539,302	29,987,694	40,923,108	26,228,601	36,194,308	18,146,873
Investments	400,733,286	31,989,092	37,320,607	85,304,245	25,345,513	31,359,658	5,668,236	5,668,236	11,217,483	34,402,200	44,510,242	57,192,884
Advances	400,695,424	16,155,727	21,883	50,017	93,783	281,348	281,348	281,348	1,125,392	2,011,314	2,011,314	10,768,238
Fixed assets	1,472,270	4,908	5,725	13,087	24,538	73,613	73,613	73,613	294,454	294,454	588,908	-
Intangible assets	26,821,724	-	-	-	-	-	-	-	-	-	-	-
Assets held for sale	29,958,291	483,953	2,803,724	7,743,264	11,368,263	113,828	341,485	882,162	986,731	216,260	324,390	324,391
Other assets	999,827,938	24,231,682	85,468,657	53,076,760	165,401,581	129,570,133	36,828,541	38,650,632	59,613,804	63,587,954	92,979,671	102,251,964
<b>Liabilities</b>												
Bills payable	20,882,970	2,492,373	2,907,769	6,546,328	10,680,357	8,782,211	15,734,378	2,039,273	47,465	106,831	897,902	6,197,539
Borrowings	207,193,686	116,535,423	3,892,107	9,868,554	16,679,234	35,021,395	24,292,864	8,968,434	1,572,028	885,774	12,476	7,365,942
Deposits and other accounts	644,984,987	504,867,162	3,049,853	7,457,507	1,000	1,000	1,000	1,000	2,000	2,000	4,985,000	-
Subordinated debt	4,981,000	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	3,153,750	-	-	-	-	-	-	-	-	-	-	-
Liabilities directly associated with the assets held for sale	27,082,729	338,786	2,032,722	2,371,510	5,420,593	9,303,613	335,568	1,464,259	1,464,259	1,464,259	1,630,367	-
Other liabilities	933,028,198	515,767,573	124,910,371	16,628,893	45,140,484	46,037,320	34,145,759	31,561,276	12,171,966	2,436,677	7,525,745	13,562,881
<b>Net assets</b>	65,799,741	(491,535,891)	(39,441,414)	38,447,867	120,261,087	36,847,383	83,532,613	2,789,782	7,089,356	16,717,247	57,177,127	86,689,089
Share capital/ Head office capital account	16,075,720											
Reserves	18,156,669											
Unappropriated/ Unremitted profit	24,282,104											
Surplus/(Deficit) on revaluation of assets	7,285,248											
	65,799,741											

Current and Saving deposits have been classified under maturity upto one day as these do not have any contractual maturity. Further, the Bank estimates that these deposits are a core part of its liquid resources and will not fall below the current year's level.

2018

Assets	2018									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Total
Cash and balances with treasury banks	39,877,459	6,675,778	2,943,841	2,010,558	2,010,558	6,507,610	1,891,025	3,253,846	17,537,025	
Balances with other banks	3,874,955	9,513,728	100,000	17,969,856	2,402,243	15,602,491	22,022,560	3,459,577	37,380,346	
Lending to financial institutions	52,558,559	118,413,884	4,299,773	11,769,870	3,732,037	20,361,623	21,672,036	45,082,867	63,200,027	
Investments	277,660,403	44,901,407	30,990,352	558,518	1,037,475	1,037,475	1,882,142	2,846,928	10,131,572	
Advances	501,636,452	172,913	558,518	518,736	1,037,475	1,037,475	1,882,142	2,846,928	10,131,572	
Fixed assets	18,272,215	86,455	64,176	128,352	256,703	256,703	513,406	-	-	
Intangible assets	1,283,516	21,392	-	-	-	-	-	-	-	
Non current assets held for sale	23,589,489	24,808,846	23,589,489	698,349	698,349	1,797,670	560,687	841,030	841,029	
Other assets	35,320,826	437,261,772	865,673	33,095,523	10,137,366	45,563,572	48,341,856	55,464,249	129,089,999	
Liabilities	1,006,217,843	183,831,687	63,411,820	33,095,523	10,137,366	45,563,572	48,341,856	55,464,249	129,089,999	
Bills payable	35,988,225	32,817,377	10,697,542	16,055	28,077	109,373	1,896,403	9,482,795	-	
Borrowings	123,738,241	78,661,399	49,170,814	75,239,446	116,516,119	23,137,711	50,903,769	112,319,000	127,997,302	
Deposits and other accounts	68,490,619	1,000	-	1,000	2,000	4,985,000	-	-	7,000,000	
Liabilities against assets subject to finance lease	702,895,280	-	-	-	-	-	-	-	-	
Subordinated debt	11,969,000	1,000	-	2,070,702	-	-	-	-	-	
Deferred tax liabilities	20,436,386	-	20,435,396	6,760,866	1,695,548	1,695,548	3,391,097	-	-	
Non current liabilities held for sale	930,570,968	15,482,770	2,708,331	84,088,069	118,241,744	29,927,632	56,191,269	121,801,795	134,997,302	
Other liabilities	188,911,334	113,199,740	83,212,083	84,088,069	118,241,744	29,927,632	56,191,269	121,801,795	134,997,302	
Net assets	75,846,875	248,370,438	19,800,283	50,992,546	109,104,379	15,635,940	17,849,413	66,337,546	5,907,303	
Share capital/ Head office capital account	17,743,628	-	-	-	-	-	-	-	-	
Reserves	23,050,754	-	-	-	-	-	-	-	-	
Unappropriated/ Unremitted profit	27,469,842	-	-	-	-	-	-	-	-	
Surplus/(Deficit) on revaluation of assets	7,382,950	-	-	-	-	-	-	-	-	
	75,846,875	-	-	-	-	-	-	-	-	

2017

Assets	2017									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Total
Cash and balances with treasury banks	32,115,460	3,715,036	2,408,069	5,844,770	5,724,712	1,492,631	3,185,947	7,379,272	8,514,518	
Balances with other banks	3,753,954	853,440	2,170,182	2,900,514	2,900,514	-	-	-	-	
Lending to financial institutions	48,895,828	16,031,822	2,170,182	50,944,397	42,685,741	27,429,507	35,330,676	9,337,145	4,871,324	
Investments	400,733,286	141,257,265	563,870	11,198,984	11,268,053	34,538,717	44,691,212	42,384,818	15,028,904	
Advances	400,655,424	50,841,977	30,346,004	11,198,984	11,268,053	34,538,717	44,691,212	42,384,818	15,028,904	
Fixed assets	16,156,727	95,943	287,832	575,665	1,151,330	1,933,501	866,721	2,471,713	8,286,525	
Intangible assets	1,472,270	22,377	67,129	134,258	268,516	268,516	686,721	-	-	
Assets held for sale	28,821,724	28,821,724	44,753	28,821,724	1,022,980	247,769	371,653	-	-	
Other assets	29,958,291	25,824,130	388,534	1,472,547	1,022,980	247,769	371,653	-	-	
Liabilities	998,827,939	340,322,364	36,232,640	70,170,621	62,121,332	65,128,470	86,179,710	61,944,603	36,711,271	
Bills payable	20,882,870	40,275,497	8,922,866	17,764,270	47,439	114,330	903,120	6,143,688	-	
Borrowings	207,193,686	66,250,697	46,172,955	64,434,526	93,255,558	24,083,612	46,436,649	115,819,121	146,813,983	
Deposits and other accounts	644,984,987	1,000	-	1,000	2,000	2,000	4,985,000	-	-	
Subordinated debt	4,991,000	-	-	-	-	-	-	-	-	
Deferred tax liabilities	3,153,790	-	-	3,153,750	-	-	-	-	-	
Liabilities directly associated with the assets held for sale	24,799,098	24,799,096	668,876	11,821,069	812,438	812,438	1,624,875	-	-	
Other liabilities	27,062,728	8,404,380	11,821,069	2,818,653	812,438	812,438	1,624,875	-	-	
Net assets	833,028,198	204,027,882	131,955,166	66,916,880	94,117,435	25,012,380	53,949,644	121,962,819	146,813,983	
Share capital/ Head office capital account	65,799,741	136,284,482	30,684,050	18,101,578	31,996,103	40,116,090	32,230,066	60,018,216	110,702,712	
Reserves	16,075,720	-	-	-	-	-	-	-	-	
Unappropriated/ Unremitted profit	18,156,869	-	-	-	-	-	-	-	-	
Surplus/(Deficit) on revaluation of assets	24,312,240	-	-	-	-	-	-	-	-	
	7,255,111	-	-	-	-	-	-	-	-	
	65,799,740	-	-	-	-	-	-	-	-	

In line with SBP BSD Circular Letter No. 03 of 2011 on "Maturity and Interest Rate Sensitivity Gap Reporting" the Bank conducted a behavioural study of non-contractual deposits (non-contractual deposits) and performed regression analysis to determine deposit withdrawal pattern on Current and Savings Accounts (CASA). Regression analysis is used to investigate the relationship between time, the amount of deposits and deposits withdrawals in order to arrive at an estimated deposits withdrawals pattern. This methodology is in line with the industry best practices and regulatory guidance.

24/11

## 47.7 Derivative Risk

The Bank currently deals in derivative instruments namely forward exchange contracts, Interest rate swaps and futures with the principle view to hedge risks associated with interest rates and foreign exchange risk.

Interest rate swaps and futures are conducted to hedge interest rate risk present in the Bank's foreign currency bond portfolio. With respect to forward exchange contracts, the bank offers such products to protect customers from adverse movements in foreign currencies. On a best effort basis, the respective positions are then hedged/matched in the inter-bank market. Open positions, if any, are managed through regulatory and other internal limits that includes Foreign Exchange Exposure Limits and Currency wise NOP Limits.

Market Risk Department under the Risk Management Division performs hedge effectiveness testing of foreign currency bond portfolio against interest rate swaps and futures on a periodic basis. The results are then shared with the concerned stakeholders and strategies are devised/revisited in coordination with Treasury to align the outcomes with established risk parameters.

## 48 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

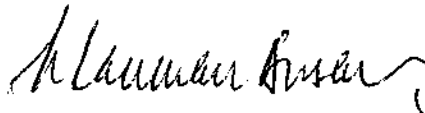
The Board of Directors in its meeting held on February 21, 2019 has announced cash dividend of 15% percent (2017: 10%). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2018 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending December 31, 2019.

