

2016

ANNUAL REPORT

Celebrating Young Talent:

artworks of the next generation of painters in Pakistan



Asadury
2016



COVER STORY

Witnessing talent from an imaginative perspective is a refreshing experience, especially when it comes from young visionaries who are eager to tell a story of brilliance and wonder. This year, Askari Bank celebrates on its cover the creative and fresh vision of young painters across Pakistan, highlighting their novel works that mirror Askari Bank's passion to provide a whole new experience of creativity and excellence in banking

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Consolidated Financial Statements

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VISION

To be the bank of first choice in the region

MISSION

To be the leading private sector bank in Pakistan with an international presence, delivering quality service through innovative technology and effective human resource management in a modern and progressive organizational culture of meritocracy, maintaining high ethical and professional standards, while providing enhanced value to all our stakeholders, and contributing to society

KEY FINANCIAL HIGHLIGHTS FOR 2016

Rupees in million	2016	2015	Growth %
Total assets	619,139	535,867	15.54
Deposits	472,811	433,172	9.15
Advances - net	235,164	199,931	17.62
Investments	295,846	268,021	10.38
Shareholders' equity	32,577	26,853	21.32
Profit before taxation	8,477	8,432	0.54
Profit after taxation	5,221	5,043	3.51
Capital adequacy ratio - percent	12.50	12.51	~
Earnings per share - rupees	4.14	4.00	3.51
Market value per share - rupees	24.95	21.74	14.77
Net book value per share - rupees	25.85	21.31	21.30

RETURN ON EQUITY ²⁰¹⁶ 22.14%

2015: 24.55%

RETURN ON ASSETS ²⁰¹⁶ 0.90%

2015: 1.03%

PROFIT AFTER TAX ²⁰¹⁶ 5,221

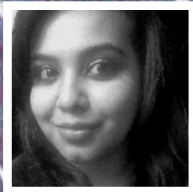
Rs. in million

2015: 5,043

EARNINGS PER SHARE ²⁰¹⁶ 4.14

Rupees

2015: 4.00



MIXED MEDIA ON CANVAS
21" x 17.5"

Mariam Hanif

In 2013, Mariam received the Rockefeller Grant through the New York Foundation for the Arts (NYFA). She was also one of the five female artists from Pakistan who were selected to be part of the 2014 Colours of Hope Exhibition in New Delhi, India.



PAKISTAN'S PROFILE

Country Statistics

Land area (Sq. km)	796,100
Population (million)	195
Population Growth (%)	1.89
Population Density (people / sq. km)	245
Life expectancy (years)	67
Literacy (%)	60

Economic Indicators

At fiscal year end	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
GDP Growth Rate - percent	3.8	3.7	4.1	4.0	4.7
Exports - USD Million	24,718	24,802	25,078	24,089	21,977
Imports - USD Million	40,371	40,157	41,668	41,280	40,347
Inflation - percent	11.0	7.4	8.6	4.5	2.9
Trade Balance - USD Million	(15,653)	(15,355)	(16,590)	(17,191)	(18,370)
Foreign currency reserves - USD Million	15,289	11,020	14,141	18,699	23,099
Exchange Rate - USD	94.6	99.7	98.8	101.8	104.8
Exchange Rate - Euro	119.0	130.2	134.9	113.4	116.8

At financial year end	2012	2013	2014	2015	2016
KSE 100 index - points	16,905	25,261	32,131	32,816	47,807
KSE Market capitalization - PKR Billion	4,242	6,057	7,381	6,947	9,629

Banking System

At financial year end	2012	2013	2014	2015	2016
Net assets of banking system - PKR Billion	873	943	1,207	1,323	1,353
Total assets of banking system - PKR Billion	9,720	10,487	12,106	14,143	15,831
Capital adequacy ratio - percent	15.6	14.9	17.1	17.3	16.2
Advances / Deposits ratio - percent	52.2	49.5	48.2	46.4	46.6
Return on assets (before tax) - percent	2.0	1.6	2.2	2.5	2.1
Return on equity (before tax) - percent	21.2	17.9	24.3	25.8	23.9

Source: Websites of Ministry of Finance - Govt. of Pakistan, Pakistan Bureau of Statistics, the State Bank of Pakistan and Pakistan Stock Exchange.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar (Retd)
Chairman - Non-Executive Director

Lt Gen Shafqaat Ahmed, HI (M) (Retd)
Non-Executive Director

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

Mr. Qaiser Javed
Non-Executive Director

Dr. Nadeem Inayat
Non-Executive Director

Mr. Manzoor Ahmed
Non-Executive Director - NIT Nominee

Mr. Asif Reza Sana
Independent Director

Mr. Zaffar Ahmad Khan
Independent Director

Mr. Tariq Hafeez Malik
Independent Director

Mr. Muhammad Ghous
Independent Director

Syed M. Husaini
President & Chief Executive - Executive Director

BOARD COMMITTEES

AUDIT & COMPLIANCE

Mr. Asif Reza Sana
Chairman

Mr. Qaiser Javed

Dr. Nadeem Inayat

Mr. Manzoor Ahmed

Mr. Muhammad Ghous

HUMAN RESOURCE & REMUNERATION

Mr. Zaffar Ahmad Khan
Chairman

Dr. Nadeem Inayat

Mr. Muhammad Ghous

RISK MANAGEMENT

Mr. Manzoor Ahmed
Chairman

Mr. Qaiser Javed

Mr. Asif Reza Sana

Syed M. Husaini

INFORMATION TECHNOLOGY

Mr. Tariq Hafeez Malik
Chairman

Mr. Zaffar Ahmad Khan

Syed M. Husaini

SHARIAH BOARD

Mufti Muhammad Zahid
Chairman

Mufti Ismatullah
Member

Dr. Muhammad Tahir Mansoori
Resident Shariah Board Member

AUDITORS

A. F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISORS

RIAA, Barker Gillette
Advocates & Corporate Counselors

COMPANY SECRETARY

Mr. Umar Shahzad

REGISTERED OFFICE

AWT Plaza, The Mall, P. O. Box No. 1084
Rawalpindi – 46000, Pakistan.
Tel: (92 51) 9272467 & 9063752
UAN: (92 51) 111 000 787
Fax: (92 51) 9272455 & (92 51) 9272445
E-mail: ir@askaribank.com.pk

REGISTRAR & SHARE TRANSFER OFFICE

Central Depository Company of Pakistan Limited
2nd Floor, 307 – Upper Mall, Opposite Lahore Gymkhana,
Near Mian Mir Bridge, Lahore - 54000
Tel: (92 42) 35789378-87, (Direct) 35789367, 0800-CDCPL (23275)
Fax: (92 42) 35789340
Email: info@cdcpak.com
Website: www.cdcpakistan.com

ENTITY RATINGS

Long Term: AA+
Short Term: A1+
By PACRA

WEBSITE

www.akbl.com.pk

SOCIAL MEDIA

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[/askari_bank](https://twitter.com/askari_bank)

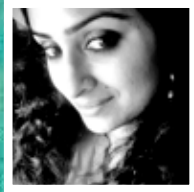


Maham Gull 2013

OIL ON CANVAS
24" x 30"

Maham Gull

With Masters in Fine Arts from the University of the Punjab, Maham has showcased her work through multiple group shows. She has a flair for stylistic calligraphy and has an avid interest in music too.



MANAGEMENT

Syed M. Husaini
President & Chief Executive

Rehan Mir
Global Treasurer

Saleem Anwar
Chief Financial Officer

Farrukh Iqbal Khan
Group Head - Operations

Khurshid Zafar
Group Head - Corporate & Investment Banking

Rashid Nawaz Tipu
Group Head - Branch Banking

Abdus Samad Khan
Country Head - Agriculture & Rural Business

Abdul Waseem
Country Head - Credit Administration

Zain ul Abidin
Country Head - Compliance & Data

Shahid Alam Siddiqui
Country Head - Consumer Banking

Malik Suleman Hasan
Executive Incharge - China Desk

Shahid Abbasi
Chief Internal Auditor

Rashid Zaman Khan
Chief Information Officer

Muhammad Nadeem
Country Head - Risk Management

Asim Bashir
Country Head - Branchless Banking

Zahid Hassan Qureshi
Country Head - Special Asset Management

Syed Adil Abbas Zaidi
Country Head - International Banking

Ali Akbar Hemani
Country Head - Marketing & Product Development

Waseem Ijaz Mian
Country Head - SME Banking

Zahid Afzal
Country Head - Systems & Operations

Mr. Ali Muhammad Khan
Country Head - Credit

Tariq Mehmood
Country Head - General Services

Bakar Ahmed
Country Head - Human Resource

Khurram Tariq
Country Head - Commercial Banking

Umar Shahzad
Company Secretary

NORTH REGION

Sher Afgan Khanzada
Regional General Manager - North I

Sheikh Muhammad Abrar Ali
Regional General Manager - North II

CENTRAL REGION

Saulat Hameed
Regional General Manager - Central I

Ejaz Musarrat Siddiqui
Regional General Manager - Central II

SOUTH REGION

Ahmed Fawad Hashmi
Head Branch Banking & Special Asset Management

Rashid Iqbal Shaikh
Regional General Manager - South I

Asim Asif
Regional General Manager - South II

ISLAMIC BANKING

Fahd Sardar Khan
Country Head - Islamic Banking Services

WHOLESALE BANK BRANCH, BAHRAIN

Adnan Altaf
Branch Manager

CHINA REPRESENTATIVE OFFICE

Hasib Ur Rahman
Chief Representative Officer

ORGANOGRAM







GOUACHE ON WASLI
18" x 24"



Mudassar Manzoor

With a distinction in BFA (Miniature Painting) from National College of Arts, Mudassar has received many scholarships and awards including best young painter award by Lahore Arts Council, 2006 and Merit Scholarship NCA, 2005.





25 YEARS OF BANKING

Askari Bank was incorporated in Pakistan on October 9, 1991, as a public limited company. It commenced operations on April 1, 1992, and is principally engaged in the business of banking, as defined in the Banking Companies Ordinance, 1962. The Bank is listed on the Pakistan Stock Exchange (formerly the Karachi, Lahore and Islamabad Stock Exchanges).

Askari Bank has since expanded into a network of 501 branches / sub-branches, including 94 dedicated Islamic banking branches / sub-branches, and a wholesale bank branch in Bahrain. In addition, the Bank has a representative office in Beijing, China.

A shared network of over 11,000 online ATMs covering all major cities in Pakistan supports the delivery channels for customer service. As at December 31, 2016, the Bank had equity of Rs. 32.6 billion and total assets of Rs. 619 billion, with 1,315,783 banking customers, serviced by 7,252 employees.

PRODUCTS & SERVICES

BRANCH BANKING

Askari Bank aims to provide its customers with a wide array of financial solutions catering to diverse banking needs. We offer Conventional, Corporate, Consumer, Islamic, and Agriculture Banking services through a network of 500 branches / sub-branches in major cities, towns and cantonments.

ASKARI BACHAT ACCOUNT

Askari Mahana Bachat Account is a term deposit product for individual and corporate customers with a medium term investment appetite. It offers individual customers the option of investing for one and two years tenures, while corporate customers can invest for two years. It is designed to cater to the saving needs of customers who want profit on a monthly basis with the option of availing financing facility of upto 90% of the principal amount.

VALUE PLUS CURRENT ACCOUNT

Askari Value Plus Current Account offers financial freedom and security with unmatched flexibility. Customers (individuals) can open this account to avail the benefits of free life insurance coverage of upto Rs. 2 Million, debit card with two supplementary cards, I-Net facility, SMS alerts, issuance of cheque books and bankers' cheques – all with no minimum balance requirements. Value Plus Current (Business Account) is specially designed to cater to the diversified needs of business community.

CURRENT ACCOUNT

Current Accounts cater to a variety of financial needs of our diverse customer base with added benefits of free cheque books, issuance of bankers' cheques and much more.

SAVINGS ACCOUNT

Savings accounts offered by the Bank to both individual and institutional customers include Askari Special Deposit and normal savings account based on profit and loss sharing. Askari savings deposit offer attractive features and competitive returns.

ASKARI ASAAN ACCOUNT

Askari Bank offers Asaan Account to unbanked / under-banked individuals. The facility is available in current and savings account categories. As per the name of this product, its hassle-free account opening and operating procedure helps the lower income groups to fulfill their banking requirements with ease and comfort.

ASKARI LITTLE CHAMPS ACCOUNT

Askari Little Champs Account is designed specifically for minors (individuals below the age of 18 years). It introduces the concept of saving to the children and helps them understand the value of money at an early age. The account offers two variants i.e. current and savings accounts.

Little Champs Account comes with a money box as a welcome gift, along with a Visa Debit Card and cheque book. It offers high returns, free education insurance plan and surprise gifts on birthday.

ASKARI WAQAAR ACCOUNT

Askari Waqaar Account caters to the banking needs of senior citizens (55 years and above) looking for monthly profits, high returns and short term investment opportunities. Askari Waqaar Account offers two variants; Term deposit (one year) and Savings account. The customer has the option to choose any or both of these variants.

RUPEE TRAVELER CHEQUES

Askari Bank offers its customers the widely accepted Rupee Traveler Cheque, which eliminates all financial risks while travelling. It is a safe and secure way to make payments.

BANCASSURANCE

The Bank offers innovative insurance solutions by fusing together banking, wealth management and insurance products. In partnership with EFU Life Assurance Limited and Jubilee Life Insurance Company Limited (JLI), the Bank offers its customers with value-added life insurance and wealth management products tailored to suit their long term financial requirements and protection plans.

ASK SONA CARD

Ask Sona Card is a joint venture of Askari Bank Limited & Fauji Fertilizer Company Limited (FFC). It is especially designed to create convenience and cater to the business needs of FFC and its dealers. It is an innovative, electronic cash management solution that replaces the existing conventional collections system. It is a transaction-specific debit card with plastic money features which has replaced the conventional transfer of funds.

INTERNATIONAL BANKING

We have correspondent banking relationships with 473 banks in 85 countries around the world. The business in Asian region in particular continues to grow and delivers excellent results in terms of balance sheet growth and bottom line contribution. Concentrated efforts are being made to promote business from China, leveraging on

PRODUCTS & SERVICES

positive spill-over of the Chinese investment in Pakistan, especially under CPEC. We carry out regular due diligence exercises to ensure that we deal with only those financial institutions which are able to meet the prescribed standards and criteria.

ASKARI AASAAN MONEY TRANSFER

Role of Home Remittance segment is pivotal in promoting remittances through its state-of-the-art web based portal "Askari Aasaan Money Transfer". This service is completely free of cost and is available for all citizens across the country. The remittances are received through our arrangements with correspondent banks and exchange companies globally. We have a dedicated team of customer service officers who are available to respond to the queries of remitters and beneficiaries of the remittances.

CORPORATE & INVESTMENT BANKING

At Askari Bank, we understand the unique business requirements of our corporate and institutional clients, and accordingly strive to meet their expectations by providing a customized and relationship-based banking approach.

CORPORATE BANKING

Corporate banking works on a long-term relationship-based business model to provide a single point within the Bank which meets all business requirements of its corporate and institutional customers, including public sector enterprises. Its primary objective is to enhance customer service, which remains our top priority. Dedicated relationship managers ensure customer satisfaction for all our corporate clients. Our relationship-oriented outlook focuses on providing a complete array of tailored financing solutions that are practical and cost effective, some of which include:

- Working Capital Facilities
- Term Loans for Corporate and Project Finance
- Structured Trade Finance Facilities
- Letters of Guarantee
- Letters of Credit
- Cash Management Solutions

- Bill Discounting
- Export Financing
- Receivable Discounting

INVESTMENT BANKING

Investment banking focuses on the origination and execution of a range of financial advisory and capital raising services to corporate and institutional clients. It also manages the Bank's proprietary investments in local equity and debt markets. Investment banking offers various tailored financial solutions including debt syndications, project finance and advisory services, debt placements through capital markets as well as structured trade finance facilities. Whether a company is seeking to access the local or cross border syndications and debt capital markets, project financing needs, advisory services related to Mergers and Acquisitions and or local equity capital markets for raising capital, our Investment Banking is well positioned to provide due assistance. We tailor the right structured solutions to meet our customers' needs in order to enhance business wealth and market competitiveness.

COMMERCIAL & SME BANKING

We offer a diverse range of financial solutions designed to suit the unique needs of our commercial and SME customer base.

COMMERCIAL BANKING

Commercial Banking serves the middle tier segment by providing both general and tailored solutions encompassing all financial needs of the borrower ranging from project financing to working capital requirements / payroll management. Dedicated relationship managers at our credit hubs provide personalized solutions to our customers.

SMALL AND MEDIUM ENTERPRISES (SME) BANKING

Askari Bank has been playing a significant role in the development of the SME sector by providing customers with the opportunity to access credit through strategically located Regional Credit Hubs as well as our branches across the country. The Bank also offers trade expertise and awareness on trade related activity through these access

points, where specialized credit resources and empowered relationship management teams dedicatedly serve SMEs at the grass-root level.

In order to cater to the financial needs of SME segment, Askari Bank offers "Askari Smart Pack", which includes the following products:

- Askari Quick Finance
- Askari Vendor's Finance
- Askari Business Solution
- Askari Loan for Business Premises
- Askari Lease Finance
- Askari Loan for Fertilizer Dealers
- Ask Fund Facility

CONSUMER BANKING

Consumer banking provides financing facilities to individuals through prudent, customer-centric policies and quality services that aim to make our customers' experiences more interactive and intuitive. We are focused on broadening our outreach and expanding our presence in accordance with the needs of our customers across the country through direct sales as well as through our wide branch network. Special attention is given to business opportunities involving strategic alliances, with greater emphasis on a secured form of consumer lending; so as to increase product offerings and improve the quality of our asset portfolio. We are committed to providing financial solutions and services that meet our customers' needs at every stage of life.

ASK4CAR

Askari Ask4Car is an auto financing product for new, used and imported vehicles. It offers competitive mark-up, flexible repayment plan and quick processing without any hidden costs. The product is offered to the customers for a maximum tenure of 7 years.

PERSONAL FINANCE

With unmatched financing features in terms of loan amount, payback period and easy monthly installments, Askari Bank's Personal Finance makes sure that our customers get the most out of their loans. The product tenure ranges from 1 – 5 years and is designed primarily for salaried individuals.

MORTGAGE FINANCE

Whether our customers plan to construct a house, buy a constructed house, or renovate a house, Askari Mortgage Finance enables them to pursue their goals without any hassle. Askari Mortgage Finance is a premium house financing product offered to customers for a period up to 20 years.

MASTER CREDIT CARD

Askari Bank offers a competitive suite of Classic, Gold, Corporate and Platinum Master Credit Cards that provide superior services, travel privileges, exciting discounts, online payment facility along with reward points and transactional alerts through SMS as an enhanced security feature. The option for Flexible Credit Plans (FCP), Extended Payment Plan (EPP) and Balance Transfer is also available to customers at discounted mark-up rates.

ASKARI WORLD MASTER CARD

Askari Bank pioneered Pakistan's first ever "World MasterCard" in collaboration with MasterCard International. This credit card is specifically designed for customers seeking high-class service standards and travel privileges worldwide.

ASKARI BRANCHLESS BANKING

Askari Bank launched branchless banking jointly with China Mobile Pakistan under the brand name of "Timepey" in 2012. With this initiative, banking has become even more convenient and efficient as customers can safely send and receive funds anytime, anywhere across the country. A wide network of Timepey shops across Pakistan are fully equipped to handle the day-to-day needs of the customers. The following transactions are currently being handled under this program:

GOVERNMENT TO PERSON (G2P) DISBURSEMENT

Timepey has disbursed over Rs. 10 Billion cash assistance & return transport allowance from the Federal Disaster Management Authority (FDMA) Government of Pakistan to the temporarily displaced people of North Waziristan & Khyber Agency during the year 2016.

TIMEPEY MONEY TRANSFER

Customers can send and receive money from any Timepey outlet in the most efficient, secure and convenient manner. The facilities include person-to-person, Government-to-person, person-to-account, account-to-person and account-to-account funds transfers.

TIMEPEY UTILITY BILL PAYMENT

Timepey account and non-account holders can pay all their utility bills through Timepey instantly and without any charges. Simply dial *888# from your mobile phone or visit any Timepey agent for cash payment.

TIMEPEY MOBILE TOP-UP

Customers can purchase prepaid airtime and pay postpaid bills anytime, anywhere from their own mobile phone. This service is available to Zong customers who have a Timepey account.

AGRICULTURE BANKING

Agriculture banking products and services are offered to Pakistan's farming and rural business community. This function of the Bank aims to extend credits on softer terms to farmers, both on revolving as well as term basis. Special emphasis is given to cattle farming and dairy products financing. Recently the mark-up rate was brought down to make agri-related financing available at grass-root levels so as to enhance not only the agricultural output, but to also become a source of better living standards for farmers who do not have access to low cost funding.

A new segment of financing was added by channeling resources through supply chain of corporate entities, whose dependency of raw material is from the farm sector. This has boosted and expanded financing opportunity through more reliable and easy mode.

Agriculture banking products and services are offered across the country through efficient delivery channels under a control mechanism with minimum turnaround time for loan application approvals. The Bank is practicing a vibrant program for fresh lending under revised parameters, with affordable terms and conditions.

Following are the financing products being offered to Farm and Non-Farm sector across Pakistan:

- Kissan Ever Green Finance
- Kissan Tractor Finance
- Kissan Livestock Development Finance
- Kissan Farm Mechanization Finance
- Kissan Aabpashi Finance
- Kissan White Pearl Finance
- Kissan Gold Fish Finance

ISLAMIC BANKING

Under the guidance of its Shariah Board and professional bankers, Askari Islamic banking offers a diversified range of Shariah compliant products and services to its valued customers to fulfill their banking needs. Presently working with 94 dedicated Islamic banking branches (including 3 sub-branches) in 36 cities spread across the country Askari Islamic has managed to increase its share in the banking Industry.

ISLAMIC DEPOSIT PRODUCTS

Our customers enjoy the freedom to choose from a wide array of deposit products that offer flexible term deposit schemes, current accounts and savings accounts. Our Ahsan Munafa / Ahsan Munafa Corporate product is a chequing account that offers higher yields, calculated on a daily product basis. Askari Halal Savings Account is tailored to meet all business requirements of our customers and offers a host of value-added services. Askari Islamic Investment Certificate is a Mudarabah-based term deposit product that allows customers to invest their savings for different tenors ranging from 3 months to 5 years, and earn Halal returns on a periodic basis.

ISLAMIC CONSUMER BANKING PRODUCTS

On the consumer banking front, Askari Ijarah Bis Sayyarah allows customers to get the car of their choice, while Askari Home Musharakah allows customers to purchase, build or renovate a house. We also provide Islamic solutions to the customers availing house finance facilities from conventional financial institutions, by transferring their facilities to Askari Islamic banking under Askari Home Musharakah.

PRODUCTS & SERVICES

ISLAMIC CORPORATE BANKING

Our continuous efforts to provide a diversified range of Shariah compliant, innovative financial products and solutions to corporate and commercial clients continue to win us new relationships. Working capital facilities are primarily provided under Murabaha, Salam and Istisna while our term facilities are rendered under the Diminishing Musharakah and Ijarah mode of Islamic finance. We also provide Islamic solution to the customers who intend to avail Letter of Credits, Letter of Guarantee, Islamic Export Refinance facilities etc.

BANCATAKAFUL BUSINESS

Askari Islamic initiated bancatakaful business during the last quarter of 2015, generating a healthy business during the year 2016. Our Bancatakaful offers customized plans to meet investment and protection needs of customers i.e.; Askari IIm Plan, Askari Sarmaya plan, Askari Asan Takaful plan, Askari Saving Takaful plan and Askari Hospital Cash Takaful plan.

ALTERNATE DELIVERY CHANNELS

INTERNET (I.NET) BANKING

Askari Bank's I-Net banking assures convenient banking from the comfort of your home as customers are no longer required to wait in long and worrisome queues for a financial transaction, balance inquiry, statement of accounts, funds transfer, utility bill payment, etc. In addition to these services, our I-Net banking also offers:

- Online Banker's Cheque's delivery at your doorstep
- Online Investment in Mutual Funds managed by Askari Investment Management Limited (a wholly owned subsidiary)
- Online Insurance premium payment of EFU & JLI
- Online payment for the purchase of Shaheen Airline Tickets
- Online LUMS fee payment

MOBILE BANKING

Askari mobile banking solution provides customers with convenient access to their accounts from their mobile phones, anytime, anywhere. We offer three types of mobile banking solutions to our customers:

- Askari Lite Mobile Banking – browser-based solution
- Askari USSD Mobile Banking – available to all mutual customers of Askari Bank and Ufone
- Askari Mobile Application – for Android, IOS and Windows

CALL CENTER

Our Call Center provides a single point of contact to all callers and offers real-time information on products and services. It also attends customers' requests and handles their queries around the clock.

AUTOMATED TELLER MACHINE (ATM)

Askari Bank is a member of two electronic ATM inter-bank connectivity platforms i.e., MNET and 1-link. Through this shared network of more than 11,000 online ATMs, including more than 500 Askari Bank ATMs, we provide services in all major cities of Pakistan.

ASKARI VISA DEBIT CARD

You can manage your account, withdraw cash, make purchases and transfer your funds through Askari Visa Debit Card, which offers the convenience of a credit card without the hassle of monthly bills and interest charges. There are no minimum balance requirements for the issuance or retention of the VISA Debit Card, which is available in Classic and Gold categories.

ASKARI PAYPAK DEBIT CARD

Askari Bank is the first bank to introduce PayPak – Pakistan's first domestic payment scheme powered by 1LINK (Guarantee) Limited. This payment solution provides access to all ATMs and POS terminals across Pakistan. Currently, PayPak debit card is available in Classic and Gold categories.

CARDLESS CASH WITHDRAWAL

Cardless Cash Withdrawal is a unique and value added feature of Askari Mobile Banking. The facility aims at providing further convenience to our valued customers' cash requirements without requiring a Debit Card.

ONLINE SHOPPING

In our endeavor to introduce innovative services and products, Askari bank has introduced payments for online shopping through I-Net banking. This innovative cardless service facilitates customers to pay directly & safely from their Bank Account for online purchases without having to leave the comfort of their home or office.

NOTICE OF THE 25th ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of the shareholders of Askari Bank Limited (the Bank) will be held on Friday, March 31, 2017 at 10:00 am at Pearl Continental Hotel, Rawalpindi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 24th Annual General Meeting held on March 30, 2016.
2. To receive, consider and adopt the financial statements of the Bank for the year ended December 31, 2016 together with the Directors' and Auditors' Reports thereon.
3. To appoint statutory auditors of the Bank for the year ending December 31, 2017 and to fix their remuneration. The present auditors M/s A. F. Ferguson & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To approve, as recommended by the Board of Directors, payment of final cash dividend @ 15% i.e. Rs.1.50 per share for the financial year ended December 31, 2016.
5. To elect ten (10) Directors as fixed by the Board in accordance with the provisions of Section 178 of the Companies Ordinance 1984, for a period of three years in place of the following retiring directors:
 1. Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar (Retd)
 2. Lt Gen Shafqaat Ahmad, HI (M) (Retd)
 3. Lt Gen Javed Iqbal, HI (M) (Retd)*
 4. Mr. Qaiser Javed
 5. Dr. Nadeem Inayat
 6. Mr. Manzoor Ahmed - Nominee NIT
 7. Mr. Asif Reza Sana
 8. Mr. Zaffar Ahmad Khan
 9. Mr. Tariq Hafeez Malik
 10. Mr. Muhammad Ghous

SPECIAL BUSINESS:

6. To consider and, if thought fit, pass the following ordinary resolution with or without amendments for the transmission of the Annual Audited Financial Statements through CD/DVD/USB instead of hard copies thereof.

"RESOLVED that the transmission/circulation of Annual Statement of Financial Position, Profit & Loss Account, Auditor's Report and Directors' Report, etc. (annual audited financial statements) of Askari Bank Limited to its members through CD/DVD/USB instead of hard copies thereof at their registered addresses, as per the requirements of SRO No. 470 (I)/2016 dated May 31, 2016, issued by the Securities and Exchange Commission of Pakistan (SECP), be and is hereby approved."
7. Sale of 100% shares of Askari Investment Management Limited (AIML).

To consider and, if thought fit, pass the following as special resolutions for the sale of 33,500,000 (Thirty Three Million Five Hundred Thousand) ordinary shares of Askari Investment Management Limited ("AIML") (representing 100% of the issued and paid up share capital of AIML) held by Askari Bank Limited ("AKBL").

The special resolutions to be passed are as under:

"RESOLVED that pursuant to Section 208 of the Companies Ordinance, 1984 and subject to obtaining all requisite regulatory approvals, AKBL be and is hereby authorized to sell

33,500,000 (Thirty Three Million Five Hundred Thousand) ordinary shares of AIML (being 100% of the issued and paid up share capital of AIML) for an aggregate price of not less than PKR 551,000,000/- (Pak Rupees Five Hundred Fifty One Million). The transaction may be implemented as a direct sale and purchase transaction or as an acquisition and simultaneous merger as may be required in consultation with the Securities and Exchange Commission of Pakistan.

FURTHER RESOLVED that the President & CE of AKBL, singly or any officer authorized by the President & CE, be and is hereby authorized and empowered to act on behalf of AKBL to implement the objective of this Special Resolution to all intents and purposes and do all acts, deeds and things necessary for the same, including but not limited to negotiate, finalize, execute and ensure delivery of all deeds and documents on behalf of AKBL."

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

By Order of the Board



Umar Shahzad
Company Secretary

Rawalpindi
March 02, 2017

* Appointed to fill the casual vacancy upon resignation of Lt Gen Muhammad Haroon Aslam HI (M), S Bt (Retd), subject to approval of the State Bank of Pakistan.

NOTES

1. The statement under section 160 (1) (b) & (c) of the Companies Ordinance, 1984 [the Ordinance] setting forth all material facts concerning the special business to be transacted at the meeting is annexed.
2. The Share Transfer books of the Bank will remain closed from March 24, 2017 to March 31, 2017 (both days inclusive). Transfers received at the Bank's Share Registrar Department, Central Depository Company of Pakistan Limited, 2nd Floor, 307 – Upper Mall, Lahore, the Registrar and Share Transfer Office of the Bank at the close of the business hours on March 22, 2017 will be treated in time.
3. Any person, who seeks to contest the election of the office of the directors, whether he/she is retiring director, or otherwise shall file the following documents with the Company Secretary of the Bank at its Registered Office, Company Secretary, Askari Bank Limited, 1st Floor, AWT Plaza, The Mall, P.O. Box No. 1084, Rawalpindi not later than fourteen days before the day of the above meeting to obtain clearance/approval in principle, from the State Bank of Pakistan (SBP):
 - i) Notice of his/her intention to offer himself/herself for election of Directors in terms of Section 178 (3) of the Ordinance together with (a) Consent to act as director in prescribed Form 28 (b) a declaration under clauses (ii) & (iv) of the Code of Corporate Governance, 2012 [the Code] to the effect that he/she is not a director of more than Seven (07) listed companies simultaneously; and to the effect that he/she is aware of duties and powers of Directors as mentioned in the Ordinance, the Memorandum and Articles of Association of the Bank and the Rule Book of the Stock Exchange and has read the relevant provisions contained therein respectively; (c) a declaration under the Code to the effect that he/she is a registered National Tax Payer (except where he/she is a non-resident), that he/she has not been convicted by a court of competent jurisdiction as defaulter

in payment of any loan to a banking company, a development financial institution or a non-banking financial institution, (d) a declaration that he/she is not ineligible to become director of the Bank in terms of Section 187 of the Ordinance, and under any circulars/directives of SBP, (e) Detailed Profile and office address, as required under SECP's SRO 634(1)/2014 dated July 10, 2014; and (f) Declaration for Independence (from Independent Directors) as per SBP Circular No. 15 dated December 28, 2016.

- ii) Fit & Proper test proforma, Affidavit on Non-Judicial Stamp Paper, questionnaire duly completed with a copy of recent CV, CNIC/Passport, academic & professional certificates/degrees, employment certificates received from previous employers and photograph in terms of the requirements of SBP, BPRD Circular No. 04 dated April 23, 2007 and prudential regulations (G-1). A copy of the said circular with proforma, questionnaire and prescribed Affidavit may be obtained from the SBP website or the registered office of the Bank.

As per requirements under SBP, BPRD Circular No. 04 dated April 23, 2007, and Prudential Regulations (G-1), the Directors could not assume charge of their respective offices until their appointments are approved in writing by SBP. All requests for seeking prior clearance of SBP for appointment as Directors shall be routed through the Bank.

In terms of the criteria prescribed by the SBP, association of the following persons as a director is undesirable and against public interest:

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

A person must be holding at least 500 shares of the Bank at the time of filing of his/her consent to act as director. Further, please note that as per SBP requirements a person is not permitted to be a director of more than one Bank/DFI.

4. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan [GoP] or SBP or corporate entity may appoint a person who is not a member.
5. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity (other than GoP and SBP), its common seal should be affixed on the instrument.
6. The instrument appointing a proxy, together with attested copy of Power of Attorney or Board Resolution, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 1st Floor, AWT Plaza, The Mall, P.O. Box No. 1084, Rawalpindi not less than 48 hours before the time of holding the meeting.
7. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
8. Copy of the CNIC or passport of the beneficial owners shall be furnished with the proxy form. The proxy shall produce his / her original CNIC or original passport at the time of attending the meeting.
9. In case of individual shareholder, original Computerized National Identity Card (CNIC) or original passport, while for the CDC account holder or sub-account holder and or the person whose securities are in group account and their registration details

are uploaded as per the regulations, his / her authentication would be made by showing his / her original CNIC or original passport along with participant(s) ID Number and their account numbers. In case of GoP / SBP / corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.

10. The Government of Pakistan through the Finance Act, 2016 has made certain amendments in terms of Section 150 of the Income Tax Ordinance, 2001 whereby the rates are enhanced for deduction of withholding tax on the amount of dividend paid by the companies/banks. These rates are as follows:

- a) For filers of income tax returns 12.50%
b) For non-filers of income tax returns 20.00%

And to enable the Bank to make tax deductions on the amount of cash dividend @ 12.50% instead of 20.00% to all shareholders, whose names are not entered into the Active Tax payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend (as and when declared) will be deducted @ 20.00% instead of 12.50%.

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

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

The required information must reach our Share Registrar by March 22, 2017 otherwise it will be assumed that the shares are equally held.

SPECIAL NOTES TO THE SHAREHOLDERS:

11. Submission of Copies of CNIC (Mandatory):

In compliance of instructions issued by the Securities & Exchange Commission of Pakistan (SECP) vide its SRO 779 (I)/2011 dated August 18, 2011, SRO 831(I)/2012 dated July 5, 2012 and SRO 19 (I)/2014 dated January 10, 2014 which has made it mandatory that the dividend warrants should bear the Computerized National Identity Card Number (CNIC) of the registered member or authorized person, except in the case of minor(s) and corporate members. Therefore individual members or their authorized representatives holding shares in physical or through CDC Accounts, who have not yet provided an attested copy of their valid CNICs to the Shares Registrar / CDC participant respectively, are requested to provide the same at their earliest. The corporate entities holding shares in physical or through CDC account are requested to provide their National Tax Number (NTN) / NTN Certificates to Shares Registrar / CDC Participants respectively. Members while sending copies of CNICs / NTN / NTN Certificates must quote their respective folio numbers and / company name.

Please note that in case of non-availability of valid copy of CNIC of members, their dividend warrant(s) will be with-held. In this regard, a list of shareholders without CNIC in our record has been made available on the website of the Bank.

12. Payment of Cash Dividend Electronically (e-Dividend):

According to the SECP's circular No. 8(4) SM/CDC 2008 of April 05, 2013, shareholders are entitled to receive their cash dividend directly in their bank accounts instead of receiving the dividend warrants physically. The shareholders may, therefore, authorize the Bank to credit the dividend directly to their bank accounts for all future dividends declared by the Bank. To facilitate the shareholders, a Form for Dividend Mandate has been made available on website of the Bank. Accordingly, shareholders having physical holding and desiring to avail this option may submit the prescribed Dividend Mandate Form, duly filled in and signed, to the Bank's Share Registrar. Shareholders who hold shares with Participant/Central Depository Company of Pakistan Limited (CDC) may approach to submit the detail in prescribed Dividend Mandate Form, duly filled in and signed, to the concerned Stock Broker / CDC. The Bank encourages the shareholders to take dividend mandate option for instant credit of dividends eliminating the chances of dividend warrants getting lost in the post, remain undelivered or delivered at the wrong address, etc.

13. Transmission of Audited Financial Statements & Notices to Members through email (Optional):

In compliance of S.R.O. 787(I)/2014 of SECP dated September 8, 2014, which has allowed the circulation of soft copies of Audited Financial Statements along with Notice of Annual General Meeting through e-mail instead of sending the same through post to those members who desire to avail this facility. The members who wish to receive soft copies of Audited Financial Statements along with Notice of AGM through email are requested to provide their written consent on the Standard Request Form available on the Bank's website (www.akbl.com.pk) to Bank's Share Registrar.

The Bank has placed the audited financial statements for the year ended December 31, 2016 along with Auditors and Directors' reports thereon on its website; www.akbl.com.pk.

14. Consent for Video Conference Facility:

In compliance of Circular No. 10 dated May 21, 2014 of SECP, shareholders of the Bank are informed that they can avail video conference facility in Karachi and Lahore. In this regard please fill the following form and submit the same with the Company Secretary, Askari Bank Limited, 1st Floor, AWT Plaza, The Mall, P.O. Box No. 1084, Rawalpindi at least ten (10) days before holding of general meeting. If the Bank receives consent from members holding in aggregate ten percent (10%) or more shareholding residing at a geographical location, to participate in the meeting through video conference at least ten (10) days prior to the date of meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city. The Bank will intimate members regarding venue of Video Conference Facility at least five (5) days before the date of general meeting along with complete information necessary to enable them to access such facility.