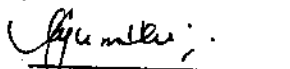
## 49 DATE OF AUTHORISATION

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

## 50 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison.

  
 \_\_\_\_\_  
 President/Chief Executive

  
 \_\_\_\_\_  
 Chief Financial Officer

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director



## STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED DECEMBER 31, 2018

S.No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with CNIC)	Father's / Husband's Name	Outstanding Liabilities At Beginning Of Year As At January 01, 2018			Principal written-off	Mark-up		Other financial relief provided		Total (9+10+11)	Product Name
				Principal	Mark-up	others		Undebited	Debited	Undebited	Debited		
1	Muhammad Anwar, Mouza Behram Sar, P.O Muhammad Pur Sansaran, Tarsil Mirchinabad, Dist Bahawalpur	Muhammad Anwar CNIC # 31105-53069777-9	Wali Muhammad Bhatti	2,180	725	2,905	2,180	-	-	-	-	3,052	Musalsal Zari Sahulat
2	Muhammad Yar Khan Kamoka, Chak # 1256-R, P/O Faqeerwala, The Haroonnabad, Dist Badkhalnagar	Muhammad Yar Khan Kamoka CNIC # 31104-6736705-9	Muhammad Ameer Khan	812	412	1,224	812	-	-	-	-	1,224	Musalsal Zari Sahulat
3	Riazbad, Tehsil Multan Cantt, District Multan	Khizar Hayat CNIC # 36303-2891709-7	Khan Muhammad	998	314	1,312	998	-	-	-	-	1,312	Musalsal Zari Sahulat
4	Abdul Qadir, Village Sultan Khan Dahn, Chak # 621, Obhari Sawan, PO Kamal Ghosh, Taluka & Dist Shaheed Benazirabad	Abdul Qadir CNIC # 45402-0925904-9	Sultan Khan	538	208	746	538	-	-	-	-	746	Musalsal Zari Sahulat
5	High Protein Farm Unit 2, Moza Kodan Melo (Kfir Jameel Singh) near Khoohar Kotri, Tehsil Renala Khurd, Dist Okara	Ashifa Ihsan CNIC # 35302-6460107-8, Rufsana Saleem CNIC # 35302-2369064-2	Khalid Masood Ch & Muhammad Musim Ch.	1,021	375	1,396	1,021	-	-	-	-	1,396	APZS
6	Street Ch Ghulam Qadir Waraich, Rehwal House CB-1275, Mohallah Kasimnagar, Gujranwala	Aila Ud-Din CNIC # 34101-9803646-5, Ghulam Moly-ud-din CNIC # 34101-4271617-3	Ch Ghulam Qadir Waraich	2,089	2,070	4,159	2,139	-	-	-	-	4,209	Musalsal Zari Sahulat
7	Syed Nazar Abbas Sherazi, House No 36-B, Block # 8, Sarogodha P.O. Jhok Wains, Tehsil Multan, District Multan	Syed Nazar Abbas Sherazi CNIC # 38403-6702724-3	Syed Nazak Hussain	1,076	376	1,452	741	-	-	-	-	1,239	Musalsal Zari Sahulat
8	Ghulam Abbas, Basji Khadal Khurd, P.O. Jhok Wains, Tehsil Multan, District Multan	Ghulam Abbas CNIC # 38303-0921762-1	Malik Muhammad Hussain	639	211	850	639	-	-	-	-	850	Musalsal Zari Sahulat
9	Asif-Ur-Rehman, Chan Rai Mochi Wala, Moza Rawani, P.O. Galewal, Tehsil & Dist, Lodhran	Asif-Ur-Rehman CNIC # 36203-5765722-9	Abdul Rehman	1,298	367	1,665	1,298	-	-	-	-	1,665	Musalsal Zari Sahulat
10	Pervaz Shoukat Cheema, Mohallah Katra Mai Near Gali Muzafar Pura, Wazirabad	Pervaz Shoukat Cheema CNIC # 34104-2356183-3	Shaukat Ali Cheema	3,000	1,414	4,414	3,000	-	-	-	-	4,414	Musalsal Zari Sahulat
11	Barbada Traders, House # 351, Street # 5, Sector 1, Gujranwala Cantt.	Bilal Zia CNIC # 34101-4056682-7	M. Zia	3,458	2,281	5,952	-	-	-	-	-	2,188	Cash Finance
12	Muhammad Ashiq Ali, Sohani Road, Mohallah Sabzi, Kasur	Muhammad Ashiq Ali CNIC # 35102-8058737-5	Raj M	1,039	741	2,194	-	-	-	-	-	545	Musalsal Zari Sahulat
13	Syed Riaz Hussain Shah, Mouza Mian Shad Sultan P.O Bhurban Wahan, Tehsil Sadkqabad, Dist Rahim Yar Khan	Syed Riaz Hussain Shah CNIC # 31304-2916026-9	Syed Saifdar Hussain Shah	2,124	384	3,698	-	-	-	-	-	1,498	Musalsal Zari Sahulat
14	First Capital Equities Ltd, 4TH Floor, Lakson Square Building, Building 1, Karachi	Mian Ehsan Ul Haq CNIC # 42301-7045034-9, Ashraf Liaquat Ali Khan CNIC # 42301-1698550-7, Muhammad Junaid CNIC # 42201-8920354-1	Mian Munawar Ul Haq Late Liaquat Ali Khan Abdul Ghani	91,342	53,365	144,707	-	-	-	-	-	53,365	Current Finance
15	Meinboob Autos, Pakistan Dear Ghaazi Khan	Mehboob Ahmed CNIC # 32102-6985516-7	Ashiq Muhammad	1,725	481	3,644	-	-	-	-	-	1,094	CF-Hypo
16	Fine Metal Technology Engineering, Office # 14, 2nd Floor, Rehmat Center, Plot # 7, L-84, Islamabad	Shehzaad Naheed Asif CNIC # 37405-4095629-6, Asif Qayyum CNIC # 37405-5114566-5, Kasim Ijaz CNIC # 37405-2356978-1	W/O Asif Qayyum, Abdul Qayyum Qureshi, Ijaz-Ul-Haq	3,851	3,012	6,849	-	-	-	-	-	2,549	CF
17	Rehman International, 147-BI, Wazoda Town, Gujranwala	Mehboob Ul Rehman CNIC # 34101-1969911-3	Muhammad Rafiq	2,999	868	4,206	-	-	-	-	-	969	Current Finance
18	Shahid Iqbal Iqbalabad, P.O Khas Tehsil & Dist Rahim Yar Khan	Shahid Iqbal CNIC # 31303-2420213-9	Ch M Iqbal	1,969	938.00	3,059	-	-	-	-	-	1,080	Musalsal Zari Sahulat

S.No.	Name an. address of the Borrower	Name of Individuals / Partners / Directors (with CNIC)	Father's / Husband's Name	Outstanding Liabilities At Beginning Of Year As At January 31, 2018							Mark-up		Other financial relief provided		Total (9+10+11)	Product Name
				Principal	Mark-up	others	Total (5+6+7)	Principal written-off	Undebited	Debited	Undebited	Debited				
													5	6		
1	Arsian Alam, House P-186, Street # 9, Mohallah Fatehabad, Sabna Road, Near Itefaq Garments.	3	4	5	6	7	8	9	10	11	12	13				
19	Arsian Alam, House P-186, Street # 9, Mohallah Fatehabad, Sabna Road, Near Itefaq Garments.	Arsian Alam CNIC # 33100-1201846-3	M Alam	231	203	-	434	231	-	-	313	-	544	Credit Card		
20	Imran Rasool, Chowk Ghazibabad, Chah Koray Wala, Allah Wali Street, Near Galliano Super Store, Multan.	Imran Rasool CNIC # 32304-9271772-8	Niaz Rasool	249	211	-	460	249	-	-	342	-	591	Credit Card		
21	Muazzam Hussain, Flat # 4, 24-C, 2nd Floor, 25th Street, Tauheed Commercial, DHA, Phase V, Riaz Akhtar, House # 99/18, Sh. Mushheet Wali Street, Aqab City Police Station, Hafizabad.	Muazzam Hussain CNIC # 36602-1291969-5	Bashir Ahmed	340	122	-	462	449	-	-	253	-	702	Credit Card		
22	Mian Moazzam Farooq, House # P-44, Khayban Colony # 2, Defence Block, Near New Garden Block, Faisalabad.	Riaz Akhtar CNIC # 34301-4235681-9	Sheikh Zakariyah	453	180	-	633	458	-	-	232	-	690	Credit Card		
23	Tahir Ahmed, Ammir Haseeb Cloth House, Kala Mandi, Near Farooq E Azam Masjid, Multan.	Mian Moazzam Farooq CNIC # 38401-5349429-3	Mian M Farooq	502	308	-	810	502	-	-	388	-	890	Credit Card		
24	AI Rehman Hussain, Ice Animations (Pvt) Ltd, Operations Dept. 1st Floor, Bahria Complex-IV, Ch. Khaliq uz-zaman Road, Gazi, near Punjab Chowk, Karachi.	Tahir Ahmed CNIC # 36302-1363295-3	Muhammad Rafiq	424	69	-	493	424	-	-	88	-	512	Personal Loan		
25	Muhammad Wasif Atzal, Chak # 72 RB, Behninn wala, post office Khias, Near Jamia Masjid Ghousia, Tehsil Jaranwala & Distt. Faisalabad.	AI Rehman Hussain CNIC # 42000-9453674-5	Rehan Akhtab Hussain	439	69	-	508	439	-	-	87	-	526	Personal Loan		
26	Malik Shah Nawaz, Chak # 1519-L, Tehsil & District Sehwan.	Muhammad Wasif Atzal CNIC # 36502-0759246-9	Muhammad Atzal	606	78	-	682	606	-	-	94	-	688	Auto Finance		
27	Rafiq Muhammad Usman, H # 244, Block H, Sebzazar Scheme, Multan Road, Lahore.	Malik Shah Nawaz CNIC # 36502-0759246-9	Malik Abbas Khan	1,969	461	1,140	3,600	1,969	-	-	306	1,094	1,400	Musalsal Zane Sahulat		
28	Hafiz Muhammad Asim Adnan, House # E 19/14, Kalsmr Street, Erdous Park, Shaz Road Lahore.	Hafiz Muhammad Usman CNIC # 35201-966526-3-3	Sabu Zulfqar Ali	616	-	-	616	616	-	-	-	-	616	Car Ijarah		
29	Malik Muhammad Ali, H # 201, Block H, Sebzazar Scheme Multan Road, Lahore.	Hafiz Muhammad Asim Adnan CNIC # 35201-1615301-5	Muhammad Nazir	699	-	-	699	699	-	-	-	-	699	Car Ijarah		
30	Faisal Miraj, H # 102, Mehran Block, Alama Iqbal Town, Lahore.	Malik Muhammad Ali CNIC # 35202-6321366-1	Malik Muhammad Ilyas	1,011	-	-	1,011	1,011	-	-	-	-	1,011	Car Ijarah		
31	Muhammad Naseer, House # 1, St-5, Gumbad Colony, Dars Meer, Mughalpur, Lahore.	Faisal Miraj CNIC # 35202-2407525-1	Mirajuddin	1,567	-	-	1,567	1,567	-	-	-	-	1,567	Car Ijarah		
32	Muhammad Tanveer Hussain, House # 2630/04, MDA Road, AI Rehman Colony, Multan.	Muhammad Naseer CNIC # 35201-2621466-1	Muhammad Munir	1,657	-	-	1,657	1,657	-	-	-	-	1,657	Car Ijarah		
33	Majid Saleem, H # 1, St No. 11, Bilal Gunj Near T B Hospital, Lahore.	Muhammad Tanveer Hussain CNIC # 36302-4149476-7	Muhammad Rafique	506	-	-	506	506	-	-	-	-	506	Car Ijarah		
34	Kolia Sheikh Natha, PO Khias, Tehsil & Distt. Kasur.	Majid Saleem CNIC # 35202-5779194-9	Saleem Malik	1,959	-	-	1,959	1,959	-	-	-	-	1,959	Car Ijarah		
35	Muhammad Shah Qureshi, Gous Pora Post Office, Talamba, Tehsil Mian Channu.	Muhammad Aamir CNIC # 31303-0429611-3	Muhammad Saadiq	2,363	796	-	3,159	2,363	-	-	-	-	2,363	Musalsal Zane Sahulat		
36	Zulfqar Ahmed/Ghulam Muhammad, Kolia Sheikh Natha, PO Khias, Tehsil & Distt. Kasur.	Muhammad Shah Qureshi CNIC # 36104-2197982-7	Muhammad Mirad Shah Quresh	816	405	-	1,221	816	-	-	-	-	816	Musalsal Zane Sahulat		
37	Muhammad Qaiser, Mouzar/Basti Mossa Bahla, P.O Bahawalnagar, Bahawalnagar.	Zulfqar Ahmed CNIC # 35102-4712186-9, Ghulam Muhammad & Distt. Kasur	Muhammad Saadique	2,327	866	-	3,193	2,327	-	-	866	-	3,193	Musalsal Zane Sahulat		
38	Muhammad Qaiser, Mouzar/Basti Mossa Bahla, P.O Bahawalnagar, Bahawalnagar.	Muhammad Qaiser CNIC # 31101-7900315-7	Muhammad Jahngir	985	264	-	1,249	985	-	-	-	-	985	Musalsal Zane Sahulat		
39	Muhammad Javed, Mouzar/Basti Mossa Bahla, P.O Bahawalnagar, Bahawalnagar.	Muhammad Qaiser CNIC # 31101-7900315-7	Muhammad Jahngir	732	200	-	932	732	-	-	-	-	732	ATZS		
40	Muhammad Javed, Mouzar/Basti Mossa Bahla, P.O Bahawalnagar, Bahawalnagar.	Muhammad Javed CNIC # 31101-4255719-3	Muhammad Jahngir	963	268	-	1,221	963	-	-	-	-	963	Musalsal Zane Sahulat		