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

Signature of Member

15. Change of Address / particulars:

Members are requested to immediately notify any change in their addresses to the Bank's Shares Registrar, M/s Central Depository Company of Pakistan Limited, 2nd Floor, 307-Upper Mall, Lahore. To facilitate the shareholders, a Form for Change of Particulars of Shareholders has been made available on the website of the Bank.

16. Zakat Declaration (CZ-50):

Zakat will be deducted from the dividends at source at the rate of 2.5% of the paid-up value of the share (Rs. 10/- each) and will be deposited within the prescribed period with the relevant authority. In case of claiming exemption, please submit your Zakat Declarations under Zakat and Ushr Ordinance, 1980 and Rule 4 of Zakat (Deduction and Refund) Rules, 1981 CZ-50 Form with our Share Registrar. Physical shareholders are requested to submit the said declaration to our Share Registrar in the proper manner. The shareholders must write Askari Bank's name and their respective CDC Account number or folio numbers on Zakat Declarations at relevant place.

STATEMENT UNDER SECTION 160 (1) (b) & (c) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the 25th Annual General Meeting of the Bank to be held on Friday, March 31, 2017.

ITEM NO. 5 OF THE NOTICE – ELECTION OF DIRECTORS

Term of office of the present Directors of the Bank will expire on March 31, 2017. The Board of Directors of the Bank will be re-constituted for a fresh term of three years by electing ten (10) Directors.

ITEM NO. 6 OF THE NOTICE – CIRCULATION OF AUDITED FINANCIAL STATEMENTS THROUGH CD/DVD/USB

The Securities and Exchange Commission of Pakistan (SECP) has allowed companies to transmit / circulate the Annual Statement of Financial Position, Profit & Loss Account, Auditors' Report and Directors' Report etc. (Annual Audited Financial Statements) to its members through CD/DVD/USB at their registered addresses instead of transmitting the said accounts in hard copies. In this regard, a standard request form will be placed on the website of the Bank.

A shareholder may request to the Company Secretary to provide hard copy of Annual Audited Financial Statements and the same will be provided at the shareholder's registered address, within one week of the demand.

None of the Directors of Askari Bank Limited has any personal interest in the aforesaid Special Business except in their capacity as shareholders or Directors of the Bank.

ITEM NO. 7 OF THE NOTICE - SALE OF SHARES OF ASKARI INVESTMENT MANAGEMENT LIMITED (AIML) HELD BY ASKARI BANK LIMITED (AKBL)

Askari Investment Management Limited ("AIML") is a company incorporated under the laws of Pakistan and carrying on the business of asset management under license from the Securities and Exchange Commission of Pakistan. AIML's issued and paid up share capital is currently PKR 335,000,000/- (Three Hundred Thirty Five Million), divided into 33,500,000 (Thirty Three Million Five Hundred Thousand) ordinary shares of PKR 10/- (Pak Rupees Ten) each, all of which are held by AKBL (directly and through its nominees).

AKBL is desirous of selling 33,500,000 (Thirty Three Million Five Hundred Thousand) ordinary shares of AIML (being 100% of the issued and paid up share capital of AIML) for an aggregate price of not less than PKR 551,000,000/- (Pak Rupees Five Hundred Fifty One Million).

The above sale / divestment has been approved by the Board of Directors of AKBL in their meeting held on January 05, 2017 at Rawalpindi, and is subject to obtaining all requisite regulatory approvals.

Since AIML is an associated company / undertaking of AKBL, the approval of the shareholders of AKBL is required under section 208 of the Companies Ordinance, 1984.

The information required to be annexed to the Notice by Notification No. SRO 27(I)/2012 dated 16 January 2012 is set out below:

Name of the associated company	Askari Investment Management Limited ("AIML").
Relationship with associated company	AIML is a wholly owned subsidiary of Askari Bank Limited ("Bank")
Purpose, benefits and period of investment/ divestment	The divestment of AIML will enhance AKBL's focus on the core banking business and will also divert capital charge from asset management to core banking business.
Maximum Amount of investment / divestment	Not less than PKR 551,000,000/- (Pak Rupees Five Hundred Fifty One Million).
Maximum Price at which securities will be acquired/ sold.	Not less than approximately PKR 16.448/- (Sixteen Rupees and Four Hundred Forty Eight Paisas) per share.
Number of securities and percentage thereof held before and after the proposed investment/ divestment.	AKBL intends to sell 33,500,000 ordinary shares of AIML, representing 100% of the issued and paid up share capital of AIML.
Fair market value of securities.	Discounted Cash Flow (DCF) Method: PKR 342 million (Per share PKR. 10.208/-) Replacement Cost Valuation: PKR. 488 million (Per share PKR. 14.567/-) for new investor and Rs. 380 million (Per share PKR. 11.343/-) for existing Asset Management Company; As Percentage of Assets Under Management (AUMs): PKR. 522 million (Per share Rs. 15.582/-) at 3% AUMs
Break-up value of securities intended to be acquired / sold on the basis of the latest audited financial statements.	Break-up value of securities intended to be sold on the basis of the latest audited financial statements of AIML as on December 31, 2016 comes to PKR. 346,499,888/- (PKR 10.34/- per share)
Earnings per share (EPS) of the associated company or associated undertaking for the last three years.	FY 2014: PKR 0.89/- per share; FY 2015: PKR 1.07/- per share; FY 2016: PKR -0.0017/- per share;
Sources of fund from which securities will be acquired / sold.	The sale of shares shall be against cash consideration.
Salient features of the agreement(s), if any entered into with its associated company or associated undertaking with regards to the proposed investment/ divestment.	Not applicable
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	None of the directors, sponsors or majority shareholders of AKBL have any direct or indirect interest in AIML, other than the shares held by them as nominees of AKBL.
Any other important details necessary for the members to understand the transaction.	The transaction may be implemented as a direct sale and purchase transaction or as an acquisition and simultaneous merger as may be required in consultation with the Securities and Exchange Commission of Pakistan.

INSPECTION OF DOCUMENTS

Statement under section 160 (1) (b) & (c) of the Companies Ordinance, 1984, financial statements and other related information / documents of the Bank which may be inspected / procured during business hours on any working day at the Registered Office of the Bank from the date of publication of this notice till conclusion of the Annual General Meeting.



OIL ON CANVAS
36" x 24"

Dua Abbas

After graduating with distinction from the National College of Arts, Dua went on to display her artwork on various galleries in Lahore. She currently works as a freelance contributor to a few distinct art exhibitions.





Lt Gen Khalid Nawaz Khan
HI (M), Sitara-i-Esar (Retd)
Chairman Board of Directors

Askari Bank achieved two important milestones during 2016; a one notch improvement in entity rating to AA+ and crossing the mark of 500 branches. Under the aegis of the Fauji Group since June 2013, Askari Bank has almost doubled the number of branches across Pakistan. This is a significant step in actualizing Askari Bank's vision: 'to be the Bank of first choice in the region'.

CHAIRMAN'S MESSAGE

The Bank posted consistent performance during 2016 despite low interest margins that impacted the banking industry. Askari Bank is making good progress on the key drivers of strong growth; extended footprint, improved customer services, enhanced efficiencies and quality assets, that will positively impact long-term shareholder value. The financial results for 2016 annexed with this report reflect another year of steady growth enabled by a 16 percent increase in the asset-base and a 4 percent increase in profits. Based on these financial results, the Board is pleased to announce a final cash dividend of Rs.1.50 per share (i.e. 15 percent) for the year ended December 31, 2016.

Economic growth accelerated in Pakistan during fiscal year 2016 on the cumulative impact of the government's macroeconomic and structural reform program, lower oil prices, and improved security situation, outpacing growth forecasts. Inflation and the current account deficit were lower than expected, while foreign exchange reserves strengthened and the budget deficit shrank.

However, looking ahead the forecast for inflation and current account see an edge-up on the expectation of higher global oil prices. The China-Pakistan-Economic-Corridor (CPEC) is now a reality and is expected to bring significant investment for infrastructure projects, especially road network and energy projects, which in turn will spurn other services and industries. The recent trend of external ratings will also play a key role in attracting investment and opportunities in Pakistan.

With expanding presence, the Bank increased its focus on the credo that business is built on relationships. As a customer-centric organization, Askari Bank will continue to explore opportunities with a clear direction; understanding and gaining insight to the customer needs, delivering customized solutions in a committed and friendly manner by our inspired and empowered people. The Bank assigns high priority to sourcing and retaining the right talent with emphasis on leadership, while being at the forefront of innovative technology in the industry.

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



Lt Gen Khalid Nawaz Khan
HI (M), Sitara-i-Esar (Retd)

Chairman Board of Directors
Askari Bank Limited

February 14, 2017



Syed M. Husaini
President & Chief Executive

Year 2016 saw growing competition in banking business and it is satisfying and motivating to report on the resilient performance achieved by Askari Bank.

PRESIDENT'S REVIEW

Over the last few years, Askari Bank has substantially expanded its network presence and has calibrated growth and reoriented the strategy in line with the changing environment. We have set out a growth path based on a well-defined risk management framework that focuses on maintaining a healthy asset quality, addresses stress to the asset portfolios while maintaining a strong balance sheet.

The comfort on macroeconomic front; mainly low inflation and overall external surplus enabled the continuation of staggered monetary easing and a cut of 25 basis points announced during 2016 reduced the policy rate to the lowest level since the early 70s. The overall economic growth was driven mainly by the industrial and services sectors as agriculture suffered due to decline in cotton production. External sector remained stable on account of growth in remittances; continued flows from IFIs; and a decline in global oil prices during fiscal 2016. Pakistan's economy is poised to build on the progress made in recent years on the back of focused Government initiatives to drive sustainable growth, improved security conditions and China-Pakistan-Economic-Corridor (CPEC) related projects. Alongside, the historic low interest rates will help in further boosting up private credits in coming periods.

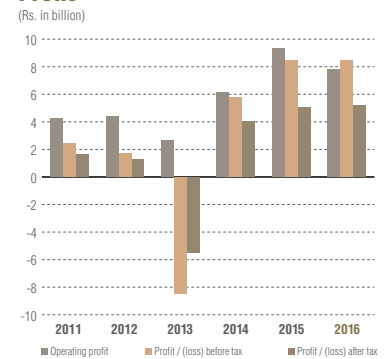
Year 2016 saw growing competition in banking business and it is satisfying and motivating to report on the resilient performance achieved by Askari Bank. Our profits and balance sheet footing continued to grow steadily and the Bank recorded a profit after tax of Rs. 5.2 billion during 2016 as compared to Rs. 5.0 billion during 2015, an increase of 3.5 percent. Our asset base grew by 16 percent mainly on the back of a healthy increase in customer deposits. The overall deposit mix also registered marked improvement as current accounts increased by 19 percent. The range of our

deposit products was further expanded with the launch of 'Little Champs Account' which aims at inculcating the habit of savings in children and 'Askari Waqaar Account – Senior Citizen' designed for senior citizens in the age of 55 years and above, enabling them to carry out their banking transactions with greater ease and flexibility and also to avail investment opportunities.

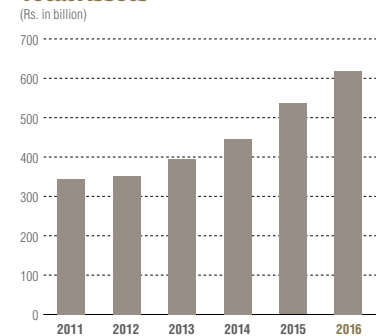
Another notable improvement in our financial results for 2016 has been the 24 percent increase in fee, commission and brokerage revenues contributed by the trade, corporate finance and advisory businesses. Gross advances increased by 15 percent to close at Rs. 262 billion at end 2016 while the non-performing loans reduced by 9.4 percent mainly reflecting our aggressive recovery drive. Our corporate segment had experienced challenges in earlier years given the prolonged slowdown in growth and the asset quality metrics and is now well placed towards supporting the industrial and infrastructural investment critical to our country's growth. It is addressing the risks to this segment in a focused manner by reformulating the risk appetite to balance the portfolio mix towards a lower risk profile along with emphasis on high rated clients thus ensuring that the Bank's capital remains optimally deployed. Lower interest rate environment has also an innate propensity of boosting consumer financing and our consumer asset products registered a healthy growth of 34 percent during 2016.

During the year under review, Askari Bank achieved the milestone of 500 branches across the country and added 77 new branches to our branch footprint. Our first representative office in Beijing, China also became functional during the year. As we strengthen our presence across the country, we have stepped up our customer services and customer contact centers to compliment the service excellence which we consider as

Profit



Total Assets



a key imperative. Our customer complaint management process has gone through significant improvements and actively monitors and engages with customer for complaint resolution on a timely basis. During 2016, a total of 30,074 customer complaints were registered through our communication channels and the average resolution turn-around-time clocked less than 72 hours. Our sales and customer service training continued to be assigned high priority on the Bank's in-house training and development agenda which offers a range of programmes to nurture a customer orientation in pursuit of service excellence. We strive to provide customers with an efficient and a seamless service experience with the sole purpose of increasing customer satisfaction, thereby winning customer loyalty.

In recognition to our improved market penetration, sustaining acceptable risk profile, strengthened internal controls and effective management of spreads, Pakistan Credit Rating Agency (PACRA) assigned an upgraded entity rating of AA+ to Askari Bank, a one notch improvement from previous AA.

Askari Bank is in the 25th year of banking service. Our rich heritage and strong brand promise of trust, safety, stability and strength, have been a sound platform for market penetration, leadership and growth over the decades. We are proud to have partnered the progress of private businesses and generations, and as we look to serve more, we will constantly re-evaluate what we do and how we do in the context of evolving landscapes. We will remain focused on the need to be agile to respond to changing market needs, life styles and increasing competition.

Our human resource philosophy focuses on attracting, developing and building a pool of talented, dynamic and a motivated human resource base with the right competencies to proactively meet our organizational objectives, whilst inculcating an entrepreneurial spirit, innovation and commitment to change within the Bank. We aim to be the employer of choice, creating a unique workplace and providing unlimited opportunities to our people. Our in-house training academies have customized programs which focus on the capacity building for managerial skills for various verticals across the Bank. An effective employee grievance handling mechanism ensures employee protection against on-the-job exploitation and discrimination. We have in place an effective whistle blowing policy with the primary objective of encouraging individuals to come up as whistle blowers for identification and uncovering any wrong doings or financial malpractices in the Bank.

We continued to be at the forefront of leveraging technology to improve the customer experience. We were the first bank in Pakistan to launch 'Askari PayPak Debit Card'. PayPak is the brand name of Pakistan's first domestic payments scheme that aims at providing efficient, cost-effective and robust payment solutions. We were also the first Bank in Pakistan to introduce card-less cash withdrawals,

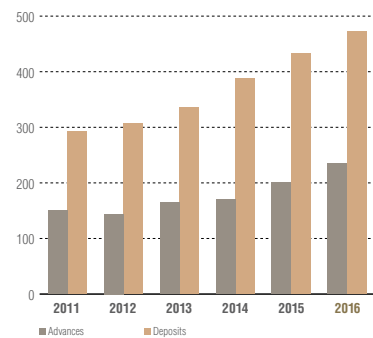
a facility that allows customers to draw cash from our ATMs using smart / mobile phones. The technology platform of our branchless (mobile) banking business was also upgraded during the year and is now fully equipped to serve as the digital wallet and growing needs of this segment. We have further expanded our network of ATMs to 515 at end 2016. The number of digital banking transactions registered an increase of 24 percent on our technology based offerings. The technological thrust has bolstered the Bank's competitive advantage with an excellent ATM network, mobile and internet banking platform to complement our branch network of conventional and Islamic banking branches.

The bank has made considerable investment towards improving the overall IT infrastructure with respect to core banking, networks, data security and online banking. The IT infrastructure is continually tested against all contingencies to ensure maximum availability with minimum downtime. The IT infrastructure of the Bank is running on latest technology platform that enables efficiency, flexibility and 24/7 service availability. During the year, all our Islamic banking branches along with our wholesale banking branch were seamlessly integrated with our core banking platform. Our centralized core banking system reinforces Bank's ability to deliver the product and service offerings in a convenient and effective manner while ensuring proper controls and operational efficiencies.

During the last two years, we have established a sound platform for growth and we look ahead with new vigour to capitalize on the numerous opportunities the future has to offer. The Bank has substantial depth of leadership talent, and is well-placed to execute our strategy. We aim for excellence in all we do. Customer centricity is instilled in all our policies, systems and processes. We provide a wide array of products and services to individuals, companies and institutional investors, with a convenience to transact, save and borrow in the best of ways possible. It is our ongoing endeavour to understand the unique requirements of our customers, and to cater to these requirements to the best of our ability. We continue to do this by focusing on what matters most to our clients and helping them fulfill their financial needs while

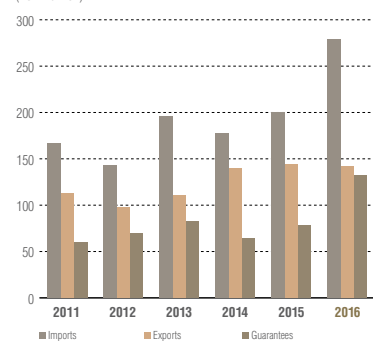
Advances and Deposits

(Rs. in billion)



Foreign Trade and Guarantees

(Rs. in billion)



attempting to simplify the financial world, so that our customers are able to connect to an otherwise complex network in the easiest way possible. Most crucially, we remain committed to maintaining the highest standards of compliance and governance in all jurisdictions we operate in.

I am confident that the coming years will see Askari Bank maintain and enhance its strength and our teams are fully geared to capitalise on the diverse growth opportunities. I would like to thank our Sponsors for their continued guidance and support during the course of the year, the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory bodies for creating an enabling environment for the financial services industry. We remain committed to serving and safeguarding the rights of our stakeholders by upholding the tenets of good governance and accepted best practices.

Syed M. Husaini
President & CE

February 14, 2017

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Askari Bank recognizes its obligation to society as a strategic imperative as reflected in its mission statement. As a socially responsible corporate entity, the Bank believes in taking initiatives which add value to peoples' lives and the environment around them.

During 2016, the Bank continued to support various initiatives and projects in the areas of education, sports, health and social development as a means of bringing about a positive change in the lives of people around us. In addition to social sector development, certain initiatives were implemented through the involvement of stakeholders within the Bank. To this end, Askari Bank's program of providing banking training to the children of employees in low income group is running successfully for the second year. Under this program, family members of such employees are given free banking training, thereby enabling them to become gainfully employed and pursue a career in banking.

Some of the other initiatives / events supported by Askari Bank during 2016 are as under:

EDUCATION

Investing in education is investing in the future of our nation. The Bank contributes for the education sector by supporting educational programs aimed at providing learning opportunities to the youth.

Following are some of the educational events supported by the bank during the year:

- Junior Model United Nations at Roots Ivy School, Islamabad
- Film and Drama Festival at NUML, Islamabad
- Outloud Pakistan Business Week Extravaganza at FAST University, Islamabad



President AKBL Syed M. Husaini and General Qamar Javed Bajwa at COAS Polo Cup, Show Jumping & Dressage Championships

SPORTS

The significance of sports is vital for physical and mental well-being and it also inculcates discipline and perseverance.

Some of sporting events sponsored by Askari Bank were:

- COAS Polo Cup, Show Jumping and Dressage, Rawalpindi
- 5th All Pakistan Golf Championship, Mangla
- 6th Chief of Naval Staff Golf Championship, Lahore
- Cricket match between Pakistan Army and Australian Army, Rawalpindi
- Inspector General Frontier Corps Polo Cup, Peshawar
- Heavy Industries Taxila Olympiad 2016, Taxila
- Gwadar Coastal Highway Cycle Rally 2016
- Asian Tennis Tour by Islamabad Tennis Association

HEALTH

Askari Bank has always contributed generously for health related projects and initiatives with the objective of promoting a healthier Pakistan. Some of the notable contributions were made to:

- Patients Aid Foundation, Karachi
- Pakistan Red Crescent, Islamabad
- Fatimid Foundation, Multan

- Pakistan Thalassaemia Welfare Society
- Hamza Foundation Welfare Hospital
- The Kidney Center, Post Graduate Training Institute, Karachi

CULTURAL AND SOCIAL DEVELOPMENT

To uphold our traditions and participate in the social development of our community Askari Bank plays an active role in various initiatives aimed at promoting our culture and investing in societal causes. Some of these are listed below:

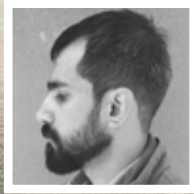
- Eid Milan Party at GE (Army), Tarbela
- 14th August ceremony - PAF Academy, Risalpur
- Food and Shopping Festival - DeSom, Lahore
- Floral demonstration - Floral Art Society of Pakistan, Karachi
- Diwali Show 2016, Karachi
- Monument construction at Shuhada-e-Warsak Park and Chowk, AJK
- 5th Islamic Finance Expo and Conference, Karachi
- SBP SME Mela (Lahore, Multan, Gujranwala, Sargodha, Quetta, Hyderabad)
- CPEC Summit and Expo, Islamabad
- 2nd Pakistan Edible Oil Conference (PEOC) 2017, Karachi



OIL ON CANVAS
24" x 30"

Ali Saad

As a young emerging Artist who graduated from the National College of Arts in 2016, Ali has displayed his work nationally and internationally. He has also been involved in conducting art workshops in Pakistan and UAE.

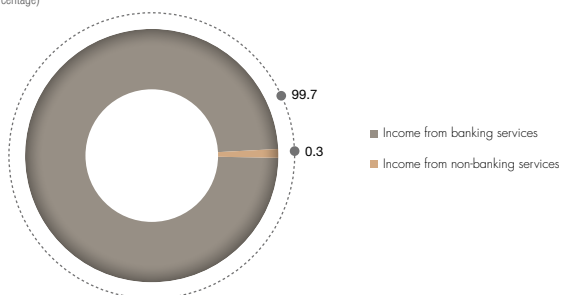


VALUE ADDED STATEMENT

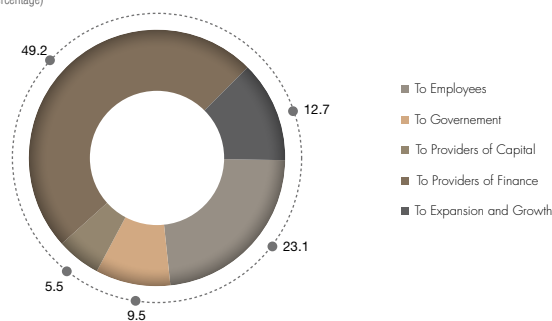
FOR THE YEAR ENDED DECEMBER 31, 2016

	Rs. in '000	% age
Value Added		
Income from banking services	38,849,985	
Cost of services	(5,366,176)	
Provision against non-performing assets	658,824	
Valued added by banking services	34,142,633	99.7
Non-banking services income	104,816	0.3
Total value added	34,247,449	100.0
Value Allocated		
to employees		
Salaries, allowances and other benefits	7,924,064	23.1
to government		
Income tax	3,256,313	9.5
to providers of capital		
Cash dividend	1,890,390	5.5
to providers of finance		
as financial charges	16,832,890	49.2
to expansion and growth		
Depreciation	1,013,547	3.0
Retained in business	3,330,245	9.7
	4,343,792	12.7
Total value allocated	34,247,449	100.0

Value Added
(Percentage)



Value Allocated
(Percentage)



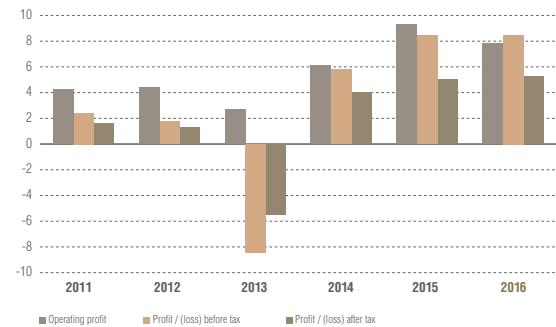
FINANCIAL REVIEW

PROFIT

Operating profit i.e. profit before provisions and taxation for 2016 declined by 16.0 percent over last year as revenues sustained and administrative costs increased due to additional expenses of strategic branch expansion being pursued by the Bank. Net interest income slightly increased due to the offsetting impact of decline in rates with the growth in funded business. Non-interest income increased by 6.2 percent as compared to last year, while the operating expenses increased by 16.5 percent. A net reversal of provision against non-performing assets amounting to Rs. 659 million enabled the Bank's profit before tax to be maintained at last year's level. Profit after tax for the year 2016 amounted to Rs. 5.22 billion, registering an increase of 3.5 percent over Rs. 5.04 billion in 2015.

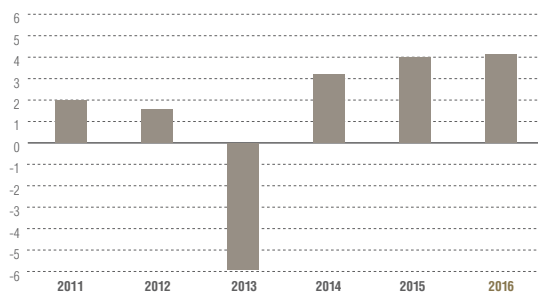
Profit

(Rs. in billion)



Earnings Per Share

(Rupees)



EARNINGS PER SHARE (EPS)

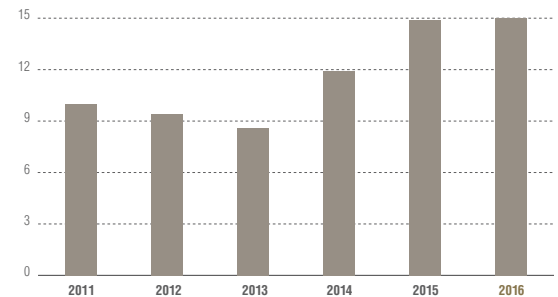
EPS reflects profit after taxation generated during the year for each share. EPS of the Bank for the year 2016 was recorded at Rs. 4.14 against Rs. 4.00 for last year. This was mainly due to increased volumes of earning assets and a net reversal of provisioning against non performing assets, during the year.

NET MARK-UP / INTEREST INCOME

Net interest income, representing the yields on earning assets minus the cost of funded liabilities increased by 0.8 percent over last year. The overall decline in interest revenues was 3.0 percent which was compensated by a 5.5 percent decrease in interest expense, as compared to last year. Interest income from loan and advances decreased by 3.5 percent as compared to last year as 2016 absorbed the full year impact of gradual but sharp decline in policy rate since 2015. Interest income on investments, lending and balance with banks also declined by 2.5 percent as compared to last year. However, the impact of a negative price variance was almost entirely offset by a positive volume variance during full year 2016.

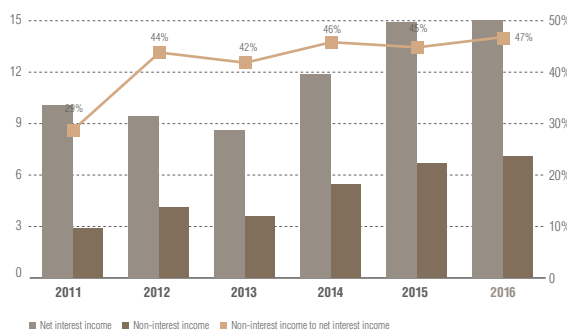
Net Mark-up / Interest Income

(Rs. in billion)



Non Mark-up / Non-Interest Income

(Rs. in billion)

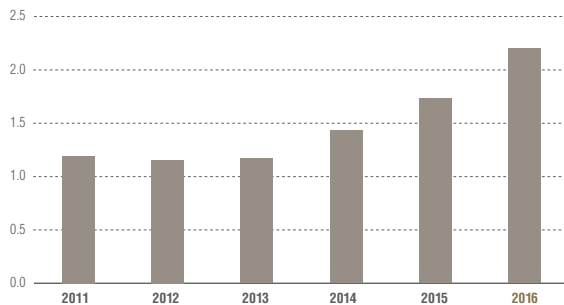


NON MARK-UP / NON-INTEREST INCOME

Aggregate non-interest income increased by 6.2 percent over last year mainly due to growth in trade finance business, increased volume of banking transactions and due to gains realized from available money market opportunities. Fee, commission and brokerage income increased by a healthy 24.5 percent and gains on disposal of securities and investments, mainly PIBs, increased by 8.6 percent and were the significant contributor to the overall non-mark-up / non-interest income during the year under review.

Fee, Commission & Brokerage Income

(Rs. in billion)



FEE, COMMISSION AND BROKERAGE INCOME

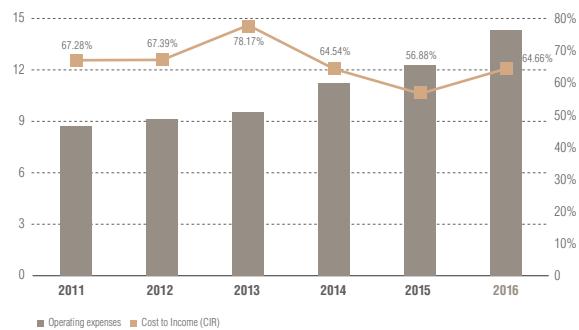
A 24.5 percent increase mainly due to contributions by improved trade business volumes, transactional fees and commission e.g. plastic cards, advisory services of investment banking business along with revenues earned by the bancassurance / bancatakaful businesses.

OPERATING EXPENSES

Aggregate operating expenses increased by 16.5 percent while administrative expenses increased by 17.2 percent. During 2016, the Bank opened 77 new branches which remained operative during part of the year while 103 new branches opened in 2015 remained fully operative during the year. Resultantly, the additional cost of branch network expansion was the main reason for the overall increase in administrative expenses.

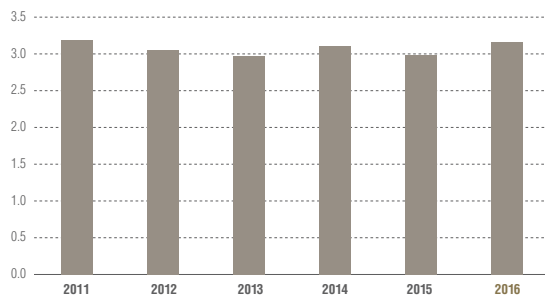
Operating expenses

(Rs. in billion)



Intermediation Cost

(%age)



INTERMEDIATION COST

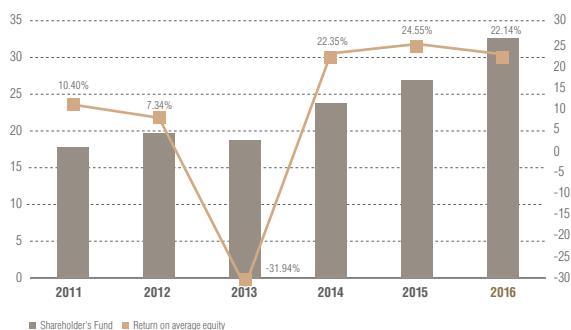
Computed by taking ratio of operating expenses to average deposits, it reflects the relationship of operating cost with the size of deposits mobilized. Intermediation costs increased from 2.99 percent for year 2015 to 3.16 percent for 2016 mainly due to a normal time gap termed as gestation period between the operational costs of newer branches and their contributing towards the overall deposit base.

SHAREHOLDERS' FUNDS

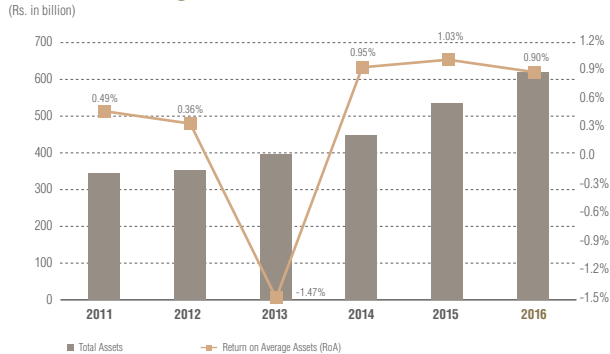
The aggregate shareholders' funds registered an increase of 21.3 percent over last year mainly due to earnings for the year 2016, and 43.2 percent rise in surplus on revaluation of assets, which is reported at Rs. 7.22 billion as on December 31, 2016 against Rs. 5.04 billion at the end of 2015. The increase in surplus on revelation of assets was primarily due to recognition of revaluation surplus on (a) Bank-owned properties and (b) properties acquired in settlement of claim as required by revised regulations. Consequently, the net book value per share of the Bank increased to Rs. 25.9 as on December 31, 2016 from Rs. 21.3 at end 2015.

Shareholders' Fund

(Rs. in billion)



Return on average assets



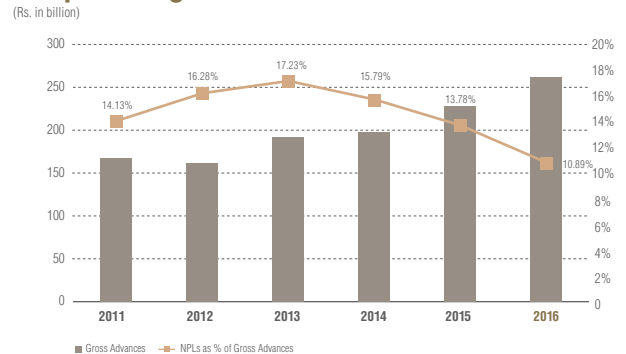
RETURN ON AVERAGE ASSETS (ROA)

The RoA of the Bank for the year 2016 has decreased because of increase in average assets by 17.5 percent while profit after taxation increased by only 3.5 percent.

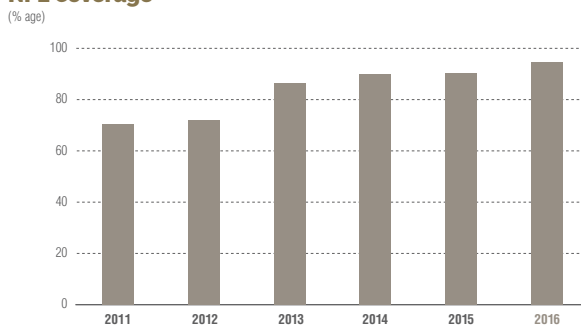
NON-PERFORMING LOANS (NPLS)

NPLs of the Bank as on December 31, 2016 reduced by 9.4 percent as compared to the last year. This mainly represents the outcome of Bank's recovery strategy against bad loans. On the other hand, gross advances grew by 14.8 percent, from Rs. 228 billion at end 2015 to Rs. 262 billion at end 2016, thus NPLs to gross advances ratio improved from 13.8 percent to 10.9 percent in 2016.

Non-performing Loans



NPL Coverage



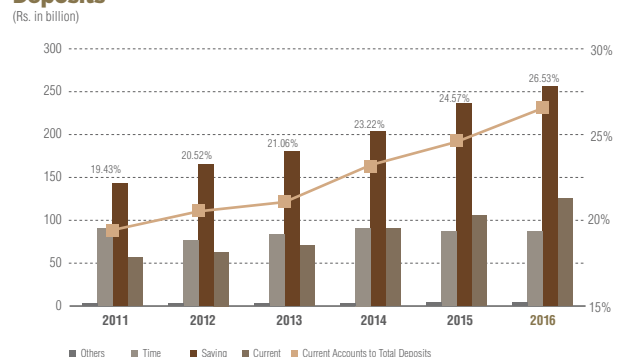
NON PERFORMING LOANS' (NPL) COVERAGE

The coverage ratio represents aggregate provisions against recognized NPLs. At end 2016, the absolute reduction in non-performing loans amounted to Rs. 2.95 billion i.e. 9.4 percent improvement compared to last year. At the same time, aggregate provisions reduced by Rs. 1.52 billion, i.e. 5.4 percent as compared to last year. Resultantly, the coverage ratio improved to 94.5 percent at end 2016 from 90.5 percent at end 2015.

DEPOSITS

During the year 2016, growth of 9.2 percent was achieved in customer deposits. The pattern of deposit mix improved; current accounts increased by 18.7 percent; saving deposits by 8.2 percent; while term deposits remained at almost last year's level. The average deposit per depositor improved by 4.3 percent depicting improvement in deposit concentration and expansion of core deposit base.

Deposits



FINANCIAL CALENDER

2016

1st Quarter Results issued on	April 22, 2016
2nd Quarter Results issued on	August 9, 2016
3rd Quarter Results issued on	October 13, 2016
Annual Results issued on	February 14, 2017
Final Cash Dividend recommended in BOD's Meeting on	February 14, 2017
25th Annual General Meeting scheduled for	March 31, 2017

2015

1st Quarter Results issued on	April 22, 2015
2nd Quarter Results issued on	August 25, 2015
1st Interim Cash Dividend declared on	August 25, 2015
3rd Quarter Results issued on	October 16, 2015
Annual Results issued on	February 15, 2016
Final Cash Dividend recommended in BOD's Meeting on	February 15, 2016
24th Annual General Meeting held on	March 30, 2016

Summarised Quarterly Financial Results

Rupees in million	2016				2015			
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
Financial Position								
Assets								
Cash, short term funds & statutory deposits with SBP	38,666	38,108	39,822	55,250	37,347	46,159	27,369	38,794
Investments	273,404	305,084	306,646	295,846	233,324	230,844	271,641	268,021
Advances	208,772	222,324	207,650	235,164	175,034	193,287	190,166	199,931
Operating fixed assets	9,303	9,524	9,574	11,020	8,536	8,750	9,009	9,230
Other assets	17,893	22,051	17,923	21,859	17,323	20,483	17,829	19,891
Total assets	548,038	597,090	581,615	619,139	471,564	499,523	516,015	535,867
Liabilities								
Borrowings from financial institutions	47,337	68,165	59,005	89,262	32,964	9,941	41,805	57,323
Customers deposits	448,810	465,888	462,640	472,811	386,054	422,495	427,313	433,172
Sub-ordinated loans	4,996	4,996	4,995	4,995	7,992	4,998	4,997	4,997
Other liabilities	16,320	26,288	22,965	19,494	19,769	36,658	15,895	13,522
Total liabilities	517,462	565,337	549,605	586,562	446,779	474,092	490,010	509,014
Net Assets	30,576	31,754	32,010	32,577	24,785	25,431	26,005	26,853
Shareholders' funds								
Share capital	12,603	12,603	12,603	12,603	12,603	12,603	12,603	12,603
Reserves and unappropriated profit	10,432	10,462	11,688	12,755	6,689	8,462	8,241	9,209
Surplus on revaluation of assets	7,541	8,689	7,719	7,219	5,494	4,366	5,162	5,041
Total shareholders' funds	30,576	31,754	32,010	32,577	24,785	25,431	26,005	26,853
Profit & Loss								
Total income	10,001	11,321	10,789	10,507	11,094	12,092	10,082	10,013
Mark-up / return / interest earned	8,404	8,891	9,099	9,118	9,506	9,132	8,964	8,990
Mark-up / return / interest expensed	4,839	5,198	5,308	5,152	5,981	5,303	5,213	5,194
Net mark-up / interest income	3,565	3,693	3,791	3,966	3,525	3,829	3,752	3,796
Non - mark-up / interest income	1,597	2,430	1,691	1,389	1,588	2,960	1,117	1,024
Fee, commission and exchange income	424	813	441	478	341	523	400	468
Other income	1,173	1,617	1,250	911	1,247	2,437	717	556
Operating expenses	3,273	3,449	3,675	3,907	2,886	3,195	3,071	3,129
Provisions against non-performing assets	8	(433)	(84)	(150)	327	159	185	208
Operating profit	1,889	2,674	1,806	1,449	2,227	3,594	1,798	1,691
Profit before tax	1,882	3,107	1,890	1,598	1,900	3,435	1,614	1,483
Taxation	659	1,370	663	564	640	1,661	581	507
Profit after taxation	1,223	1,737	1,227	1,034	1,260	1,774	1,033	976
Ratios (percent)								
Return on average shareholders' funds (RoE) - annualised	17.0%	22.3%	15.4%	12.8%	20.8%	28.3%	16.1%	14.8%
Return on average assets (RoA) - annualised	0.9%	1.2%	0.8%	0.7%	1.1%	1.5%	0.8%	0.7%

SHARE & DEBT INFORMATION

1. Share Information

1.1 The ordinary shares of Askari Bank Limited ("the Bank") are listed on the Pakistan Stock Exchange. The audited financial statements have been submitted to the stock exchange within the requisite notice periods as required by the relevant Regulations. Askari Bank's Central Depository System ID is 05132.

1.2 Market symbols

Pakistan Stock Exchange – AKBL, Reuters – ASKB.KA, Bloomberg – AKBL: PA

1.3 Share price and volume

Year	Shares (in Numbers)	Shareholders' funds	Market capitalization (in Billion)	KSE's market capitalization	share in market capitalization (Percent)	Share Price			shares traded during the year (in Numbers)
						High During the year	Low During the year	Close at December 31	
2001	103,553,663	2.58	1.38	297.42	0.46%	16.45	10.35	13.30	51,396,000
2002	108,731,375	4.17	2.92	595.21	0.49%	27.90	13.50	26.85	36,984,000
2003	114,167,943	5.05	5.88	951.45	0.62%	53.90	21.30	51.50	96,059,000
2004	125,584,737	6.02	11.80	1,723.45	0.68%	98.25	50.61	94.00	1,043,563,300
2005	150,701,684	8.81	19.11	2,746.56	0.93%	133.25	70.00	126.80	612,803,600
2006	200,433,239	11.05	21.04	2,771.11	0.76%	145.00	68.00	104.95	444,476,500
2007	300,649,859	12.27	29.99	4,329.91	0.69%	128.75	75.50	99.75	1,628,929,400
2008	405,877,309	12.97	5.91	1,857.18	0.32%	106.20	14.57	14.57	382,990,000
2009	507,346,635	14.95	13.85	2,753.54	0.50%	28.69	12.15	27.30	190,782,242
2010	642,743,940	16.00	11.37	3,268.95	0.35%	31.14	12.70	17.69	132,010,181
2011	707,018,400	17.78	7.09	2,945.78	0.24%	19.25	8.50	10.03	110,231,037
2012	813,071,084	19.69	14.00	4,242.28	0.33%	17.75	17.05	17.22	462,420,623
2013	1,260,260,180	18.73	17.64	6,056.51	0.29%	19.69	10.76	14.00	373,297,000
2014	1,260,260,180	23.71	29.07	7,380.53	0.39%	23.14	13.37	23.07	590,931,000
2015	1,260,260,180	26.85	27.40	6,947.36	0.38%	25.54	16.26	21.74	427,049,500
2016	1,260,260,180	32.58	31.44	9,628.51	0.33%	25.61	17.50	24.95	329,016,500

1.4 Record of share issues

Year	Issue	Number of shares	Share capital (Rs)
	Prior to public issue	15,000,000	150,000,000
1992	Public issue	15,000,000	150,000,000
1993	50% Rights issue @ Rs.10 per share	15,000,000	150,000,000
1995	Bonus @ 15%	6,750,000	67,500,000
1996	50% Rights issue @ Rs.20 per share	22,500,000	225,000,000
1996	Bonus @ 10%	7,425,000	74,250,000
1997	Bonus @ 15%	12,251,250	122,512,500
1998	Bonus @ 5%	4,696,312	46,963,120
2001	Bonus @ 5%	4,931,101	49,311,010
2002	Bonus @ 5%	5,177,712	51,777,120
2003	Bonus @ 5%	5,436,568	54,365,680
2004	Bonus @ 10%	11,416,794	114,167,940
2005	Bonus @ 20%	25,116,947	251,169,474
2006	Bonus @ 33%	49,731,555	497,315,549
2007	Bonus @ 50%	100,216,620	1,002,166,196
2008	Bonus @ 35%	105,227,450	1,052,274,496
2009	Bonus @ 25%	101,469,326	1,014,693,261
2010	Share issued to shareholders of erstwhile Askari Leasing Limited	28,273,315	282,733,150
2010	Bonus @ 20%	107,123,990	1,071,239,900
2011	Bonus @ 10%	64,274,460	642,744,604
2012	Bonus @ 15%	106,052,684	1,060,526,840
2013	55% Rights issue @ Rs. 10 per share	447,189,096	4,471,890,960
		1,260,260,180	12,602,601,800

2. Debts Information

2.1 The Bank's outstanding TFC issues are as follows:

(Rupees in million)	TFC - IV	TFC - V
IPO investors	1,000	4,000
General Public	-	-
Underwriters	-	-
	1,000	4,000

Market Symbols / IDs at LSE
Rating

Unlisted
AA

Unlisted
AA-

Market Price as at December 31, 2016 (based on marketable lots of Rs. 5,000)

PACRA
5,000

JCR - VIS
5,000

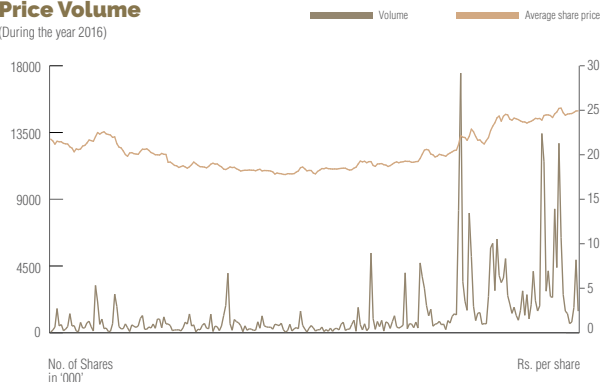
Applicable Interest Rate (p.a.) as at December 31, 2016

8.35%

7.26%

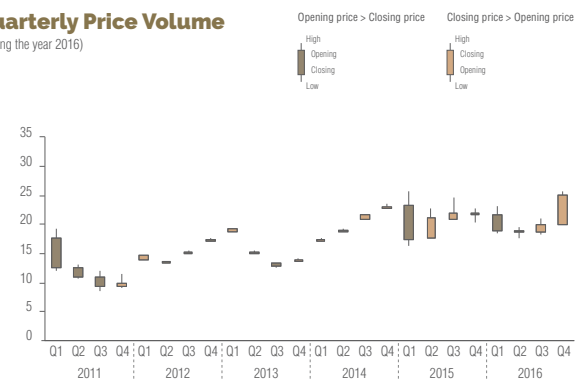
Price Volume

(During the year 2016)



Quarterly Price Volume

(During the year 2016)



HORIZONTAL AND VERTICAL ANALYSIS

Horizontal Analysis

	Rupees in million						Variance					
	2016	2015	2014	2013	2012	2011	2016 Vs 2015	2015 Vs 2014	2014 Vs 2013	2013 Vs 2012	2012 Vs 2011	2011 Vs 2010
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	42,568	29,685	19,130	26,105	24,435	26,168	43%	55%	-27%	7%	-7%	16%
Balances with other banks	5,846	8,296	7,068	9,058	8,864	6,235	-30%	17%	-22%	2%	42%	65%
Landings to financial institutions	6,837	813	3,428	2,503	6,319	1,592	741%	-76%	37%	-60%	297%	-83%
Investments	296,846	268,021	217,214	166,863	145,378	133,757	10%	23%	31%	14%	9%	31%
Advances	236,164	199,931	170,496	163,557	143,727	150,711	18%	17%	4%	14%	-5%	-1%
Operating fixed assets	11,020	9,230	8,299	8,567	8,841	9,349	19%	11%	-3%	-3%	-5%	-6%
Assets held for sale	262	-	54	-	-	-	0%	0%	0%	0%	0%	0%
Deferred tax assets	-	-	875	2,977	-	-	0%	-100%	-71%	0%	0%	0%
Other assets	21,597	19,891	20,517	16,197	15,491	15,945	9%	-3%	27%	5%	-3%	12%
	619,139	535,867	447,083	394,827	353,056	343,756	16%	20%	13%	12%	3%	9%
Liabilities												
Bills payable	8,580	6,095	6,855	5,688	3,700	2,756	41%	-11%	21%	54%	34%	-11%
Borrowings	89,262	57,323	13,742	24,546	8,373	17,273	56%	317%	-44%	193%	-52%	-32%
Deposits and other accounts	472,811	433,172	387,587	335,241	306,937	291,503	9%	12%	16%	9%	5%	14%
Sub-ordinated loans	4,995	4,997	7,993	3,994	6,987	6,990	0%	-37%	100%	-43%	0%	17%
Deferred tax liabilities	526	96	-	-	118	83	446%	0%	0%	-100%	42%	-3%
Other liabilities	10,388	7,330	7,199	6,630	7,252	7,374	42%	2%	9%	-9%	-2%	-9%
	586,562	509,014	423,375	376,099	333,367	325,980	15%	20%	13%	13%	2%	9%
Net Assets	32,577	26,853	23,707	18,729	19,688	17,776	21%	13%	27%	-5%	11%	11%
Represented by												
Share capital	12,603	12,603	12,603	12,603	8,131	7,070	0%	0%	0%	55%	15%	10%
Reserves	8,671	6,446	4,824	5,613	8,542	8,136	35%	34%	-14%	-34%	5%	6%
Unappropriated profit / (loss)	4,084	2,763	1,862	(1,583)	1,004	1,302	48%	48%	-218%	-258%	-23%	86%
	25,358	21,812	19,289	16,633	17,677	16,509	16%	13%	16%	-6%	7%	11%
Surplus on revaluation of assets - net of tax	7,219	5,041	4,418	2,096	2,011	1,267	43%	14%	111%	4%	59%	7%
	32,577	26,853	23,707	18,729	19,688	17,776	21%	13%	27%	-5%	11%	11%
Profit and Loss												
Mark-up / return / interest earned	35,512	36,592	34,604	27,961	32,402	32,766	-3%	6%	24%	-14%	-1%	20%
Mark-up / return / interest expensed	20,497	21,690	22,711	19,363	22,974	22,700	-6%	-4%	17%	-16%	1%	27%
Net mark-up / interest income	15,016	14,902	11,893	8,597	9,428	10,067	1%	25%	38%	-9%	-6%	7%
(Reversal) / provision against non-performing loans and advances - net	(729)	316	(83)	9,854	2,342	1,630	331%	480%	-101%	321%	44%	-30%
Impairment loss on available for sale investment	23	217	208	151	143	122	-90%	5%	37%	6%	17%	-68%
Provision for diminution in the value of investments	48	346	198	933	201	44	-86%	75%	-79%	364%	362%	-85%
Provision against reverse repo	-	-	-	-	-	35	0%	0%	0%	0%	-100%	-47%
Reversal of provision against purchase under resale agreement	-	-	-	(35)	-	-	0%	0%	0%	0%	0%	0%
Impairment loss on immovable assets	-	-	-	200	-	-	0%	0%	0%	0%	0%	0%
Bad debts written off directly	-	-	-	-	1	-	0%	0%	0%	-100%	0%	0%
	(659)	879	322	11,103	2,688	1,831	-175%	173%	-97%	313%	47%	-40%
Net mark-up / interest income after provisions	15,674	14,023	11,571	(2,506)	6,741	8,236	12%	21%	-562%	-137%	-18%	30%
Non mark-up/interest income												
Fee, commission and brokerage income	2,156	1,732	1,435	1,169	1,153	1,194	24%	21%	23%	1%	-3%	-6%
Dividend income	305	303	349	509	1,036	289	1%	-13%	-31%	-51%	258%	38%
Income from dealing in foreign currencies	640	835	985	559	885	772	-23%	-15%	76%	-37%	15%	6%
Gain on sale of investments - net	3,527	3,246	1,804	820	682	307	9%	80%	120%	20%	122%	45%
Unrealised gain on revaluation of investments classified as held for trading - net	-	-	-	-	0	-	0%	0%	0%	-100%	100%	0%
Other income	479	573	744	540	361	340	-16%	-23%	38%	50%	6%	-10%
Total non-markup / interest income	7,106	6,690	5,317	3,598	4,117	2,903	6%	26%	48%	-13%	42%	4%
	22,781	20,712	16,889	1,092	10,858	11,139	10%	23%	1446%	-90%	-3%	22%
Non mark-up/interest expenses												
Administrative expenses	14,079	12,014	10,934	9,397	9,039	8,639	17%	10%	16%	4%	5%	11%
Other provisions / write offs	3	50	47	114	9	-	-93%	6%	-59%	1215%	0%	0%
Other charges	222	217	126	23	80	87	2%	72%	457%	-72%	-7%	104%
Total non-markup / interest expenses	14,304	12,281	11,107	9,533	9,128	8,726	16%	11%	17%	4%	5%	11%
Profit / (loss) before taxation	8,477	8,432	5,781	(8,441)	1,730	2,413	1%	46%	-168%	-588%	-28%	90%
Taxation - current	(2,129)	(2,330)	(1,014)	(94)	(839)	(833)	-9%	130%	981%	-89%	1%	153%
- prior years'	(266)	(416)	-	-	-	-	0%	0%	0%	0%	0%	0%
- deferred	(861)	(642)	(753)	3,054	364	48	34%	-15%	-125%	739%	664%	0%
	(3,256)	(3,388)	(1,766)	2,961	(475)	(785)	-4%	92%	-160%	-723%	-39%	138%
Profit / (loss) after taxation	5,221	5,043	4,015	(5,480)	1,255	1,628	4%	26%	-173%	-537%	-23%	72%
Basic earnings per share - Rupees	4.14	4.00	3.19	(5.90)	1.54	2.30						

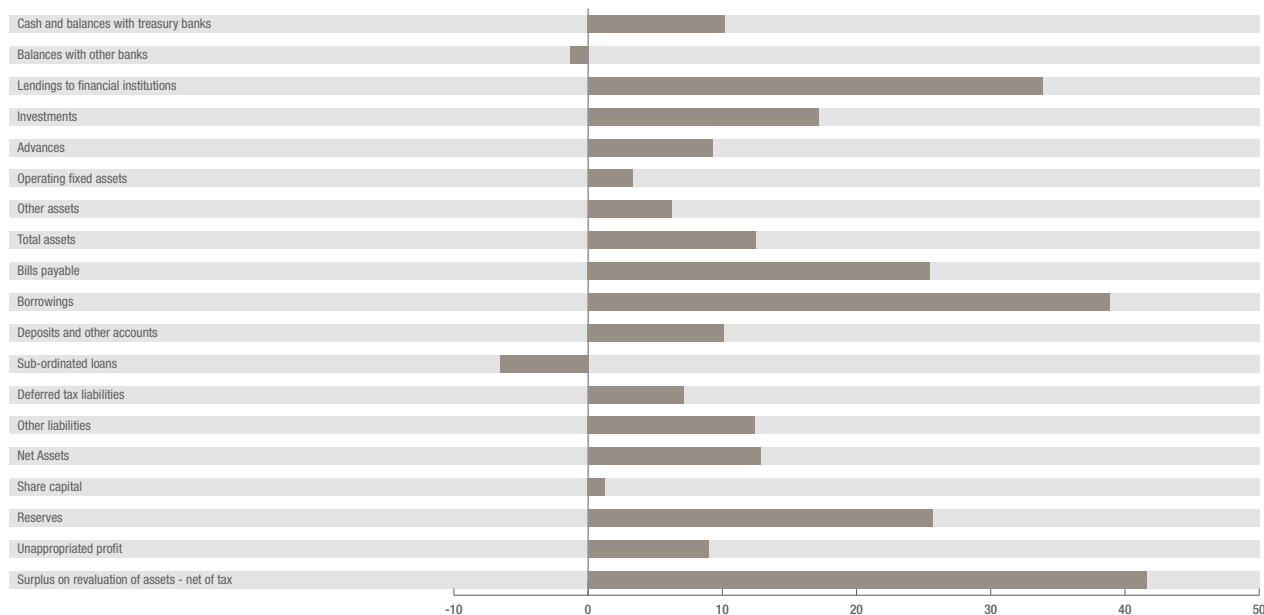
Vertical Analysis

	2016	2015	2014	2013	2012	2011	2016	2015	2014	2013	2012	2011
	Rupees in million						Variance					
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	42,568	29,685	19,130	26,105	24,435	26,168	7%	6%	4%	7%	7%	8%
Balances with other banks	5,846	8,296	7,068	9,058	8,864	6,235	1%	2%	2%	2%	3%	2%
Lendings to financial institutions	6,837	813	3,428	2,503	6,319	1,592	1%	0%	1%	1%	2%	0%
Investments	295,846	268,021	217,214	165,863	145,378	133,757	48%	50%	49%	42%	41%	39%
Advances	235,164	199,931	170,496	163,557	143,727	150,711	38%	37%	38%	41%	41%	44%
Operating fixed assets	11,020	9,230	8,299	8,567	8,841	9,349	2%	2%	2%	2%	3%	3%
Assets held for sale	262	-	54	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	875	2,977	-	-	0%	0%	0%	1%	0%	0%
Other assets	21,597	19,891	20,517	16,197	15,491	15,945	3%	4%	5%	4%	4%	5%
	619,139	535,867	447,083	394,827	353,056	343,756	100%	100%	100%	100%	100%	100%
Liabilities												
Bills payable	8,580	6,095	6,855	5,688	3,700	2,756	1%	1%	2%	1%	1%	1%
Borrowings	89,262	57,323	13,742	24,546	8,373	17,273	14%	11%	3%	6%	2%	5%
Deposits and other accounts	472,811	433,172	387,587	335,241	306,937	291,503	76%	81%	87%	85%	87%	85%
Sub-ordinated loans	4,995	4,997	7,993	3,994	6,987	6,990	1%	1%	2%	1%	2%	2%
Deferred tax liabilities	526	96	-	-	-	83	0%	0%	0%	0%	0%	0%
Other liabilities	10,388	7,330	7,199	6,630	7,252	7,374	2%	1%	2%	2%	2%	2%
	586,562	509,014	423,375	376,099	333,367	325,980	95%	95%	95%	95%	94%	95%
Net Assets	32,577	26,853	23,707	18,729	19,688	17,776	5%	5%	5%	5%	6%	5%
Represented by												
Share capital	12,603	12,603	12,603	12,603	8,131	7,070	2%	2%	3%	3%	2%	2%
Reserves	8,671	6,446	4,824	5,613	8,542	8,136	1%	1%	1%	1%	2%	2%
Unappropriated profit / (loss)	4,084	2,763	1,862	(1,583)	1,004	1,302	1%	1%	0%	0%	0%	0%
	25,357	21,812	19,289	16,633	17,677	16,509	4%	4%	4%	4%	5%	5%
Surplus on revaluation of assets - net of tax	7,219	5,041	4,418	2,096	2,011	1,267	1%	1%	1%	1%	1%	0%
	32,577	26,853	23,707	18,729	19,688	17,776	5%	5%	5%	5%	6%	5%
Profit and Loss												
Mark-up / return / interest earned	35,512	36,592	34,604	27,961	32,402	32,766	100%	100%	100%	100%	100%	100%
Mark-up / return / interest expensed	20,497	21,690	22,711	19,363	22,974	22,700	58%	59%	66%	69%	71%	69%
Net mark-up / interest income	15,016	14,902	11,893	8,597	9,428	10,067	42%	41%	34%	31%	29%	31%
(Reversal) / provision against non-performing loans and advances - net	(729)	316	(83)	9,854	2,342	1,630	-2%	1%	0%	35%	7%	5%
Impairment loss on available for sale investment	23	217	208	151	143	122	0%	1%	1%	1%	0%	0%
Provision for diminution in the value of investments	48	346	198	933	201	44	0%	1%	1%	3%	1%	0%
Provision against reverse repo	-	-	-	-	-	35	0%	0%	0%	0%	0%	0%
Reversal of provision against purchase under resale agreement	-	-	-	-	(35)	-	-	-	-	-	-	-
Impairment loss on immovable assets	-	-	-	-	200	-	-	-	-	-	-	-
Bad debts written off directly	-	-	-	-	1	0	-	0%	0%	0%	0%	0%
	(659)	879	322	11,103	2,688	1,831	-2%	2%	1%	40%	8%	6%
Net mark-up / interest income after provisions	15,674	14,023	11,571	(2,506)	6,741	8,236	44%	38%	33%	-9%	21%	25%
Non mark-up/interest income												
Fee, commission and brokerage income	2,156	1,732	1,435	1,169	1,153	1,194	6%	5%	4%	4%	4%	4%
Dividend income	305	303	349	509	1,036	289	1%	1%	1%	2%	3%	1%
Income from dealing in foreign currencies	640	835	985	559	885	772	2%	2%	3%	2%	3%	2%
Gain on sale of investments - net	3,527	3,246	1,804	820	682	307	10%	9%	5%	3%	2%	1%
Unrealised gain on revaluation of investments classified as held for trading - net	-	-	-	-	0	-	0%	0%	0%	0%	0%	0%
Other income	479	573	744	540	361	340	1%	2%	2%	2%	1%	1%
Total non-markup / interest income	7,106	6,690	5,317	3,598	4,117	2,903	20%	18%	15%	13%	13%	9%
	22,781	20,712	16,889	1,092	10,858	11,139	64%	57%	49%	4%	34%	34%
Non mark-up/interest expenses												
Administrative expenses	14,079	12,014	10,934	9,397	9,039	8,639	40%	33%	32%	34%	28%	26%
Other provisions / write offs	3	50	47	114	9	-	0%	0%	0%	0%	0%	0%
Other charges	222	217	126	23	80	87	1%	1%	0%	0%	0%	0%
Total non-markup / interest expenses	14,304	12,281	11,107	9,533	9,128	8,726	40%	34%	32%	34%	28%	27%
Profit / (loss) before taxation	8,477	8,432	5,781	(8,441)	1,730	2,413	24%	23%	17%	-30%	5%	7%
Taxation - current	(2,129)	(2,330)	(1,014)	(94)	(839)	(833)	-6%	-6%	-3%	0%	-3%	-3%
- prior years'	(266)	(416)	-	-	-	-	-1%	-1%	0%	0%	0%	0%
- deferred	(861)	(642)	(753)	3,054	364	48	-2%	-2%	-2%	11%	1%	0%
	(3,256)	(3,388)	(1,766)	2,961	(475)	(785)	-9%	-9%	-5%	11%	-1%	-2%
Profit / (loss) after taxation	5,221	5,043	4,015	(5,480)	1,255	1,628	15%	14%	12%	-20%	4%	5%

HORIZONTAL AND VERTICAL ANALYSIS

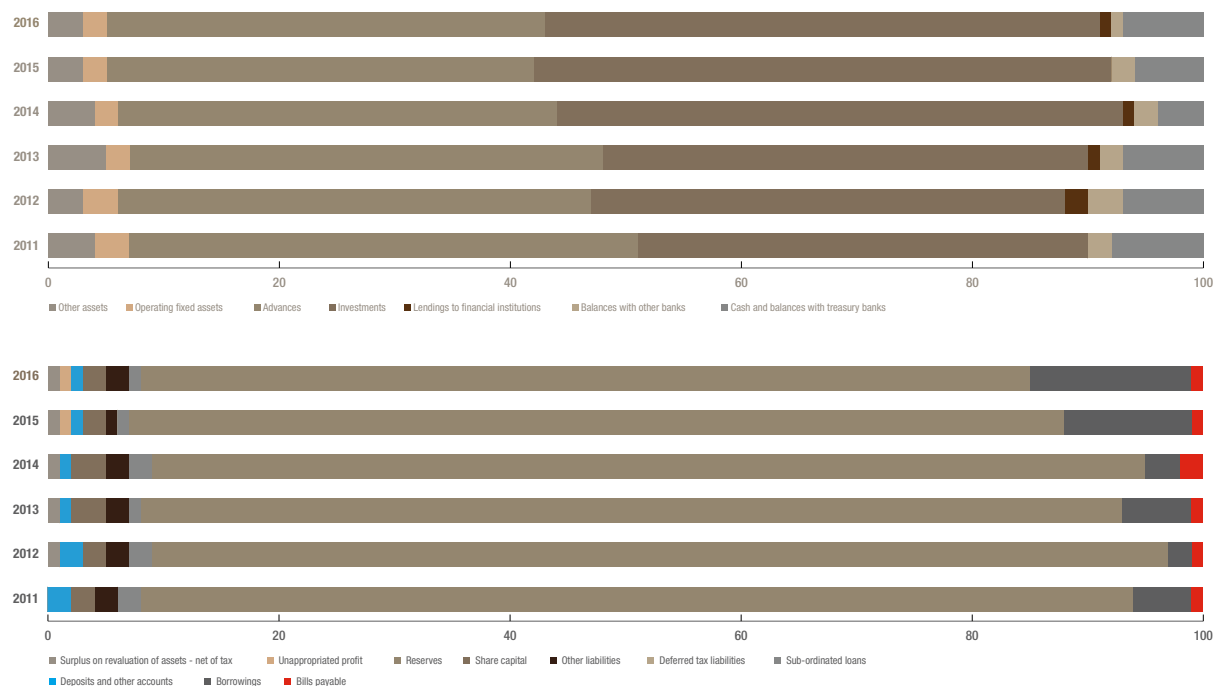
Balance Sheet Horizontal Analysis

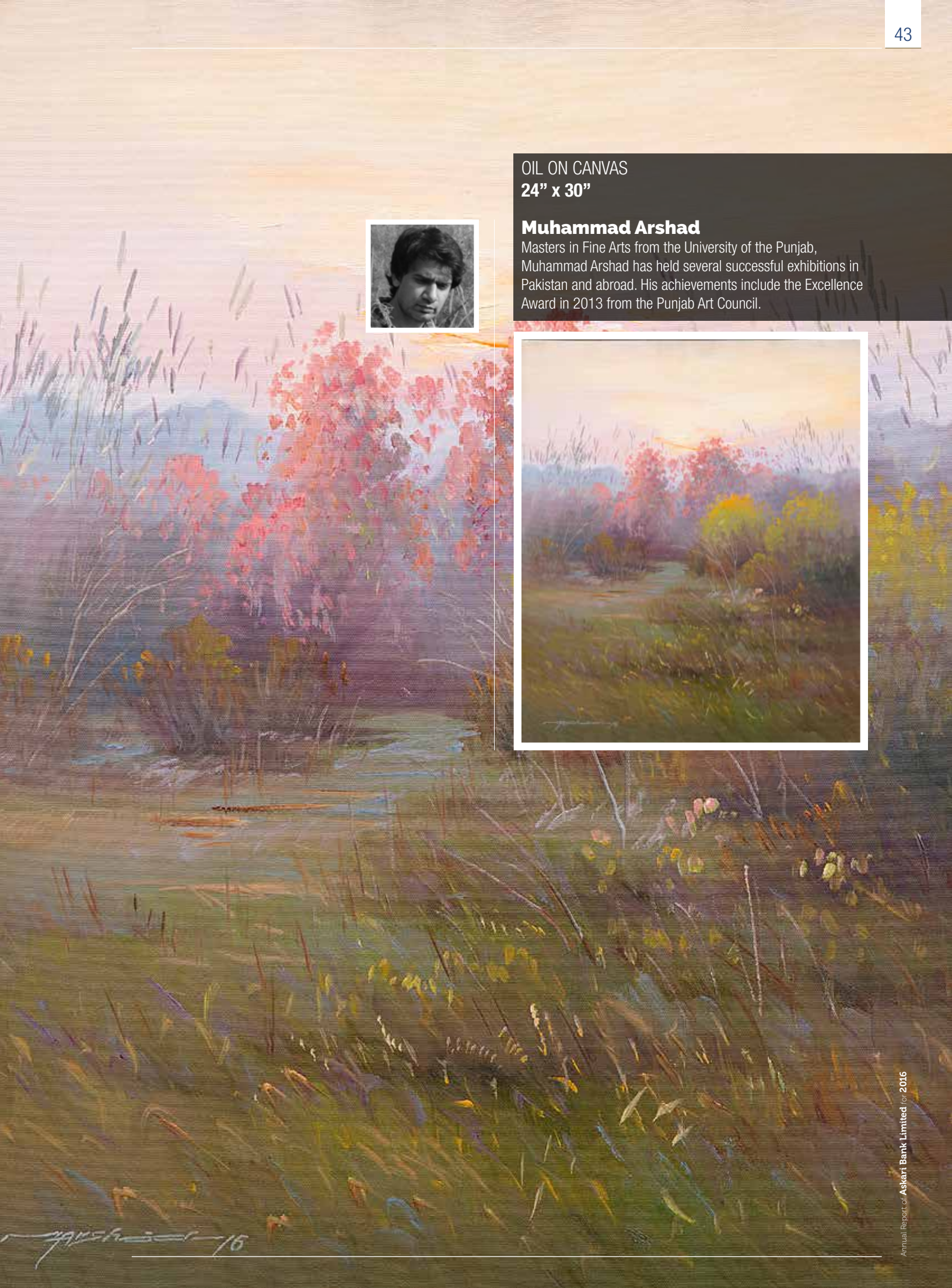
(Cumulative average growth rate for the last six years - % age)



Balance Sheet Vertical Analysis

(Composition for the last six years - % age)





OIL ON CANVAS
24" x 30"

Muhammad Arshad

Masters in Fine Arts from the University of the Punjab, Muhammad Arshad has held several successful exhibitions in Pakistan and abroad. His achievements include the Excellence Award in 2013 from the Punjab Art Council.



SIX YEARS' STATISTICS

December 31	2011	2012	2013	2014	2015	2016
Rupees in million						
Assets						
Advances - net	150,711	143,727	163,557	170,496	199,931	235,164
Investments	133,757	145,378	165,863	217,214	268,021	295,846
Cash, short term funds and statutory deposits with SBP	33,995	39,619	37,666	29,626	38,794	55,250
Operating fixed assets	9,349	8,841	8,567	8,299	9,230	11,020
Assets held for sale	-	-	-	54	-	262
Other assets	15,945	15,491	19,174	21,392	19,891	21,597
Total Assets	343,756	353,056	394,827	447,083	535,867	619,139
Non-performing loans	23,646	26,518	33,120	31,376	31,484	28,535
Provisions for non-performing loans	16,669	19,128	28,614	28,169	28,482	26,959
Liabilities						
Deposits	291,503	306,937	335,241	387,587	433,172	472,811
Refinance borrowings from SBP	9,277	7,775	8,953	7,954	10,327	12,891
Sub-ordinated loans	6,990	6,987	3,994	7,993	4,997	4,995
Other liabilities	18,210	11,668	27,911	19,841	60,518	95,866
Total liabilities	325,980	333,367	376,099	423,375	509,014	586,562
Shareholders' funds						
Share capital	7,070	8,131	12,603	12,603	12,603	12,603
Reserves	9,439	9,546	4,030	6,686	9,209	12,755
Surplus on revaluation of assets	1,267	2,011	2,096	4,418	5,041	7,219
Total shareholders' funds	17,776	19,688	18,729	23,707	26,853	32,577
Profitability						
Interest income	32,766	32,402	27,961	34,604	36,592	35,512
Interest expenditure	22,700	22,974	19,363	22,711	21,690	20,497
Net interest income	10,067	9,428	8,597	11,893	14,902	15,016
(Reversal) / provision & impairment for non-performing assets	1,831	2,688	11,103	322	879	(659)
Fee, commission and exchange income	1,194	1,153	1,169	1,435	1,732	2,156
Other income	1,709	2,964	2,429	3,882	4,958	4,951
Operating expenses	8,726	9,128	9,533	11,107	12,281	14,304
Profit / (loss) before taxation	2,413	1,730	(8,441)	5,781	8,432	8,477
Taxation	785	475	2,961	1,766	3,388	3,256
Profit / (loss) after taxation	1,628	1,255	(5,480)	4,015	5,043	5,221
Operating profit / (loss)	4,244	4,418	2,663	6,103	9,311	7,818
Total income	35,669	36,519	31,559	39,921	43,282	42,619
Total expenditure	33,257	34,790	39,999	34,140	34,850	34,142
Cash flows						
Operating activities	36,492	10,939	22,906	36,639	67,461	42,479
Investing activities	(31,456)	(10,047)	(21,638)	(47,918)	(51,636)	(30,476)
Financing activities	997	(4)	1,479	2,752	(5,481)	(1,563)
Changes in cash & cash equivalents	6,053	896	2,864	(8,537)	10,355	10,433
Cash & cash equivalents at beginning of the year	26,350	32,403	33,299	36,163	27,626	37,981
Cash & cash equivalents at end of the year	32,403	33,299	36,163	27,626	37,981	48,414
Business transacted						
(Rupees in billion)						
Imports	167	143	196	177	200	279
Exports	113	98	111	140	144	124
Guarantees	60	70	82	64	78	132

December 31	2011	2012	2013	2014	2015	Percentage 2016
Profitability Ratios						
Profit / (loss) before tax	7.36	5.34	-30.19	16.71	23.04	23.87
Gross yield on average earning assets	11.55	10.74	8.67	9.25	7.90	6.71
Return on average assets (RoA)	0.48	0.36	-1.47	0.95	1.03	0.90
Gross spread	30.72	29.10	30.75	34.37	40.72	42.28
Cost to income (CIR)	67.28	67.39	78.17	64.54	56.88	64.66
Return on average shareholders' equity (RoE)	10.40	7.34	-31.94	22.35	24.55	22.14
Return on average capital employed	7.35	5.21	-24.20	16.76	18.65	18.27
Liquidity Ratios						
Advance to deposits (CDR)	51.70	46.83	48.79	43.99	46.16	49.74
Current	1.86	1.99	1.91	1.79	1.62	1.38
Cash to current liabilities	0.24	0.26	0.23	0.17	0.19	0.20
Investment / market Ratios						
Price earning (PE) - times	4.36	11.18	-2.37	7.23	5.44	6.03
Price to book - times	0.02	0.04	0.04	0.07	0.05	0.05
Dividend yield	-	-	-	8.67	10.35	6.01
Dividend payout - times	-	-	-	0.63	0.56	0.36
Cash dividends *	-	-	-	20.00	22.50	15.00
Stock dividend *	15.00	-	-	-	-	-
Earnings per share (EPS)** - Rupees	2.30	1.54	(5.90)	3.19	4.00	4.14
Market value per share - year end - Rupees	10.03	17.22	14.00	23.07	21.74	24.95
Market value per share - high - Rupees	19.25	17.75	19.69	23.14	25.54	25.61
Market value per share - low - Rupees	8.50	17.05	10.76	13.37	16.26	17.50
Capital Structure Ratios						
Income / expense - times	1.07	1.05	0.79	1.17	1.24	1.25
Capital Adequacy (CAR)	11.35	11.81	10.39	13.03	12.51	12.50
Earning assets to total assets (gross)	85.76	86.90	87.32	89.66	89.52	88.28
Weighted average cost of deposits	6.87	6.77	5.62	5.90	4.64	3.70
Net assets per share - Rupees	25.14	24.21	14.86	18.81	21.31	25.85
Operating fixed assets to average shareholders' funds	55.35	47.20	44.60	39.12	36.51	37.08
Other information						
						Numbers
Number of employees (Regular)	4,470	4,272	4,411	5,581	6,133	6,428
Number of branches	245	261	281	321	424	501

*post balance sheet event

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



OIL ON CANVAS
36" x 36"

Irfan Ahmed

For two consecutive years (2001-2002), the Arts Council of Pakistan has honoured Irfan with the first position. He has painted official portraits of the Heads of States of USA, UK, Japan, Pakistan, India and Germany.



OUR PRESENCE

Our presence – a network of 500 branches / sub-branches across Pakistan, a Wholesale Bank Branch in Bahrain and a Representative Office in China.