S.No.	Name and address of Lender Borrower	Name of Individuals / Partners / Directors (with CNIC)	Father's / Husband's Name	Outstanding Liabilities As At Beginning Of Year As At January 01, 2018				Principal written-off	Mark-up		Other financial relief provided		Total (9+10+11)	Product Name
				Principal	Mark-up	others	Total (5+6+7)		Undebited	Debited	Undebited	Debited		
1				5	6	7	8	9	10	11	12	13		
41	Muhammad Awais Maqbool, Wajito House, Eid Gah Road, House # 155-B, Bahawalpur.	Muhammad Awais Maqbool CNIC # 31105-31101-7554410-1	Maqbool Ahamd	984	124	-	1,108	584	-	-	-	584	Musalsal Zari Sahulat	
42	Muhammad Ahmad, Basi Padam Pur, Sohail Sing, P.O Crawayka, Tehsil Minchinabad.	Muhammad Ahmad CNIC # 31105-7771329-5	Manzoor Ahmad Khan	1,304	367	-	1,671	904	-	-	-	904	Musalsal Zari Sahulat	
43	Muhammad Adnan Cheema, Wazirabad.	Muhammad Adnan Cheema CNIC # 34104-3689527-3	Muhammad Anwar Cheema	3,000	753	-	3,753	3,000	98	-	-	3,098	Musalsal Zari Sahulat	
44	Muhammad Adnan Cheema, Wazirabad.	Muhammad Adnan Cheema CNIC # 34104-3689527-3	Muhammad Anwar Cheema	1,499	329	-	1,828	1,499	1	-	-	1,500	Musalsal Zari Sahulat	
45	Poultry Farm, H # 2033, Aslam Khan Street, Moralla Jangli Haveli, Lakha Aseer Abbas Syed Raza Hussain Tehsil Chintlog Dist Jhang.	Muhammad Naseem Quresh CNIC # 35301-2001149-3	Haji Allah Yar	2,500	647	-	3,147	2,335	-	-	-	2,335	Poultry Zan Sahulat	
46	DI Muhammad, Abdullahi Town, Dist Okara, Renalichurd.	Aseer Abbas CNIC # 33201-8540744-3	Syed Riaz Hussain Shah	2,000	1,456	58	3,514	-	-	514	-	514	Musalsal Zari Sahulat	
47	Leisure Textiles.	DI Muhammad CNIC # 35303-3786218-7	Anamnat Ali	287	222	-	519	47	517	-	-	564	Credit Card	
48	Rehman Mehboob Co. East Canal Road, Madina Town, Faisalabad.	Azhar Iqbal CNIC # 35200-1456813	Ch. Muhammad Iqbal, Zafar Iqbal	43,758	225	-	43,983	4,181	-	225	-	4,406	ERF & TF	
49	Sheikh Postcode Corporation, House # 55 Block F, New Millad Chowk Chishtian Dist, Bahawalpur.	Fazal Muhammad Khan (Late) CNIC # 33100-5615082-9	Ch. Bajay Khan	18,156	481	11,807	30,444	-	-	-	8,444	8,444	CF Hypo/Lease	
50	PFC International, 760-E, Shah Rukn-e-Alam Colony, Multan.	Sheikh Azizullah CNIC # 31102-6806652-9	Ahmed Din	4,993	554	991	6,538	-	-	554	-	1,438	CF-Hypo	
51	Village Kot Hakim Ali, Chak # 74/21, P.O. Syed Wala The & Dist Nanakana Sahib.	Muhammad Asif Anshad CNIC # 36302-5253731-1, Hassanain Raza CNIC # 36302-0542270-1	Muhammad Arshad	4,967	548	1,318	6,863	-	-	411	-	1,180	CF-Hypo	
52	Muhammad Abdul Latif A-38, Block-1, Gushon-e-Iqbal, Near Calfax Pump, Karachi.	Sharbaz Shaheer Ch. CNIC # 35402-3965169-9	Muhammad Sharif	1,499	834	245	2,578	-	-	448	-	540	CF-(Agrim)	
53	Atiq ur Rehman, Village Nol Plot, Post Office # 12/GD, Tehsil & Dist Okara.	Muhammad Abdul Latif CNIC # 42201-2140727-1	Muhammad Ashraf Raouf	439	101	-	540	439	330	-	-	769	Credit Card	
54	Atiq ur Rehman, Malik Aslam & Company, New Sabzi Mandi Khanpur & Dist Rahim Yar Khan.	Atiq ur Rehman CNIC # 3530219007825	Habib ur Rehman	907	58	-	965	907	58	-	-	965	Auto Finance	
55	Sh. Shahid, Shop # 15-B Situated Of Muslim Bazar Gujrat.	Aftab Aslam CNIC # 3130175602307	Muhammad Aslam	1,048	83	-	1,131	1,048	83	-	-	1,131	Auto Finance	
56	Dewan Syed Muhammad Zuqaiman Shah, Mouza Ajpur, Tehsil Jalapur Prowala, District Multan.	Sh. Shahid Asghar CNIC # 34201-1179703-3	Sh M Asghar	977	982	91	2,050	-	-	554	-	599	CF-Hypo	
57	Suzuki Multan Motors, 348 Khanewala Road, Multan.	Muhammad Zulkarnain Bukhari CNIC # 35201-1539211-7	Dewan Ashiq Hussain Bukhari	996	677	330	1,993	-	-	400	-	593	Musalsal Zari Sahulat	
58	Jamil Jamshad & Brothers, Chowk BCG Bahawalpur Road, Multan.	Muhammad Sohail CNIC # 36302-4902205-5	Haji Muhammad Ashraf	1,685	642	319	2,646	-	-	584	-	903	CF Hypo	
59	Marral Fiber Mills Pvt Ltd, 22-C ATE Industrial Estate, Multan.	Muhammad Jamil CNIC # 36302-5188528-3, Muhammad Jamshed Waqas CNIC # 36302-7053729-1, Muhammad Akhtar CNIC # 36302-6451359-7	Beshir Ahmed, Haji Muhammad	9,855	3,318	20,851	34,024	9,855	-	3,318	-	34,024	CF Pledge & CF Hypo	
60	Nasir Brothers Cotton Ginners, Shehrul Station, Tehsil & Dist Lodhran.	Muhammad Tariq Javed CNIC # 36302-8399251-7, Nasir Javed Khan CNIC # 36302-0907058-3, Nasir Javed Khan CNIC # 36302-0607058-3, Muhammad Tariq Javed CNIC # 36302-8399251-7	Ghulam Rasool Khan, Ghulam R	8,034	6,561	5,802	20,397	8,034	-	6,561	-	20,397	CF Pledge	
61	Sohail Ahmed, House-E 13/15 Street # 7, Islam Nagar, Walton Lahore.	Sohail Ahmed CNIC # 35202-6135809-9	Ghulam Rasool Khan, Ghulam R	11,205	8,818	7,383	27,406	11,205	-	8,818	-	27,406	CF Pledge/Hypo/Tr	
62			Ghulam Sarwar Khokhar	1,054	559	41	1,654	1,054	559	-	41	1,654	Car Ijarah	