District-wise list of our branches is given below:

Azad Kashmir	9	Punjab	246	Sindh	138
Bagh	1	Attock	8	Badin	1
Kotli	1	Bahawalnagar	2	Ghotki	3
Mirpur	5	Bahawalpur	6	Hyderabad	9
Muzaffarabad	2	Bhakkar	1	Jacobabad	1
		Chakwal	5	Jamshoro	1
Balochistan	23	Chichawatni	1	Kandhkot	1
Gwadar	2	Chiniot	1	Karachi	103
Hub	1	Chishtian	1	Kashmore	1
Jaffarabad	1	Dera Ghazi Khan	2	Khairpur	2
Loralai	1	Faisalabad	13	Larkana	2
Pishin	1	Gujranwala	10	Matiali	1
Quetta	15	Gujrat	9	Mirpurkhas	1
Turbat	1	Hafizabad	2	Nawabshah	2
Zhob	1	Jhang	2	Shahdad Kot	1
		Jhelum	4	Shikarpur	1
Federal Capital Territory	43	Kasur	2	Sukkur	4
Islamabad	43	Khanewal	2	Tando Adam	1
		Khushab	1	Tando Allah Yar	1
Gilgit Baltistan	4	Lahore	60	Tando Mohammad Khan	1
Diامر	1	Layyah	1	Thatta	1
Gilgit	1	Lodhran	1		
Jutial	1	Mandi Bahauddin	2	Bahrain	1
Skardu	1	Mianwali	3	Manama	1
		Multan	7		
Khyber Pakhatunkhwa	37	Muzafar Garh	1	Total branches / sub branches	501
Abbottabad	5	Nankana Sahib	1		
Bannu	2	Okara	5	China (Representative office)	1
Battagram	1	Pak Pattan	3	Beijing	1
Charsadda	2	Pattoki	1		
D.I.Khan	1	Rahim Yar Khan	4		
Haripur	2	Rawalpindi	55		
Kohat	1	Sahiwal	3		
Kohistan	1	Sargodha	5		
Malakand	3	Sheikhupura	2		
Mansehra	2	Sialkot	12		
Mardan	2	Toba Tek Singh	4		
Nowshera	2	Vehari	4		
Peshawar	9				
Saleh Khana	1				
Shangla	1				
Swabi	1				
Swat	1				

406

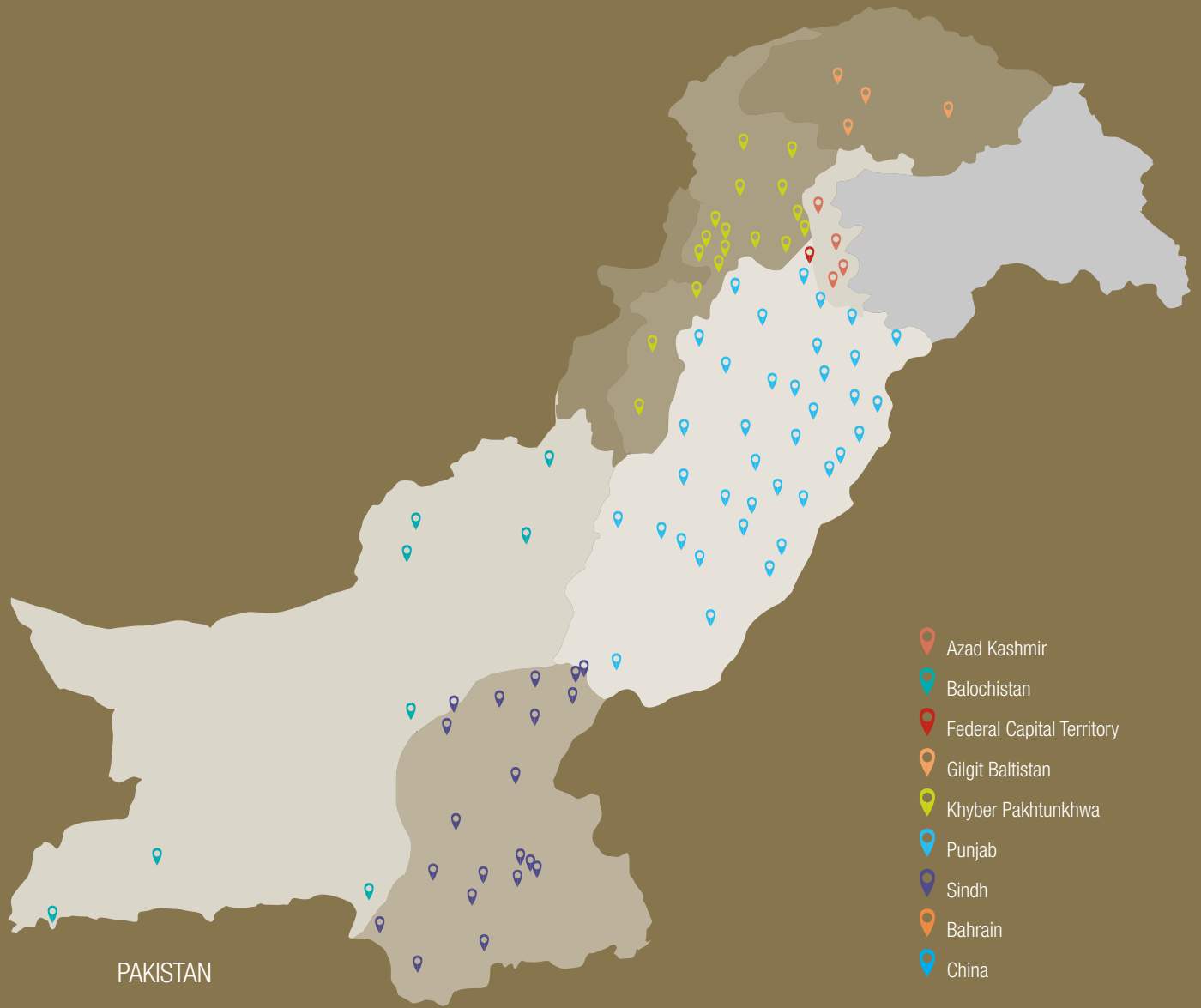
Conventional
Branches

94

Islamic
Branches

515

ATM
Onsite / Offsite



MANAMA, BAHRAIN



BEIJING, CHINA

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors present the 25th Annual Report of Askari Bank Limited along with the audited financial statements and Auditors' reports thereon, for the year ended December 31, 2016.

ECONOMY

Pakistan's economy maintained its momentum and grew by 4.7 percent during fiscal 2016. Government spending on infrastructure projects and low interest rates provided a respite to domestic demand while industrial performance was helped by easing energy supply situation. The improvement in macro numbers was also supported by successful completion of the IMF program, years low inflation; supported by subdued commodity prices, stable exchange rate, and greater investors' confidence as observed through Pakistan's improved ratings and carriage of China-Pakistan-Economic-Corridor (CPEC). Evident improvement in the security situation augmented these policy measures.

The stable exchange rate, along with the decline in oil prices, helped drag CPI inflation down to 2.9 percent in fiscal 2016. These growth-prone developments enabled largely sustained policy rate at 5.75 percent, lowest since early 70s. The sharp reduction in the cost of borrowing in recent years and favorable business environment created demand for bank credit. In absolute terms, credit to private sector expanded by Rs. 461 billion during the year – more than double the level of expansion seen since last fiscal year. Encouragingly, the expansion was fairly broad-based, as all the major sectors; textile, power, fertilizer, construction and transport resorted to bank borrowing. In addition, consumer financing also gained traction, with strong demand for auto loans.

Looking ahead, the recent gradual rise in oil prices is a concern given that the non-oil imports are expected to remain high while exports are yet to show any recognizable recovery; the exchange rate will be tested as the repayment phase approaches and any currency depreciation will further burden the balance of payments with higher external debt service payments. However, higher foreign investments including those associated with CPEC related projects are likely to offset the rise in import bill. The economy is expected to perform better on back of higher public spending and service sector growth and we are optimistic on the domestic demand owing to higher expected public sector spending; pre-election year, and greater pace of development projects particularly those related to CPEC.

OPERATING RESULTS

Askari Bank's results for 2016 reflect another year of sound performance that was enabled by a growth strategy well executed by our management team in an environment where the banking industry continued to be challenged by low interest margins.

Your Bank's profit after taxation grew by 3.5 percent during full year 2016 to reach Rs. 5,221 million while the profit before taxation amounted to Rs. 8,477 million, almost unchanged from last year. Aggregate revenues increased by 2.5 percent mainly contributed by a 6.2 percent increase in non-markup income. Net markup income increased by 0.8 percent as the low interest rate environment of 2015 continued

throughout 2016; however with more clarity on policy direction and increasing economic activity, the period witnessed a moderate transition where credit growth outpaced investments; investment growth slowed down particularly during the second half of 2016. Though this transition had minimal impact on the revenue streams during the current period as investment revenues, particularly from the stock of fixed income Government bonds, continue as the major contributor for the second consecutive year. The aggregate cost of funds declined by 5.5 percent in line with the trend of interest rates and a major 10.6 percent reduction in cost deposits equipose the slide in top line revenues and was the main reason for the rise in net interest margins along with a 13 percent growth in earning asset base.

With banking margins under further pressure during the year under review, your Bank expanded the trade and transactional business and aggressively ventured out as a strong financial services provider in the local market to secure structured deals. The growth of trade and financial services resulted in business related fee, commission and brokerage revenues to post a healthy increase of 24.5 percent during the year under review. The declining interest rate environment also enabled opportunities for capital gains by leveraging on the portfolio of fixed income bonds. As the growing market reviews sense that the interest rates have bottomed out and the expectation for further capital appreciation fades, the portfolio of fixed income bonds

is likely to lose its position on the list of preferred asset class, going forward. During 2016, aggregate capital gains from fixed income bonds and securities along with stock market investments posted a modest increase of 8.6 percent.

Administrative and other operating expenses increased to Rs. 14,079 million from Rs. 12,014 million, a rise of 17.2 percent. The rise in expenses is primarily due to the impact of Bank's investment in network expansion; attributable to increase in human resource expenses, premises rent and other associated costs over the previous year. The investment in recent branch expansion has started reaping fruits for the Bank as is evident from strong growth in current and saving deposits.

The deposit base of the Bank grew to Rs. 473 billion at December 31, 2016 from Rs. 433 billion at the close of previous year, an increase of 9.2 percent. Deposit mix showed an impressive improvement as non-remunerative current accounts registered a notable 18.7 percent growth during the year and fixed deposits were contained at last year's level. Aggregate saving deposits increased by 8.2 percent during the year ended December 31, 2016.

Gross advances registered a growth of 14.8 percent to close at Rs. 262 billion at end 2016 as the lending strategy remained focused on building a portfolio of quality advances. Aggregate non-performing loans (NPLs) declined by a notable 9.4 percent from Rs. 31.5 billion at end 2015 to Rs. 28.5 billion by end 2016. The Bank continues to maintain a very comfortable level of provisions against NPLs with a provision coverage ratio of 94.5 percent at December 31, 2016, a marked improvement from 90.5 percent at the close of 2015. The reduction in NPLs has resulted in an aggregate net reversal of Rs. 729 million of provision during 2016 as compared to charge of provision of Rs. 316 million during 2015. The Bank remains adequately capitalised with a capital adequacy ratio reported at 12.5 percent at December 31, 2016. During the year under review, various improvements were made to the CAR reporting systems to facilitate the Basel-III reporting framework requirements.

APPROPRIATIONS

The Board of Directors recommends the following appropriations for the year ended December 31, 2016:

(Rs. in '000)	2016	2015
Year ended December 31,		
Appropriations:		
Profit after taxation	5,220,635	5,043,419
Effect of recognition of actuarial losses	(92,302)	(11,161)
Profit available for appropriation	5,128,333	5,032,258
Interim cash dividend - 10 percent	-	(1,260,260)
Transfer to statutory reserve	(1,044,127)	(1,008,684)
Transfer to general reserve	-	-
Accumulated profit carried forward	4,084,206	2,763,314
Earnings per share - Rupees	4.14	4.00

DIVIDEND

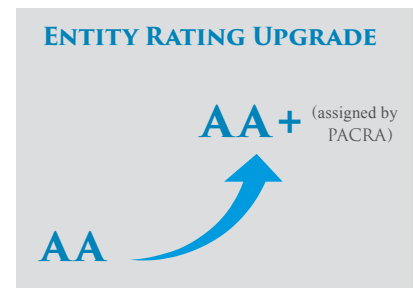
In addition to the above, the Board has recommended a final cash dividend of 15 percent for the year ended December 31, 2016.

RATINGS

Pakistan Credit Rating Agency Limited (PACRA) has assigned entity ratings of 'AA+' to the Bank, a one notch improvement from 'AA' assigned by JCR-VIS. In their report, PACRA has recognized improved market penetration while sustaining an acceptable risk profile through strengthened systems and internal controls and effective management of spreads, as key rating drivers. The short term ratings have been maintained at 'A1+'.

BRANCH NETWORK

Askari Bank achieved the milestone of 500 branches with the addition of 77 new branches opened during 2016. The branch network reached 501 including 94 Islamic branches and a Wholesale Bank branch in Bahrain. The Bank has almost doubled its presence through branch network since it was acquired by the Fauji Group in mid-2013. Aggressive branch expansion across the country has been a focal point of Bank's strategy aimed at enhanced customer access and convenience, backed by improved technology and service quality, and most importantly contributing towards



the financial inclusion in the country. We are confident that our new branches opened in recent years will soon be at par with those which have been patronized by our valued customers for decades and have yielded lasting relationships for sustained growth.

CHINA REP. OFFICE

Askari Bank representative office in Beijing, China, is fully functional and this strategic initiative is perfectly aligned with the launch of the CPEC. A dedicated China-desk in Islamabad serves as a one-window for facilitation of existing and future trade flows between the two countries. The Bank is strongly positioned to capitalize on the CPEC related business opportunities which are considered as catalyst in boosting Pakistan's economic growth in years to come.

DIRECTORS' REPORT TO THE SHAREHOLDERS

RISK MANAGEMENT

Effective risk management is fundamental in banking and is embedded in everyday management of our business and operations. Achieving the optimal trade-off between risk and return is the ultimate goal of effective risk management strategy and therefore, Askari Bank has developed a sound risk management framework encompassing all areas of banking activities.

Within the authority delegated by the Board of Directors, the Board Risk Management Committee (BRMC) has the responsibility for oversight and review of credit, market, capital, liquidity and operational risks. BRMC reviews the Bank's overall risk appetite and makes recommendations thereon. Its responsibilities also include reviewing the appropriateness and effectiveness of the Bank's risk management systems and controls, considering the implications of material regulatory change proposals and recommendations towards risk models which are dynamic to cater for changing environment.

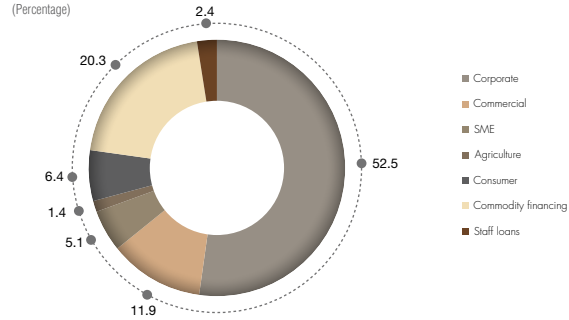
A risk management function within the Bank ensures the implementation of these policies through application of risk management methodologies and risk measurement tools. The function also ensures that the risks are managed within the pre-defined and tolerable levels through effective monitoring of the three main areas of risks namely, credit, market and operational, across the Bank. Our risk management framework remains compliant with the relevant directives and regulations and international best practices, particularly those relating to implementation of Basel accords.

For the purpose of managing financial system risks and emphasis on core capital, Basel-III has affected additional deductions and requirements in the shape of capital conservation buffer that will ultimately raise the CAR threshold to 12.5 percent by the year 2019 and introduction of a third capital standard in the shape of leverage ratio. During the transition period, the Bank is taking necessary steps to remain fully compliant with Basel-III. These cover areas including capital generation, investment strategies and capacity build-up/ process automation to adapt under the new regime.

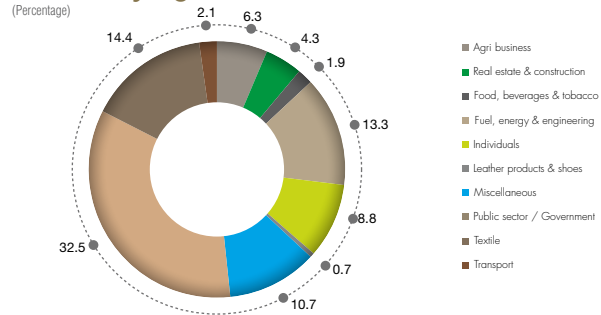
CORPORATE SOCIAL RESPONSIBILITY

Overseeing progress across the strategic CSR pillars of education, health and environment has always been a high priority on Askari Bank's agenda. As a socially responsible organization, the Bank recognises that we are part of the community at large and that there is a strong need to contribute to the society and support those who are in need. During the year, Askari Bank remained engaged in various CSR initiatives by partnering with various organizations, benefiting the under-privileged sections of the society.

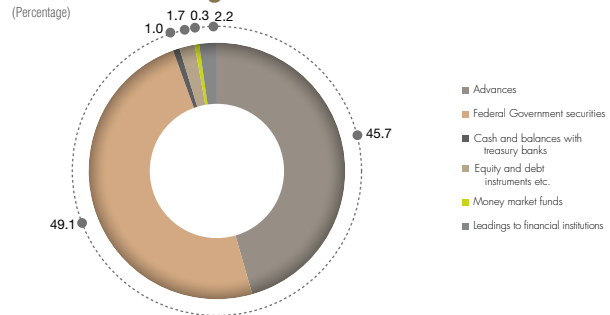
Advances by Sector



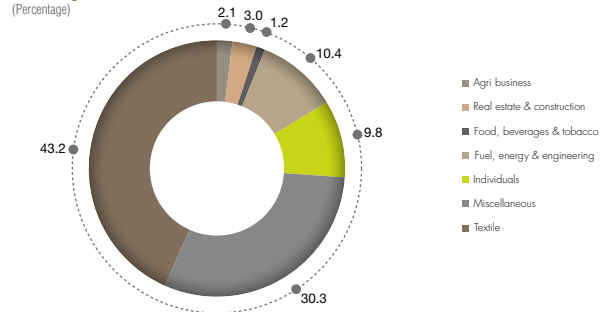
Advances by Segment



Assets Mix - Earning



NPL by Sector



SUBSIDIARY COMPANIES

The Bank's wholly owned subsidiary, Askari Investment Management Limited (AIML) manages mutual funds and is also engaged in advisory services for institutional clients. Askari Bank also holds controlling interest of 74 percent in Askari Securities Limited (ASL) which offers share brokerage, investment advisory and consultancy services.

During the year, on October 13, 2016, the Board of Directors approved the divestment of both companies. Pursuant to this decision, the disposal process has been initiated and is expected to be completed in 2017.

Accordingly, 100 percent of Bank's investment in Askari Investment Management Limited representing 33,500,000 ordinary shares of Rs. 10 each and 74 percent of Bank's investment in Askari Securities Limited representing 17,020,000 ordinary shares of Rs. 10 each, have been classified as held for sale.

Consolidated financial statements of the Bank, AIML and ASL for the year ended December 31, 2016 are included in this annual report.

HUMAN RESOURCE

One of the key strategic priorities for Askari Bank is to maintain focus on the indelible value of its human capital and their knowledge base, in achieving the goals set for them and for the Bank. The talents, passion and commitment of our people, The Askari Family, have been the cornerstone of our sustained success in recent years. Human resource management during the year focused on optimal deployment of staff based on an analysis of skills and competencies by redeploying employees to more value creating activities across many organizational verticals and geographies of the Bank. A Board's Human Resource & Remuneration Committee periodically reviews and monitors the Bank's human resource strategy, aligning policies and overcoming challenges of strategic importance that directly affect AKBL's ability to hire, develop and retain the talent needed for it, to achieve its goals.

Our training and development programs focused to enhance the functional and managerial skills and capabilities of the employees for sustainable growth in various fields of the Bank. 5,842 employees were given an opportunity to attend training in 412 courses in our three training academies located in Rawalpindi, Lahore and Karachi. We provide career growth opportunities to all cadres of employees by building an enabling environment, which leads to consistent employee motivation objectives. Our effective grievance handling mechanism ensures maximum protection for all, in the best interest of the organization.

The Bank pays special attention to less earning employees of lower cadre by providing special incentives for their dependents through free banking training opportunities thus leading to gainful employment within and outside, enhanced medical treatment and special allowance to fulfill their dreams of excelling in competitive sports, during the year 2016.

CUSTOMER COMPLAINT MANAGEMENT

Askari Bank promotes a culture that values customer experience and customer satisfaction remains primary and focal in every relationship. Effective management of customer complaints and queries is an important element in this chain and is therefore assigned high priority and are handled promptly and fairly. A dedicated complaint management unit ensures timely resolution of complaints in order to foster customer confidence and also continually engages with internal customers for process reviews and enhancements of efficiencies based on customer feedback.

CORPORATE GOVERNANCE

The requirements of Code of Corporate Governance as set out in the Pakistan Stock Exchange Limited Regulations in the rule book for the year ended December 31, 2016 have been fully adopted by Askari Bank and have been duly complied with. A statement to this effect is annexed in this annual report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of the Bank present fairly its state of affairs, the results of its operations, and changes in equity and cash flows.
- Proper books of accounts of the Bank have been maintained.
- Accounting policies have been consistently applied in preparation of these financial statements except as stated in the notes to the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting, Islamic and Shariah Standards, as applicable to banking companies in Pakistan, have been followed in preparation of these financial statements.
- The system of internal control, which is in place, is being continuously reviewed by the internal audit department as are other such procedures. Such review processes will continue with a view to removing any weakness and mitigating risk.
- The Board of Directors is satisfied with the Bank's ability to continue as a going concern.
- There has been no material deviation from the best practices of corporate governance as detailed in the Regulation 5.19 of the Pakistan Stock Exchange Limited Regulations.
- Key operating data and financial data for the last six years, in a summarized form, is included in this report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2016, except as disclosed in annexed financial statements.

DIRECTORS' REPORT TO THE SHAREHOLDERS

- The following is the fair value of investments as at December 31, 2016:
 - Provident Fund Rs. 3,805 million, based on un-audited financial statements (December 31, 2015: Rs. 3,298 million)
 - Gratuity Fund Rs. 1,761 million, based on un-audited financial statements (December 31, 2015: Rs. 1,558 million)
- During 2016, five meetings of the Board of Directors were held. Attendance by each Director was as follows:

1.	Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar (Retd) - (Chairman)	5
2.	Lt Gen Muhammad Haroon Aslam, HI (M), S Bt, (Retd) - Resigned on February 7, 2017	5
3.	Lt Gen Shafqaat Ahmed, HI (M) (Retd)	4
4.	Mr. Qaiser Javed	4
5.	Dr. Nadeem Inayat	5
6.	Mr. Manzoor Ahmed	5
7.	Mr. Asif Reza Sana	5
8.	Mr. Zaffar Ahmed Khan	4
9.	Mr. Tariq Hafeez Malik	4
10.	Mr. Muhammad Ghous	5
11.	Syed M. Husaini - (President & CE)	5

DIRECTORS' TRAINING PROGRAM

During the year, one of our Director completed the Directors' Training Programme. Out of ten Directors, nine have now completed the prescribed Directors' training Programme.

BOARD EVALUATION

The Board's role of oversight and its effectiveness is evaluated by the Board itself through a formal process using quantitative scaled techniques. The annual evaluation process gauges the extent of individual and collective efforts / contributions of the directors in terms of strategic decisions taken and measuring impacts against expected benefits and outcome, devising monitoring mechanisms and their implementation, formation of board subcommittees for important areas i.e. audit, risk, technology and human resource, and devising their terms of reference and reviewing compliance there against. In view of the *'Guidelines on Performance Evaluation of Board of Directors'*

as introduced by the SBP through BPRD Circular No 11 of August 22, 2016, Askari Bank has initiated the process of aligning its evaluation process with the guidance provided by the regulator.

PATTERN OF SHAREHOLDING

The pattern of shareholding at the close of December 31, 2016 is included in this annual report.

TRADING IN SHARES

No trades in the shares of the Bank were carried out by the President & CE, CFO, Company Secretary, their spouses and minor children during the year 2016.

STATEMENT ON INTERNAL CONTROLS

The management of the Bank assumes responsibility of establishing and maintaining effective internal controls throughout the Bank and has made a statement on

internal control in this annual report. The management's statement on internal control has been endorsed by the Board of Directors.

AUDITORS

The present auditors, M/s A. F. Ferguson & Co., Chartered Accountants have completed their assignment for the year ended December 31, 2016 and shall retire at the conclusion of the 25th Annual General Meeting. Being eligible, they have offered themselves for reappointment. As advised by the Board's Audit & Compliance Committee, the Board recommends appointment of M/s A. F. Ferguson & Co., Chartered Accountants, as auditors for the year 2017.

EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

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

Board Committees		DATES OF MEETING																		
		BACC								BHR & RC			BRMC				BITC			
Committee Members	Attendance / total meetings	13-Feb-16	06-Apr-16	21-Apr-16	20-Jun-16	08-Aug-16	13-Oct-16	26-Nov-16	23-Dec-16	01-Feb-16	03-Jun-16	26-Dec-16	21-Apr-16	13-Oct-16	26-Nov-16	26-Dec-16	12-Feb-16	21-Apr-16	15-Jul-16	30-Nov-16
		1	2	3	4	5	6	7	8	1	2	3	1	2	3	4	1	2	3	4
BACC	Mr. Asif Reza Sana	8/8	1	1	1	1	1	1	1											
	Mr. Qaiser Javed	6/8	x	1	1	1	1	1	1	x										
	Dr. Nadeem Inayat	7/8	1	1	1	1	x	1	1	1										
	Mr. Manzoor Ahmed	7/8	1	1	1	1	x	1	1	1										
	Mr. Tariq Hafeez Malik	3/8	1	1	1	y	y	y	y	y										
	Mr. Muhammad Ghous	5/8	z	z	z	1	1	1	1	1										
BHR & RC	Lt. Gen. Muhammad Haroon Aslam HI (M), S Bt (Retd)	1/3								1	y	y								
	Mr. Qaiser Javed	0/3								x	y	y								
	Dr. Nadeem Inayat	1/3								z	1	x								
	Mr. Zaffar Ahmad Khan	3/3								1	1	1								
	Mr. Muhammad Ghous	2/3								z	1	1								
	Syed M. Husaini	1/3								1	y	y								
BRMC	Dr. Nadeem Inayat	1/4											1	y	y	y				
	Mr. Qaiser Javed	3/4											1	1	1	x				
	Mr. Asif Reza Sana	4/4											1	1	1	1				
	Mr. Manzoor Ahmed	3/4											z	1	1	1				
	Syed M. Husaini	4/4											1	1	1	1				
BITC	Mr. Tariq Hafeez Malik	4/4															1	1	1	1
	Lt. Gen. Shafiqat Ahmed, HI (M) (Retd)	0/4															x	x	y	y
	Mr. Zaffar Ahmad Khan	2/4															z	z	1	1
	Syed M. Husaini	4/4															1	1	1	1

Note: All Board Committees were reconstituted on April 22, 2016.

Attended 1 Leave of absence x
No more member y Was not a member at that time z

LOOKING FORWARD

The year ahead is expected to see economic activity gaining further momentum. The upcoming realization of CPEC and other government backed mega projects, particularly energy related, will help in credit off-take and improvement in large scale manufacturing. With financial inclusion in focus for the banking industry, we expect to see improvements in rural life styles and savings habits and greater entrepreneurship leading to enhanced capacities for livelihoods and small businesses in SME and rural sectors.

We are thus buoyant on the prospects for our business segments and we will continue to optimise and reallocate our assets and resources to harness their full potential. Appreciating that technology is an imperative to enhance value creation and sustain our competitiveness amidst rapidly changing life styles and landscapes of the financial industry i.e. digital banking; we will continue to leverage technology to enhance customer

convenience and satisfaction, innovating how and what we deliver. Funding cost will remain a key determinant to growing profitability while the role played by current and saving deposits in reducing the cost of funds for the Bank would be immense. The pickup in economic activity during the year ahead will also see rise in demand for consumer finance, particularly housing; your Bank's housing segment is well positioned to harness this growth. Leveraging on our expanding network, we will continue to differentiate ourselves, really connect with our customers in furtherance of our aim to make Askari Bank as the best bank of Pakistan.

ACKNOWLEDGEMENTS

On behalf of the Board, I express my sincere appreciation to the State Bank of Pakistan and other regulatory bodies for the guidance and support extended to Askari Bank during the year. I am also thankful to our investors for the trust that they have placed in the Bank. The excellent results for 2016 would

not have been possible without the loyalty of our customers who have continued to build stronger relationships and patronize our products and service offerings. On behalf of the Bank, I express my appreciation for all our customers and most importantly I would like to acknowledge our employees whose painstaking commitment, hard work and dedication has enabled successful delivery of our promise to all our stakeholders.



Lt Gen Khalid Nawaz Khan
HI (M), Sitara-i-Esar (Retd)

Chairman, Board of Directors
Askari Bank Limited

February 14, 2017
Rawalpindi

انٹرنل کنٹروولز پر بیان

بینک کی انتظامیہ بینک کے اندر موثر انٹرنل کنٹروولز کے قیام اور بحالی کی ذمہ داری سنبھالے ہوئے ہے اور اس سالانہ رپورٹ میں انٹرنل کنٹروولز پر ایک بیان تیار کیا ہے۔ انٹرنل کنٹروولز پر بیان کی بورڈ آف ڈائریکٹرز کی طرف سے توثیق کی گئی ہے۔

آڈیٹرز

موجودہ آڈیٹرز، میسرز ایف۔ فرگون اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے 31 دسمبر 2016 کو اختتام پذیر ہونے والے سال کے لیے اپنا کام مکمل کر لیا ہے اور یہ پچیسویں سالانہ عام اجلاس کے اختتام پر ریٹائر ہو جائیں گے۔ اپنی اہلیت کی بنا پر، انہوں نے اپنی دوبارہ تقرری کی پیشکش کی ہے، بورڈ کی آڈٹ اینڈ کنٹریولس کمیٹی کی ہدایت کے مطابق، بورڈ نے میسرز ایف۔ فرگون اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو سال 2017 کے لیے بطور آڈیٹرز تعینات کرنے کی سفارش کی ہے۔

فنانشل پوزیشن کی سٹیٹمنٹ کی تاریخ کے بعد کے واقعات

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

مستقبل پر چارجہ

آنے والے سال میں اقتصادی سرگرمیوں میں مزید تیزی دیکھی جانے کی توقع ہے۔ مستقبل میں سی بی بی کے عمل پذیری اور دیگر حکومتی میگا پراجیکٹس، بالخصوص

اعترافات

بورڈ کی طرف سے، میں سٹیٹ بینک آف پاکستان اور دیگر ریگولیٹری اداروں کا تہہ دل سے شکریہ ادا کرتا ہوں جنہوں نے عسکری بینک کی رہنمائی اور تعاون کیا۔ میں اپنے سرمایہ کاروں کا بھی شکریہ ادا کرتا ہوں جنہوں نے عسکری بینک پر اپنے اعتماد کا اظہار کیا۔ سال 2016 کے بہترین نتائج، ہمارے صارفین کے خلوص کے بغیر ناممکن تھے جنہوں نے مضبوط تعلقات بنانے اور ہماری مصنوعات اور پیش کردہ خدمات کی سرپرستی جاری رکھی۔ میں، بینک کی طرف سے، اپنے صارفین اور خصوصاً اپنے ملازمین کا تہہ دل سے شکریہ ادا کرتا ہوں جنہوں نے اپنی جانفشانی، عزم اور حوصلے، انتھک محنت اور لگن سے ہمارے تمام سٹیک ہولڈرز تک ہمارے وعدے کی کامیاب فرامی کو یقینی بنایا۔



لیفٹیننٹ جنرل خالد نواز خان

ہلال امتیاز (ملٹری)، ستارہ ایوارڈ، (ریٹائرڈ)

چیئرمین بورڈ آف ڈائریکٹرز

عسکری بینک لمیٹڈ

14 فروری 2017

راولپنڈی

جو توانائی سے متعلقہ ہیں، قرضہ جات میں افزائش اور بڑے پیمانے پر مینوفیکچرنگ میں بہتری کے لیے معاون و مددگار ثابت ہوں گے۔ بینکاری صنعت میں مالیاتی شمولیت پر توجہ مرکوز ہوتے ہوئے، ہم توقع کرتے ہیں کہ دیہی لائف سٹائل میں اور پخت کی عادات میں اور بڑے کاروبار میں بہتری ہوگی اور بہتر معیار زندگی اور SME اور دیہی علاقوں میں چھوٹے کاروبار میں صلاحیتوں کو بڑھانے کا باعث بنیں گے۔

ہم اپنے کاروباری طبقے کے امکانات سے پر امید ہیں اور ہم ان کی صلاحیتوں کو بروئے کار لاتے ہوئے اپنے اثاثہ جات اور وسائل کا استعمال اور مختص کرتے رہیں گے۔ تسلیم شدہ امر ہے کہ قدرتی تخلیق کو بڑھانے اور ہماری مسابقت کو برقرار رکھنے کے لیے ٹیکنالوجی، یعنی ڈیجیٹل بینکنگ کی ضرورت ہے جس نے تیزی سے لائف سٹائل اور مالیاتی صنعت کی شکل کو بدل دیا ہے۔ ہم کسٹمر کی سہولت اور اطمینان کو بڑھانے اور جدت پر مبنی سہولیات پہنچانے کے لیے ٹیکنالوجی سے استفادہ حاصل کرتے رہیں گے۔ فنڈنگ لاگت بڑھتے ہوئے منافع کے لیے ایک اہم عنصر ہے جبکہ بینک کے لیے فنڈز کی لاگت کم کرنے کے لیے کرنٹ اور سیونگ ڈیپازٹس کا کردار بہت زیادہ ہوگا۔ اگلے سال کے دوران معاشی سرگرمیوں میں پروان سے صارفین کی کاروباری، بالخصوص باؤسنگ کی مانگ میں اضافہ ہوگا، آپ کے بینک کا باؤسنگ کا شعبہ اس ترقی کو استعمال کرنے کی پوری پوزیشن میں ہے۔ اپنے وسیع نیٹ ورک کو بروئے کار لاتے ہوئے، ہم اپنی انفرادیت کا تسلسل برقرار رکھیں گے عسکری بینک کو پاکستان کو بہترین بینک بنانے کی جستجو میں ہم اپنے صارفین کے ساتھ رابطے کو اور بھی بڑھا سکیں گے۔

- بین الاقوامی اکاؤنٹنگ، اسٹاک اور شریعہ معیارات جو کہ پاکستان میں بینکاری کمپنیوں کے لیے قابل اطلاق ہیں، کی ان مالیاتی گوشواروں کی تیاری میں بیرونی کمی گئی ہے۔
- انٹرنل کنٹرول کے نظام، جو موجود ہے، میں انٹرنل آڈٹ ڈیپارٹمنٹ کی طرف سے مسلسل جائزہ لیا جاتا ہے، اور دیگر ایسے طریقہ کاروں کیلئے بھی۔ اس طرح کے جائزے کے عمل کسی قسم کی کمزوری کو دور کرنے اور خطرے کی تخفیف کیلئے جاری رہیں گے۔
- بورڈ آف ڈائریکٹرز بینک کے کاروباری معاملات جاری رہنے کی صلاحیت سے مطمئن ہے۔
- پاکستان اسٹاک ایکسچینج لمیٹڈ کی ریگولیشن 5.19 میں تفصیلی طور پر کارپوریٹ گورننس کے بہترین معاملات میں سے کسی میں بھی کوئی اہم انحراف نہیں کیا گیا ہے۔
- گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منٹھس طور پر، اس رپورٹ میں شامل کیا گیا ہے۔
- 31 دسمبر 2016 پر ٹیکسز، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی ایسی قانونی ادائیگیاں نہیں جو بقایا ہوں، سوائے ان کے جن کا ذکر مالیاتی گوشواروں میں کیا گیا ہے۔

صارفین کے اعتماد کو بڑھانے کے لیے ایک مخصوص کمیٹی منجھٹ پونٹ شکایات کے فوری حل کو یقینی بناتا ہے اور صارفین کی آراء پر مبنی عمل پر جائزہ اور استعداد کار بڑھانے کے لیے منجھٹ کے ساتھ مصروف عمل رہتا ہے۔

کارپوریٹ گورننس

31 دسمبر 2016 کو ختم سال کے لیے پاکستان اسٹاک ایکسچینج لمیٹڈ ریگولیشنز میں مقرر کردہ کارپوریٹ گورننس کے ضابطے کی ضروریات کو عسکری بینک کی جانب سے مکمل طور پر اپنایا گیا اور اس پر عمل بھی کیا گیا۔ اس سلسلے میں ایک شیڈول اس سالانہ رپورٹ میں شامل کی گئی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- بینک کی انتظامیہ کی جانب سے تیار کئے گئے مالیاتی گوشواروں میں اس کے مالی معاملات، اس کے آپریٹنگ نتائج، اور ایکویٹی اور نقدی کے بہاؤ میں تبدیلیاں مناسب طور پر موجود ہیں۔
- بینک کے اکاؤنٹس کی مناسب کتابیں برقرار رکھی گئی ہیں۔
- ان مالیاتی گوشواروں کی تیاری میں تسلسل کے ساتھ اکاؤنٹنگ پالیسیاں لاگو کی گئی ہیں سوائے وہ جو مالیاتی گوشواروں کے نوٹس میں بیان کردہ ہیں اور اکاؤنٹنگ تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

ہمارا ٹریڈنگ اینڈ ڈیپنٹس پروگرام کا مقصد بینک کے بیشتر شعبوں میں پائیدار ترقی کے لیے ملازمین میں فعال اور انتظامی مہارتوں اور صلاحیتوں کو بڑھانا ہے۔ ہمارے تین ٹریڈنگ سٹریٹجیوں، جو کہ راولپنڈی، لاہور اور کراچی میں قائم ہیں، 5,842 ملازمین کو 412 کورسز میں ٹریڈنگ کا موقع فراہم کیا گیا۔ ہم ایک سازگار ماحول تشکیل دے کر تمام ملازمین کے لیے کیریئر گروتھ مواقع فراہم کرتے ہیں، جو ملازمین کی مسلسل حوصلہ افزائی کے مقصد کے حصول کا باعث بنتا ہے۔ ہمارا موثر شکایات ہینڈلنگ میکانزم، ادارے کے بہترین مفاد کو ملحوظ خاطر رکھتے ہوئے تمام ملازمین کے تحفظ کو یقینی بناتا ہے۔

عسکری بینک کے کم آمدن والے ملازمین پر ان کے خاندان والوں کو مفت بینکاری ترقیاتی موقعوں کے ذریعے خصوصی مراعات مہیا کر کے خصوصی توجہ دیتا ہے، جو ان کے لیے سال 2016 کے دوران، مسابقتی میدان میں بہترین کارکردگی کا مظاہرہ کرنے اور اپنی ضروریات کو پورا کرنے کے لیے فائدہ مند ملازمت، بہتر طبی علاج اور خصوصی الاؤنسز کا باعث بنا۔

صارفین کی شکایات کا نظام

ہر تعلق میں صارفین کے اطمینان کی قدر بنیادی اور مرکزی اہمیت رکھتی ہے اور عسکری بینک اسی ثقافت کو فروغ دے رہا ہے۔ صارفین کی شکایات اور استفسارات کا موثر انتظام اس سلسلے کا ایک اہم عنصر ہے اور اس لیے انہیں اولین ترجیح دی جاتی ہے اور فوری اور شفاف طریقے سے سنا جاتا ہے۔

31 دسمبر 2016 پر سرمایہ کاریوں کی قدر درج ذیل ہے:

- پروویڈنٹ فنڈ 3,805 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر (31 دسمبر 2015: 3,298 ملین روپے)
- گریجویٹ فنڈ 1,761 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر (31 دسمبر 2015: 1,558 ملین روپے)
- سال 2016 کے دوران، بورڈ آف ڈائریکٹرز کے پانچ اجلاسات کا انعقاد کیا گیا۔ ہر ڈائریکٹر کی حاضری درج ذیل ہے:

5	1. لیفٹیننٹ جنرل خالد نواز خان، ہلال امتیاز (ملٹری)، ستارہ ایثار، (ریٹائرڈ)۔ (چیئر مین)
5	2. لیفٹیننٹ جنرل محمد ہارون الہم، ہلال امتیاز (ملٹری)، ستارہ ایسا، (ریٹائرڈ)۔ 7 فروری 2017 کو مستعفی ہوئے
4	3. لیفٹیننٹ جنرل شفق احمد، ہلال امتیاز (ملٹری)، (ریٹائرڈ)
4	4. جناب قیصر جاوید
5	5. ڈاکٹر ندیم عنایت
5	6. جناب منظور احمد
5	7. جناب آصف رضا ثناء
4	8. جناب ظفر احمد خان
4	9. جناب طارق حفیظ ملک
5	10. جناب محمد فوٹ
5	11. جناب سید ایم حسینی (صدر چیف ایگزیکٹو)

شیر ہولڈنگ کا پیرن

31 دسمبر 2016 کے اختتام پر شیر ہولڈنگ کا پیرن اس سالانہ رپورٹ میں شامل ہے۔

شیرز میں ٹریڈنگ

سال 2016 کے دوران صدر چیف ایگزیکٹو، سی ایف او اور سینیئر سیکریٹری، اور ان کے اہل خاندان اور بچوں کی طرف سے بینک کے حصص میں کوئی کاروبار نہیں کیا گیا۔

اجتماعی کاوشوں/اشراس سے پاپا جاتا ہے اور متوقع فوائد و نتائج کے اثرات کے ذریعے پیمائش کی جاتی ہے، مانیٹنگ میکانزم وضع کرنے اور اس کے نفاذ، اہم شعبوں جیسے آڈٹ، رسک، ہیکنالوجی، ہیومن ریسورس کے لیے بورڈ کی ذیلی کمیٹیوں کی تشکیل اور ان کی ٹرمز آف ریفرنس وضع کرنے اور عمل کا جائزہ لینا۔ 22 اگست 2016 کو بذریعہ BPRD سرکلر نمبر 11، ٹیٹ بینک آف پاکستان کی طرف سے متعارف کردہ 'بورڈ آف ڈائریکٹرز کی کارکردگی کی جانچ پڑتال پر ہدایات' کے پیش نظر، عسکری بینک اپنے جانچ پڑتال کے عمل کو ریگولیٹری کی جانب سے فراہم کی گئی ہدایات کے مطابق ترمیم دینے کا آغاز کر چکا ہے۔

ڈائریکٹرز ٹریڈنگ پروگرام

اس سال کے دوران ہمارے ایک ڈائریکٹر نے ڈائریکٹرز ٹریڈنگ پروگرام مکمل کیا۔ اب اس ڈائریکٹر میں سے نو نے مجوزہ ڈائریکٹرز ٹریڈنگ پروگرام مکمل کر لیا ہے۔

بورڈ کی جانچ پڑتال

بورڈ کی گمرانی کے کردار اور اس کی موثریت کا اندازہ مہنداری پیمائش تراکیب کو بروئے کار لاتے ہوئے ایک رسمی طریقہ کار کے ذریعے خود بورڈ کرتا ہے۔ سالانہ جانچ پڑتال کا عمل سٹریٹجک فیصلوں میں ڈائریکٹرز کی انفرادی اور

تصرفات

بورڈ آف ڈائریکٹرز 31 دسمبر 2016 کو ختم سال کے لیے درج ذیل تصرفات کی سفارش کرتے ہیں:

31 دسمبر ختم سال		(000 روپوں میں)	
2015	2016	2015	2016
5,043,419	5,220,635	نیکیشین کے بعد منافع	
(11,161)	(92,302)	اچھریل انحصانات کو تسلیم کرنے کا اثر	
5,032,258	5,128,333	تصرفات کے لیے دستیاب منافع	
(1,260,260)	-	عبوری نقد منافع-10 فیصد	
(1,008,684)	(1,044,127)	قانونی ریزرو ہٹائلی	
-	-	جزل ریزرو ہٹائلی	
2,763,314	4,084,206	جمع شدہ منافع	
4.00	4.14	آمدنی فی حصص - روپے	

منافع منقسمہ

درج بالا کے علاوہ، بورڈ کی طرف سے 31 دسمبر 2016 کو اختتام پر زیر ہونے والے سال کے لیے حتمی منافع منقسمہ ایک روپے پچاس پیسے فی حصص کی سفارش کی جاتی ہے۔

درج بندی

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے بینک کی ایٹھٹی (Entity) ریٹنگ AA+ مقرر کی ہے، جس میں JCR-VIS کی طرف سے مقرر کردہ AA+ سے ایک درجہ بہتری آئی ہے۔ PACRA نے اپنی رپورٹ میں تسلیم کیا ہے کہ انہم ریٹنگ عناصر میں مارکیٹ میں بہتر رسائی، جبکہ رسک پر وفاق کو قابل قبول حد تک محدود رکھنا، جو کہ مضبوط نظام اور انٹرنل کنٹرولز اور پریڈز کے منوثر انتظام کے ذریعے ہی حاصل ہوئی۔ مختصر مدیاد کی ریٹنگ A1+ پر برقرار رکھی گئی ہے۔

برانچ نیٹ ورک

عسکری بینک نے سال 2016 میں 77 نئی برانچ کے اضافے کے ساتھ اپنی 500 برانچ کا نیٹ ورک میں 501 برانچ نیٹ ورک کو پہنچایا جس میں 194 سالک برانچ اور 507 نئی برانچ شامل ہیں۔ 2013 کے وسط میں جب فوجی گروپ نے اسے حاصل کیا تھا تب سے برانچ نیٹ ورک کے ذریعے بینک نے اپنی موجودگی کو تقویت بخشنا کر دیا ہے۔ ملک بھر میں تیزی سے برانچ کی وسعت بینک کی حکمت عملی کا ایک مرکزی نقطہ ہے جس کا مقصد بہتر ٹیکنالوجی اور معیاری خدمات بروئے کار لانا اور صارفین کی رسائی اور سہولیات کو بڑھانا اور سب سے بڑھ کر ملک کی مالیاتی شمولیت میں اپنا کردار ادا کرنا ہے۔ ہمیں یقین ہے کہ حالیہ برسوں میں کھولی گئی ہماری نئی برانچ ان برانچ کے ہم پلہ ہوں گی جو کچھلی دہائیوں سے ہمارے قابل قدر صارفین کی سہولت میں کام کر رہی ہیں اور جن سے ہمارے ترقی کے لیے دیرپا تعلقات حاصل ہوئے ہیں۔

چین نمائندہ دفتر

بینک، چین میں عسکری بینک کا نمائندہ دفتر مکمل طور پر فعال ہے اور اس حکمت عملی اقدام کا انصاف ہی بینک کے آغاز کے ساتھ ہے۔ اسلام آباد میں ایک مخصوص چائے ڈیسک دونوں ملکوں کے مابین موجودہ اور آئندہ کے تجارتی روابط

سے CAR کی حد 12.5 فیصد تک بڑھ جائے گی اور لیوریج تناسب کی صورت میں ایک تیسرا کپیٹل شیڈرڈ متعارف ہوگا۔ اس تیسرے عرصے کے دوران، مکمل طور پر بازل III (Basel-III) کے ساتھ مطابقت رکھنے کیلئے بینک ضروری اقدامات اٹھا رہا ہے۔ یہ اقدامات کپیٹل جزیشن، سرمایہ کاری کی حکمت عملی اور کسٹمی بلڈ اپ اپراس آئویشن کے شعبوں کا احاطہ کرتے ہیں تاکہ نئے قوانین کے تحت انہیں اپنایا جائے۔

کارپوریٹ سماجی ذمہ داری

تعلیم، صحت اور ماحول کے سٹرٹجک سی ایس آر سٹونوں پر پیش رفت کی نگرانی ہمیشہ عسکری بینک کے ایجنڈے کی اولین ترجیح رہی ہے۔ ایک سماجی ذمہ دار ادارے کے طور پر، بینک تسلیم کرتا ہے کہ ہم کیڈنی کا ایک جز ہیں اور معاشرے میں اپنا حصہ ڈالنے اور ضرورت مندوں کا سہارا بننے کی اہم ضرورت ہے۔ سال کے دوران، عسکری بینک مختلف اداروں کے ساتھ شراکت داری کر کے پیشتر سی ایس آر اقدامات اور معاشرے کے غریب اور نادار طبقے کو مستفید کرنے کے لیے مصروف کار رہا۔

ذیلی کمپنیاں

بینک کی ذیلی کمپنی، عسکری انویسٹمنٹ لمیٹڈ (AIML) باہمی فنڈز کا انتظام کرتی ہے اور ادارہ جاتی کلائنٹس کے لیے مشاورتی خدمات مہیا کرنے میں بھی مصروف عمل ہے۔ عسکری بینک، عسکری سیکیورٹیز لمیٹڈ (ASL) کا 74 فیصد کنٹرولنگ انٹرسٹ بھی رکھتا ہے جو کہ شیڈرڈ بروکرینج، سرمایہ کاری مشاورتی اور کنسلٹنسی خدمات فراہم کرتی ہے۔

سال کے دوران، 13 اکتوبر 2016 کو، بورڈ آف ڈائریکٹرز نے دونوں کمپنیوں کی ڈیویڈنڈ کی منظوری دی۔ اس فیصلے کی رو سے، ڈیویڈنڈ کے عمل کا آغاز دیا گیا ہے اور 2017 میں اس کی تکمیل متوقع ہے۔

اس کے مطابق، عسکری انویسٹمنٹ لمیٹڈ میں بینک کی 100 فیصد سرمایہ کاری 33,500,000 روپے عمومی شیڈر 10 روپے فی عدد اور عسکری سیکیورٹیز لمیٹڈ میں بینک کی 74 فیصد سرمایہ کاری 17,020,000 روپے عمومی شیڈر 10 روپے فی عدد، کو فروخت کے لیے درج بندی کی گئی ہے۔

اختتامی سال 31 دسمبر 2016 کے لیے بینک، AIML اور ASL کے مجموعی مالیاتی کوشوشے اس سالانہ رپورٹ میں شامل کئے گئے ہیں۔

انسانی وسائل

اپنی افرادی قوت اور ان کے علمی اساس کی اہمیت پر توجہ برقرار رکھنا، اپنے اور بینک کے لیے اہداف کے حصول میں، عسکری بینک کی کلیدی ترجیحات میں سے ایک ہے۔ ہمارے لوگوں، عسکری فیملی، کی قابلیت، جذبہ اور عزم نے حالیہ برسوں میں ہماری مسلسل کامیابیوں کی بنیاد رکھی ہے۔ سال کے دوران ہیومن ریسیورس مینجمنٹ نے بینک کے کئی تنظیمی شعبوں اور محفلوں میں زیادہ اہم سرگرمیوں کے لیے ملازمین کی دوبارہ تقرری کرتے ہوئے ان کی صلاحیتوں اور مہارتوں پر توجہ سے بنیاد پر تعینات کرنے پر توجہ مرکوز رکھی۔ بورڈ کی ہیومن ریسیورس اینڈ ریویو کمیٹی بینک کی ہیومن ریسیورس حکمت عملی، پالیسیوں اور سٹرٹجیک اہمیت کے حامل درپیش چیلنجز جو بینک کے اہداف کے حصول کے لیے ضروری قابلیت کو بائیر کرنے، تیار کرنے اور کھڑے کر کے برہ راستہ اثر انداز ہوتے ہیں، کا وقتاً فوقتاً جائزہ لیتی ہے۔

میں سہولیات پہنچانے کے لیے بطور وڈ واچی خدمات سرانجام دے رہا ہے۔ بینک کی بینک سے متعلقہ کاروباری مواقعوں سے استفادہ حاصل کرنے کی مصمم پوزیشن میں ہے جو کہ آنے والے سالوں میں پاکستان کی معاشی ترقی کو تیز کرنے میں عامل کے طور پر سمجھے جاتے ہیں۔

رسک مینجمنٹ

بینکاری میں موثر رسک مینجمنٹ کلیدی حیثیت رکھتی ہے اور یہ ہمارے کاروبار اور آپریشن کے روزمرہ انتظامات میں سرایت کر گئی ہے۔ رسک اور ریزرین کے درمیان زیادہ سے زیادہ ٹریڈ آف کا حصول موثر رسک مینجمنٹ حکمت عملی کا اصل مقصد ہے، لہذا عسکری بینک نے ایک موثر اور منظم رسک مینجمنٹ فریم ورک تیار کیا ہے جو بینکاری سرگرمیوں کے تمام شعبہ جات کا احاطہ کرتا ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے تفویض اختیارات کی اندر رہتے ہوئے، کریڈٹ، مارکیٹ، کپیٹل، لیکویڈٹی اور آپریشنل خطرات کی نگرانی اور جائزہ بورڈ رسک مینجمنٹ کمیٹی (BRMC) کی ذمہ داری ہے۔ BRMC بینک کے مجموعی خطرات کا جائزہ لیتی ہے اور اس پر سفارشات وضع کرتی ہے۔ اس کی ذمہ داریوں میں بینک کے رسک مینجمنٹ سسٹم اور کنٹرول کی موزونیت اور موثریت کا جائزہ لینا، اہم ریگیولٹری تبدیلیوں کی تجاویز کے مضمرات پر غور و فکر کرنا اور رسک ماڈلز، جو تیار ہیں ہوتے ماحول کی ضروریات پورا کرنے کے لیے متحرک ہوتے ہیں، پر سفارشات بھی شامل ہیں۔

بینک کے اندر ایک رسک مینجمنٹ فنکشن رسک مینجمنٹ طریقہ کار اور رسک مینجمنٹ ٹولز کے اطلاق کے ذریعے ان پالیسیوں کے نفاذ کو یقینی بناتا ہے۔ یہ فنکشن اس بات کو بھی یقینی بناتا ہے کہ بینک میں رسک کے تین اہم شعبوں، کریڈٹ، مارکیٹ اور آپریشنل پر پیش کی ہوئی موشگرفانی کے ذریعے رسک کو پہلے سے طے کردہ اور قابل برداشت سطح کے اندر رکھا جائے۔ ہمارا رسک مینجمنٹ فریم ورک متعلقہ ہدایات اور قواعد اور بہترین بین الاقوامی طریقہ کار خصوصاً جو بازل (Basel) معاہدوں کے نفاذ سے متعلقہ ہیں، کے ساتھ مطابقت رکھتا ہے۔

فناصل سسٹم رسک کے انتظام اور بنیادی کپیٹل پر زور دینے کے مقصد کیلئے، بازل III (Basel-III) نے اضافی کٹوتیاں اور ضروریات کپیٹل کنٹرولیشن لبرٹی صورت میں اثر انداز کئے ہیں، جس کے نتیجے میں 2019

حصص داران کے لیے ڈائریکٹر زکی رپورٹ

ڈائریکٹر زکی رپورٹ سال 31 دسمبر 2016 کے لیے عسکری بینک لمیٹڈ کی پیچیدگیوں سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹرز کی رپورٹ پیش کرتے ہیں۔

معیشت

مالی سال 2016 کے دوران پاکستانی معیشت نے اپنی ترقی کی رفتار کو برقرار رکھا اور اس میں 4.7 فیصد اضافہ ہوا۔ حکومت کے تعمیراتی منصوبوں پر اخراجات میں اضافے اور کم شرح سود کی وجہ سے اندرونی طلب کو تقویت ملی جبکہ توانائی کی بہتر ہوتی ہوئی رسد صنعتی کارکردگی کے لیے معاون ثابت ہوئی۔ آئی ایم ایف پروگرام کی کامیاب تکمیل، ایشیا کی قیمتوں میں کمی سے مہنگائی میں کمی، مستحکم شرح مبادلہ اور سرمایہ کاروں کے اعتماد میں اضافہ جس کا مشاہدہ پاکستان کی وجہ بندی میں بہتری ہے، اور چنانچہ پاکستان اقتصادی راہداری (سی پیک) کے منصوبے کا آغاز وہ عوامل تھے جن سے بہتر معاشی اہداف کو مدد ملی۔ آئی ایم ایف کی بہتر ہوتی ہوئی صورت حال بھی ان اقدامات کی معاون ثابت ہوئی۔

مستحکم شرح مبادلہ اور اس کے ساتھ تیل کی قیمتوں میں کمی نے مالی سال 2016 میں مہنگائی بلحاظ صارف اشاریہ قیمت گھٹا کر صرف 2.9 فیصد تک لانے میں مدد دی۔ نمونہ قومی دینے والے اقدامات نے شرح سود کو 5.75 فیصد پر برقرار رکھنے میں کردار ادا کیا، جو 70 کی دہائی کے اوائل سے کم ترین شرح ہے۔ حالیہ سالوں میں قرض کی لاگت میں ایکدم کمی اور سزاگار کاروباری ماحول نے بینک قرضوں کی طلب بیدار کی ہے۔ مطلق لحاظ سے، اس مالی سال کے دوران سٹی قرضے کو دینے والے قرضوں میں 461 ارب روپے کا اضافہ ہوا جو پچھلے سال کے اضافے کے دگنے سے بھی زیادہ ہے۔ حوصلہ افزا امر یہ ہے کہ اضافہ زیادہ تر وسیع الہیاد تھا کیونکہ تمام اہم شعبوں، بنگلہ خاں، بجلی، کھاد، تعمیرات اور ٹرانسپورٹ، نے بینکوں سے قرض لیا۔ اس کے علاوہ، کنزرویٹو قرضہ جات میں بھی تیزی آئی اور گاڑیوں کے قرضوں کی طلب بلند رہی۔

آنے والے وقت میں، تیل کی قیمت میں حالیہ بتدریج اضافہ تشویش کا باعث ہے کیونکہ تیل کے علاوہ درآمدات بلند سطح پر رہنے کی توقع ہے جبکہ درآمدات میں اضافے کی توقع ابھی تک برقرار ہے۔ جیسے ہی قرضوں کی واپسی کا مرحلہ قریب آئے گا تو شرح مبادلہ کا امتحان شروع ہوگا اور روپے کی قدر میں کمی قسم کی کمی، زیادہ غیر ملکی قرضوں کی واپسی کی وجہ سے، ادائیگیوں کے توازن پر مزید بوجھ ڈال دے گی۔ تاہم، زیادہ غیر ملکی سرمایہ کاری، بشمول سی پیک سے متعلقہ منصوبوں کے ساتھ وابستہ، سے اضافی درآمدی بل میں توازن پیدا ہونے کے امکانات ہیں۔ اضافی سرکاری اخراجات اور خدمات کے شعبے میں نمو پذیری کی پشت پر معیشت کی بہتر کارکردگی متوقع ہے اور اضافی متوقع سرکاری اخراجات، الیکشن سے پہلے سال، اور ترقیاتی منصوبوں خصوصاً سی پیک سے متعلقہ منصوبوں کی رفتار میں زیادہ تیزی کی وجہ سے ہم ملکی طلب کے بڑھنے پر پرامید ہیں۔

آپریٹنگ نتائج

2016 کے لیے عسکری بینک کے نتائج مستحکم کارکردگی کے ایک اور سال کی عکاسی کرتے ہیں جو ہماری انتظامی ٹیم کی حکمت عملی برائے ترقی اور اسکی عمدہ انجام دہی سے ایک ایسے ماحول میں ممکن ہوئی جہاں بینکنگ کو کم ترین شرح سود کے مارجن کی وجہ سے چیلنجز درپیش رہے۔

سال 2016 کے دوران ٹیکسیشن کے بعد آپ کے بینک کے منافع میں 3.5 فیصد بڑھوتی ہوئی جو کہ 5,221 ملین روپے تک پہنچ گیا جبکہ ٹیکسیشن سے پہلے کا منافع 8,477 ملین روپے تھا، جو گزشتہ سال سے تقریباً برابر تھا۔ مجموعی آمدن میں 2.5 فیصد اضافہ ہوا، جس میں زیادہ تر غیر سودی آمدنی میں 6.2 فیصد اضافے نے حصہ ڈالا۔ خاص سودی آمدنی میں 0.8 فیصد اضافہ ہوا کیونکہ سال 2015 میں سود کی شرح کا ماحول سال 2016 کے پورے عرصے میں حاوی رہا، تاہم پالیسی کی سمت میں زیادہ صراحت اور اقتصادی سرگرمی میں اضافے کے ساتھ، اس عرصے میں ایک معتدل تبدیلی دیکھنے میں آئی جہاں قرضہ جات میں اضافہ سرمایہ کاری سے زیادہ رہا؛ خاص طور پر سال 2016 کے دوسرے نصف عرصے میں سرمایہ کاری میں کافی سست روی دیکھی گئی۔ اگرچہ اس تغیر نے موجودہ عرصے کے دوران آمدنی کے دھارے پر بہت خفیف اثر ڈالا کیونکہ سرمایہ کاری سے حاصل شدہ آمدنی کا حصہ، بالخصوص گلسڈ حکوتی بانڈز سے، مسلسل دوسرے سال کے لیے اہم تعاون کنندہ کے طور پر جاری رہا۔ سودی شرح کے رجحان کے ساتھ مطابقت کرتے ہوئے فنڈز کی مجموعی قیمت میں 5.5 فیصد زوال پذیری ہوئی اور صارفین کی جمع کرائی گئی رقم کی قیمت میں 10.6 فیصد کمی کی توقع ہوئی جس سے مخصوص آمدنی کی کمی میں توازن پیدا ہوا جو کہ خاص سودی مارجن میں بڑھوتی کی بڑی وجہ تھی اور اس کے ساتھ ساتھ آمدنی والے اثاثہ جات کی بنیاد میں 13 فیصد بڑھوتی بھی۔

زیر جائزہ سال کے دوران بینکنگ مارجن کے مزید دباؤ کی وجہ سے، آپ کے بینک نے تجارت اور لین دین کے معاملوں کے کاروبار کو وسعت دی اور مالی معاملات کو اپنی گرفت میں لانا کیلئے مقامی مارکیٹ میں خدمات کے ایک مضبوط فراہم کنندہ کے طور پر سامنے آیا۔ تجارت اور مالی خدمات میں ترقی، کاروبار سے متعلقہ فیس، کمیشن اور بروڈرینج آمدن میں زیر جائزہ سال کے دوران 24.5 فیصد کے بڑے اضافے پر منتج ہوئی۔ شرح سود کے زوال پذیر ماحول نے بھی گلسڈ اگم بانڈز کی سرمایہ کاری کو تھوڑا سا کم کرنے کے مواقع فراہم کئے۔ جیسا کہ مارکیٹ پر نظر رکھنے والے یہ تاثر دے رہے ہیں کہ شرح سود اپنی آخری حد تک گرنے لگی ہے اور سرمایہ کاری کی مزید قدر بڑھنے کے امکانات کم ہو رہے ہیں، توقع ہے کہ مستقبل میں گلسڈ اگم بانڈز کی سرمایہ کاری

پر ترجیح کم ہو جائے گی۔ سال 2016 کے دوران، گلسڈ اگم بانڈز بمعہ سٹاک مارکیٹ سرمایہ کاریوں کو بیچنے سے ایسی مجموعی آمدن میں اضافہ 8.6 فیصد ہوا ہے۔

انتظامی اور دیگر آپریٹنگ اخراجات میں 17.2 فیصد کے اضافے کے ساتھ 12,014 ملین روپے سے 14,079 ملین روپے تک بڑھوتی ہوئی۔ گزشتہ سال کی نسبت اخراجات میں اضافے کی بنیاد میں وجہ براؤنچ نیٹ ورک کی وسعت میں بینک کی سرمایہ کاری کے اثرات؛ ملازمین کے اخراجات میں اضافہ، دفتروں کا کرایہ اور منسلک دیگر اخراجات شامل ہیں۔ حالیہ ہانچ کی وسعت سے بینک کے لیے بہتر نتائج سامنے آ رہے ہیں جیسا کہ کرنٹ اور سیولنگ ڈیپازٹس میں زیادہ اضافے سے ظاہر ہے۔

بینک کے صارفین کی طرف سے جمع کرائی گئی رقم میں 9.2 فیصد اضافہ ہوا، جس میں گزشتہ سال کے اختتام پر 433 ارب روپے سے 31 دسمبر 2016 کو 473 ارب روپے تک بڑھوتی ہوئی مختلف اقسام کی مددیں جمع کرائی گئی رقم کے مرکب نے متاثر کن بہتری کا مظاہرہ کیا، جیسا کہ غیر منافع بخش کرنٹ اکاؤنٹس میں سال کے دوران 18.7 فیصد قابل ذکر اضافہ ہوا جبکہ گلسڈ ڈیپازٹس گزشتہ سال کی سطح پر برقرار رہے۔ مجموعی سیولنگ ڈیپازٹس میں 31 دسمبر 2016 کے اختتامی سال کے دوران 8.2 فیصد اضافہ ہوا۔

کل قرضہ جات مختتم سال 2016 میں 14.8 فیصد کی بڑھوتی کے ساتھ 262 ارب روپے پر بند ہوئے جیسا کہ قرضہ دہی کی حکمت عملی معیاری قرضہ جات کی فراہمی پر مذکور رہی۔ مجموعی غیر فعال قرضہ جات میں 9.4 فیصد کی قابل ذکر کمی آئی جو سال 2015 کے اختتام پر 31.5 ارب روپے تھے اور سال 2016 اختتام پر 28.5 ارب روپے ہیں۔ بینک نے 31 دسمبر 2016 کو غیر فعال قرضہ جات پر پروویژن کی کوریج کے تناسب 94.5 فیصد کی ایک اطمینان بخش سطح بحال رکھی ہے، جو کہ سال 2015 کے اختتام پر 90.5 فیصد سے قابل ذکر بہتری ہے۔ غیر فعال قرضہ جات میں کمی کے نتیجے میں، سال 2015 کے دوران 316 ملین روپے کے پروویژن کے خرچے کے مقابلے میں، سال 2016 کے دوران 729 ملین روپے کی مجموعی خالص خرچے کی وصولی ہوئی۔ بینک نے مناسب طور پر کچھیل ایڈیٹو سٹی تائیس (Capital Adequacy Ratio - CAR) برقرار رکھی جو 31 دسمبر 2016 کو 12.5 فیصد رپورٹ کی گئی۔ زیر جائزہ سال کے دوران، بازل III (Basel-III) رپورٹنگ فریم ورک ضروریات کی سہولت کے لیے CAR پورنگ سسٹم میں کمی کی بہتریاں کی گئی۔

WATERCOLOR ON PAPER
13.5" x 10.5"

S.A. Noory

Although Noory was trained in Fine Arts, he worked diligently to master the art of miniature painting. Over the years he has developed his own oeuvre, which encompasses a wide range of subjects rendered in the miniature tradition.



S.A. Noory
2016

UNCONSOLIDATED FINANCIAL STATEMENTS OF

ASKARI BANK LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2016

STATEMENT OF INTERNAL CONTROLS

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

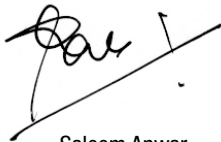
Architecture of the Bank's internal control system involves different levels of monitoring activities .i.e. line management, Compliance & Data Division (CDD) and Audit & Inspection Division (AID). The Bank's AID is independent from the line management and reviews the adequacy and implementation of control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

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

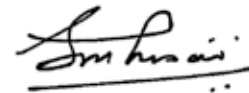
In compliance with the SBP's directives, the Bank had completed the implementation of road map regarding Internal Controls over Financial Reporting (ICFR) on September 30, 2012. This included detailed documentation of the existing processes, comprehensive evaluation of controls both at entity as well as activity level, development of detailed remedial action plans for the gaps identified as a result of such evaluation and devising comprehensive testing plans of the controls of all processes. Consequent to grant of exemption by the State Bank of Pakistan (SBP) from the requirement of submission of Long Form Report (LFR), the documentation including the testing results have been reviewed by the internal auditors of the Bank, on the basis of which Annual Assessment Report duly approved by the Audit Committee was submitted to the SBP. Annual Assessment Report for the year 2016 is due for submission by March 31, 2017.

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

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



Saleem Anwar
Chief Financial Officer



Syed M. Husaini
President & Chief Executive

February 14, 2017

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2016

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation 5.19 of Pakistan Stock Exchange Limited Regulations, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Askari Bank Limited (the Bank) has applied the principles contained in the CCG in the following manner:

1. The Bank encourages representation of independent, non-executive directors and directors representing minority interests on its board of directors. At present the Board includes:

CATEGORY	NAME
INDEPENDENT DIRECTORS	Mr. Asif Reza Sana
	Mr. Zaffar Ahmad Khan
	Mr. Tariq Hafeez Malik
	Mr. Muhammad Ghous
EXECUTIVE DIRECTOR	Syed M. Husaini, President & CE
NON-EXECUTIVE DIRECTORS	Lt Gen Khalid Nawaz Khan, HI (M) (Retd) - Chairman
	Lt Gen Muhammad Haroon Aslam, HI (M) (Retd)
	Lt Gen Shafqaat Ahmed, HI (M) (Retd)
	Mr. Qaiser Javed
	Dr. Nadeem Inayat
	Mr. Manzoor Ahmed - Nominee NIT

The independent directors meet the criteria of independence under clause 5.19.1(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including Askari Bank Limited.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year; however, the President & CE of the Bank was re-appointed for another term of three (3) years i.e. from June 03, 2016 to June 02, 2019.
5. The Bank has prepared a statement of "Code of Conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and has approved significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the President & Chief Executive, and non-executive directors, have been taken by the Board / shareholders.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged appropriate training programs for its directors during the year. More than half of the directors have certification under Directors' Training Program offered by institutions that meet the criteria specified by the SECP.
10. The Board has approved the appointments of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2016

12. The financial statements of the Bank were duly endorsed by the President & Chief Executive and the Chief Financial Officer before approval of the Board.
13. The directors, President & Chief Executive and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed a Board Audit & Compliance Committee (BACC). It comprises of 5 members, of whom 3 members are non-executive directors and 2 members are independent directors, including the Chairman of the Committee.
16. The meetings of the Board Audit & Compliance Committee (BACC) were held at least once in every quarter prior to approval of interim and final results of the Bank as required by the CCG. The Terms of Reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Board Human Resource & Remuneration Committee (BHR&RC). It comprises of 3 members, of whom 1 member is non-executive director, 2 members are independent directors including the Chairman of the Committee.
18. The Board has set-up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics, as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the PSX Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Bank's shares, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board



Lt Gen Khalid Nawaz Khan
HI(M), Sitara-i-Esar (Retd)
Chairman

Rawalpindi
February 14, 2017



AUDITORS' REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Askari Bank Limited (the Bank) for the year ended December 31, 2016 to comply with the requirements of Regulation 5.19 of Pakistan Stock Exchange Limited Regulations issued by Pakistan Stock Exchange Limited where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

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

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternative pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2016.

Chartered Accountants

Islamabad

Engagement partner: S. Haider Abbas

Date: February 28, 2017

A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan
Tel: +92 (51) 2273457-60 / 2604934-37; Fax: +92 (51) 2277924; <www.pwc.com/pk>

•KARACHI •LAHORE •ISLAMABAD



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated statement of financial position of Askari Bank Limited (the Bank) as at December 31, 2016 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here in after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for twenty six branches which have been audited by us and one branch audited by auditors abroad 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 our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVI of 1962), and the Companies Ordinance, 1984 (XLVI of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty per cent of the total loans and advances of the Bank, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 5.11 to the financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and



- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2016 and its true balance of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion 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.

A handwritten signature in black ink, appearing to read 'S. Haider Abbas', written in a cursive style.

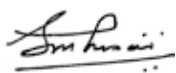
Chartered Accountants
Islamabad
Engagement partner: S. Haider Abbas
Date: February 28, 2017

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

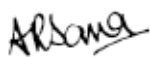
AS AT DECEMBER 31, 2016

Rupees in '000	Note	2016	2015
Assets			
Cash and balances with treasury banks	6	42,568,141	29,685,228
Balances with other banks	7	5,845,748	8,295,724
Lendings to financial institutions	8	6,836,584	812,898
Investments	9	295,846,254	268,020,706
Advances	10	235,163,922	199,930,812
Operating fixed assets	11	11,019,555	9,230,010
Assets held for sale	12	261,762	—
Other assets	13	21,597,227	19,891,336
		619,139,193	535,866,714
Liabilities			
Bills payable	14	8,579,809	6,094,885
Borrowings	15	89,261,788	57,323,250
Deposits and other accounts	16	472,811,335	433,172,205
Sub-ordinated loans	17	4,994,800	4,996,800
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities	18	526,430	96,404
Other liabilities	19	10,388,081	7,330,227
		586,562,243	509,013,771
Net assets		32,576,950	26,852,943
Represented by			
Share capital	20	12,602,602	12,602,602
Reserves		8,670,686	6,445,888
Unappropriated profit		4,084,206	2,763,314
		25,357,494	21,811,804
Surplus on revaluation of assets - net of tax	21	7,219,456	5,041,139
		32,576,950	26,852,943
Contingencies and commitments	22		

The annexed notes 1 to 46 and Annexures 1 and 2 form an integral part of these unconsolidated financial statements.



Syed M. Husaini
President & Chief Executive



Asif Reza Sana
Director



Qaiser Javed
Director



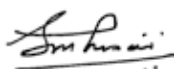
Lt Gen (R) Khalid Nawaz Khan
Chairman

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

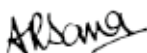
FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	Note	2016	2015
Mark-up / return / interest earned	25	35,512,309	36,592,093
Mark-up / return / interest expensed	26	20,496,757	21,690,386
Net mark-up / interest income		15,015,552	14,901,707
Provision / (reversal) against non-performing loans and advances - net	10.4	(729,441)	315,840
Impairment loss on available for sale investments		22,565	217,243
Provision for diminution in the value of investments - net	9.2.1	48,052	345,969
Bad debts written off directly		-	-
		(658,824)	879,052
Net mark-up / interest income after provisions		15,674,376	14,022,655
Non mark-up / interest income			
Fee, commission and brokerage income		2,155,856	1,732,140
Dividend income		304,850	302,721
Income from dealing in foreign currencies		639,827	834,956
Gain on sale of securities - net	27	3,526,687	3,246,294
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net		-	-
Other income	28	479,139	573,477
Total non-markup / interest income		7,106,359	6,689,588
		22,780,735	20,712,243
Non mark-up / interest expenses			
Administrative expenses	29	14,078,992	12,014,237
Other provisions / write offs		3,260	49,671
Other charges	30	221,535	216,639
Total non-markup / interest expenses		14,303,787	12,280,547
		8,476,948	8,431,696
Extraordinary / unusual items		-	-
Profit before taxation			
		8,476,948	8,431,696
Taxation – current		(2,129,263)	(2,329,796)
– prior years'		(266,425)	(416,000)
– deferred		(860,625)	(642,481)
	31	(3,256,313)	(3,388,277)
Profit after taxation			
		5,220,635	5,043,419
Unappropriated profit brought forward		2,763,314	1,862,223
Profit available for appropriation		7,983,949	6,905,642
Basic earnings per share - Rupees	32	4.14	4.00

The annexed notes 1 to 46 and Annexures 1 and 2 form an integral part of these unconsolidated financial statements.



Syed M. Husaini
President & Chief Executive



Asif Reza Sana
Director



Qaiser Javed
Director



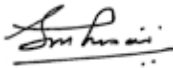
Lt Gen (R) Khalid Nawaz Khan
Chairman

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME


FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	2016	2015
Profit after taxation	5,220,635	5,043,419
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Exchange difference on translation of net investment in Wholesale Bank Branch	(7,318)	11,503
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plan	(142,003)	(17,171)
Related tax on remeasurement of defined benefit plan	49,701	6,010
Remeasurement of defined benefit plan - net of tax	(92,302)	(11,161)
Comprehensive income - transferred to statement of changes in equity	5,121,015	5,043,761
Components of comprehensive income not reflected in equity		
Surplus on revaluation of assets - net of tax	2,178,317	622,641
Total comprehensive income	7,299,332	5,666,402

The annexed notes 1 to 46 and Annexures 1 and 2 form an integral part of these unconsolidated financial statements.