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				Principal	Mark-up	others	Total (5+6+7)				Undebited	Debited	Undebited
1	Mirza Ashraf Baig, House # 23, Qadir Street, Hussain Park, Harbanspura Lahore.	3	4	5	6	7	8	9	10	11	12	13	
63	Mirza Ashraf Baig, House # 23, Qadir Street, Hussain Park, Harbanspura Lahore.	Mirza Ashraf Baig CNIC # 35202-0378417-3	Shareef Baig	1,113	149	90	1,352	1,113	149	90	-	1,501	Car Ijarah
64	Muhammad Najeef, House # 251, C-Block, Marghazar Colony, Multan Road, Lahore.	Muhammad Najeef CNIC # 35404-7506287-7	Chaudhary Inadad Hussain	526	1,287	68	1,881	526	1,287	68	-	1,881	Car Ijarah
65	Muhammad Mueen Asif, House # 201, Block - H, Sabzar, Lahore.	Muhammad Mueen Asif CNIC # 35202-2954997-1	Muhammad Asif	821	912	124	1,857	821	912	124	-	1,857	Car Ijarah
66	Qasim Khan, House # 23, Street # 55, Touheebabad Qila Muhammad, Lahore.	Qasim Khan CNIC # 35202-0522551-7	Rashheed Khan	462	1,504	73	2,039	462	1,504	73	-	2,039	Car Ijarah
67	Muhammad Rizwan, P-166, Street # 2, Bataia Colony, Saligina Road, Faisalabad.	Muhammad Rizwan CNIC # 36101-0766206-7	Mubarak Ali	842	590	41	1,473	842	590	41	-	1,473	Car Ijarah
68	Adnan Ali Pervaz, P-124, St # 5, Bismillah Chowk, Taaj Colony, Sarodha Road, Faisalabad.	Adnan Ali Pervaz CNIC # 33100-5232906-3	Mian Muhammad Ali Pervaz	690	279	83	1,052	690	279	83	-	1,052	Car Ijarah
69	Shehzad Zia, F-3, Gulshan Park, Lal Puli, Multan, Lahore.	Shehzad Zia CNIC # 35201-6137687-9	Muhammad Yousaf	471	1,234	77	1,782	471	1,234	77	-	1,782	Car Ijarah
70	Muhammad Faheem Ilyas, House # 25, Sardar Street, Near College Road, Sanghar, Lahore.	Muhammad Faheem Ilyas CNIC # 35201-1842314-5	Muhammad Ilyas	435	575	27	1,037	435	575	27	-	1,037	Car Ijarah
71	Jamal Ali, H # 5, St # 1, Ferooq-e-Azam Block A-noor Colony, Raja Town, Khanna, Islamabad.	Jamal Ali CNIC # 37405-0807384-1	Munawar Rashid	45	1,236	28	1,309	45	1,236	28	-	1,309	Car Ijarah
72	Khalid Yaseen Khan Lodhi, H # 594, St # 44, Ground Floor, G-104, Islamabad.	Khalid Yaseen Khan Lodhi CNIC # 35403-9779390-3	Muhammad Yasin Khan	516	130	27	673	516	130	27	-	673	Car Ijarah
73	Noman Iqbal, H # 326/D, Multazabadi Gooli, Multan.	Noman Iqbal CNIC # 36302-7300421-3	Muhammad Iqbal	281	1,357	37	1,675	281	1,357	37	-	1,675	Car Ijarah
74	Muhammad Farman, Al Noor Street, Itefaq Colony, Bossan Road, Multan.	Muhammad Farman CNIC # 36302-9648147-7	Rana Muhammad Luqman	169	1,782	49	2,000	169	1,782	49	-	2,000	Car Ijarah
75	266W, 10- Mohalla Sunnait, Tughaq Road, Chowk Ghanta Ghar, Multan.	Muhammad Hussain, CNIC # 36302-0489279-9	Muhammad Anwar	88	1,658	27	1,783	88	1,658	27	-	1,783	Car Ijarah
76	Malik Waqar Khan Ghani Malik Ahmed, Landi Arab Tehsil & District Peshawar.	Malik Waqar Khan CNIC # 17301-4128757-3	Malik Hayat Khan	-	397	832	1,229	-	-	-	828	828	Car Ijarah
77	Sohail Ahmed, Plot # 201-B, Sector AC, Phase II, Defence Housing Authority, Islamabad.	Sohail Ahmed CNIC # 61101-3054807-9	Khalid Ahmed Shaier	1,334	628	415	2,377	-	-	-	652	309	Home Musharakah
78	Mominuddin, House # 202, Block E, Phase IV, DHA, Lahore.	Moin Ud Din CNIC # 35202-2755898-7	Anin ud Din	2,232	775	1,203	4,210	-	-	-	768	1,202	Home Musharakah
79	Syed Jawad Haider / Shumaila Syed Jawad Haider / Shumaila Phase IV, DHA, Lahore.	Syed Jawad Haider / Shumaila Jawad CNIC # 35201-1594552-5	Syed Sajjad Haider	1,122	602	1,118	2,842	-	-	-	583	1,118	Home Musharakah
80	Nisar Ahmed, House # 282, Lane 3, Adlam Shaheed Road, Tulsai Road, Lalazar, Rawalpindi.	Nisar Ahmed CNIC # 37101-1775472-5	Muhammad Sadiq	473	1,425	869	2,837	-	-	-	673	939	Home Musharakah
81	Umer Aziz Rana, House # 287-N, Model Town Extension, Lahore.	Umer Aziz Rana CNIC # 35200-0787786-3	Abdul Aziz Rana	452	26	-	478	452	86	-	-	538	Personal Loan
82	Muhammad Haris, Flat # A-901, 9th floor, Bismillah Towers, Gulshan-e-Johar, Block-10, Near Nawaz Sharif Scheme & PIA Housing Society, Karachi.	Muhammad Haris CNIC # 42101-8096349-1	Fahat Ali	456	28	-	484	447	93	-	-	540	Personal Loan
83	Hassan Jilil, 248-J, Street # 13, Phase-V, DHA, Lahore.	Hassan Jilil CNIC # 35202-5060427-7	Qadir Ali Jilil	1,000	50	-	1,050	1,000	197	-	-	1,197	Personal Loan
84	Qaiser Ali, House # 32, Ghazi Line, Zaheer Vilaz in Military Accounts Society, College Road, Lahore.	Qaiser Ali CNIC # 35202-9354509-9	Qurban Ali	461	-	-	461	461	91	-	-	552	Personal Loan
85	Ch Asif Sardar, 189-A/1 Block, Johar Town, Lahore.	Ch Asif Sardar CNIC # 35401-1859488-1	Ch Sardar Muhammad	365	44	-	409	355	311	-	-	666	Credit Card

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				Principal	Mark-up	others	Total (8+9+7)	Undebited	Debited	Undebited	Debited			
1				5	6	7	8	9	10	11	12	13		
86	Abdul Malik, House # 192/2, Block-B, Khudsood Colony, Karachi.	Abdul Malik CNIC # 42301-0943202	Muhammad Saleem	810	9	-	819	1,038	429	-	-	1,467	Credit Card	
87	Syed Mubashir Ali Zaidi, B-156, Block#13, Federal B Area near Water Pump, Karachi.	Syed Mubashir Ali Zaidi CNIC # 42101-2356138-3	Syed Mubashir Ali Zaidi	411	-	-	411	433	329	-	-	762	Credit Card	
88	Adnan Muhammad Ali, House # D-742, Block # 4, Gulshan-e-Iqbal near Paltan Hospital, Karachi.	Adnan Muhammad Ali CNIC # 42101-2471460-3	Syed Aisar Ali	349	25	-	374	375	176	-	-	551	Credit Card	
89	Peer Dressar/S Pearl Dress, Street # 10, New Bano Bazar, Faisalabad.	Hamad Raza CNIC # 33100-2337268-5	Shahid Hussain	2,080	37	728	2,845	-	-	36	728	764	AMF-3	
90	Shahzad Khan, Plot bearing Kasra # 18102, Landi Arbab Ring, Kohat Road Peshawar.	Shahzad Khan CNIC # 17301-7706489-3	Aff Gul	474	209	615	1,298	-	-	-	615	615	Current Finance	
91	Asan Traders 100, Shallimar Colony, Bossan Road, Multan.	Muhammad Khalid Saeed CNIC # 36302-3606220-3	Muhammad Saeed Shokat	-	875	296	1,171	-	-	437	-	721	Current Finance	
92	Muhammad Arshad, House # 8, Gulberg Colony, Block C, Near Bilal Park, Faisalabad.	Muhammad Arshad CNIC # 33100-0277492-9	Nawab Deen	1,083	207	609	1,699	-	-	160	-	649	Musalsal Zane Sahulat	
93	Sardar Khan & Muhammad Khan, Chak # 51/A, P.O Chani Ghoti, Tehsil Liaquatpur, District Rahim Yar Khan.	Sardar Khan CNIC # 31302-6871876-5, Muhammad Khan # 31302-8509509-3	Karamat Ali	1,280	462	-	1,742	1,280	525	-	-	1,805	Musalsal Zane Sahulat	
94	Sabir Hussain, Basti Peer Abdul Sattar Kot Hirra, P.O Bahawalnagar, Tehsil & Dist Bahawalnagar.	Sabir Hussain CNIC # 31101-1650132-3	Muhammad Arif	418	282	-	700	418	282	-	-	700	Musalsal Zane Sahulat	
95	Zaher Sattar, Chishtian Park Colony, St # 4, Tehsil Chishtian, Dist Bahawalnagar.	Zaher Sattar CNIC # 31102-1473469-5	Abdul Sattar	1,321	675	-	1,996	1,261	675	-	-	1,936	Musalsal Zane Sahulat	
96	Jabir Hussain, Chak # 511EB, Tehsil Burewala Dist Vehari.	Jabir Hussain CNIC # 36601-7873173-9	Noor Din	500	135	-	635	500	160	-	-	660	Musalsal Zane Sahulat	
97	Khawaja Noor Muhammad, Chak # 99 EB, Tehsil Burewala Dist, Vehari.	Khawaja Noor Muhammad CNIC # 36601-2094958-9	Khawaja Chusim Siddique	1,032	224	-	1,256	1,032	275	-	-	1,307	Musalsal Zane Sahulat	
98	Ejaz Ahmed Shah/Sanjay Saidan, PO Shadian Lound, Tehsil Tarnana, Dist, D.G. Khan.	Ejaz Ahmed Shah CNIC # 32103-2752131-5	Nazar Hussain Shah	754	421	-	1,175	754	421	-	-	1,175	Musalsal Zane Sahulat	
99	Ahmad Hussain/Alfar Hussain/Baqir Hussain, Mouza Shekh Wari P.O Khas Khairpur, Tarnawali Dist, Bahawalpur.	Ahmad CNIC # 31204-7938132-5, Alfar CNIC # 31204-1425451-7, Baqir CNIC # 31204-8663635-9	Alfa Muhammad	3,389	-	-	3,389	3,399	-	-	-	3,399	Musalsal Zane Sahulat	
100	Ali Hassan/Mouza Maranpur, Tehsil Dist Nankana.	Ali Hassan CNIC # 35402-1989270-3	Rai Muhammad Khan	898	8	-	906	898	8	-	-	906	Musalsal Zane Sahulat	
101	Jhangar Awana, Tehsil Jaranwala, Faisalabad.	Malik Dost Muhammad CNIC # 33104-1805240-1	Malik Ahmad Khan	651	91	-	742	651	91	-	-	742	Musalsal Zane Sahulat	
102	Muhammad Shakeel Shah, Village Ghaus Pur Qureshian, Tehsil Mian Channu, Dist, Khawar.	Muhammad Shakeel Shah CNIC # 36104-70272903	Muhammad Shahi Queshti	1,997	860	-	2,857	1,997	1,002	-	-	2,999	Musalsal Zane Sahulat	
103	Mirza Zulfiqar, House # 161, Employees Housing Society, Sindh Agrl University, Jamshoro.	Mirza Zulfiqar CNIC # 41204-3794170-7	Ghulam Hussain Mirza	1,200	164	-	1,364	1,200	164	-	-	1,364	Musalsal Zane Sahulat	
104	Syed Hadi Hassan Shah, Mouza Bakru Shah, Tehsil Osapur, District Okara.	Syed Hadi Hassan Shah CNIC # 35301-8734891-1	Syed Malik Shah	1,507	986	-	2,493	1,157	1,085	-	-	2,242	Musalsal Zane Sahulat	
105	Jarar Zafer, Chak Bhakar, P.O Poka Sindh, Tehsil & Dist, Pakpattan.	Jarar Zafer CNIC # 36402-6953762-5	Mian Zafer Rashed	1,600	238	-	1,838	1,600	238	-	-	1,838	Musalsal Zane Sahulat	
106	Shahid Hussain Khadai, Mouza Khadai, P.O Jhok Wains, The & Dist Multan.	Shahid Hussain Khadai CNIC # 36302-0359615-1	Malik Muhammad Hussain Khadai	1,175	295	-	1,470	675	352	-	-	1,027	Musalsal Zane Sahulat	
107	Muhammad Bilal, Basti Kharu, Deth, P.O Same Tehsil Hasrapur Dist, Bahawalpur.	Muhammad Bilal CNIC # 31203-4723329-3	M. Amin	1,500	3	666	2,169	-	-	-	569	569	Musalsal Zane Sahulat	