Syed M. Husaini
President & Chief Executive



Asif Reza Sana
Director



Qaiser Javed
Director



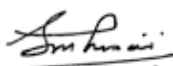
Lt Gen (R) Khalid Nawaz Khan
Chairman

UNCONSOLIDATED CASH FLOW STATEMENT

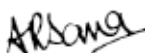
FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	Note	2016	2015
Cash flow from operating activities			
Profit before taxation		8,476,948	8,431,696
Less: dividend income		(304,850)	(302,721)
		8,172,098	8,128,975
Adjustments:			
Depreciation / amortization		1,013,547	864,179
(Reversal of) / provision against non-performing loans and advances - net		(729,441)	315,840
Impairment loss on available for sale investments		22,565	217,243
Provision for diminution in the value of investments - net		48,052	345,969
Gain on sale of asset held for sale		–	(215,466)
Reversal of provision against operating fixed assets		(9,842)	(238)
Provision against other assets		12,306	51,905
Charge for defined benefit plan		326,801	301,525
Gain on sale of operating fixed assets		(6,484)	(7,841)
		677,504	1,873,116
		8,849,602	10,002,091
(Increase) / decrease in operating assets			
Lendings to financial institutions		(6,023,686)	1,187,102
Advances		(34,399,975)	(29,310,152)
Other assets (excluding advance taxation)		371,124	(219,093)
		(40,052,537)	(28,342,143)
Increase / (decrease) in operating liabilities			
Bills payable		2,484,924	(760,135)
Borrowings		31,938,538	43,581,220
Deposits		39,639,130	45,585,585
Other liabilities		2,574,849	(22,430)
		76,637,441	88,384,240
Cash generated from operations		45,434,506	70,044,188
Payment made to defined benefit plan		–	(200,294)
Income tax paid		(2,955,266)	(2,382,892)
Net cash flow from operating activities		42,479,240	67,461,002
Cash flow from investing activities			
Net investments in available for sale securities		(33,400,663)	(44,088,780)
Net investments in held to maturity securities		4,154,456	(6,322,982)
Sale proceeds of assets held for sale		–	269,169
Dividend income		289,272	292,964
Investments in operating fixed assets - net of adjustment		(1,541,470)	(1,804,812)
Sale proceeds of operating fixed assets disposed off		22,543	18,190
Net cash used in investing activities		(30,475,862)	(51,636,251)
Cash flow from financing activities			
Payments of sub-ordinated loans - net		(2,000)	(2,996,000)
Dividend paid		(1,561,123)	(2,485,279)
Net cash used in financing activities		(1,563,123)	(5,481,279)
Exchange difference on translation of net investment in Wholesale Bank Branch		(7,318)	11,503
Increase in cash and cash equivalents		10,432,937	10,354,975
Cash and cash equivalents at beginning of the year		37,980,952	27,625,977
Cash and cash equivalents at end of the year	33	48,413,889	37,980,952

The annexed notes 1 to 46 and Annexures 1 and 2 form an integral part of these unconsolidated financial statements.



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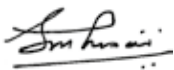
Lt Gen (R) Khalid Nawaz Khan
Chairman

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

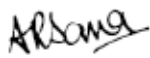
FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Revenue Reserves		Total
					General reserve	Un-appropriated profit	
Balance as at January 1, 2015	12,602,602	89,326	234,669	4,702,503	(202,760)	1,862,223	19,288,563
Total comprehensive income for the year ended December 31, 2015							
Net profit for the year ended December 31, 2015	-	-	-	-	-	5,043,419	5,043,419
Other comprehensive income related to equity	-	11,503	-	-	-	(11,161)	342
Transfer to:							
Statutory reserve	-	-	-	1,008,684	-	(1,008,684)	-
General reserve	-	-	-	-	1,862,223	(1,862,223)	-
Transaction with owners, recorded directly in equity							
Final dividend 2014: Re. 1.00 per share	-	-	-	-	(1,260,260)	-	(1,260,260)
Interim dividend 2015: Re. 1.00 per share	-	-	-	-	-	(1,260,260)	(1,260,260)
Balance as at January 1, 2016	12,602,602	100,829	234,669	5,711,187	399,203	2,763,314	21,811,804
Total comprehensive income for the year ended December 31, 2016							
Net profit for the year ended December 31, 2016	-	-	-	-	-	5,220,635	5,220,635
Other comprehensive income related to equity	-	(7,318)	-	-	-	(92,302)	(99,620)
Transfer to:							
Statutory reserve	-	-	-	1,044,127	-	(1,044,127)	-
General reserve	-	-	-	-	2,763,314	(2,763,314)	-
Transaction with owners, recorded directly in equity							
Final dividend 2015: Rs. 1.25 per share	-	-	-	-	(1,575,325)	-	(1,575,325)
Balance as at December 31, 2016	12,602,602	93,511	234,669	6,755,314	1,587,192	4,084,206	25,357,494

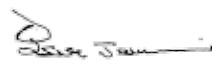
The annexed notes 1 to 46 and Annexures 1 and 2 form an integral part of these unconsolidated financial statements.



Syed M. Husaini
President & Chief Executive



Asif Reza Sana
Director



Qaiser Javed
Director



Lt Gen (R) Khalid Nawaz Khan
Chairman

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. STATUS AND NATURE OF BUSINESS

- 1.1 Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Pakistan Stock Exchange. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent shares of the Bank as on December 31, 2016. The ultimate parent of the Bank is Fauji Foundation. The Bank has 501 branches (2015: 424 branches); 500 in Pakistan and Azad Jammu and Kashmir, including 91 (2015: 75) Islamic Banking branches, 36 (2015: 32) sub-branches and a Wholesale Bank Branch in the Kingdom of Bahrain.

2. BASIS OF PRESENTATION

- 2.1 These unconsolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006.
- 2.2 These unconsolidated financial statements are separate financial statements of the Bank in which the investments in subsidiaries and associates are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees which is done in consolidated financial statements.
- 2.3 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.
- 2.4 The financial results of the Islamic banking branches have been consolidated in these unconsolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key figures of the Islamic banking branches are disclosed in Annexure - 2 to these unconsolidated financial statements.
- 2.5 Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Bank operates. The unconsolidated financial statements are presented in Pak. Rupee, which is the Bank's functional and presentation currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

3. STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.

International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", International Accounting Standard 40, "Investment Property" and International Financial Reporting Standard 7, "Financial Instruments: Disclosure" are not applicable to banking companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these unconsolidated financial statements. Accordingly, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

3.1 STANDARDS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

- a) The following amendments to published accounting standards were effective during the year and have been adopted by the Bank:

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	January 1, 2016
IFRS 11	Joint Arrangements (Amendments)	January 1, 2016
IAS 1	Presentation of financial statements (Amendments)	January 1, 2016
IAS 16	Property, plant and equipment (Amendments)	January 1, 2016
IAS 19	Employee Benefits (Amendments)	January 1, 2016
IAS 27	Separate financial statements (Amendments)	January 1, 2016
IAS 38	Intangible assets (Amendments)	January 1, 2016

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 1	First-time Adoption of International Financial Reporting Standards (Amendments)	January 1, 2018
IFRS 2	Share-based payment (Amendments)	January 1, 2018
IFRS 4	Insurance Contracts	January 1, 2018
IFRS 7	Financial Instruments (Amendments)	January 1, 2018
IFRS 12	Disclosure of Interests in Other Entities (Amendments)	January 1, 2017
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 12	Income taxes (Amendments)	January 1, 2017
IAS 39	Financial Instruments: Recognition and Measurement (Amendments)	January 1, 2018
IAS 40	Investment property (Amendments)	July 1, 2018

The management anticipates that adoption of above standards and amendments in future periods will have no material impact on the Bank's financial statements other than in presentation / disclosure.

4. BASIS OF MEASUREMENT

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

USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

- i) classification of investments (note 5.5)
- ii) provision against investments (note 5.5), advances (note 5.6), operating fixed assets (note 5.7) and other assets (note 5.8)
- iii) valuation and impairment of available for sale securities (note 5.5)
- iv) useful life of property and equipments, intangible assets and revaluation of land (note 5.7)
- v) taxation (note 5.10)
- vi) staff retirement benefits (note 5.12)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 ASSETS HELD FOR SALE

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

5.2 CASH AND CASH EQUIVALENTS

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

5.3 SALE AND REPURCHASE AGREEMENTS

Securities sold under repurchase agreement (repo) are retained in the unconsolidated financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is recognized as mark-up / return expensed and earned on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

5.4 BAI MUAJJAL RECEIVABLE FROM OTHER FINANCIAL INSTITUTIONS

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

5.5 INVESTMENTS

Investments are classified as follows:

HELD FOR TRADING

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements prescribed by the SBP through various circulars.

AVAILABLE FOR SALE

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000 and BPRD Circular 06 dated June 26, 2014, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is taken through "Statement of Comprehensive Income" and is shown below the shareholders' equity in the unconsolidated statement of financial position.

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

Where the decline in prices of available for sale equity securities is significant and prolonged, it is considered impaired and included in profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by the SBP.

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

HELD TO MATURITY

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost less impairment, determined in accordance with the requirements of Prudential Regulations issued by the SBP.

INVESTMENT IN SUBSIDIARIES AND ASSOCIATE

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

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

5.6 ADVANCES

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the SBP from time to time. In addition, a general provision is maintained for advances other than consumer and small entities advances as per details given in note 10.4.3. General and specific provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries.

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Ijarahs booked under IFAS - 2 are stated at cost less accumulated depreciation and impairment if any, and are shown under advances.

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

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

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

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

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

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

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

5.7 CAPITAL WORK-IN-PROGRESS, OPERATING FIXED ASSETS AND DEPRECIATION

CAPITAL WORK-IN-PROGRESS

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

TANGIBLE ASSETS

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold / leasehold land. Land is carried at revalued amounts which is not depreciated.

Land is revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited / (debited) to the surplus on revaluation of assets account and is shown below the shareholders' equity in the unconsolidated statement of financial position. Except to the extent actually realized on disposal of land which are revalued, the surplus on revaluation of land shall not be applied to set-off or reduce any deficit or loss, whether past, current or future, or in any manner applied, adjusted or treated so as to add to the income, profit or surplus of the Bank or utilized directly or indirectly by way of dividend or bonus.

INTANGIBLE ASSETS

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

DEPRECIATION / AMORTIZATION

Depreciation / amortization is computed on monthly basis over the estimated useful lives of the related assets at the rates set out in notes 11.2 and 11.3 respectively on a monthly basis. The cost of assets is depreciated / amortized on the diminishing balance method, except for vehicles, carpets, renovations, other assets and intangibles which are depreciated / amortized on a straight line basis. Depreciation / amortization is charged for the full month of purchase / acquisition / availability for use of an asset while no depreciation / amortization is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the profit and loss account.

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

5.8 IMPAIRMENT

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

5.9 DEPOSITS

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

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

5.10 TAXATION

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

CURRENT

Provision for current tax is the expected tax payable on the taxable profit for the year using tax rates applicable at the date of unconsolidated statement of financial position and any adjustment to tax payable for previous years.

DEFERRED

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

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

5.11 NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS

To comply with the requirements of the 'Regulations for Debt Property Swap' (the Regulations) issued by SBP vide BPRD Circular No. 1 of 2016 dated January 1, 2016, the Bank has changed its accounting policy effective January 1, 2016 for recording of non-banking assets acquired in satisfaction of claims. In accordance with the Regulations, the non-banking assets acquired in satisfaction of claims are now being carried at revalued amounts. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of such properties is credited to the 'surplus on revaluation of non banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and are not capitalised. Previously, non-banking assets acquired in satisfaction of claims were carried at cost including attached costs less impairment, if any. Had the accounting policy not been changed, non banking assets acquired in satisfaction of claims (included in other assets in the statement of financial position) and surplus on revaluation of these assets would have been lower by Rs 1,617,860 thousand.

5.12 STAFF RETIREMENT BENEFITS

DEFINED BENEFIT PLAN

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

DEFINED CONTRIBUTION PLAN

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

COMPENSATED ABSENCES

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

5.13 REVENUE RECOGNITION

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

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

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

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

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

Revenue on Salam finance is recognized at the time of sale of Al-Muslam Fihi (Salam Goods).

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

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

5.14 FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

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

FOREIGN OPERATION

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

TRANSLATION GAINS AND LOSSES

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

COMMITMENTS

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

5.15 PROVISIONS

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

5.16 OFF-SETTING

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

5.17 FINANCIAL ASSETS AND LIABILITIES

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

5.18 DERIVATIVE FINANCIAL INSTRUMENTS

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

5.19 APPROPRIATIONS SUBSEQUENT TO DATE OF UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

5.20 SEGMENT REPORTING

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

5.20.1 BUSINESS SEGMENT**CORPORATE FINANCE**

Corporate financing includes corporate and investment banking activities such as mergers and acquisition, underwriting, privatization, securitization, IPO's related activities and secondary private placements.

TRADING AND SALES

Trading and sales includes the Bank's treasury and money market activities.

RETAIL BANKING

Retail banking segment provides services to small borrowers and include loans, deposits and other transactions with retail customers and credit card business.

COMMERCIAL BANKING

Commercial banking segment provides services related to project finance, export finance, trade finance, leasing, lending, guarantees, bills of exchange and deposits from corporate customers.

PAYMENT AND SETTLEMENT

Payment and settlement includes income from payments and collections, funds transfer, clearing and settlement.

AGENCY SERVICES

Agency services include income from rent of lockers provided to customers.

5.20.2 GEOGRAPHICAL SEGMENTS

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

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FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	Note	2016	2015
6. CASH AND BALANCES WITH TREASURY BANKS			
IN HAND:			
Local currency		7,070,754	6,336,493
Foreign currencies		731,479	1,423,204
		7,802,233	7,759,697
NATIONAL PRIZE BONDS		14,463	4,344
WITH THE STATE BANK OF PAKISTAN IN:			
Local currency current accounts	6.1	25,219,764	12,622,867
Foreign currency current account	6.1	2,246,172	2,271,811
Foreign currency deposit account	6.2	5,735,677	5,660,221
		33,201,613	20,554,899
WITH NATIONAL BANK OF PAKISTAN IN:			
Local currency current accounts		1,549,832	1,366,288
		42,568,141	29,685,228

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

6.2 This represents special cash reserve maintained with the SBP and carries mark-up at the rate of 0.00% (2015: 0.00%) per annum.

Rupees in '000	Note	2016	2015
7. BALANCES WITH OTHER BANKS			
IN PAKISTAN			
On current accounts		165,727	131,004
On deposit accounts	7.1	2,293,217	2,235,207
		2,458,944	2,366,211
OUTSIDE PAKISTAN			
On current accounts		1,586,734	1,277,860
On deposit accounts	7.2	1,800,070	4,651,653
		3,386,804	5,929,513
		5,845,748	8,295,724

7.1 These represent placements with local banks, carrying interest rates ranging from 0.10% to 5.80% (2015: 0.25% to 6.15%) per annum.

7.2 These represent placements with international correspondent banks, carrying interest rates upto 0.66% (2015: upto 0.36%) per annum.

Rupees in '000	Note	2016	2015
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings	8.1	3,992,000	289,193
Purchase under resale arrangement of equity securities		148,606	148,606
		4,140,606	437,799
Bai Muajjal receivable from other financial institutions	8.2	2,330,023	–
Funded trade finance		514,561	523,705
		6,985,190	961,504
Provision against purchase under resale arrangement of equity securities		(148,606)	(148,606)
		6,836,584	812,898

8.1 These are secured against underlying Government Securities, the differential between the contracted rate and resale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at the rate of 5.95% to 6.10% (2015: 6.45%) per annum and maturities of upto 1 month (2015: 2 months).

8.2 These are unsecured and carry return of 5.55% to 5.70% per annum (2015: Nil) and having maturity upto 3 months (2015: Nil).

Rupees in '000	2016	2015
8.3 PARTICULARS OF LENDING		
In local currency	6,470,629	437,799
In foreign currencies	514,561	523,705
	6,985,190	961,504

8.4 SECURITIES HELD AS COLLATERAL AGAINST LENDINGS TO FINANCIAL INSTITUTIONS

	2016			2015		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
Market Treasury Bills	–	–	–	289,193	–	289,193
Pakistan Investment Bonds	3,992,000	–	3,992,000	–	–	–
	3,992,000	–	3,992,000	289,193	–	289,193

Market value of securities held as collateral is Rs. 4,355,193 thousand (2015: Rs. 290,021 thousand).

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FOR THE YEAR ENDED DECEMBER 31, 2016

9. INVESTMENTS

Rupees in '000	Note	2016			2015		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
9.1	INVESTMENTS BY TYPES:						
Available for sale securities							
Market Treasury Bills	9.12	49,646,772	57,836,770	107,483,542	100,118,219	3,841,766	103,959,985
Pakistan Investment Bonds	9.12	146,624,821	14,696,132	161,320,953	97,233,634	41,976,443	139,210,077
Fully paid ordinary shares / units		4,154,102	–	4,154,102	2,811,897	–	2,811,897
Units of open end mutual funds	9.4	1,782,635	–	1,782,635	1,783,068	–	1,783,068
Fully paid preference shares	9.6	50,100	–	50,100	150,100	–	150,100
Term Finance Certificates	9.7	4,525,616	–	4,525,616	4,681,860	–	4,681,860
Sukuk Certificates	9.8	9,933,974	–	9,933,974	2,544,682	–	2,544,682
Government of Pakistan Euro Bonds	9.9	642,971	–	642,971	1,374,126	–	1,374,126
		217,360,991	72,532,902	289,893,893	210,697,586	45,818,209	256,515,795
Held to maturity securities							
Government of Pakistan Euro Bonds	9.2.4	2,690,386	–	2,690,386	2,420,797	–	2,420,797
Sukuk Certificates	9.10	935,709	–	935,709	5,359,754	–	5,359,754
		3,626,095	–	3,626,095	7,780,551	–	7,780,551
Subsidiaries	9.5						
Askari Investment Management Limited		–	–	–	335,000	–	335,000
Askari Securities Limited		–	–	–	114,789	–	114,789
		–	–	–	449,789	–	449,789
Investments at cost		220,987,086	72,532,902	293,519,988	218,927,926	45,818,209	264,746,135
Provision for diminution in value of investments	9.2.1	(1,933,928)	–	(1,933,928)	(2,073,903)	–	(2,073,903)
Investments (net of provisions)		219,053,158	72,532,902	291,586,060	216,854,023	45,818,209	262,672,232
Surplus on revaluation of available for sale securities - net		4,380,259	(120,065)	4,260,194	4,408,601	939,873	5,348,474
Total investments		223,433,417	72,412,837	295,846,254	221,262,624	46,758,082	268,020,706

Market value of held to maturity securities as at December 31, 2016 is Rs. 3,734,451 thousand (2015: Rs. 7,823,875 thousand).

Rupees in '000	Note	2016	2015
9.2 INVESTMENTS BY SEGMENTS:			
Federal Government Securities	9.2.3		
Market Treasury Bills		107,483,542	103,959,985
Pakistan Investment Bonds		161,320,953	139,210,077
Government of Pakistan Euro Bonds	9.2.4	3,333,357	3,794,923
Sukuk Certificates		9,534,906	7,239,120
		281,672,758	254,204,105
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	4,148,422	2,806,217
Unlisted companies	9.5	5,680	455,469
		4,154,102	3,261,686
Units of open end mutual funds	9.4	1,782,635	1,783,068
Fully paid preference shares	9.6		
Listed companies		25,100	25,100
Unlisted companies		25,000	125,000
		50,100	150,100
Term Finance Certificates	9.7		
Listed Term Finance Certificates		1,140,700	1,661,047
Unlisted Term Finance Certificates		3,384,916	3,020,813
		4,525,616	4,681,860
Other investments			
Sukuk Certificates		1,334,777	665,316
Total investment at cost		293,519,988	264,746,135
Provision for diminution in value of investments	9.2.1	(1,933,928)	(2,073,903)
Investments (net of provisions)		291,586,060	262,672,232
Surplus on revaluation of available for sale securities - net		4,260,194	5,348,474
Total investments		295,846,254	268,020,706
9.2.1 PARTICULARS OF PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS			
Opening balance		2,073,903	1,727,934
Charge for the year		130,741	380,578
Reversal during the year		(82,689)	(34,609)
		48,052	345,969
Transfer of provision against assets held for sale		(188,027)	–
Closing balance		1,933,928	2,073,903
9.2.2 PARTICULARS OF PROVISION IN RESPECT OF TYPE AND SEGMENT			
Available for sale securities			
Fully paid up ordinary shares - unlisted		5,680	5,680
Preference shares - unlisted		25,000	25,000
Term finance certificates		1,324,582	1,245,236
Sukuk certificates		468,666	499,960
Held to maturity securities			
Sukuk certificates		110,000	110,000
Subsidiaries			
Fully paid ordinary shares - unlisted		–	188,027
		1,933,928	2,073,903

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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9.2.3 PRINCIPAL TERMS OF INVESTMENTS IN FEDERAL GOVERNMENT SECURITIES

Name of investment	Maturity	Principal Payment	Rate (p.a)	Coupon Payment
Market Treasury Bills	January 2017 to August 2017	On maturity	5.80% to 6.28%	at maturity
Pakistan Investment Bonds	July 2017 to April 2026	On maturity	5.87% to 14.08%	semi-annually
Government of Pakistan Euro Bonds	June 2017 to April 2024	On maturity	6.88% to 8.25%	semi-annually
Sukuk Certificates				
- Neelum Jhelum Hydropower Company (Pvt) Limited - Type A	June 29, 2026	semi-annually	Six month KIBOR plus 1.13%	semi-annually
- Neelum Jhelum Hydropower Company (Pvt) Limited - Type B	June 29, 2026	semi-annually	Six month KIBOR plus 1.13%	semi-annually
- Pakistan Domestic Sukuk Company Limited	June 25, 2017	On maturity	Weighted average yield of 6 months market treasury bills minus 200 BPS	semi-annually
- Pakistan Domestic Sukuk Company Limited	February 15, 2019	On maturity	6.10%	semi-annually
- Pakistan Domestic Sukuk Company Limited	March 29, 2019	On maturity	5.59%	semi-annually
- Pakistan International Sukuk Company Limited	December 03, 2019	On maturity	6.75%	semi-annually
- Pakistan International Sukuk Company Limited	October 13, 2021	On maturity	5.50%	semi-annually
- WAPDA	July 13, 2017	semi-annually	6 months KIBOR minus 0.25%	semi-annually
- Pakistan International Sukuk Company Limited	December 03, 2019	On maturity	6.75%	semi-annually

9.2.4 Government of Pakistan Euro Bonds represent investments by Wholesale Bank Branch, Bahrain carrying mark-up at 6.80% and 8.25% and having maturities upto April 2024.

9.3 INVESTMENTS IN LISTED COMPANIES SHARES / UNITS

No. of ordinary shares / units		Average cost per share / unit	Name of companies / mutual funds	2016	2015
2016	2015	2016		Rupees in '000	
			Rupees		
-	1,116,500	-	Adamjee Insurance Company Limited	-	59,719
16,512,142	14,490,076	9.90	Agritech Limited	163,401	115,196
-	600,000	-	Allied Bank Limited	-	63,498
200,000	160,800	530.21	Attock Petroleum Limited	106,041	82,979
414,800	-	250.14	AKZO Nobel Pak Limited	103,759	-
919,000	-	46.07	Arif Habib Corporation Limited	42,337	-
1,000,000	-	51.70	Al Shaheer Corporation Limited	51,697	-
1,650,000	-	62.60	Amreli Steel Limited	103,292	-
86,500	-	940.09	Abbot Laboratories (Pak) Limited	81,318	-
-	2,600,000	-	Bank Alfalah Limited	-	80,347
3,000,000	-	17.72	Bank of Punjab Limited	53,173	-
407,500	-	200.48	Berger Paints Pakistan Limited	81,695	-
1,191,500	1,191,500	60.31	Century Paper And Board Mills Limited	71,865	71,865
-	1,010,000	-	Cherat Cement Company Limited	-	88,245
618,200	-	157.14	Crescent Steel & Allied	97,142	-
26,700	-	211.20	D. G. Khan Cement Company Limited	5,639	-
38,498,000	9,090,000	10.94	Dolmen City REIT	421,305	99,990
167,100	-	141.07	EFU General Insurance Limited	23,573	-
437,300	200,000	309.87	Engro Corporation Limited	135,508	60,176
2,700,000	685,500	71.48	Engro Fertilizer Limited	193,000	61,292
2,237,500	2,007,500	39.01	Fatima Fertilizer Co. Limited	87,284	97,408
399,500	400,000	221.87	GlaxoSmithKline (Pak) Limited	88,639	88,354
-	1,054,500	-	Gul Ahmad Textile Mills Limited	-	47,246
100,000	-	117.03	Ghani Glass Limited	11,703	-
3,983,000	-	22.07	Ghani Global Glass Limited	87,887	-
120,000	-	-	GlaxoSmithKline Consumer Healthcare Pakistan Limited	-	-
2,350,000	-	117.66	Hub Power Company Limited	276,492	-
2,289,500	2,320,000	35.73	Habib Metropolitan Bank Limited	81,811	82,901
105,800	160,000	514.24	ICI Pakistan Limited	54,407	78,106
-	1,498,000	-	International Steel Limited	-	39,752
1,000,000	450,000	22.75	Jahangir Siddiqui Co. Limited	22,749	9,394
-	10,000	-	Jubilee Life Insurance Co. Limited	-	5,250
375,000	289,000	118.98	Jubilee General Insurance Co. Limited	44,618	35,080
-	6,000,000	-	K- Electric Limited	-	50,492
2,490,500	572,500	86.21	Kot Addu Power Company Limited	214,711	55,717
2,910,000	3,002,500	30.63	Lalpir Power Limited	89,125	95,506
100,000	144,300	818.52	Lucky Cement Limited	81,852	78,830
457,400	12,000	223.52	MCB Bank Limited	102,239	3,113
-	614,500	-	Meezan Bank Limited	-	30,202
22,400	-	898.71	Millat Tractors Limited	20,131	-
3,700,000	1,550,000	68.52	National Bank of Pakistan	253,538	97,701
3,848,000	925,500	56.45	Nishat Chunian Power Limited	217,224	56,068
500,000	2,490,500	41.45	Nishat (Chunian) Limited	20,726	104,545
57,000	-	148.11	Nishat Mills Limited	8,442	-
37,000	-	337.84	National Foods Limited	12,500	-
-	400,000	-	Oil and Gas Development Company Limited	-	52,291

No. of ordinary shares / units		Average cost per share / unit	Name of companies / mutual funds	2016	2015
2016	2015	2016		Rupees in '000	
			Rupees		
3,220,000	3,200,000	28.82	Pakgen Power Limited	92,790	94,485
2,497,000	2,632,500	28.92	Pakistan Re-Insurance Company Limited	72,201	76,119
310,400	271,100	414.45	Pakistan State Oil Company Limited	128,645	91,117
3,109,500	2,888,000	19.68	Pakistan Telecommunication Company Limited	61,186	57,229
2,272,500	1,500,000	30.17	PICIC Growth Fund	68,553	38,570
4,602,000	4,602,000	12.02	PICIC Investment Fund	55,297	55,297
–	900,000	–	Pioneer Cement Limited	–	79,568
43,350	40,000	775.02	Packages Limited	33,597	24,512
1,000,000	900,000	72.27	Pak Elektron Limited	72,268	66,932
–	1,690,000	–	Pakistan International Bulk Terminal Limited	–	47,109
–	1,700,000	–	Sui Southern Gas Company Limited	–	69,912
–	3,168,500	–	Sui Northern Gas Company Limited	–	94,251
–	116,200	–	Shell Pakistan Limited	–	28,175
622	–	569.13	Searl Pakistan Limited	354	–
25,000	210,000	310.04	Thal Limited	7,751	64,823
1,000,000	733,500	44.96	TRG Pakistan Limited	44,957	26,855
				4,148,422	2,806,217

9.4 UNITS OF OPEN END MUTUAL FUNDS

No. of units		Paid up value per unit	Name of mutual funds	2016	2015
2016	2015	2016		Rupees in '000	
			Rupees		
Funds managed by Askari Investment Management Limited; a wholly owned subsidiary of the Bank.					
2,500,000	2,500,000	40.34	Askari Asset Allocation Fund	100,846	100,846
11,642,356	11,642,356	99.46	Askari High Yield Scheme	1,157,968	1,157,968
583,266	583,266	91.26	Askari Islamic Asset Allocation Fund	53,226	53,226
1,598,805	1,598,805	93.82	Askari Islamic Income Fund	150,000	150,000
539,885	539,885	100.00	Askari Equity Fund	53,988	53,988
1,000,000	1,000,000	100.00	Askari Sovereign Yield Enhancer Fund	100,000	100,000
1,156,198	1,156,198	100.85	Askari Sovereign Cash Fund	116,607	116,607
Others					
5,002,568	5,002,568	9.99	NIT Islamic Equity Fund - managed by National Investment Trust Limited	50,000	50,000
–	72,000	–	NAMCO Balance Fund	–	433
				1,782,635	1,783,068

9.5 PARTICULARS OF INVESTMENTS HELD IN UNLISTED COMPANIES

During the year, the Board of Directors of the Bank approved disposal of two subsidiaries, Askari Investment Management Limited (AIML) and Askari Securities Limited (ASL). Consequent to the approval, investment in both subsidiaries has been re-classified as held for sale and has been shown in the statement of financial position. Details of investment held in unlisted company at year end are given below:

Investee	Percentage of holding	Number of shares	Cost /	Total	Break-up	Based on audited financial statements as at	Name of Chief Executive / status
			paid-up value per share				
			Rupees	Rupees in '000			
Pakistan Export Finance Guarantee Agency Limited - a related party	5.26	568,044	10	5,680	–	–	Under liquidation

The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2015: Rs 5,680 thousand) is considered as diminution in the value of investment and has been fully provided for.

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9.6 PARTICULARS OF INVESTMENTS HELD IN PREFERENCE SHARES

No. of preference shares		Paid-up value per share	Investee	Rate	Book Value		Market Value	
2016	2015				2016	2015	2016	2015
		Rupees		%	Rupees in '000		Rupees in '000	
Listed								
10,000,000	10,000,000	10.00	Chenab Limited	–	100	100	31,100	18,500
18,322,418	18,322,418	10.00	AgriTech Limited	11.00% per annum	–	–	36,645	54,967
2,500,000	2,500,000	10.00	Masood Textile Mills Limited	Average of ask side of six months KIBOR plus 2% per annum	25,000	25,000	22,100	25,000
					25,100	25,100	89,845	98,467
Unlisted								
2,500,000	2,500,000	10.00	First Dawood Investment Bank Limited	–	25,000	25,000	25,000	25,000
–	40,000,000	2.50	Silk Bank Limited	–	–	100,000	–	100,000
					25,000	125,000	25,000	125,000
					50,100	150,100	114,845	223,467

9.7 INVESTMENT IN TERM FINANCE CERTIFICATES

No. of certificates		Company's Name	Redeemable value per certificate	2016	2015
2016	2015			Rupees in '000	
Listed					
91,453	91,453	Bank Alfalah Limited	5,003	457,529	457,931
37,230	37,230	Pace Pakistan Limited	4,994	185,927	185,927
47,200	47,200	NIB Bank Limited	4,995	235,764	235,858
–	1,000	Pakistan Mobile Communication Limited	–	–	20,000
–	100,000	Engro Fertilizer Limited	–	–	500,000
133,023	133,023	Worldcall Telecom Limited	1,966	261,480	261,331
		Book value as on December 31		1,140,700	1,661,047
Unlisted					
140,000	140,000	AgriTech Limited (Chief Executive: Mr. Faisal Muzammil)	4,996	699,389	699,389
86,000	86,000	Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	1,678	144,317	177,990
3,700	3,700	Bunny's Limited (Chief Executive: Mr. Haroon Shafique Chaudhary)	236	874	9,320
54,000	–	Bank Al-Habib Limited (Chief Executive: Mr. Mansoor Ali Khan)	4,999	269,946	–
200,000	–	NRSP Microfinance Bank Limited (Chief Executive: Mr. Zahoor Hussain Khan)	3,750	750,000	–
10,077	10,077	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	3,321	33,470	41,870
–	20,000	Pak Libya Holding Company (Private) Limited	–	–	16,653
–	60,000	Pakistan Mobile Communication Limited	–	–	70,588
349,960	349,960	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Bernd Hildenbrand)	4,062	1,421,712	1,749,800
–	200	Pak Electron Limited - Commercial Paper	–	–	189,957
13,000	13,000	Standard Chartered Bank Limited (Chief Executive: Mr. Shazad Dada)	5,016	65,208	65,246
		Book value as on December 31		3,384,916	3,020,813
				4,525,616	4,681,860

Investment in term finance certificates carry coupon rate ranging from 6.80% to 11.72% (2015: 7.26% to 11.72%) per annum and having remaining maturity periods of upto 10 years (2015: upto 7 years).

9.8 SUKUK CERTIFICATES - AVAILABLE FOR SALE

Name of Investee	Rate (p.a)	Maturity	2016	2015
Rupees in '000				
Agritech Limited	Average of offer side of 6 month KIBOR plus 2%	August 6, 2019	299,963	299,963
Fatima Fertilizer Company Limited	6 month KIBOR plus 1.10%	November 28, 2021	350,000	–
Fatima Fertilizer Company Limited	6 month KIBOR plus 1.10%	November 30, 2021	350,000	–
Neelum Jhelum Hydropower Company (Pvt) Limited - Type A	6 month KIBOR plus 1.13%	June 29, 2026	1,650,000	–
Neelum Jhelum Hydropower Company (Pvt) Limited - Type B	6 month KIBOR plus 1.13%	June 29, 2026	1,925,000	–
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75%	September 28, 2016	–	5,357
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills minus 200bps	June 25, 2017	1,150,000	1,150,000
Pakistan Domestic Sukuk Company Limited	6.10%	February 15, 2019	1,580,574	–
Pakistan Domestic Sukuk Company Limited	5.59%	March 29, 2019	1,509,437	–
Pakistan International Sukuk Company Limited	6.75%	December 03, 2019	371,807	839,366
Pakistan International Sukuk Company Limited	5.50%	October 13, 2021	522,379	–
Shahraj Fabric Limited	Average of offer side of 6 month KIBOR plus 2.1%	December 31, 2012	150,000	150,000
Sitara Peroxide Limited	Average of offer side of 1 month KIBOR plus 1.0%	February 19, 2020	74,814	99,996
			9,933,974	2,544,682

9.9 Government of Pakistan Euro Bonds represent investments by Wholesale Bank Branch, Bahrain carrying mark-up at 6.88% to 8.25% and having maturities upto April 2024.