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				Principal	Mark-up	others	Total (5+6+7)		Undebited	Debited	Undebited	Debited		
				5	6	7	8	9	10	11		12	13	
1														
108	S Basharat Nabi & Sons, Corral, 5KM, G.T Road, Gujrat.	Sri Basharat Nabi Chief Executive CNIC # 34201-4867796-3, Sri Faizal Nabi Director CNIC # 34201-6282858-5	Wazeer Nabi Sh Basharat Nabi	510	181		691	510	181			872	CF	
109	Riaz Ahmed, Shop F-29, First Floor Gulf Center, Rawalpindi.	Riaz Ahmed CNIC # 37405-1809841-9	Gulzar Ahmed	2,049	1,535	86	3,670					1,619	Current Finance	
110	Muhammad Baran Khan, Mouza Basri Loochar, P.O Raizabad, Tehsil & District Multan.	Muhammad Baran Khan CNIC # 36302-1259703-9	Tufail Ahmed Khan	1,400	2,301	95	3,796					1,127	Musalsal Zarie Sahulat	
111	Muhammad Ajmal Khan, Mouza Basri Loochar, P.O Raizabad Tehsil & District Multan.	Muhammad Ajmal Khan CNIC # 36303-4783896-1	Tufail Ahmed Khan	2,311	2,892	143	5,346					1,346	Musalsal Zarie Sahulat	
112	Jamshaid Ali, Kanewali Dak khana & District Multan.	Jamshaid Ali CNIC # 35404-7427354-9	Muhammad Ashraf	1,289	625		1,914		504			504	Staff House Loan	
113	Maqsood Wazkan Distt, Sheikhpura 7427354-9	Abdul Raheid CNIC # 12101-6622932-5	Siraj Din	4,499	941	325	5,765				325	1,265	Current Finance	
114	Syed Abbas Ali- Street # 2, Ghulam Hussain Colony, 24KM Ferozpur Road, Lahore.	Syed Abbas Ali CNIC # 35202-2223765-5	Syed Talib Hussain Shah	2,000	327	1,181	3,508				918	1,165	AKF	
115	Ghazanfar Amin, Mouza Bara Sajwar Khan, P.O. Dunag Bunga, Tehsil & Distt. Bahawalpur.	Ghazanfar Amin CNIC # 31101-5825954-3	Muhammad Amin	1,486	942	626	3,064				122	1,064	Musalsal Zarie Sahulat	
116	Sattar Ali & Zameer, Ward # 1, Salawey, Tehsil Chiniot Distt. Faisalabad.	Sattar Ali CNIC # 33201-8293083-9, Zameer CNIC # 33201-2851869-2	Sultan Mianhoon	796	25	608	1,430				555	580	Musalsal Zarie Sahulat	
117	Nisar Ahmad, Chak # 19, J.B. Kadookay, Tehsil Chak Junra, Distt. Faisalabad.	Nisar Ahmad CNIC # 33101-8120694-7	Gul Sher Khan	2,000	412	831	3,243				200	743	CF-(Agrim)	
118	Shahid Naveed, Street # 14, Mazhar, Feroze Colony, Sadiqueabad.	Shahid Naveed CNIC # 31304-0717282-9	Faqeer Muhammad		510		510					510	Car Ijarah	
119	Ch. Shakeel Ahmad, 234-C, Gulshan-e-Ravi, Lahore.	Ch. Shakeel Ahmad CNIC # 35202-6912195-5	Ch. Khushi Muhammad		847		847					847	Car Ijarah	
120	Malik Haroon Tabrez, H.No: NE252/G, Street # 4, Chaman Zar Colony, Rawalpindi.	Malik Haroon Tabrez CNIC # 37405-0162672-1	Malik Anjad Tabrez	413	756	61	1,230	413			81	1,230	Car Ijarah	
121	Aftab Alam, House # 15/A, Block E, New Saez Mandi, Ferozpur.	Aftab Alam CNIC # 21202-1343852-9580724-8	Syed Wali	439	864	66	1,369	439			66	1,369	Car Ijarah	
122	Mohsin Khalid, House # 22, Street # 21, College Street, Marzi Jura, Ravi Road, Lahore.	Mohsin Khalid CNIC # 35202-1047884-9	Khalid Hussain	441	975	66	1,482	441			66	1,482	Car Ijarah	
123	Pir Amin Khan, House # 3A, Street 10 Sector E2, Phase 1, Heysalabad, Peshawar.	Pir Amin Khan CNIC # 17301-3646724-8	Pir Qasir Khan	45	1,048	7	1,100	45			7	1,100	Car Ijarah	
124	Muhammad Riaz, Bahawalpur Road, Ravi Kali Near Dr. Jabbar Clinic, Multan.	Muhammad Riaz CNIC # 36304-1381722-9	Abdul Razaq		1,370		1,370					1,370	Car Ijarah	
125	Naseem Javaid, House # 248, Sher Muhammad village, Hawksbay Road Near Suban Allah Masjid, Karachi.	Naseem Javaid CNIC # 45402-7262812-5	Gulab Khan	356	1,779	13	2,148	356			13	2,148	Car Ijarah	
126	Abdul Razzaq, Flat # 27, 5th Floor, Arabi Mansion, Barwala Street, Near Mch Lee Market, Karachi.	Abdul Razzaq CNIC # 42301-7387205-9	Saleh Muhammad					300	248			548	Credit Card	
127	Muhammad Bilal, House # 3, Street # T, Chitra Street, Town, Murdike	Muhammad Bilal CNIC # 33401-9580272-1	Munir Ahmed	337	121		458	337	260			597	Credit Card	
128	Ghulam Nabi, House # 7, G-Block, State Life Housing Society, D.H.A. Phase-IV, Lahore.	Ghulam Nabi CNIC # 35202-2059478-7	Maqbool Ahmad	438	41		479	390	342			732	Credit Card	
129	Omar Farooq Ch, 139-B, Model Town, Gujranwala	Omar Farooq Ch CNIC # 34101-2505788-7	Farooq Toseef	30	3		33	309	488			897	Credit Card	
130	Shahid Ahmed, House # 18/A, J Street, Off Khayaban-E-Muhamiz, Phase-VI, D.H.A., Karachi	Shahid Ahmed CNIC # 42301-1499869-5	Mohammed Shafiq	442			442	491	237			728	Credit Card	

S.No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with CNIC)	Father's / Husband's Name	Outstanding Liabilities At Beginning Of Year As At January 01, 2018				Mark-up		Other financial relief provided		Total (9+10+11)	Product_Name
				Principal	Mark-up	others	Total (5+6+7)	Principal written-off	Undebited	Debited	Undebited		
1	2	3	4	5	6	7	8	9	10	11	12	13	
131	Muhammad Rafiq, Main Canal Road Near Gujrat University Campus Qasr-e-Shahi Shadi Hall Hazratgura, Lahore	Muhammad Rafiq, CNIC # 3520196941505	Malik Arned Din	709	18	-	727	686	62	-	-	750	Auto Finance
132	Raja Aamer Azad, NW-553, Saidpur Scheme-1, Near Rasheed Nursing Home, Rawalpindi	Raja Aamer Azad CNIC # 6110145893699	Raja Muhammad Azad	1,088	17	-	1,105	1,088	62	-	-	1,170	Auto Finance
133	Nadeem Mohsin, Address: House No. 1058, Street No. 8, Islamia Park, Chibran, Near Niaz Chowk, Faisalabad	Nadeem Mohsin CNIC # 33100-0645631-9	Bashir Ahmad	733	18	-	751	715	142	-	-	857	Personal Loan
134	Huma Faraz, H. # 2071, Khayaban-e-Hilal, Phase-VI, DHA, Near 26th Street, KFC, Karachi	Huma Faraz CNIC # 36502-9555453-6	Faraz Hafeez	491	-	-	491	478	85	-	-	563	Personal Loan
135	Bilal Hassan, House # 245, Block R, Jinnar Town, Lahore	Bilal Hassan CNIC # 36103-3651687-3	Ali Muhammad	568	47	-	615	510	-	-	-	510	Personal Loan
136	Fakhr Zaman, Jaman Shah Tehsil, Arif Wala	Fakhr Zaman CNIC # 36401-2169879-3	Bashir Ahmad	1,001	467	-	1,468	1,001	516	-	-	1,517	Musalsal Zane Sahulat
137	Muhammad Mushtaq, Ward # 5, Sukhara House, House No 540 F, Mandi Sadiq Gunj Tehsil Muzaffargarh & Dist Bahawalpur	Muhammad Mushtaq CNIC # 31105-2591242-1	Muzaffar Khan	1,336	812	-	2,148	1,336	812	-	-	2,148	Musalsal Zane Sahulat
138	Abdul Sattar, Chak # 966R, P.O Muzaffargarh & Dist Bahawalpur	Abdul Sattar CNIC # 31104-1702897-1	Manzoor Ahmad	1,677	599	-	2,276	1,677	599	-	-	2,276	Musalsal Zane Sahulat
139	Muzaffer Abbas, Mouza Bukharian, Chinnai	Muzaffer Abbas CNIC # 33201-9677650-3	Muhammad Fazal	1,500	393	-	1,893	1,100	383	-	-	1,483	AZMS
140	Muhammad Akram, Dawokay Khurd, Post Office Peto Chuk, Tehsil Daska, District Sialkot	Muhammad Akram CNIC # 34601-9820533-9	Ali Muhammad	999	201	-	1,200	999	201	-	-	1,200	AMZ
141	Rao Muhammad Aslam, Mouza Wahi Saharai, Raji/D Lodhran	Rao Muhammad Aslam CNIC # 36203-1908131-3	Naimat Ali	-	-	-	-	449	129	-	-	578	Musalsal Zane Sahulat
142	Dogar House Mohaleh Nai Basri, Khan Gari Tehsil & District Muzaffargarh	Muhammad Nauman Hameed CNIC # 32304-4259141-1	Muhammad Guflar Hameed	2,462	-	-	2,462	2,066	616	-	-	2,682	Musalsal Zane Sahulat
143	Zakir Hussain, Chak # 493-R, Tehsil & District Okara	Zakir Hussain CNIC # 35302-1983991-3	Khadim Hussain	1,280	202	-	1,482	980	263	-	-	1,243	Musalsal Zane Sahulat
144	Raees Armeed, Mouza Loothar Raijabad, Multan	Raees Ahmed CNIC # 36302-9330671-7	Ch Mushuq	1,634	513	-	2,147	1,604	594	-	-	2,198	Musalsal Zane Sahulat
145	Nazim Uddin, Kot Lal Bux Marhasar, Dhangho Marhasa Tehsil Sajawal Dist, Kambar, Shehidat	Nazim Uddin CNIC # 43204-4861690-1	Inamuddin Mahessar	5,000	580	146	5,726	-	-	580	-	726	CF-Hypo
146	Muhammad Saleemuddin Abbasi, House # 106, Sector-V, DHA, Faisalabad	Muhammad Saleemuddin Abbasi CNIC # 31303-9706945-5	Noor Muhammad Abbasi	462	677	90	1,219	462	-	677	80	1,219	Car Jarrah
147	Muhammad Afzal, P-12/02, St # 5, Tasi Colony, Faisalabad	Muhammad Afzal CNIC # 33100-0812138-1	Bashir Ahmed	385	684	45	1,114	385	-	684	45	1,114	Car Jarrah
148	Manzoor Ahmed, P-132 C, Gulberg Main Road, Faisalabad	Manzoor Ahmed CNIC # 33100-0813999-7	Abdul Majeed	680	401	36	1,207	680	-	491	36	1,207	Car Jarrah
149	Muhammad Masood, P-128 St # 3, Rabari Colony, Faisalabad	Muhammad Masood CNIC # 33100-2997063-1	Sadiq Ali	17	1,229	-	1,246	17	-	1,229	-	1,246	Car Jarrah
150	Muhammad Rashid, P-444, Street # 1, Chak # 279 RB, Khurd, Mohsin Raza Lilla Maynu Gate	Muhammad Rashid CNIC # 33100-8674104-5	Muhammad Ashraf	810	671	50	1,531	810	-	671	50	1,531	Car Jarrah
151	Mohela Pandis, Jhanki, Block A, PWD Housing Scheme, Islamabad	Mohsin Raza CNIC # 33202-3801595-5	Muhammad Younas	70	418	17	506	70	-	418	17	506	Car Jarrah
152	Muhammad Abdullah H # 183 St # 3, Block A, PWD Housing Scheme, Islamabad	Muhammad Abdullah CNIC # 34603-7069602-7	Ihsan Ullah Qureshi	1,995	7	458	2,460	1,995	-	7	458	2,460	Car Jarrah
153	Haroon Rasheed, H # 20, Al-Ahmed Street, Machine Park, Azam Garden, Multan Road, Lahore	Haroon Rasheed CNIC # 35202-2308558-7	Abdul Rasheed	224	492	36	752	224	-	492	36	752	Car Jarrah
154	Muhammad Farooq Ahmed, House # B-3 II, Education Town, Wehdat Road, Lahore	Muhammad Farooq Ahmed CNIC # 35202-4931197-9	Noor Muhammad	173	363	34	570	173	-	363	34	570	Car Jarrah