9.10 SUKUK CERTIFICATES - HELD TO MATURITY

Name of Investee	Rate (p.a)	Maturity	2016	2015
Rupees in '000				
Arzoo Textile Limited	Average of offer side of 6 month KIBOR plus 2% (for 1-2 years), 1.75% (for 3-6 years)	April 14, 2014	110,000	110,000
WAPDA	Average of offer side of 6 month KIBOR minus 0.25%	July 13, 2017	33,333	66,667
GOP Ijara Sukuk - Bai Muajjal	6%	November 17, 2016	–	3,596,432
GOP Ijara Sukuk - Bai Muajjal	5.99%	November 17, 2016	–	1,010,365
Pakistan International Sukuk Company Limited	6.75%	December 3, 2019	792,376	576,290
			935,709	5,359,754

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9.11 QUALITY OF AVAILABLE FOR SALE SECURITIES

Rupees in '000	Note	2016		2015	
		Market Value	Rating	Market Value	Rating
Local securities					
	9.11.1	107,500,862	unrated	104,037,305	unrated
	9.11.1	165,063,124	unrated	144,466,164	unrated
	9.11.3				
		–	–	63,093	AA
		209,374	D	135,410	D
		–	–	56,556	AA+
		136,924	–	81,223	–
		82,788	unrated	–	–
		97,071	unrated	–	–
		57,400	unrated	–	–
		109,874	unrated	–	–
		40,436	unrated	–	–
		–	–	74,932	AA
		52,950	AA	–	–
		75,921	–	–	–
		73,933	A+	60,993	A+
		–	–	91,082	unrated
		95,314	–	–	–
		5,920	–	–	–
		418,473	RR1	97,536	–
		25,232	AA+	–	–
		138,226	AA-	55,878	AA-
		183,546	AA-	57,671	–
		82,541	AA-	89,796	AA-
		93,203	–	88,008	–
		1,200	–	–	–
		–	–	38,215	–
		14,800	–	–	–
		93,362	–	–	–
		290,179	AA+	–	–
		84,712	–	70,690	–
		–	–	36,566	unrated
		105,137	–	77,443	–
		25,390	AA	9,423	AA
		–	–	5,040	AA+
		40,687	AA+	29,767	AA+
		–	–	44,640	AA
		196,251	AA+	46,373	AA+
		70,422	AA	89,294	AA
		86,626	–	71,434	–
		20,264	–	–	–
		108,779	AAA	2,602	AAA
		–	–	28,113	AA
		277,094	AAA	83,762	AAA
		213,487	–	50,949	A+
		31,215	–	84,677	A-
		13,875	AA-	–	–
		8,679	AA	–	–
		–	–	46,936	AAA
		86,199	AA	94,176	AA
		103,850	AA	89,110	–
		134,779	AA	88,316	AA
		53,421	unrated	47,623	unrated
		69,220	–	33,795	–

Rupees in '000	Note	2016		2015	
		Market Value	Rating	Market Value	Rating
PICIC Investment Fund		63,968	unrated	52,601	unrated
Pioneer Cement Limited		–	–	81,774	–
Packages Limited		36,850	AA	23,284	AA
Pakistan International Bulk Terminal Limited		–	–	47,269	–
Pak Electron Limited		71,280	A+	56,286	A
Sui Northern Gas Company Limited		–	–	76,171	AA-
Sui Southern Gas Company Limited		–	–	63,495	AA-
Shell Pakistan Limited		–	–	26,521	–
Searl Pakistan Limited		407	–	–	–
TRG Pakistan Limited		44,260	–	25,416	–
Thal Limited		12,713	–	53,199	–
Fully paid preference shares					
Agritech Limited		36,645	unrated	54,967	unrated
Chenab Limited		31,100	unrated	15,300	unrated
Masood Textile Mills Limited		22,100	unrated	25,000	unrated
First Dawood Investment Bank Limited		25,000	–	25,000	–
Silk Bank Limited		–	–	100,000	A-
Units of open end mutual funds					
Askari High Yield Scheme		1,214,244	A	1,243,778	A
Askari Asset Allocation Fund		135,996	2-Star	119,526	3-Star
Askari Islamic Asset Allocation Fund		70,654	1-Star	58,038	2-Star
Askari Islamic Income Fund		164,749	A+	165,465	AA-
Askari Sovereign Yield Enhancer Fund		102,864	A+	106,717	AA-
Askari Equity Fund		70,367	3-Star	55,560	unrated
Askari Sovereign Cash Fund		119,004	AA+	120,004	AAA
NAMCO Balance Fund		–	–	941	unrated
NIT Islamic Equity Fund		64,183	–	49,325	–
Term Finance Certificates					
Agritech Limited		699,389	D	699,389	D
Azgard Nine Limited		144,317	D	177,990	D
Bank Alfalah Limited		468,629	AA-	465,144	AA-
Bunny's Limited		874	unrated	9,320	unrated
Bank Al Habib Limited		273,162	AA	–	–
Engro Fertilizer Limited		–	–	457,795	AA-
NIB Bank Limited		238,441	A+	233,500	A+
NRSP Microfinance Bank (Pvt) Limited		752,478	A	–	–
Pace Pakistan Limited		185,927	D	185,927	D
Pak Hy Oils Limited		33,470	D	41,870	unrated
Pak Libya Holding Company (Private) Limited		–	–	16,617	AA
Pakistan International Airlines Corporation Limited	9.11.1	1,421,712	unrated	1,749,800	unrated
Pakistan Mobile Communication Limited		–	–	90,985	AA-
Pak Electron Limited		–	–	189,957	A-
Standard Chartered Bank		65,260	AAA	65,100	AAA
World Call Telecom Limited		261,481	D	261,481	D
Sukuk Certificates	9.11.2	9,979,524	unrated	2,555,467	unrated
Foreign securities					
Government of Pakistan Euro Bonds	9.11.1	664,619	unrated	1,388,019	unrated
		294,148,407		261,858,589	

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- 9.11.1 These are Government of Pakistan guaranteed securities.
- 9.11.2 These include Government of Pakistan guaranteed Sukuk Certificates of Rs. 9,534,906 thousand (2015: Rs. 2,000,151 thousand).
- 9.11.3 Ratings for these equity securities / units represent 'Entity Ratings'.
- 9.11.4 Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR-VIS Credit Rating Company Limited (JCR-VIS), whereas foreign securities and certain local securities are unrated. These ratings reflect independent credit risk assessment by respective credit rating entities.
- 9.12 Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with the SBP.
- 9.13 Investments include Rs. 1,984,359 thousand (2015: Rs. 2,060,887 thousand) which have been placed under non-performing status and the Bank maintains provision of Rs. 1,928,248 thousand (2015: Rs. 1,880,196 thousand) against non performing investments.
- 9.14 The Bank has availed the relaxation of Rs. 22,565 thousand (2015: Rs. Nil) allowed by the SBP against booking of impairment loss as required under para No. 4(a) of Regulation R-8 of Prudential Regulations.

Rupees in '000	Note	2016	2015
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		216,085,202	190,572,671
Outside Pakistan		3,345,613	3,573,890
		219,430,815	194,146,561
Islamic financing and related assets- note A - 1 of Annexure 2		25,994,787	21,119,200
Net investment in lease finance - In Pakistan	10.2	8,138,098	4,488,060
Bills discounted and purchased			
Payable in Pakistan		3,797,182	2,979,217
Payable outside Pakistan		4,762,374	5,679,960
		8,559,556	8,659,177
Advances - gross		262,123,256	228,412,998
Provision against non-performing advances	10.4		
Specific provision		(26,353,791)	(28,048,973)
General provision		(236,944)	(196,941)
General provision against consumer financing		(368,599)	(236,272)
		(26,959,334)	(28,482,186)
Advances - net of provision		235,163,922	199,930,812
10.1 PARTICULARS OF ADVANCES (GROSS)			
10.1.1 In local currency		251,909,942	219,555,101
In foreign currencies		10,213,314	8,857,897
		262,123,256	228,412,998
10.1.2 Short term (for upto one year)		153,595,266	156,273,190
Long term (for over one year)		108,527,990	72,139,808
		262,123,256	228,412,998

10.2 NET INVESTMENT IN LEASE FINANCE – IN PAKISTAN

Rupees in '000	2016				2015			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Lease rentals receivable	2,714,842	3,625,963	42,224	6,383,029	1,797,421	1,604,253	16,933	3,418,607
Residual value	535,057	1,908,756	79,443	2,523,256	525,005	894,299	25,732	1,445,036
Minimum lease payments	3,249,899	5,534,719	121,667	8,906,285	2,322,426	2,498,552	42,665	4,863,643
Finance charges for future periods	(347,174)	(418,837)	(2,176)	(768,187)	(167,628)	(206,710)	(1,245)	(375,583)
Present value of minimum lease payments	2,902,725	5,115,882	119,491	8,138,098	2,154,798	2,291,842	41,420	4,488,060

10.3 Advances include Rs. 28,534,630 thousand (2015: Rs. 31,483,717 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2016								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially									
Mentioned - note 10.3.1	224,002	-	224,002	-	-	-	-	-	-
Substandard	215,562	-	215,562	31,481	-	31,481	31,481	-	31,481
Doubtful	576,104	-	576,104	216,967	-	216,967	216,967	-	216,967
Loss	27,518,962	-	27,518,962	26,105,343	-	26,105,343	26,105,343	-	26,105,343
	28,534,630	-	28,534,630	26,353,791	-	26,353,791	26,353,791	-	26,353,791

Category of classification	2015								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially									
Mentioned - note 10.3.1	313,822	-	313,822	-	-	-	-	-	-
Substandard	1,202,328	-	1,202,328	199,079	-	199,079	199,079	-	199,079
Doubtful	596,758	-	596,758	86,097	-	86,097	86,097	-	86,097
Loss	29,370,809	-	29,370,809	27,763,797	-	27,763,797	27,763,797	-	27,763,797
	31,483,717	-	31,483,717	28,048,973	-	28,048,973	28,048,973	-	28,048,973

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

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10.4 PARTICULARS OF PROVISION AGAINST NON – PERFORMING ADVANCES

Rupees in '000	Note	2016				2015			
		Specific	General (note 10.4.3)	Consumer financing – General	Total	Specific	General (note 10.4.3)	Consumer financing – General	Total
Opening balance		28,048,973	196,941	236,272	28,482,186	27,801,250	177,555	190,260	28,169,065
Charge for the year		1,198,881	56,299	147,073	1,402,253	1,790,206	34,687	49,966	1,874,859
Reversal for the year		(2,100,652)	(16,296)	(14,746)	(2,131,694)	(1,539,764)	(15,301)	(3,954)	(1,559,019)
Net (reversal) / charge for the year		(901,771)	40,003	132,327	(729,441)	250,442	19,386	46,012	315,840
Amounts written off	10.6	(234)	–	–	(234)	(2,719)	–	–	(2,719)
Amounts charged off- agri loans	10.7	(793,177)	–	–	(793,177)	–	–	–	–
Closing balance		26,353,791	236,944	368,599	26,959,334	28,048,973	196,941	236,272	28,482,186

10.4.1 The net FSV benefit already availed has been reduced by Rs. 415,069 thousand, which has resulted in increased charge for specific provision for the year by the same amount. Had the FSV benefit not reduced, before and after tax profit for the year would have been higher by Rs. 415,069 thousand (2015: Rs. 415,970 thousand) and Rs. 269,795 thousand (2015: Rs. 270,381 thousand) respectively. Further, at December 31, 2016, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 912,077 thousand (December 31, 2015: Rs. 1,181,873 thousand) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

10.4.2 The Bank has availed the relaxation of Rs. 102,460 thousand (2015: Rs. 102,567 thousand) allowed by the SBP for maintaining provisions as per time based criteria of prudential regulations.

10.4.3 Provision against non-performing advances includes provision of Rs. 20,737 thousand (2015: Rs. 10,959 thousand) maintained against Secured Small Entities Finances. Further, the general provision is maintained at the rate of 0.1% on advances other than non-performing advances and consumer / small entities financing.

10.5 PARTICULARS OF PROVISION AGAINST NON-PERFORMING ADVANCES

Rupees in '000	2016				2015			
	Specific	General	Consumer financing – General	Total	Specific	General	Consumer financing – General	Total
In local currency	25,823,336	236,944	368,599	26,428,879	27,518,113	196,941	236,272	27,951,326
In foreign currencies	530,455	–	–	530,455	530,860	–	–	530,860
	26,353,791	236,944	368,599	26,959,334	28,048,973	196,941	236,272	28,482,186

Rupees in '000	2016	2015
10.6 PARTICULARS OF WRITE-OFFS:		
10.6.1 Against provisions		
Against provisions	234	2,719
Directly charged to profit and loss account	–	–
	234	2,719
10.6.2 Write offs of Rs. 500,000 and above		
Write offs of Rs. 500,000 and above	–	2,413
Write offs of below Rs. 500,000	234	306
	234	2,719

10.6.3 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 Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2016 is given at Annexure - 1.

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

Rupees in '000	Note	2016	2015
10.8 PARTICULARS OF LOANS AND ADVANCES TO DIRECTORS, ASSOCIATED COMPANIES ETC.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		2,696,930	2,426,961
Loans granted during the year		1,401,081	1,588,761
Repayments		(1,124,328)	(1,318,792)
Balance at end of year		2,973,683	2,696,930
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		5,617,466	3,092,645
Loans granted during the year		99,257,484	69,894,512
Repayments		(99,549,491)	(67,369,691)
Balance at end of year		5,325,459	5,617,466
		8,299,142	8,314,396
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	281,271	318,840
Property and equipment	11.2	9,851,669	7,978,711
Intangibles	11.3	922,212	977,898
		11,055,152	9,275,449
Provision against operating fixed assets		(35,597)	(45,439)
		11,019,555	9,230,010

11.1 This represents advances to suppliers and contractors.

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11.2 PROPERTY AND EQUIPMENT

Rupees in '000	2016										
	COST / REVALUED AMOUNT					DEPRECIATION				Book value	Annual
	as at January 1, 2016	Additions / revaluation	Adjustments	Deletions / transfers	as at December 31, 2016	as at January 1, 2016	Charge for the year	on (deletions) / adjustments	as at December 31 2016	as at December 31 2016	rate of depreciation %
Land - freehold - note 11.4	2,445,595	463,417	-	-	2,909,012	-	-	-	2,909,012	-	-
Land - leasehold - note 11.4	1,076,293	804,422	-	-	1,880,715	-	-	-	1,880,715	-	-
Buildings on freehold land	870,064	17,187	-	-	887,251	343,845	27,420	-	371,265	515,986	5
Buildings on leasehold land	901,110	-	-	-	901,110	335,579	27,637	-	363,216	537,894	5
Renovation of premises	2,686,556	507,527	-	(3,370)	3,190,332	1,891,378	264,448	(2,122)	2,153,660	1,036,672	20
Furniture, fixtures and office equipment	924,125	187,732	(1)	(10,831)	1,100,889	353,406	64,173	(5,953)	411,532	689,357	10
Carpets	42,945	10,742	-	(2,352)	51,488	24,607	7,045	(1,344)	30,408	21,080	20
Machine and equipments	2,341,890	416,761	-	(48,412)	2,710,384	1,254,551	238,965	(39,965)	1,454,163	1,256,221	20
Computer equipments	2,411,811	281,648	(15)	(8,417)	2,656,190	1,578,411	181,309	(7,939)	1,730,087	926,103	20
Vehicles	173,782	40,228	-	(11,609)	202,366	113,683	21,755	(11,609)	123,830	78,536	20
Other assets	45,100	96	-	-	45,196	45,100	3	-	45,103	93	20
	13,919,271	2,729,760	(16)	(84,991)	16,534,933	5,940,560	832,755	(68,932)	6,683,264	9,851,669	
Operating lease - Vehicles	1,834	-	-	-	1,834	1,834	-	-	1,834	-	20
	13,921,105	2,729,760	(16)	(114,082)	16,536,767	5,942,394	832,755	(90,051)	6,685,098	9,851,669	

Rupees in '000	2015										
	COST / REVALUED AMOUNT					DEPRECIATION				Book value	Annual
	as at January 1, 2015	Additions	Adjustments	Deletions / transfers	as at December 31, 2015	as at January 1, 2015	Charge for the year	on (deletions) / adjustments	as at December 31 2015	as at December 31 2015	rate of depreciation %
Land - freehold - note 11.4	2,445,595	-	-	-	2,445,595	-	-	-	2,445,595	-	-
Land - leasehold - note 11.4	1,076,293	-	-	-	1,076,293	-	-	-	1,076,293	-	-
Buildings on freehold land	870,064	-	-	-	870,064	316,717	27,128	-	343,845	526,219	5
Buildings on leasehold land	901,110	-	-	-	901,110	306,521	29,058	-	335,579	565,531	5
Renovation of premises	1,994,401	707,410	-	(15,255)	2,686,556	1,701,476	204,955	(15,097)	1,891,378	795,178	20
Furniture, fixtures and office equipment	705,249	226,811	93	(8,028)	924,125	307,919	50,055	(4,533)	353,406	570,719	10
Carpets	39,384	6,565	-	(3,004)	42,945	21,139	5,640	(2,172)	24,607	18,338	20
Machine and equipments	1,744,144	624,900	(1,339)	(25,815)	2,341,890	1,084,540	190,785	(20,033)	1,254,551	1,087,339	20
Computer equipments	2,126,065	286,485	202	(921)	2,411,811	1,412,399	166,710	(884)	1,578,411	833,400	20
Vehicles	149,922	41,723	74	(17,937)	173,782	115,565	15,994	(17,892)	113,683	60,099	20
Other assets	45,100	-	-	-	45,100	45,100	-	-	45,100	-	20
	12,097,327	1,893,894	(970)	(70,960)	13,919,271	5,311,376	690,325	(60,611)	5,940,560	7,978,711	
Operating lease - Vehicles	1,834	-	-	-	1,834	1,834	-	-	1,834	-	20
	12,099,161	1,893,894	(970)	(70,960)	13,921,105	5,313,210	690,325	(61,141)	5,942,394	7,978,711	

11.2.1 Cost of fully depreciated property and equipment still in use amounts to Rs. 1,727,049 thousand (2015: Rs. 1,779,957 thousand).

11.3 INTANGIBLES

Rupees in '000	2016										
	COST					AMORTIZATION				Book value	Annual
	as at January 1, 2016	Additions	Adjustments	Deletions / transfers	as at December 31, 2016	as at January 1, 2016	Charge for the year	on (deletions) / adjustments	as at December 31 2016	as at December 31 2016	rate of Amortization %
Software	1,821,644	123,155	(5)	-	1,968,448	843,746	180,792	-	1,046,236	922,212	10
				23,654				21,698			

Rupees in '000	2015										Book value as at December 31 2015	Annual rate of Amortization %
	COST					AMORTIZATION						
	as at January 1, 2015	Additions	Adjustments	Deletions / transfers	as at December 31, 2015	as at January 1, 2015	Charge for the year	on (deletions) / adjustments	as at December 31 2015			
Software	1,775,155	46,469	-	-	1,821,644	669,885	173,854	-	843,746	977,898	10	
					20				7			

11.3.1 Cost of fully amortized intangible assets still in use amounts to Rs. 43,305 thousand (2015: Rs. 42,243 thousand).

11.4 The Bank's freehold and leasehold land was revalued by the valuers approved by the Pakistan Banks Association on December 31, 2016 on the basis of their professional assessment of present market value. The amount of revaluation surplus after valuation on land is Rs. 2,832,470 thousand. The information relating to location of revalued land is as follows:

City	Revalued Amount Rupees in '000	Name of Valuers
Karachi	1,003,587	Sadruddin Associates
Lahore	1,559,232	-do-
Islamabad	273,332	-do-
Rawalpindi	1,418,560	-do-
Peshawar	14,736	-do-
Quetta	520,280	-do-
	4,789,727	

Had the land not been revalued, the carrying amount of land as at December 31, 2016 would have been Rs. 1,957,257 thousand.

11.5 DETAIL OF DISPOSALS OF OPERATING FIXED ASSETS

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees in '000						
MACHINE AND EQUIPMENT						
Air Conditioner	6,229	6,193	36	36	Tender	M/s GM Enterprises
Generator	2,569	2,144	425	565	Negotiation	Army Welfare Trust
Passenger Lift	2,212	73	2,139	2,213	Tender	Owner NPT Building
Generator	2,015	1,614	401	533	Negotiation	Army Welfare Trust
Air Conditioner	1,883	1,859	24	23	Tender	M/s GM Enterprises
Generator	1,491	1,491	-	190	Tender	Shaqurri & Sons
Generator	1,484	1,210	274	213	Tender	HA Trader
Generator	1,163	992	171	210	Tender	M/s Wariach Power
Generator	1,099	1,029	70	200	Tender	Tanveer Scrap Dealer
Generator	1,095	933	162	130	Tender	Shaqurri & Sons
Generator	1,043	905	138	160	Tender	NK Engineering
Air Conditioner	1,029	909	120	-	Tender	M/s GM Enterprises
Air Conditioner	1,025	866	159	123	Tender	M/s Techono Reg
Generator	1,000	757	243	323	Negotiation	Army Welfare Trust
VEHICLES						
Toyota Land Cruiser	3,860	3,860	-	3,565	Auction	Ali Nawaz
Toyota Parado	3,420	3,420	-	3,529	Auction	Muhammad Arif
Honda Civic	1,465	1,465	-	1,001	Auction	Malik Adnan
RENOVATION						
Renovations	3,370	2,122	1,248	51	Write off	
	37,452	31,842	5,610	13,065		
Other assets having book value of less than Rs. 250,000/- or cost of less than Rs. 1,000,000/- other than assets sold to Bank's executives / related parties	47,539	37,090	10,449	9,478		
2016	84,991	68,932	16,059	22,543		
2015	70,960	60,611	10,349	18,190		

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

12. ASSETS HELD FOR SALE

This represents the Bank's investment in its subsidiaries, Askari Investment Management Limited (AIML) representing 100% shareholding and Askari Securities Limited (ASL) representing 74% shareholding (17,020,000 ordinary shares of Rs. 10 each).

Rupees in '000	2016		
	Cost	Provision Held	Carrying Value
Askari Investment Management Limited	335,000	153,958	181,042
Askari Securities Limited	114,789	34,069	80,720
	449,789	188,027	261,762

During the year, the Board of Directors of the Bank has approved disposal of above referred subsidiary companies of the Bank. As per the decision of the Board of Directors, the Bank is required to purchase remaining 26% of shares in ASL and then sell 100% shares of ASL. Pursuant to the decision of the Board of Directors, the process for disposal has been initiated by the Bank and is expected to be completed during 2017. Accordingly, these investments have been reclassified from investments to assets held for sale. These investments are carried at carrying amount at designation since fair value of AIML is more than its carrying amount and fair value of ASL cannot be measured reliably.

Rupees in '000	Note	2016	2015
13. OTHER ASSETS			
Income / mark-up accrued in local currency	13.1	10,121,951	10,499,993
Income / mark-up accrued in foreign currencies		280,405	271,337
Advances, deposits, advance rent and other prepayments		1,111,261	913,255
Advance taxation (payments less provisions)		4,817,715	4,258,137
Non banking assets acquired in satisfaction of claims	13.2	4,938,757	3,424,591
Un-realised gain on forward foreign exchange contracts - net		—	30,257
Suspense account		52,716	67,100
Stationary and stamps in hand		61,262	45,208
Dividend receivable		96,431	80,853
Others		364,885	536,455
		21,845,383	20,127,186
Provision against other assets	13.3	(248,156)	(235,850)
Other assets - net of provision		21,597,227	19,891,336

13.1 This balance is net of interest in suspense amounting to Rs. 11,183,774 thousand (2015: Rs. 11,528,478 thousand).

13.2 Carrying amount includes surplus on revaluation amounting to Rs. 1,617,860 thousand (2015: Rs. Nil).

Rupees in '000	2016	2015
13.3 PROVISION AGAINST OTHER ASSETS		
Opening balance	235,850	199,621
Provision recognised during the year	14,731	51,905
Recovery / written off during the year	(2,425)	(15,676)
Closing balance	248,156	235,850
14. BILLS PAYABLE		
In Pakistan	8,579,809	6,094,885
15. BORROWINGS		
In Pakistan	88,975,683	57,316,223
Outside Pakistan	286,105	7,027
	89,261,788	57,323,250
15.1 PARTICULARS OF BORROWINGS WITH RESPECT TO CURRENCIES		
In local currency	88,975,683	57,316,223
In foreign currencies	286,105	7,027
	89,261,788	57,323,250

Rupees in '000	Note	2016	2015
15.2	DETAILS OF BORROWINGS - SECURED / UNSECURED		
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	15.2.1	9,712,571	9,314,529
Long term financing of export oriented projects		–	7,386
Long term financing facility	15.2.2	3,165,516	1,005,047
Financing facility for storage of agricultural produce	15.2.3	12,500	–
		12,890,587	10,326,962
Repo borrowings			
State Bank of Pakistan	15.2.4	67,078,365	42,646,764
Financial institutions	15.2.5	6,211,169	3,842,399
		73,289,534	46,489,163
Unsecured			
Call borrowings	15.2.6	2,795,562	500,000
Overdrawn balance with other banks		–	98
		2,795,562	500,098
		88,975,683	57,316,223
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		286,105	7,027
		89,261,788	57,323,250

15.2.1 This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 2.5% to 3% (2015: 2.5% to 4.5%) per annum payable on a quarterly basis.

15.2.2 This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 2.0% to 6.0% (2015: 3.0% to 6.0%) per annum payable on a quarterly basis.

15.2.3 These are secured against pledge of Government Securities and carry markup of 3.25% per annum and have maturities upto October 2020.

15.2.4 These are secured against pledge of Government Securities and carry markup of 5.87% (2015: 6.16%) per annum and have maturities upto 1 month (2015: 1 month).

15.2.5 These are secured against pledge of Government Securities and carry markup of 5.50% to 5.84% (2015: 6.0% to 6.35%) per annum and have maturities upto 3 months (2015: 1 month).

15.2.6 These carry mark-up rate of 5.00% to 5.60% (2015: 6.05%) per annum and having maturity upto 3 months (2015:1 month).

Rupees in '000	2016	2015
16.	DEPOSITS AND OTHER ACCOUNTS	
Customers		
Fixed deposits	87,044,527	87,271,214
Savings deposits	249,395,839	230,891,271
Current accounts - remunerative	753,080	735,829
Current accounts - non-remunerative	125,245,992	105,536,733
Special exporters' account	31,934	59,733
Margin accounts	3,080,895	2,724,193
Others	1,205,111	824,850
Financial institutions		
Remunerative deposits	5,860,112	4,959,028
Non-remunerative deposits	193,845	169,354
	472,811,335	433,172,205
16.1	PARTICULARS OF DEPOSITS	
In local currency	433,188,494	395,239,968
In foreign currencies	39,622,841	37,932,237
	472,811,335	433,172,205

Deposits include Rs. 14,035,655 thousand (2015: Rs. 12,335,964 thousand) due to related parties.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	2016	2015
17. SUB-ORDINATED LOANS		
Term Finance Certificates - IV	998,000	998,400
Term Finance Certificates - V	3,996,800	3,998,400
	4,994,800	4,996,800

17.1 The Bank had raised unsecured sub-ordinated loans through issuance of five separate Term Finance Certificates to improve the Bank's capital adequacy. The first two issues were fully redeemed in 2013 while the third issue was fully redeemed in 2015. Liability to the TFC holders is subordinated to and rank inferior to all other indebtedness of the Bank including deposits and is not redeemable before maturity without prior approval of the SBP. The salient features of outstanding issues are as follows:

	Term Finance Certificates - IV	Term Finance Certificates - V
Outstanding amount - Rupees in '000	998,000	3,996,800
Issue date	December 23, 2011	September 30, 2014
Total issue	Rupees 1,000 million	Rupees 4,000 million
Rating	AA	AA-
Listing	Unlisted	Unlisted
Rate	Payable six monthly - Base Rate plus 1.75% (after 5 years: 2.20%) Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.20% Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Repayment	10 Years	10 Years
Call option	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Redemption	6-96th month: 0.32% 97-120th month: 99.68%	6-108th month: 0.36% 108-120th month: 99.64%

Rupees in '000	Note	2016	2015
18. DEFERRED TAX LIABILITIES			
Deferred (debits) / credits arising due to: Accelerated tax depreciation and amortization		537,926	531,201
Provision against non-performing advances - excess of 1% of total advances		(1,327,402)	(2,181,302)
- classified in sub-standard category		(71,278)	(71,278)
		(860,754)	(1,721,379)
Surplus on revaluation of available for sale securities		1,491,068	1,871,966
Actuarial loss		(103,884)	(54,183)
		526,430	96,404
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		2,569,950	1,628,889
Mark-up / return / interest payable in foreign currencies		100,216	79,794
Unearned income / commission		292,344	305,368
Accrued expenses		1,358,471	1,324,779
Advance payments		245,651	164,333
Security deposit against lease / ljarah financing		3,444,309	2,032,455
Unclaimed dividends		101,392	87,190
Branch adjustment account		121,306	251,574
Payable to defined benefit plan		384,364	-
Payable against purchase of listed shares		10,252	28,811
Un-realised loss on forward foreign exchange contracts - net		82,664	-
Withholding taxes payable		90,815	151,679
Federal excise duty payable		41,404	47,168
Workers' Welfare Fund	19.1	500,766	331,227
Switch fee payable		431,432	343,634
Others		612,745	553,326
		10,388,081	7,330,227

- 19.1 During the year, the Honourable Supreme Court of Pakistan (SC) vide its order dated November 10, 2016 has held that the amendment made in the law introduced by the Federal Government for the levy of WWF is not lawful.

The Federal Board of Revenue has filed review petition against this order which is currently pending.

Legal advice obtained on the matter indicates that consequent to these review petitions the judgement may not currently be treated as conclusive. Accordingly, the Bank maintains its provision in respect of WWF and shall revisit the position on a periodic basis.

20. SHARE CAPITAL

20.1 AUTHORIZED CAPITAL

2016		2015	2016		2015
Number of shares			Rupees in '000		
1,600,000,000	1,600,000,000	Ordinary shares of Rs. 10 each	16,000,000		16,000,000

20.2 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016		2015		
Number of shares			Rupees in '000	
		Ordinary shares of Rs. 10 each:		
514,689,096	514,689,096	Fully paid in cash	5,146,891	5,146,891
717,297,769	717,297,769	Issued as bonus shares	7,172,978	7,172,978
28,273,315	28,273,315	Issued on Askari Leasing Limited merger	282,733	282,733
1,260,260,180	1,260,260,180		12,602,602	12,602,602

- 20.3 The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent of ordinary shares of the Bank as on December 31, 2016.

Rupees in '000		2016	2015
21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) on revaluation of:			
Operating fixed assets		2,832,470	1,564,631
Non banking assets acquired in satisfaction of claims		1,617,860	–
Available for sale investments			
i) Federal Government securities		3,826,689	5,358,513
ii) Listed shares		254,555	(108,910)
iii) Units of open end mutual funds		159,426	136,286
iv) Other securities		19,524	(37,415)
		4,260,194	5,348,474
Related deferred tax		(1,491,068)	(1,871,966)
		2,769,126	3,476,508
		7,219,456	5,041,139
22. CONTINGENCIES AND COMMITMENTS			
22.1 DIRECT CREDIT SUBSTITUTES			
i) Others		9,657,366	6,791,143
22.2 TRANSACTION-RELATED CONTINGENT LIABILITIES			
Money for which the Bank is contingently liable:			
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.		487,585	609,971
b) Contingent liability in respect of guarantees given, favouring:			
i) Government		72,129,895	64,533,613
ii) Banks and other financial institutions		10,650,624	10,575,081
iii) Others		29,125,937	12,944,217
		111,906,456	88,052,911
		112,394,041	88,662,882

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

These include guarantees amounting to Rs. 1,143,046 thousand (2015: Rs. 1,038,657 thousand) against which the Bank is contesting court proceedings and these are not likely to result in any liability against the Bank.

Rupees in '000	2016	2015
22.3 TRADE-RELATED CONTINGENT LIABILITIES	111,801,548	81,107,284
22.4 OTHER CONTINGENCIES		
22.4.1 These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.	790,979	761,444
22.4.2 The Bank is contesting a case filed against it and some of its employees in the Sindh High Court for declaration and damages. Based on outside legal advice, the case of declaration is likely to be decided in the Bank's favour. However, in case of award of damages, the potential liability of the Bank is estimated not to be more than Rs.100 million.		
Rupees in '000	2016	2015
22.5 COMMITMENTS IN RESPECT OF FORWARD LENDING		
Commitments against "REPO" transactions		
Purchase and resale agreements	4,001,864	292,361
Sale and repurchase agreements	73,375,556	46,551,819
22.6 COMMITMENTS IN RESPECT OF FORWARD EXCHANGE CONTRACTS		
Purchase	20,227,932	26,019,601
Sale	8,010,521	17,473,121
The above commitments have maturities falling within one year.		
22.7 COMMITMENTS FOR THE ACQUISITION OF OPERATING FIXED ASSETS	237,735	200,797
22.8 COMMITMENTS TO EXTEND CREDIT		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for	18,532,793	8,789,588
22.9 OTHER COMMITMENTS		
This represents participation in the equity of a Pakistan Mortgage Refinance Company Limited	281,640	300,000
22.10 BILLS FOR COLLECTION		
Payable in Pakistan	1,557,837	2,280,969
Payable outside Pakistan	13,712,443	12,517,571
	15,270,280	14,798,540

Bills for collection represent bills drawn in favour of various financial institutions in Pakistan and abroad on behalf of Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the SBP, and equity futures. The Bank also enters into repo transactions against Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counter parties' intra-day and overnight limits. In addition, these also come under the SBP's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

24. DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Swap, Forward Rate Agreements or Foreign Exchange Options. The Bank's Treasury and Investments Banking Group buy and sell derivative instruments such as forward exchange contracts and equity futures, however, does not deal in market making and foreign exchange hedging.

24.1 FORWARD EXCHANGE CONTRACTS

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transacts internationally. The traders use this product to hedge themselves from unfavourable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favourable movements in that currency.

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

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

24.2 EQUITY FUTURES

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

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

The accounting policies used to recognize and disclose derivatives are given in note 5.18.

Rupees in '000	Note	2016	2015
25. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
i) Customers	25.1	15,091,639	15,755,271
ii) Financial institutions		219,989	118,835
		15,311,628	15,874,106
On investments in:			
i) Available for sale securities		19,370,206	19,709,523
ii) Held to maturity securities		473,055	283,433
		19,843,261	19,992,956
On deposits with financial institutions		179,208	326,966
On securities purchased under resale agreements		111,889	245,231
On lendings to financial institutions		66,323	152,834
		35,512,309	36,592,093

25.1 This includes an amount of Rs. 406,579 thousand (2015: Rs. 390,212 thousand) on account of income received from related parties.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	Note	2016	2015
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	26.1	16,832,890	18,837,350
Securities sold under repurchase agreements		2,862,127	1,784,696
Sub-ordinated loans		382,452	616,965
Call money borrowings		144,063	107,993
Refinance borrowings from SBP		208,941	293,926
Long term finance for export oriented projects from SBP		64,512	46,802
Other short term borrowings		1,772	2,654
		20,496,757	21,690,386

26.1 This includes Rs. 693,885 thousand (2015: Rs. 825,800 thousand) on account of mark-up / interest on deposits of related parties.

Rupees in '000	Note	2016	2015
27. GAIN ON SALE OF SECURITIES - NET			
Federal Government Securities			
Market Treasury Bills		10,071	18,200
Pakistan Investment Bonds		3,094,403	2,520,012
Euro Bonds		43,513	14,409
Sukuk		49,874	–
Shares - listed		282,100	689,973
- unlisted		46,400	–
Term Finance Certificates		–	400
Others		326	3,300
		3,526,687	3,246,294

28. OTHER INCOME			
Rent on property		9,043	5,918
Gain on sale of operating fixed assets		6,484	7,841
Rent of lockers		30,699	27,490
Gain on sale of non-banking assets	28.1	27,145	127,108
Recovery of write / charge off assets		62,144	68,666
Recovery of expenses from customers		343,624	336,454
		479,139	573,477

28.1 GAIN ON SALE OF NON-BANKING ASSETS

Name of party	2016				
	Book value	Market value	Cash received	Gain on sale	Mode of disposal
	Rupees '000				
Al-Rehmat Trader	42,534	44,000	68,378	25,844	Buy Back
Shafi Exports	12,199	12,321	13,500	1,301	Buy Back
	54,733	56,321	81,878	27,145	

Rupees in '000	Note	2016	2015
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		7,361,375	6,067,374
Charge for defined benefit plans	29.1	326,801	301,525
Contribution to defined contribution plan	36	235,888	211,315
Non-executive directors' fees, allowances and other expenses		5,812	6,662
Rent, taxes, insurance, electricity, etc.		2,197,567	1,755,746
Legal and professional charges		111,258	100,706
Brokerage and commission		114,807	121,600
Communications		499,562	437,366
Repairs and maintenance		551,113	595,524
Stationery and printing		161,540	158,276
Advertisement and publicity		130,399	84,178
Donations		–	35,000
Auditors' remuneration	29.2	9,665	7,560
Depreciation	11.2	832,755	690,325
Amortization	11.3	180,792	173,854
Travelling and entertainment		180,251	169,497
Fuel and vehicle running expenses		520,722	540,023
Subscriptions		21,378	31,665
Security service charges		516,629	432,141
Staff training expenses		26,318	24,276
Other expenditure		94,360	69,624
		14,078,992	12,014,237

29.1 This includes charge for gratuity fund of Rs. 242,361 thousand (2015: Rs. 183,123 thousand) and charge for leave encashment of Rs. 84,440 thousand (2015: Rs. 118,402 thousand).

Rupees in '000		2016	2015
29.2 AUDITORS' REMUNERATION			
Statutory auditors of the Bank			
Audit fee		3,300	2,800
Fee for the audit of provident and gratuity funds		220	200
Special certifications, half year review, audit of consolidated financial statements and sundry advisory services		3,150	2,578
Out-of-pocket expenses		980	–
		7,650	5,578
Auditors of Wholesale Bank Branch, Bahrain			
Audit fee		2,015	1,982
		9,665	7,560
30. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		51,996	49,639
Workers' Welfare Fund		169,539	167,000
		221,535	216,639
31. TAXATION			
For the year			
Current		2,129,263	2,329,796
Deferred		860,625	642,481
For the prior year(s)			
Current		266,425	416,000
		3,256,313	3,388,277

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	2016	2015
31.1 RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT		
Profit before taxation	8,476,948	8,431,696
Tax at applicable tax rate of 35 percent (2015: 35 percent)	2,966,932	2,951,094
Effect of:		
- charge for prior year	266,425	416,000
- permanent differences	18,198	17,373
- others	4,758	3,810
	3,256,313	3,388,277

31.2 TAX STATUS

- i) The Bank has filed tax returns for and upto tax year 2016 (year ended 31 December 2015). The assessments for and upto tax year 2015 were amended by the tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income. The matter of provision against doubtful debts has been decided in favour of the Bank for and upto tax year 2006 upto the level of Appellate Tribunal Inland Revenue [ATIR] whereas partial relief has been provided by the Commissioner Inland Revenue (Appeals) [CIR(A)] on other matters. The Bank and the tax department have filed appeals and reference applications to the higher forums in relation to matters not decided in their favour.

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

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

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

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

- iii) Super tax at the rate of 4 percent of the taxable income levied through Finance Act 2015 has also been extended for the tax year 2016.

	2016	2015
32. BASIC / DILUTED EARNINGS PER SHARE		
Profit for the year - Rupees in '000	5,220,635	5,043,419
Weighted average number of Ordinary Shares - numbers	1,260,260,180	1,260,260,180
Basic earnings per share - Rupees	4.14	4.00

There is no dilutive effect on the basic earnings per share of the Bank.

Rupees in '000	2016	2015
33. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	42,568,141	29,685,228
Balances with other banks	5,845,748	8,295,724
	48,413,889	37,980,952

	2016	2015
34. STAFF STRENGTH	NUMBER OF EMPLOYEES	
Permanent	6,428	6,133
Temporary / on contractual basis	824	648
Total staff strength	7,252	6,781

35. DEFINED BENEFIT PLAN

35.1 GENERAL DESCRIPTION

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

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

Rupees in '000	2016	2015
35.2 THE AMOUNTS RECOGNIZED IN THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:		
Present value of defined benefit obligation	2,192,580	1,813,892
Fair value of plan assets	(1,808,216)	(1,813,892)
Net liability	384,364	–
35.3 THE AMOUNTS RECOGNIZED IN UNCONSOLIDATED PROFIT AND LOSS ACCOUNT ARE AS FOLLOWS:		
Current service cost	242,361	195,391
Net interest income	–	(12,268)
	242,361	183,123
35.4 ACTUAL RETURN ON PLAN ASSETS	129,178	223,109
35.5 CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION		
Opening defined benefit obligation	1,813,892	1,492,354
Current service cost	242,361	195,391
Interest expense	174,647	176,574
Actuarial loss	96,534	51,437
Benefits paid	(134,854)	(101,864)
Closing defined benefit obligation	2,192,580	1,813,892
35.6 CHANGES IN FAIR VALUE OF PLAN ASSETS		
Opening fair value of plan assets	1,813,892	1,492,354
Interest income	174,647	188,842
Return on plan assets, excluding amounts included in interest income	(45,469)	34,266
Contributions by employer	–	200,294
Benefits paid	(134,854)	(101,864)
Closing fair value of plan assets	1,808,216	1,813,892

The Bank expects to contribute Rs. 262,650 thousand to its defined benefit gratuity plan in 2017.