S.No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with CNIC)	Father's / Husband's Name	Outstanding Liabilities At Beginning Of Year As At January 01, 2018				Principal written-off		Mark-up		Other financial relief provided		Total (9-10-11)	Product_Name
				Principal	Mark-up	others	Total (3+4+7)	Undebited	Debited	Undebited	Debited	Undebited	Debited		
1	Muhammad Afzal Umeed, H # 104/D, LDA Housing Society, Zaman Park, Lahore	Muhammad Afzal Umeed CNIC # 35202-6963503-1	Sher Muhammad	5	6	7	8	9	10	11	12	13			
155	Faisal Ilkhar, H # 7, Bastiani Road, Samnabad, Lahore	Faisal Ilkhar CNIC # 35202-9951897-1	Ilkhar Ud Din	657	869	66	1,592	657	869	66	1,592			Car Ijarah	
157	Syed Subain Raza House # 76 St # 40, Gulshanabad Rawalpindi	Syed Subain Raza CNIC # 37405-03695133-7	Syed Muhammad Raza	12	1,008	-	1,020	12	1,008	-	1,020			Car Ijarah	
158	Muhammad Zafar, P-13714 St # 9, Asgher Block, Ansa Street, Nishatabad, Faisalabad	Muhammad Zafar CNIC # 33100-0852098-5	Abdul Rashid	-	573	-	573	-	573	-	573			Car Ijarah	
159	Muhammad Zubair, Seth Plaza, Colony, Faisalabad	Mazhar CNIC # 33100-5311915-5	Abdul Aziz	-	1,899	-	1,899	-	1,899	-	1,899			Car Ijarah	
160	Bazar # 2, Mughal Pura, P.O Wazirabad Colony, Gujranwala	Muhammad Zubair CNIC # 34101-2678292-1	Muhammad Rasheed Sandhu	-	1,186	4	1,190	-	1,186	4	1,190			Car Ijarah	
161	Chaudhary Shaikat Ali, House # 121, Block C, Street # 5, Phase V, DHA, Lahore	Chaudhary Shaikat Ali CNIC # 34201-2549398-5	Chaudhary Akbar Ali	-	1,480	20	1,510	-	1,480	20	1,510			Car Ijarah	
162	Muhammad Rafique, Sattar Abbas Road, DHA Phase V, Main Badli Road, Cantt Lahore	Muhammad Rafique CNIC # 35201-9185220-5	Bhury Khan	-	836	8	844	-	836	8	844			Car Ijarah	
163	Munzoor Ahmed, House # 5, Street # 138-A, Rana Street Aziz Park Ichra, Lahore	Munzoor Ahmed CNIC # 35202-2878259-7	Abdul Sattar	-	1,039	2	1,041	-	1,039	2	1,041			Car Ijarah	
164	Shehzad Rasheed, Mohalla Madina Chowk, Street # 22, Sher Shah Road, Bastiani Bagh, Lahore	Shehzad Rasheed CNIC # 35202-5808179-5	Muhammad Rasheed	-	853	4	857	-	853	4	857			Car Ijarah	
165	Muhammad Iqbal Qureshi, House # 13, Lakar Mandi, Khanewal	Muhammad Iqbal Qureshi CNIC # 36103-1628218-3	Ehsan Ullah Qureshi	-	979	-	979	-	979	-	979			Car Ijarah	
166	Haron Rasheed Arjum, Abad # 1, Monalish, Muhammadi, Multan	Haron Rasheed Arjum CNIC # 36302-4929752-5	Rasheed Arjum Arjum	-	614	-	614	-	614	-	614			Car Ijarah	
167	Malik Muhammad Zubair, House # 1081, Street 4, Erd Gah Colony, Khanewal Road, Multan	Malik Muhammad Zubair CNIC # 36302-5477477-3	Malik Muhammad Ameer	-	553	-	553	-	553	-	553			Car Ijarah	
168	Muhammad Kashif Arjan Wahlan, P.O Mishi, District Vehar, Multan	Muhammad Kashif CNIC # 36302-9277227-1	Mian Ashiq Muhammad	-	639	-	639	-	639	-	639			Car Ijarah	
169	Nadeem Ayub House # J-223-D, Street # 37, Ateya Mithalish, Rawalpindi	Nadeem Ayub CNIC # 37405-5257498-7	Chaudhary Muhammad Ayub	-	708	-	708	-	708	-	708			Car Ijarah	
170	Muhammad Ashraf Ali, H # DPN # 10, Street # 1, Transformer Crowk, Sadqabad, Rawalpindi	Muhammad Ashraf Ali CNIC # 37405-9632895-7	Zakir Hussain	-	511	-	511	-	511	-	511			Car Ijarah	
171	Sadiq Hussain, B-10371 Block-3A, G-11/11-11, Jinnah, Karachi	Sadiq Hussain CNIC # 42201-0487316-9	Najaf Ali	-	869	24	893	-	869	24	893			Car Ijarah	
172	Sajjad Ahmed Khan, House # 18-C, G-Market, Block-6 PECHS, Near Farhan Hotel, Karachi	Sajjad Ahmed Khan CNIC # 61101-5992085-5	Shair Afzal Khan	-	604	-	604	-	604	-	604			Car Ijarah	
173	Al Faiz Trader Property # 929 Mian Road Chak # 279 Madina Town Faisalabad	Muhammad Ijaz Vrk CNIC # 33102-17725855-9	Faiz Muhammad	9,266	9,210	1,501	19,977	-	6,476	617	7,093			CF Hypo	
174	Ghaib Waqas House # 66, Mohallah Balash, Sarwar City, Dera Ghazi Khan	Chahab Waqas CNIC # 32102-6985516-7	Mehboob Ahmed	1,675	481	1,427	3,583	-	236	-	847			SME / R&MM CF-Hypo	
175	Bazar Mughalbara, Lahore	Muhammad Fayyaz CNIC # 35201-3344214-5	M. Ramzan	3,629	425	2,154	6,208	-	325	-	1,562			SME / R&MM CF-Hypo	
176	Mr. Javed Muslim & Muhammad Yasin, Setiana Road Faisalabad	Javed Muslim CNIC # 33100-0608172-1, Muhammad Yasin CNIC # 33100-0608172-1	Hafeez Ullah	4,629	574	2,888	8,101	-	-	-	2,101			SME / R&MM CF-Hypo	
177	Munzoor Ahmed & Farqanda Jabben, Ch House, Mohalla Sharapur Road, By Pass, Faisalabad	Munzoor Ahmed CNIC # 35404-7878797-7, Farqanda Jabben CNIC # 35404-6340231-4	Abdul Rasheed	3,465	2,537	589	6,621	-	2,437	-	179			SME / R&MM Current Finance	
178	Muhammad Tariq Qureshi Shop # 3, Muslim Centre, Chatterji Road, Urdu Bazar, Lahore	Muhammad Tariq Qureshi CNIC # 35202-7288906-1	Abdul Qadeer Chudhary	220	203	451	874	-	163	-	397			SME / R&MM Current Finance	



S.No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with CNIC)	Father's / Husband's Name	Outstanding Liabilities At Beginning Of Year As At January 01, 2018				Total (5+6+7)	Principal written-off	Mark-up		Other financial relief provided		Tot. (9+10+11)	Product Name
				Principal	Mark-up	others	6			7	8	Undebited	Debited		
1	Sardar M. Khan Leghari, Mohalla Aynal Braq, P.O Same Rahimabad Tehsil, Sadiqabad, Distt Rahim Yar Khan	3	4	5	6	7	8	9	10	11	12	13			
179	Riaz Ahmed, Shop F.29, First Floor, Gulf Center, Rawalpindi	Sardar M. Khan Leghari CNIC # 31304-2059685-5	Sardar Noor M Khan Laghan	190	331	459	980	-	-	-	338	566	Agri CD - Bal Musalsal Zaria Sahulat		
180	Muhammad Baran Khan, Mouza Basi Loothar, P.O Raizabad Tehsil & District Mufian	Riaz Ahmed CNIC # 37405-1808841-9	Gulzar Ahmed	2,049	968	682	3,669	-	-	-	652	1,040	SME / R&MM Current Finance		
181	Muhammad Aynal Khan, Mouza Basi Loothar, P.O Raizabad Tehsil & District Mufian	Muhammed Baran Khan CNIC # 36302-1259703-9	Tufail Ahmed Khan	1,400	584	1,802	3,796	-	-	-	836	1,127	Agri Bal Musalsal Zaria Sahulat		
182	Muhammad Aynal Khan, Mouza Basi Loothar, P.O Raizabad Tehsil & District Mufian	Muhammad Aynal Khan CNIC # 36303-4783996-1	Tufail Ahmed Khan	2,311	755	2,280	5,346	-	-	-	1,716	2,086	Agri Bal Musalsal Zaria Sahulat		
<b>TOTAL</b>				<b>380,162</b>	<b>183,716</b>	<b>82,159</b>	<b>646,027</b>	<b>130,666</b>	<b>36,435</b>	<b>136,488</b>	<b>48,231</b>	<b>23,090</b>	<b>371,810</b>		

ANNEXURE - II

ISLAMIC BANKING BUSINESS

The bank is operating 152 Islamic banking branches (2017: 152 branches) and 121 Islamic banking windows (2017: 121) at the end of the year.

STATEMENT OF FINANCIAL POSITION

	Note	2018	2017
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		11,718,901	10,165,273
Balances with other banks		777,602	372,714
Due from financial institutions	1	17,986,558	30,891,460
Investments	2	23,200,001	37,914,191
Islamic financing and related assets - net	3	85,835,618	55,605,166
Fixed assets		2,788,299	2,070,542
Intangible assets		3,273	4,537
Due from Head Office		-	-
Other assets		4,783,879	2,197,667
<b>Total Assets</b>		<b>147,094,131</b>	<b>139,221,550</b>
<b>LIABILITIES</b>			
Bills payable		3,854,125	3,944,286
Due to financial institutions		6,019,338	3,793,802
Deposits and other accounts	4	113,525,994	113,414,363
Due to Head Office		-	-
Subordinated debt		-	-
Deferred tax liabilities		112,207	173,209
Other liabilities		11,262,890	7,678,428
		<b>134,774,554</b>	<b>129,004,088</b>
<b>NET ASSETS</b>		<b>12,319,577</b>	<b>10,217,462</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		1,800,000	1,800,000
Reserves		-	-
Surplus/ (Deficit) on revaluation of assets		1,932,828	1,077,137
Unappropriated/ Unremitted profit		8,586,749	7,340,325
		<b>12,319,577</b>	<b>10,217,462</b>

CONTINGENCIES AND COMMITMENTS

7

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

PROFIT AND LOSS ACCOUNT

		2018	2017
Rupees in '000			
Profit / return earned	8	8,632,523	7,815,773
Profit / return expensed	9	2,999,501	3,238,286
Net Profit / return		<b>5,633,022</b>	<b>4,577,485</b>
Other income			
Fee and Commission Income		852,169	539,028
Dividend Income		-	-
Foreign Exchange Income		203,265	243,229
Income / (loss) from derivatives		-	-
Gain / (loss) on securities		(26,145)	207,477
Other Income		46,765	37,974
Total other income		<b>1,076,054</b>	<b>1,027,708</b>
Total Income		<b>6,709,076</b>	<b>5,605,193</b>
Other expenses			
Operating expenses		4,361,325	4,355,270
Workers Welfare Fund		43,659	22,387
Other charges		91	1,109
Total other expenses		<b>4,405,075</b>	<b>4,378,766</b>
Profit / (loss) before provisions		<b>2,304,001</b>	<b>1,226,427</b>
Provisions and write offs - net		292,541	77,673
Profit / (loss) before taxation		<b>2,011,460</b>	<b>1,148,754</b>
Taxation		765,036	435,365
Profit / (loss) after taxation		<b>1,246,424</b>	<b>713,389</b>

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
1 Due from Financial Institutions Unsecured						
Bai Muajjal Receivable from other Financial Institutions	8,175,054	-	8,175,054	14,100,103	-	14,100,103
Bai Muajjal Receivable from State Bank of Pakistan	9,811,504	-	9,811,504	16,791,356	-	16,791,356
	17,986,558	-	17,986,558	30,891,460	-	30,891,460

	2018				2017			
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost /Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
2 Investments by segments:								
Federal Government Securities:								
-Ijarah Sukuka	16,211,323	-	317,897	16,529,220	33,694,052	-	290,219	33,984,271
-Others Federal Government Securities	4,122,215	-	-	4,122,215	-	-	-	-
	20,333,538	-	317,897	20,651,435	33,694,052	-	290,219	33,984,271
Provincial Government Securities								
Shares:								
-Listed Companies	-	-	-	-	-	-	-	-
-Unlisted Companies	-	-	-	-	-	-	-	-
Non Government Debt Securities								
-Listed	-	-	-	-	-	-	-	-
-Unlisted	2,689,965	(141,399)	-	2,548,566	4,097,810	(167,890)	-	3,929,920
	2,689,965	(141,399)	-	2,548,566	4,097,810	(167,890)	-	3,929,920
Foreign Securities								
-Government securities	-	-	-	-	-	-	-	-
-Non Government Debt securities	-	-	-	-	-	-	-	-
-Equity securities	-	-	-	-	-	-	-	-
Associates								
Subsidiaries								
Total Investments	23,023,503	(141,399)	317,897	23,200,001	37,791,862	(167,890)	290,219	37,914,191

	Note	2018	2017
		(Rupees In '000)	
3 Islamic financing and related assets			
Ijarah	3.1	11,472,292	9,160,061
Murabaha	3.2	8,467,690	7,789,403
Musharaka		41,654,940	19,896,377
Diminishing Musharaka		1,779,050	1,236,279
Salam		2,694,881	1,945,447
Istisna		-	60,369
Other Islamic Modes		3,691,855	3,190,274
Advances against Islamic assets		11,201,704	9,463,643
Inventory related to Islamic financing		6,092,511	4,138,316
Gross Islamic financing and related assets		87,054,923	56,880,169
Less: provision against Islamic financings			
- Specific		(1,101,967)	(1,199,456)
- General		(117,338)	(75,547)
		(1,219,305)	(1,275,003)
Islamic financing and related assets - net of provision		85,835,618	55,605,166

	2018							Book Value as at 31 Dec 2018
	Cost			Depreciation				
	As at Jan 01, 2018	Additions / (deletions)	As at Dec 31, 2018	As at Jan 01, 2018	Charge for the year	Depreciation on disposal	As at Dec 31, 2018	
Plant & Machinery	668,702	346,217	1,014,919	(208,924)	(199,016)	21,755	(386,185)	628,734
Vehicles	12,544,123	2,788,640	15,312,763	(3,848,045)	(2,094,361)	1,468,845	(4,473,561)	10,839,202
Equipment	7,492	-	7,492	(3,287)	-	152	(3,135)	4,357
Total	13,220,317	3,114,857	16,335,174	(4,060,256)	(2,293,377)	1,490,752	(4,862,881)	11,472,293

	2017							Book Value as at 31 Dec 2017
	Cost			Depreciation				
	As at Jan 01, 2017	Additions / (deletions)	As at Dec 31, 2017	As at Jan 01, 2017	Charge for the year	Depreciation on disposal	As at Dec 31, 2017	
Plant & Machinery	673,146	(4,444)	668,702	(188,735)	(127,489)	107,300	(208,924)	459,778
Vehicles	10,101,573	2,442,550	12,544,123	(3,172,335)	(1,657,253)	981,543	(3,848,045)	8,696,078
Equipment	4,185	3,307	7,492	(3,287)	-	-	(3,287)	4,205
Total	10,778,904	2,441,413	13,220,317	(3,364,357)	(1,784,742)	1,088,843	(4,060,256)	9,160,061

	2018				2017			
	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total
Ijarah rental receivables	2,086,660	9,385,633	-	11,472,293	1,648,811	7,511,250	-	9,160,061

	Note	2018 -----Rupees In '000)-----	2017
<b>3.2 Murabaha</b>			
Murabaha financing	3.2.1	8,487,690	7,789,402
Inventory for Murabaha	3.2.3	4,191,772	3,032,872
Advances for Murabaha		<u>1,404,688</u>	<u>1,296,582</u>
		<u>14,084,148</u>	<u>12,118,856</u>
<b>3.2.1 Murabaha receivable - gross</b>	3.2.2	8,882,106	7,901,022
Less: Deferred murabaha income	3.2.4	(5,104)	5,104
Profit receivable shown in other assets		<u>(409,312)</u>	<u>106,516</u>
Murabaha financings		<u>8,487,690</u>	<u>7,789,402</u>
<b>3.2.2 The movement in Murabaha financing during the year is as follows:</b>			
Opening balance		7,901,022	6,743,873
Sales during the year		981,084	1,157,349
Adjusted during the year		-	-
Closing balance		<u>8,882,106</u>	<u>7,901,022</u>
<b>3.2.3 Murabaha sale price</b>		59,451,967	55,026,440
Murabaha purchase price		<u>(55,260,195)</u>	<u>(51,993,568)</u>
		<u>4,191,772</u>	<u>3,032,872</u>
<b>3.2.4 Deferred murabaha income</b>			
Opening balance		5,103	9,397
Arising during the year		-	-
Less: Recognised during the year		-	(4,294)
Closing balance		<u>5,103</u>	<u>5,103</u>

#### 4 Deposits

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	-----Rupees in '000)-----					
<b>Customers</b>						
Current deposits	43,975,307	3,272,005	47,247,312	41,724,134	2,525,915	44,250,049
Savings deposits	46,198,859	2,749,769	48,948,628	48,811,119	2,246,568	51,057,687
Term deposits	13,325,851	181,518	13,507,369	16,321,219	131,253	16,452,472
Other deposits	3,305,410	154,481	3,459,891	689,310	151,431	840,741
	<u>108,803,427</u>	<u>6,357,773</u>	<u>113,161,200</u>	<u>107,545,782</u>	<u>5,055,167</u>	<u>112,600,948</u>
<b>Financial Institutions</b>						
Current deposits	4,273	-	4,273	26,068	-	26,068
Savings deposits	380,521	-	380,521	717,346	-	717,346
Term deposits	-	-	-	70,000	-	70,000
	<u>384,794</u>	<u>-</u>	<u>384,794</u>	<u>813,414</u>	<u>-</u>	<u>813,414</u>
	<u>107,168,221</u>	<u>6,357,773</u>	<u>113,525,994</u>	<u>108,359,196</u>	<u>5,055,167</u>	<u>113,414,363</u>

#### 4.1 Composition of deposits

	2018 -----Rupees in '000)-----	2017
- Individuals	82,746,432	85,012,900
- Government / Public Sector Entities	3,014,177	3,461,512
- Banking Companies	131	128
- Non-Banking Financial Institutions	364,664	813,287
- Private Sector	<u>27,400,580</u>	<u>24,128,538</u>
	<u>113,525,994</u>	<u>113,414,363</u>

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 98,206.476 million (2017 : Nil).

#### 5 Charity Fund

Opening Balance		54,253	148,314
<b>Additions during the period</b>			
Received from customers on account of delayed payment		41,087	19,463
Other Non-Shariah compliant income		3,584	15,551
Profit on charity saving account		630	3,428
		<u>45,281</u>	<u>38,442</u>
<b>Payments / utilization during the period</b>			
Education		(42,188)	(38,032)
Health		(7,800)	(15,816)
Others		(25,400)	(78,655)
		<u>(75,388)</u>	<u>(132,503)</u>
Closing Balance		<u>24,146</u>	<u>54,253</u>

	2018	2017
	(Rupees in '000)	
<b>5.1 Donations paid during the year are as follows:</b>		
Alif Noon Parents Foundation (ANPF)	12,000	
Association of the Physically Handicapped Adults (APHA)	1,000	
Cancer Care Hospital And Research Center	5,000	15,000
Dar Us Shifa Foundation	5,000	5,000
DR. AQ Khan Trust Hospital	2,675	
Fatima Kidney Care Hospital	3,000	4,800
Gulab Devi Chest Hospital	7,700	
Ismail Welfare Hospital	2,500	
KCBL	13,278	
Pakistan Children's Heart Foundation	4,935	
Patient Aid Foundation, Jinnah Post Graduate Medical Centre, Karachi	3,300	3,500
Patient Welfare Society, Allied Hospital Faisalabad	2,500	
Rising Sun Education & Welfare Society	2,500	
SIUT Trust	10,000	
Akhwat	-	17,000
Alamgir Welfare Trust	-	4,500
Anjuman Behbood-E-Marizan (Lahore General Hospital)	-	2,275
Bin Qutab Foundation (BQF)	-	5,455
Centre For Development Of Social Services (CDSS)	-	1,600
Fountain Hospital	-	3,132
Fountain Hospital	-	616
Hijaz Hospital	-	3,900
Memon Medical Institute Hospital	-	6,000
Pakistan Rangers (Punjab)	-	5,000
Patel Hospital	-	8,000
Roshni Homes Trust	-	7,500
Sanjan Nagar Public Education Trust (SNPET)	-	9,000
Special Children Rehabilitation Welfare Organization	-	8,900
The Indus Hospital	-	20,000
Welfare Society For Patient Care	-	1,025
	<b>75,388</b>	<b>132,203</b>
<b>6 Islamic Banking Business Unappropriated Profit</b>		
Opening Balance		
Add: Islamic Banking profit before taxation for the period	7,340,325	6,626,936
Less: Taxation	2,011,460	1,148,754
Less: Reserves	(765,036)	(435,365)
Less: Transferred / Remitted to Head Office	-	-
Closing Balance	<b>8,586,749</b>	<b>7,340,325</b>
<b>7 CONTINGENCIES AND COMMITMENTS</b>		
-Guarantees	3,803,386	4,189,929
-Commitments	23,113,159	17,991,287
-Other contingent liabilities	-	-
	<b>26,716,545</b>	<b>22,181,216</b>
<b>8 Profit/Return Earned of Financing, Investments and Placement</b>		
Profit earned on:		
Financing	5,589,933	3,743,781
Investments	2,199,658	2,247,596
Placements	842,932	1,824,396
	<b>8,632,523</b>	<b>7,815,773</b>
<b>9 Profit on Deposits and other Dues Expensed</b>		
Deposits and other accounts	2,678,689	2,927,940
Due to Financial Institutions	320,812	310,348
	<b>2,999,501</b>	<b>3,238,288</b>

## DISCLOSURES PLS POOL MANAGEMENT- ISLAMIC BANKING GROUP (IBG)

### A-II.2 1. The pools, their key features and risk and reward characteristics.

The profit and loss sharing between the Rabbul Maal (depositor) and Mudarib (Bank - IBG) is based upon the underlying principles of Mudaraba, where Bank also contributes its equity to general pool of funds, and becomes the capital provider.

Currently IBG is managing following pools:

- 1) General Pool for LCY Depositors
- 2) FCY Pool for Foreign Currency (USD, GBP and EURO) depositors
- 3) FIs Pool for Treasury Purposes
- 4) IERS Pool for Islamic Export Refinance Scheme facilities
- 5) Special pool
- 6) Islamic Banking Afghanistan Operations Pool

All the Mudaraba based Remunerative deposits shall be considered as an investment from Rabbul Maal in the pool, along with IBG's own share of equity, which is also commingled in the pool. The applications of these funds are on Advances, Investments, and Placements for generating profits to be shared among the

The IERS pool is maintained as per the guideline under SBP IERS Scheme.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

### 2. Avenues/sectors where Mudaraba based deposits have been deployed.

	December 2018	December 2017
	(Rupees in '000)	
Agriculture, Forestry, Hunting and Fishing	15,000,000	2,000,002
Automobile and transportation equipment	2,097,804	1,198,135
Cement	5,385,332	2,909,603
Chemical and Pharmaceuticals	2,190,108	2,099,851
Construction	729,632	3,070
Electronics and electrical appliances	2,374,655	947,068
Exports / Imports	755,014	396,056
Financial	879,968	1,134,055
Food & Allied Products	4,229,633	2,794,144
Footwear and Leather garments	522,909	544,218
Individuals	12,390,545	10,260,844
Insurance	9,911	14,981
Metal & Allied industries	820,436	835,577
Mining and Quarrying	3,665	-
Oil and Allied	47,846	69,510
Power (electricity), Gas, Water, Sanitary	9,176,794	7,442,148
Services	743,714	715,430
Sugar	827,065	836,019
Textile	16,789,601	11,720,123
Transport, Storage and Communication	1,856,348	1,960,042
Wholesale and Retail Trade	3,467,685	5,239,638
Others	6,758,258	3,759,515
<b>Total Gross Islamic Financing and Related Assets</b>	<b>87,054,923</b>	<b>56,880,169</b>
Total Gross Investments *	23,023,503	37,791,862
Total Islamic Placements	17,986,558	30,891,460
<b>Total Invested Funds</b>	<b>128,064,984</b>	<b>125,563,491</b>

\* Mainly invested in GOP Ijarah Sukuks.

### 3. The major components of Profit distribution and charging of the expenses.

Profit is distributed among the Mudaraba deposits on the basis of underlying principles of weightage mechanism which are announced before the beginning of the concerned period. Only direct attributable expenses such as depreciation on Ijarah assets, brokerage, CIB Charges, bad debts write off on advances and loss on sale of investments etc are charged to the pool. Expenses of pool(s) do not include general and specific provisioning created against non-performing financings and diminution in the value of investments.

### 4. The Bank managed the following general and specific pools during the year:

General Remunerative Depositor's Pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Mudarib Share/Fee	Rabbul Maal Share	(Rupees in '000)		(Rupees in '000)
PKR Pool	Monthly	6.73%	50.00%	50.00%	2,301,262	2.45%	387,364
USD Pool	Monthly	2.43%	83.00%	18.00%	59,505	0.29%	420
GBP Pool	Monthly	1.67%	83.00%	18.00%	8,121	0.22%	75
EUR Pool	Monthly	2.09%	83.00%	18.00%	10,598	0.41%	-

Specific pools	Profit rate and weightage announcement period	Profit rate return earned	Profit sharing ratio	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
			Bank Share	SBP Share	(Rupees in '000)		(Rupees in '000)
Islamic Export Refinance (IERS) Pool	Monthly	4.75%	78.31%	21.69%	309,922	Nil	-
Special Pool (Saving)	Monthly	6.65%	31.12%	68.88%	4,855	4.57%	5,386
Special Pool (TDR)	Monthly	7.54%	9.80%	90.20%	680,881	10.21%	-

## ANNEXURE - III

## SALE OF FIXED ASSETS TO RELATED PARTIES PARTICULARS OF ASSETS SOLD TO RELATED PARTIES

Particulars of assets		Cost	Net book value	Sale price	Mode of disposal	Particular of purchaser
<b>Office equipment</b>						
Computers	Laptop i7 Lenovo	190	83	93	As Per Policy	Imran Zafar
Computers	Laptop Core i5	185	-	18	As Per Policy	Aly Mustansir
Computers	HP Envy 15 Core i7	170	51	60	As Per Policy	Mirza Zafar Baig.
Computers	Laptop	144	40	43	As Per Policy	Mian Ejaz Ahmad
Computers	Laptop i7 HP	123	90	102	As Per Policy	Faaria Rehman Salahuddin
Computers	Laptop Core i5	112	8	12	As Per Policy	Syed Ahmar Nizam
Computers	Apple iPad	103	-	10	As Per Policy	Saad-Ur-Rehman
Computers	Apple iPad	103	-	10	As Per Policy	Sajan Hamid Malik
Computers	Laptop Core i5	100	-	10	As Per Policy	Khurram Hussain
Computers	Laptop Core i7	100	-	10	As Per Policy	Bashir Sheikh
Computers	Apple iPad	99	3	10	As Per Policy	Riaz Hussain Hamdani
Computers	Apple iPad	90	75	80	As Per Policy	Faisal Farooq Khan
Computers	Laptop Core i7	89	-	9	As Per Policy	Riaz Hussain Hamdani
Computers	Laptop	78	-	8	As Per Policy	Muhammad Shahab Khattak
Computers	Apple iPad	77	-	8	As Per Policy	Khurram Hussain
Computers	Laptop Core i5	77	-	8	As Per Policy	Ahmed Nauman Anees
Computers	Laptop	73	-	7	As Per Policy	Muhammad Munir Tariq
Computers	Laptop Core i3	73	-	7	As Per Policy	Mohammad Rizwan UI Haq
Computers	Laptop i5	71	20	23	As Per Policy	Syed Nadeem Ahmed
Computers	Dell Laptop	65	5	7	As Per Policy	Kazi Shahid Tanvir
Electronic equipment	Various items	6,804	2,861	3,419	As Per Policy	Atif Bajwa (ex-CEO)
Mobile Phones	Apple iPhone	75	-	8	As Per Policy	Aly Mustansir
Mobile Phones	Apple iPhone	75	61	65	As Per Policy	Mian Ejaz Ahmad
Mobile Phones	Apple iPhone	75	14	15	As Per Policy	Bashir Sheikh
Mobile Phones	Apple iPhone	75	-	8	As Per Policy	Khurram Hussain
Mobile Phones	Mobile Set	75	-	8	As Per Policy	Bashir Sheikh
Mobile Phones	Mobile Set	75	-	8	As Per Policy	Imran Zafar
Mobile Phones	Samsung Mobile	75	30	38	As Per Policy	Imran Zafar
Mobile Phones	Apple iPhone	74	-	7	As Per Policy	Riaz Hussain Hamdani
Mobile Phones	Black Berry	63	-	6	As Per Policy	Khurram Hussain
Mobile Phones	Black Berry	53	-	5	As Per Policy	Khurram Hussain
Mobile Phones	Black Berry	51	-	5	As Per Policy	Suhail Yaqoob Khan
Mobile Phones	Apple iPhone	50	-	5	As Per Policy	Ahmed Nauman Anees
Mobile Phones	Apple iPhone	50	-	5	As Per Policy	Syed Nadeem Ahmed
Mobile Phones	Apple iPhone	50	42	45	As Per Policy	Kazi Shahid Tanvir
Mobile Phones	Apple iPhone	50	20	23	As Per Policy	Muhammad Shahab Khattak
Mobile Phones	Samsung Mobile	50	-	5	As Per Policy	Muhammad Arif Karim
Mobile Phones	Apple iPhone	50	-	5	As Per Policy	Syed Ahmar Nizam
Mobile Phones	Samsung Mobile	50	7	9	As Per Policy	Syed Furqan Ali
Mobile Phones	Black Berry Classic	45	-	4	As Per Policy	Dr. Mushtaq
Mobile Phones	Samsung Mobile	40	-	4	As Per Policy	Mohammad Rizwan UI Haq
Mobile Phones	Black Berry	31	-	3	As Per Policy	Ahmed Nauman Anees
Mobile Phones	Black Berry	29	-	3	As Per Policy	Imran Zafar
		<b>10,187</b>	<b>3,410</b>	<b>4,238</b>		
<b>Furniture &amp; fixtures</b>						
	Various furniture items	2,485	1,683	1,625	As Per Policy	Atif Bajwa (ex-CEO)
<b>Vehicles</b>						
Vehicles	Mercedes Benz E-200	13,773	9,311	10,232	As Per Policy	Khawaja M Ahmad
Vehicles	Mercedes Benz E-200	13,760	8,727	9,600	As Per Policy	Aasim Wajid Jawad
Vehicles	Mercedes-Benz E-300	13,097	4,476	4,914	As Per Policy	Mohib Hassan Khan
Vehicles	Mercedes Benz E-200	11,789	1,898	2,078	As Per Policy	Muhammad Yahya Khan
Vehicles	Honda Civic VTI	2,806	2,683	2,806	As Per Policy	Hafsa Abbasy
Vehicles	Toyota Corolla Altis	2,666	1,934	2,128	As Per Policy	Shahzad Ishaq
Vehicles	Toyota Corolla Altis	2,664	1,934	2,126	As Per Policy	Tahir Khurshid
Vehicles	Honda Civic VTI	2,511	1,507	1,657	As Per Policy	Sharif Khawar
Vehicles	Toyota Corolla 1.8 Grande Altis	2,446	1,117	1,226	As Per Policy	Mohammad Maqsood Ali Usmani
Vehicles	Toyota Corolla 1.8 Grande Altis	2,382	1,241	1,336	As Per Policy	Riaz Hussain Hamdani
Vehicles	Honda City Vario	884	-	88	As Per Policy	Amanullah A. Sattar
		<b>68,778</b>	<b>34,828</b>	<b>38,191</b>		
		<b>81,450</b>	<b>39,921</b>	<b>44,054</b>		