The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

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	2016		2015	
	Rupees '000	Percentage	Rupees '000	Percentage
35.7 BREAK-UP OF CATEGORY OF ASSETS				
Debt instruments				
- Pakistan Investment Bonds	1,396,853	77	1,268,050	70
- Term Finance Certificates	225,783	12	241,051	13
	1,622,636	89	1,509,101	83
Equity instruments				
- Mutual funds	31,318	2	48,634	3
- Equity	107,473	6	-	-
Cash and cash equivalents	46,789	3	256,157	14
	1,808,216	100	1,813,892	100

All Government bonds have quoted prices in active markets. All government bonds are issued by GoP.

At each reporting date the board of trustees review the fund investments and decides for strategic investments. The strategic investment policy of the gratuity fund is summarized as follows:

- strategic asset mix comprising of 5%-25% bank deposits, 70% to 90% Government bonds and 5%-25% others.
- interest risk is managed by investing 90% of funds through Government bonds.

35.8 PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation was carried out for the year ended December 31, 2016 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2016	2015
Discount rate - per annum	9.00%	10.00%
Expected rate of increase in salaries - per annum	8.50%	9.50%
Expected rate of return on plan assets - per annum	9.00%	10.00%
Duration	11.17 years	11.40 years
Mortality rate	SLIC 2001 - 2005 mortality table	SLIC 2001 - 2005 mortality table

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

Rupees in '000	2016	2015	2014	2013	2012
As at December 31,					
Defined benefit obligation	2,192,580	1,813,892	1,492,354	1,173,711	1,207,535
Plan assets	(1,808,216)	(1,813,892)	(1,492,354)	(1,173,711)	(1,072,829)
Deficit	384,364	-	-	-	134,706
Experience adjustments					
Actuarial (loss) / gain on obligation	(96,534)	(51,437)	(135,344)	104,489	14,805
Actuarial loss on plan assets	-	-	-	(4,163)	(1,413)
Return on plan assets, excluding amounts included in interest income	(45,469)	34,266	(2,296)	-	-

35.10 SENSITIVITY ANALYSIS

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

Assumptions	Change in assumption	Impact on Defined Benefit Obligation	
		Increase in assumption	Decrease in assumption
		Rupees in '000	
Discount rate	1.00%	(225,081)	265,493
Salary increase	1.00%	264,176	(227,971)
Mortality rate change	1 year	(465)	463

36. DEFINED CONTRIBUTION PLAN

The Bank operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund. The total assets of the fund as at December 31, 2015 were Rs. 3,270,502 thousand (December 31, 2014: Rs. 2,776,823 thousand) as per latest available audited financial statements of the fund.

36.1 THE DETAILS OF SIZE AND INVESTMENT OF THE PROVIDENT FUND IS AS FOLLOWS:

Rupees in '000	2016	2015
	Un-audited	Audited
Size of the Fund	3,767,730	3,270,502
Cost of investments	3,544,211	3,094,751
Fair value of investments	3,805,396	3,298,414
Percentage of investments	94.07%	94.63%

36.2 BREAKUP OF PROVIDENT FUND INVESTMENTS

	2016		2015	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Pakistan Investment Bonds	2,529,242	71.36	2,484,018	80.26
Government Sukuks	–	–	99,275	3.21
Mutual Funds	765,338	21.60	321,396	10.39
Shares	249,631	7.04	190,062	6.14
	3,544,211	100.00	3,094,751	100.00

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

37. COMPENSATED ABSENCES

37.1 GENERAL DESCRIPTION

The Bank grants compensated absences to all its regular employees as per effective Service Rules. Provisions are recorded in accordance with the actuarial recommendation.

Under this unfunded scheme, regular employees are entitled to 30 days privilege leave for each completed year of service. Unutilized privilege leaves are accumulated upto a maximum of 120 days out of which 60 days are encashable at the time of separation from service on the basis of last drawn gross salary.

37.2 PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation was carried out for the year ended December 31, 2016 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2016 was Rs. 314,797 thousand (2015: Rs. 280,352 thousand). Expense for the year of Rs. 84,440 thousand (2015: Rs 118,402 thousand) has been included in administrative expenses. The main assumptions used for actuarial valuation are as follows:

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	2016	2015
Discount rate - per annum	9.00%	9.25%
Expected rate of increase in salaries - per annum	8.50%	9.25%
Leave accumulation factor - days	8	5

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President & Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
Fees	–	–	5,812	6,662	–	–
Managerial remuneration	43,538	38,700	–	–	1,461,387	1,261,037
Allowances	4,641	4,125	–	–	232,016	200,737
Charge for defined benefit plan	3,375	3,000	–	–	86,740	76,093
Contribution to defined contribution plan	3,374	2,999	–	–	86,147	75,613
Rent and house maintenance	12,150	10,800	–	–	499,330	438,922
Utilities	3,341	2,970	–	–	119,181	103,403
Medical	3,038	2,700	–	–	109,088	94,787
Bonus	15,750	9,000	–	–	313,074	205,028
Others	3,872	7,406	–	–	3,504	3,221
	93,079	81,700	5,812	6,662	2,910,467	2,458,841
Number of persons	1	1	10	10	757	689

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

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

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

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.

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

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

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

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

Rupees in '000	2016		
	Level 1	Level 2	Level 3
FINANCIAL ASSETS:			
Available for sale securities			
Market Treasury Bills	–	107,500,863	–
Pakistan Investment Bonds	–	165,063,124	–
Fully paid ordinary shares / units	4,338,233	–	–
Units of open end mutual funds	–	1,942,061	–
Fully paid preference shares	89,845	–	–
Term Finance Certificates	707,070	2,513,486	–
Sukuk Certificates	–	9,510,858	–
Government of Pakistan Euro Bonds	–	664,619	–
	5,135,148	287,195,011	–
NON-FINANCIAL ASSETS:			
Operating fixed assets			
Property and equipment (freehold and leasehold land)	–	–	4,789,727
Other assets			
Non-banking assets acquired in satisfaction of claims	–	–	4,938,757
	–	–	9,728,484

Rupees in '000	2015		
	Level 1	Level 2	Level 3
FINANCIAL ASSETS:			
Available for sale securities			
Market Treasury Bills	–	104,037,305	–
Pakistan Investment Bonds	–	144,466,164	–
Fully paid ordinary shares / units	2,627,140	–	–
Units of open end mutual funds	–	1,919,353	–
Fully paid preference shares	95,267	–	100,000
Term Finance Certificates	1,307,396	2,092,243	–
Sukuk Certificates	–	1,945,507	–
Government of Pakistan Euro Bonds	–	1,388,017	–
	4,029,803	255,848,589	100,000
NON-FINANCIAL ASSETS:			
Operating fixed assets			
Property and equipment (freehold and leasehold land)	–	–	3,521,888

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

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40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2016							Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services		
Total income	261,444	23,511,356	805,757	17,870,220	130,244	39,647	42,618,668	
Total expenses	25,532	19,304,375	1,207,442	13,587,780	12,719	3,872	34,141,720	
Net income / (loss)	235,912	4,206,981	(401,685)	4,282,440	117,525	35,775	8,476,948	
Segment Assets (Gross)	138,015	346,785,045	13,364,939	288,087,131	68,755	20,929	648,464,814	
Segment Non Performing Loans	–	–	2,293,882	26,240,748	–	–	28,534,630	
Segment Provision Required	–	1,501,597	2,426,511	25,397,513	–	–	29,325,621	
Segment Liabilities	1,643	75,223,592	284,767	511,051,174	818	249	586,562,243	
Segment Return on net Assets (ROA) (%)	0.05	4.07	0.14	3.09	0.02	0.01		
Segment Cost of funds (%)	0.00	3.52	0.22	2.48	0.00	0.00		

Rupees in '000	2015							Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services		
Total income	201,500	23,559,603	1,107,319	18,337,671	48,101	27,487	43,281,681	
Total expenses	18,547	18,922,802	1,153,895	14,747,783	4,428	2,530	34,849,985	
Net income / (loss)	182,953	4,636,801	(46,576)	3,589,888	43,673	24,957	8,431,696	
Segment Assets (Gross)	86,739	306,793,691	11,377,589	248,562,141	20,706	11,832	566,852,698	
Segment Non Performing Loans	–	–	2,333,680	29,150,037	–	–	31,483,717	
Segment Provision Required	–	1,422,250	2,333,573	27,230,161	–	–	30,985,984	
Segment Liabilities	860	46,562,157	262,183	462,188,249	205	117	509,013,771	
Segment Return on net Assets (ROA) (%)	0.04	4.79	0.23	3.73	0.01	0.01		
Segment Cost of funds (%)	0.00	4.06	0.25	3.16	0.00	0.00		

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 3.47% (2015: 3.29%) of the total assets have been allocated to segments based on their respective income.
- Unallocatable liabilities representing 1.31% (2015: 1.10%) of the total liabilities have been allocated to segments based on their respective assets.

41. TRUST ACTIVITIES

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

42. RELATED PARTY TRANSACTIONS

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

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment.

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

Rupees in '000	December 31, 2016						December 31, 2015						
	Key management personnel		Companies with common directorship having equity		Other related parties		Key management personnel		Companies with common directorship having equity		Other related parties		
	Parent		Directors	under 20%	Subsidiaries	Associates	Parent		Directors	under 20%	Subsidiaries	Associates	Other related parties
Balances outstanding as at													
- Advances													
- Secured	799,921	305,484	-	4,534,697	-	-	1,072,623	244,938	-	4,544,842	-	-	-
- Un-secured	-	6,425	114	-	-	-	-	11,343	936	-	-	-	-
- Mark-up receivable	4,181	46,426	-	16,645	-	-	5,670	38,220	-	40,986	-	-	-
- Deposits	5,462,689	147,552	13,377	7,296,044	9,008	-	5,073,778	103,803	67,078	6,285,967	42,770	-	762,568
- Mark-up payable	11,569	1,249	15	12,170	-	-	7,997	1,169	-	9,174	-	-	38
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	339,761	-	-	187,164	-	-	339,761	-	-	454,867	-	-	-
- Investment in shares / units	-	-	-	1,883,558	-	-	-	-	-	1,874,767	449,789	-	-
- Security deposits against lease	494	1,165	-	8,665	-	-	-	704	-	4,323	-	-	-
- Assets held for sale	-	-	-	-	261,762	-	-	-	-	-	-	-	-
- Contribution payable to employees' funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions during the year ended													
- Net mark-up / interest earned	50,915	9,680	-	345,984	-	-	26,748	9,890	-	353,574	-	-	-
- Net mark-up / interest expensed	192,247	4,383	228	431,784	441	-	272,541	2,980	458	440,488	2,342	3,259	103,732
- Contribution to employees' funds	-	-	-	-	-	-	-	-	-	-	-	-	411,609
- Rent of property / service charges paid	18,500	-	-	-	2,376	-	14,730	-	-	-	4,903	-	-
- Dividend Income	-	-	-	124,555	-	-	-	-	-	179,201	-	-	-
- Remuneration and allowances paid	-	400,482	-	-	-	-	-	331,455	-	-	-	-	2,979
- Post employment benefits	-	26,477	-	-	-	-	-	22,631	-	-	-	-	-
- Insurance premium paid	-	-	-	-	-	-	-	-	-	-	-	9,476	-
- Insurance claim received	-	-	-	-	-	-	-	-	-	-	-	673	-
- Fee, commission and brokerage income	165	-	-	3,331	-	-	2,361	-	-	5,481	-	-	-
- Fee, commission and brokerage paid	-	-	-	293	-	-	-	-	-	140	-	-	-
- Dividend paid	1,132,852	297	282	-	-	-	1,812,564	364	351	-	-	-	3,300
- Fees and other expenses paid	-	2,190	5,812	-	-	-	-	365	6,662	-	-	-	-

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

43. CAPITAL ADEQUACY

43.1 SCOPE OF APPLICATION

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

The Bank's Board of Directors during the year 2016 approved disposal of its two subsidiaries, Askari Investment Management Limited (AIML) and Askari Securities Limited (ASL) and thus classified them as Assets held for Sale. Furthermore, the Bank does not enter into in any securitization activity that shields it from the risk inherent in securitization.

43.2 CAPITAL MANAGEMENT

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

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GOALS OF MANAGING CAPITAL

The goals of managing capital of the Bank are as follows:

- To be an adequately capitalised institution, considering the requirements set by the regulators of the banking markets where the Bank operates;
- Maintain strong ratings and to protect the Bank against unexpected events; and
- Availability of adequate capital at a reasonable cost so as to enable the Bank to operate adequately and provide reasonable value added for the shareholders and other stakeholders.

BANK'S REGULATORY CAPITAL ANALYSED INTO THREE TIERS

Tier I capital, includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, reciprocal cross holdings in CET 1 instruments of Banking, Financial or Insurance entities, investments in mutual funds exceeding prescribed limits and 50% of other deductions e.g. majority and significant minority investments in insurance and other financial entities. Deductions that have come afresh as part of the Basel III rules such as those on account of Deferred Tax Assets are also required to be made.

Tier II capital under Basel III is subject to a maximum of 2.5% of total Risk Weighted Assets as of December 31, 2016. It includes subordinated debt issued prior to Jan 1, 2013 phasing out at an annual rate of 10%, Basel III compliant Tier II instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), reserves on the revaluation of fixed assets and available for sale investments (on an after tax basis up to a maximum of 45 percent), foreign exchange translation reserves etc. Basel III rules however do allow for the inclusion of the remaining 55% of the revaluation reserves into Tier II capital at an inclusion rate equal to the rate of deduction specified under the transitional arrangements for the coming years upto 2018. Tier II capital deductions comprise of the remaining 50% other deductions noted above, reciprocal cross holdings in Tier II instruments of Banking, Financial or Insurance entities etc.

As of December 31, 2016 the Bank must meet a Tier 1 to RWA ratio and CAR including CCB of 7.5% and 10.65% respectively.

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise, the exposures are treated as unrated and relevant risk weights are applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable. Collaterals if any, are used as credit risk mitigant after applying appropriate haircuts under the Comprehensive Approach. Risk weights notified, are hence applied at adjusted exposures, wherever credit risk mitigation is available. Collaterals used include: Government of Pakistan guarantees, cash, lien on deposits, shares, government securities, bank and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfill other specified criteria under the relevant capital adequacy guidelines.

The calculation of Capital Adequacy enables the Bank to assess the long-term soundness. As the Bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated approach / view.

LEVERAGE RATIO

SBP vide BPRD Circular No. 06 dated August 15, 2013 introduced leverage ratio (Tier 1 Capital to total exposure) under Basel III framework. Bank are required to maintain minimum leverage ratio of 3% and to disclose the same from December 31, 2015. At present, the leverage ratio is on parallel run till December 31, 2017. Based on the results of the parallel run period, the SBP intends to make any final adjustments to the definition and calibration of the leverage ratio with a view to set the leverage ratio requirements as a separate capital standard on December 31, 2018

The Bank's position under Basel III's third capital standard is as under:

Rupees in '000	2016	2015
Tier I Capital	23,950,053	20,417,514
Total Exposure	968,101,580	781,980,184
Leverage Ratio	2.47%	2.61%

Rupees in '000	Note	2016	2015
43.3 CAPITAL ADEQUACY RATIO (CAR)			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital/ Capital deposited with SBP		12,602,602	12,602,602
Balance in Share Premium Account		234,669	234,669
Reserve for issue of Bonus Shares		–	–
General/ Statutory Reserves		8,342,506	6,110,390
Gain/(Losses) on derivatives held as Cash Flow Hedge		–	–
Unappropriated/unremitted profit		4,084,206	2,763,314
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		–	–
CET 1 before Regulatory Adjustments		25,263,983	21,710,975
Total regulatory adjustments applied to CET1	43.3.1	1,313,930	1,293,461
Common Equity Tier 1		23,950,053	20,417,514
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		–	–
of which: Classified as liabilities		–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)			
of which: instrument issued by subsidiaries subject to phase out		–	–
AT1 before regulatory adjustments		–	–
Total regulatory adjustment applied to AT1 capital	43.3.2	–	–
Additional Tier 1 capital after regulatory adjustments		–	–
Additional Tier 1 capital recognized for capital adequacy		–	–
Tier 1 Capital (CET1 + admissible AT1)		23,950,053	20,417,514
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		3,992,000	3,993,600
Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel III rules		418,800	628,320
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		–	–
of which: instruments issued by subsidiaries subject to phase out		–	–
General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		605,543	433,213
Revaluation Reserves			
of which: Revaluation reserves on Property		2,209,327	1,048,303
of which: Unrealized Gains / Losses on AFS		2,159,919	2,329,260
		4,369,246	3,377,563
Foreign Exchange Translation Reserves		93,511	100,829
Undisclosed / Other Reserves (if any)		–	–
T2 before regulatory adjustments		9,479,100	8,533,525
Total regulatory adjustment applied to T2 capital	43.3.3	380,247	178,269
Tier 2 capital (T2) after regulatory adjustments		9,098,853	8,355,256
Tier 2 capital recognized for capital adequacy		9,098,853	8,268,453
Portion of Additional Tier 1 capital recognized in Tier 2 capital		–	–
Total Tier 2 capital admissible for capital adequacy		9,098,853	8,268,453
TOTAL CAPITAL (T1 + admissible T2)		33,048,906	28,685,967
Total Risk Weighted Assets (RWA)	43.6	264,431,082	229,290,400

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	2016	2015
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	9.06%	8.90%
Tier-1 capital to total RWA	9.06%	8.90%
Total capital to RWA	12.50%	12.51%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.65%	6.25%
of which: capital conservation buffer requirement	0.65%	0.25%
of which: countercyclical buffer requirement	–	–
of which: D-SIB or G-SIB buffer requirement	–	–
CET1 available to meet buffers (as a percentage of risk weighted assets)	2.41%	2.65%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
Total Capital plus CCB* ratio	10.65%	10.25%
*CCB: Consisting of CET1 Only		
Rupees in '000	2016	2015
43.3.1 Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	–	–
All other intangibles (net of any associated deferred tax liability)	963,621	978,019
Reciprocal cross holdings in CET1 capital instruments	247,917	236,914
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	102,392	78,528
Total regulatory adjustments applied to CET1	1,313,930	1,293,461
43.3.2 Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	102,392	–
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital	–	78,528
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–
Total regulatory adjustment applied to AT1 capital	–	–
43.3.3 Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-2 capital	–	78,528
Reciprocal cross holdings in Tier 2 instruments	380,247	99,741
Total regulatory adjustment applied to T2 capital	380,247	178,269
43.3.4 Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		
of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	1,624,933	1,384,412
of which: deferred tax assets	–	–
of which: Defined-benefit pension fund net assets	–	–
	1,624,933	1,384,412

Rupees in '000	2016	2015
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	1,154,156	1,071,993
Significant investments in the common stock of financial entities	–	104,705
Deferred tax assets arising from temporary differences (net of related tax liability)	–	–
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	605,848	433,213
Cap on inclusion of provisions in Tier 2 under standardized approach	2,448,854	2,147,550
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–
	Balance sheet as in published financial statement	Under regulatory scope of consolidation
Rupees in '000	As at December 31, 2016	
43.4 CAPITAL STRUCTURE RECONCILIATION		
ASSETS		
Cash and balances with treasury banks	42,568,141	42,568,141
Balances with other banks	5,845,748	5,845,748
Lending to financial institutions	6,836,584	6,836,584
Investments	295,846,254	295,846,254
Advances	235,163,922	235,163,922
Operating fixed assets	11,019,555	11,019,555
Deferred tax assets	–	–
Other assets	21,858,989	21,858,989
TOTAL ASSETS	619,139,193	619,139,193
LIABILITIES & EQUITY		
Bills payable	8,579,809	8,579,809
Borrowings	89,261,788	89,261,788
Deposits and other accounts	472,811,335	472,811,335
Sub-ordinated loans	4,994,800	4,994,800
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	526,430	526,430
Other liabilities	10,388,081	10,388,081
TOTAL LIABILITIES	586,562,243	586,562,243
Share capital/ Head office capital account	12,602,602	12,602,602
Reserves	8,670,686	8,670,686
Unappropriated/ Unremitted (loss) / profit	4,084,206	4,084,206
Minority Interest	–	–
Surplus on revaluation of assets	7,219,456	7,219,456
TOTAL LIABILITIES & EQUITY	619,139,193	619,139,193

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	Balance sheet as in published financial statement	Under regulatory scope of consolidation
Rupees in '000	As at December 31, 2016	
ASSETS		
Cash and balances with treasury banks	42,568,141	42,568,141
Balances with other banks	5,845,748	5,845,748
Lending to financial institutions	6,836,584	6,836,584
Investments	295,846,254	295,846,254
<i>of which: Mutual Funds exceeding regulatory threshold</i>	102,392	102,392
<i>of which: reciprocal crossholding of capital instrument CET 1</i>	247,917	247,917
<i>of which: reciprocal crossholding of capital instrument AT 1</i>	-	-
<i>of which: reciprocal crossholding of capital instrument Tier II</i>	380,247	380,247
<i>of which: others</i>	295,115,698	295,115,698
Advances	235,163,922	235,163,922
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-
<i>general provisions reflected in Tier 2 capital</i>	605,543	605,543
Fixed Assets	11,019,555	11,019,555
<i>of which: Intangibles</i>	963,621	963,621
Deferred Tax Assets	-	-
<i>of which: DTAs excluding those pertaining to temporary differences</i>	-	-
<i>of which: DTAs arising from temporary differences below the threshold</i>	-	-
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-
Other assets & assets held for sale	21,858,989	21,858,989
<i>of which: Goodwill</i>	-	-
<i>of which: Intangibles</i>	-	-
<i>of which: Defined-benefit pension fund net assets</i>	-	-
TOTAL ASSETS	619,139,193	619,139,193
LIABILITIES & EQUITY		
Bills payable	8,579,809	8,579,809
Borrowings	89,261,788	89,261,788
Deposits and other accounts	472,811,335	472,811,335
Sub-ordinated loans	4,994,800	4,994,800
<i>of which: eligible for inclusion in AT1</i>	-	-
<i>of which: eligible for inclusion in Tier 2</i>	4,410,800	4,410,800
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	526,430	526,430
Other liabilities	10,388,081	10,388,081
TOTAL LIABILITIES	586,562,243	586,562,243
Share capital	12,602,602	12,602,602
<i>of which: amount eligible for CET1</i>	12,602,602	12,602,602
<i>of which: amount eligible for AT1</i>	-	-
Reserves	8,670,686	8,670,686
<i>of which: portion eligible for inclusion in CET1-Balance in Share Premium Account</i>	234,669	234,669
<i>of which: portion eligible for inclusion in CET1-General / Statutory Reserves</i>	8,342,506	8,342,506
<i>of which: portion eligible for inclusion in Tier 2</i>	93,511	93,511
Unappropriated profit	4,084,206	4,084,206
Surplus on revaluation of assets	7,219,456	7,219,456
<i>of which: Revaluation reserves on Property</i>	2,832,470	2,832,470
<i>of which: Unrealized Gains / Losses on AFS</i>	2,769,126	2,769,126
<i>of which: on Non-Banking Assets</i>	1,617,860	1,617,860
TOTAL LIABILITIES & EQUITY	619,139,193	619,139,193

	Balance sheet as in published financial statements
Rupees in '000	As at December 31, 2016
43.5 BASEL III DISCLOSURE	
COMMON EQUITY TIER 1 CAPITAL (CET1): INSTRUMENTS AND RESERVES	
Fully Paid-up Capital / Capital deposited with SBP	12,602,602
Balance in Share Premium Account	234,669
General / Statutory Reserves	8,342,506
Unappropriated profit	4,084,206
CET 1 BEFORE REGULATORY ADJUSTMENTS	25,263,983
COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS	
All other intangibles (net of any associated deferred tax liability)	963,621
Reciprocal cross holdings in CET1 capital instruments	247,917
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	102,392
Total regulatory adjustments applied to CET1	1,313,930
COMMON EQUITY TIER 1	23,950,053
ADDITIONAL TIER 1 (AT1) CAPITAL	
Qualifying Additional Tier-1 instruments plus any related share premium	-
of which: Classified as equity	-
of which: Classified as liabilities	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-
of which: instrument issued by subsidiaries subject to phase out	-
AT1 BEFORE REGULATORY ADJUSTMENTS	-
ADDITIONAL TIER 1 CAPITAL: REGULATORY ADJUSTMENTS	
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	102,392
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital	-
Total of Regulatory Adjustment applied to AT1 capital	102,392
Additional Tier 1 capital	-
Additional Tier 1 capital recognized for capital adequacy	-
TIER 1 CAPITAL (CET1 + ADMISSIBLE AT1)	23,950,053
TIER 2 CAPITAL	
Qualifying Tier 2 capital instruments under Basel III	3,992,000
Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)	418,800
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	605,543
Revaluation Reserves eligible for Tier 2	4,369,246
of which: portion pertaining to Property	2,209,327
of which: portion pertaining to AFS securities	2,159,919
Foreign Exchange Translation Reserves	93,511
Undisclosed / Other Reserves	-
T2 BEFORE REGULATORY ADJUSTMENTS	9,479,100

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Rupees in '000	Balance sheet as in published financial statements
	As at December 31, 2016
TIER 2 CAPITAL: REGULATORY ADJUSTMENTS	
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-2 capital	—
Reciprocal cross holdings in Tier 2 instruments	380,247
Amount of Regulatory Adjustment applied to T2 capital	380,247
<i>Tier 2 capital (T2)</i>	9,098,853
<i>Tier 2 capital recognized for capital adequacy</i>	9,098,853
<i>Excess Additional Tier 1 capital recognized in Tier 2 capital</i>	—
Total Tier 2 capital admissible for capital adequacy	9,098,853
TOTAL CAPITAL (T1 + admissible T2)	33,048,906

43.6 CAPITAL ADEQUACY RATIO AS AT DECEMBER 31, 2016

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy, using standardized approaches for credit and market risks and basic indicator approach for operational risk is presented below.

RISK-WEIGHTED EXPOSURES

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2016	2015	2016	2015
CREDIT RISK				
PORTFOLIOS SUBJECT TO STANDARDIZED APPROACH (COMPREHENSIVE APPROACH FOR CRM)				
CLAIMS ON:				
Sovereigns other than PKR claims	537,544	559,259	5,375,437	5,592,587
Public Sector Entities (PSEs)	344,086	485,619	3,440,864	4,856,187
Banks	510,984	606,197	5,109,837	6,061,973
Corporates	9,841,650	8,215,062	98,416,504	82,150,624
Retail portfolio	1,304,426	1,061,776	13,044,257	10,617,756
Residential mortgage finance	399,594	332,655	3,995,935	3,326,550
Listed equities and regulatory capital instruments issued by others banks	68,338	67,862	683,380	678,623
Unlisted equity investments	—	15,000	—	150,000
Significant investment and DTAs	—	26,176	—	261,762
Fixed Assets	1,005,593	825,199	10,055,931	8,251,985
Other Assets	698,107	493,660	6,981,072	4,936,602
Past Due Exposures	267,637	408,249	2,676,368	4,082,490
OFF-BALANCE SHEET				
Non-market related	4,586,061	4,024,156	45,860,614	40,241,556
Market related	26,811	59,529	268,105	595,290
MARKET RISK				
PORTFOLIOS SUBJECT TO STANDARDIZED APPROACH				
Interest rate risk	2,612,291	2,329,201	26,122,910	23,292,010
Equity position risk	907,805	577,955	9,078,052	5,779,553
Foreign exchange risk	55,106	15,603	551,059	156,029
OPERATIONAL RISK	3,277,076	2,825,882	32,770,757	28,258,823
TOTAL	26,443,109	22,929,040	264,431,082	229,290,400
GROSS TOTAL (including CCB)	28,161,910	23,502,266	264,431,082	229,290,400

CAPITAL ADEQUACY RATIO

	Required		Actual	
	2016	2015	2016	2015
CET1 to total RWA	6.00%	6.00%	9.06%	8.90%
Tier-1 capital to total RWA	7.50%	7.50%	9.06%	8.90%
Total capital to total RWA	10.00%	10.00%	12.50%	12.51%
Gross Total Capital to total RWA (including CCB)	10.65%	10.25%	12.50%	12.51%

43.7 MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

MAIN FEATURES	COMMON SHARES	INSTRUMENT- 3 (PPTFC TFC IV)	INSTRUMENT- 4 (PPTFC TFC V)
Issuer		Askari Bank - Public Limited Company	
Unique identifier	AKBL	NA	NA
Governing law(s) of the instrument	The Companies Ordinance 1984 & Stock Exchanges Regulations	The Companies Ordinance, 1984	The Companies Ordinance, 1984
Regulatory treatment			
Transitional Basel III rules	NA	Tier 2	NA
Post-transitional Basel III rules	NA	Ineligible	NA
Eligible at solo / group / group & solo	Solo and Group	Solo and Group	Solo and Group
Instrument type	Ordinary shares	Subordinated Debt Instrument	Subordinated Debt Instrument
Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,602,602	418,800	3,992,000
Par value of instrument	Rs. 10 per Share	Rs. 1,000,000 per Instrument	Rs. 1,000,000 per Instrument
Accounting classification	Shareholder's equity	Liability - amortized cost	Liability - amortized cost
Original date of issuance	Year 1992	December 23, 2011	September 30, 2014
Perpetual or dated	Perpetual/ no Maturity	Dated	Dated
Original maturity date	NA	December 23, 2021	September 30, 2024
Issuer call subject to prior supervisory approval	NA	Yes	Yes
Optional call date, contingent call dates and redemption amount	NA	December 23, 2016	September 30, 2019, Call would be subject to SBP approval and not less than 30 days notice to investors and security trustee. Tax: as per prevailing structure.
Subsequent call dates, if applicable	NA	Yes	Yes
Coupons / dividends			
Fixed or floating dividend/ coupon	NA	Floating	Floating
coupon rate and any related index/ benchmark	NA	Average Ask 6 month KIBOR + 1.75% (1 to 5 Years) & Average Ask 6 month KIBOR + 2.20% (6 to 10 Years)	Average Ask 6 month KIBOR + 1.20%
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	NA	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Non cumulative	Cumulative	Cumulative
Convertible or non-convertible	NA	Non-convertible	Convertible
If convertible, conversion trigger(s)	NA	NA	As deemed to be triggered by SBP
If convertible, fully or partially	NA	NA	Fully or as deemed appropriate by SBP
If convertible, conversion rate	NA	NA	Dependent on target market value of equity per share on or before the date of conversion
If convertible, mandatory or optional conversion	NA	NA	Mandatory
If convertible, specify instrument type convertible into	NA	NA	Common Equity Tier 1
If convertible, specify issuer of instrument it converts into	NA	NA	Askari Bank Limited
Write-down feature			
If write-down, write-down trigger(s)	NA	NA	As deemed to be triggered by SBP. Legal basis is provided to authorities to set trigger as part of the terms of contract.
If write-down, full or partial	NA	NA	As deemed to be appropriate by SBP.
If write-down, permanent or temporary	NA	NA	Legal basis is provided to authorities to decide as part of the terms of contract.
If temporary write-down, description of write-up mechanism	NA	NA	
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	3rd, Subordinated Debt being senior	2nd, Lenders and Depositors being senior	2nd, Lenders and Depositors being senior
Non-compliant transitioned features			
If yes, specify non-compliant features	NA	Does not meet loss absorbency requirements including conversion	NA

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44. RISK MANAGEMENT

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

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

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

44.1 CREDIT RISK

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

The Bank has built and maintains a sound loan portfolio in terms of a well defined Credit Policy and Credit Risk Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Advances portfolio constitutes around 40% of the total asset base and is also the largest source of credit risk for the Bank. Moreover, more than 70% of Bank's capital requirement pertains to credit risk. The Bank's advances portfolio is well diversified across various business segments, industries and geographical locations.

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

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

44.1.1 SEGMENT INFORMATION

Segmental Information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

44.1.1.1 SEGMENT BY CLASS OF BUSINESS

	2016						2015					
	Advances		Deposits		Contingencies and Commitments - note 44.1.1.6		Advances		Deposits		Contingencies and Commitments - note 44.1.1.6	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture finances	3,576,371	1.36	3,842,218	0.81	1,551,558	0.43	3,878,666	1.70	3,425,016	0.79	654,654	0.24
Automobiles and Allied	773,519	0.30	2,013,449	0.43	252,617	0.07	1,044,527	0.46	1,107,919	0.26	280,101	0.10
Cables / Electronics	2,701,249	1.03	2,822,440	0.60	1,738,981	0.48	3,006,374	1.32	4,774,760	1.10	1,540,915	0.56
Carpets	80,398	0.03	352,934	0.07	8,250	0.00	78,080	0.03	128,971	0.03	8,250	0.00
Cement	2,994,025	1.14	479,227	0.10	1,674,275	0.47	2,334,179	1.02	464,520	0.11	1,788,668	0.65
Chemicals / Pharmaceuticals	5,044,205	1.92	1,193,756	0.25	4,689,262	1.30	4,148,075	1.82	2,788,100	0.64	3,093,205	1.12
Engineering	740,025	0.28	403,155	0.09	4,334,405	1.21	45,454	0.02	448,138	0.10	13,877,480	5.01
Fertilizers	2,022,455	0.77	2,897,960	0.61	5,247,773	1.46	2,931,671	1.28	4,286,310	0.99	2,668,838	0.96
Food and Allied	8,092,397	3.09	1,225,539	0.26	948,822	0.26	3,691,952	1.62	748,138	0.17	1,077,265	0.39
Fuel / Energy	17,630,179	6.73	2,739,153	0.58	35,551,970	9.89	21,725,867	9.51	962,695	0.22	19,202,001	6.93
Ghee and Edible Oil	2,225,561	0.85	777,626	0.16	2,464,737	0.69	2,513,308	1.10	532,983	0.12	1,885,242	0.68
Glass and Ceramics	1,805,348	0.69	32,224	0.01	621,221	0.17	2,056,181	0.90	54,052	0.01	693,816	0.25
Hotels and Restaurants	2,862,339	1.09	496,497	0.11	491	0.00	2,523,884	1.10	796,438	0.18	239,196	0.09
Individuals	23,086,530	8.81	190,397,975	40.27	2,932,627	0.82	17,884,178	7.83	165,874,917	38.30	439,527	0.16
Insurance	74,949	0.03	1,021,956	0.22	-	-	21,896	0.01	1,767,497	0.41	-	-
Financial institutions / Investment companies	3,626,132	1.38	183,393	0.04	34,537,594	9.61	1,026,667	0.45	6,291	0.00	48,343,439	17.45
Leasing	640,000	0.24	6,947	0.00	150,000	0.04	615,000	0.27	13,657	0.00	-	-
Leather Products and Shoes	1,747,738	0.67	873,093	0.18	1,294,398	0.36	1,603,964	0.70	757,571	0.17	1,015,003	0.37
Modarabas	-	-	12	0.00	-	-	-	-	12	0.00	518,346	0.19
Paper and Board	427,044	0.16	130,715	0.03	557,209	0.16	291,017	0.13	132,290	0.03	339,570	0.12
Plastic products	1,174,196	0.45	161,791	0.03	648,322	0.18	415,137	0.18	206,032	0.05	290,702	0.10
Ready made garments	2,432,235	0.93	884,083	0.19	675,739	0.19	1,037,571	0.45	359,715	0.08	257,765	0.09
Real Estate / Construction	6,553,193	2.50	18,656,191	3.95	17,880,697	4.97	4,002,861	1.75	15,413,359	3.56	45,643,775	16.47
Rice Processing and trading	6,128,491	2.34	1,127,937	0.24	258,136	0.07	5,404,329	2.37	929,808	0.21	201,688	0.07
Rubber Products	745,080	0.28	108,992	0.02	1,180,916	0.33	205,968	0.09	219,664	0.05	69,058	0.02
Services												
(Other than Financial, Hotelling and Travelling)	5,137,514	1.96	7,706,778	1.63	55,699,083	15.50	2,945,291	1.29	6,526,484	1.51	687,539	0.25
Sports goods	371,496	0.14	152,154	0.03	168,466	0.05	299,794	0.13	112,572	0.03	160,232	0.06
Sugar	4,850,866	1.85	238,376	0.05	167,856	0.05	5,756,270	2.52	69,869	0.02	1,777	0.01
Surgical equipment / Metal Products	10,269,940	3.92	2,208,867	0.47	1,530,107	0.43	7,658,364	3.35	2,109,448	0.49	820,337	0.30
Synthetic and Rayon	878,930	0.34	169,617	0.04	444,236	0.12	1,275,791	0.56	92,524	0.02	248,338	0.09
Textile	33,857,964	12.92	4,766,839	1.01	9,071,708	2.52	31,374,438	13.74	4,239,102	0.98	8,379,726	3.02
Tobacco / Cigarette manufacturing	4,462	0.00	8	0.00	1,000	0.00	4,462	0.00	-	-	-	-
Transport and communication	5,129,771	1.96	2,672,122	0.57	3,869,062	1.08	3,804,627	1.67	3,895,240	0.90	4,460,220	1.61
Travel Agencies	251,055	0.10	355,695	0.08	490,331	0.14	106,492	0.05	149,849	0.03	393,396	0.14
Woolen	394,778	0.15	951,015	0.20	31,960	0.01	371,502	0.16	558,325	0.13	4,050	0.00
Public sector / Government	85,244,751	32.51	168,256,224	35.59	157,411,108	43.80	72,753,491	31.85	165,798,351	38.28	106,367,819	38.39
Others	18,548,070	7.08	52,504,377	11.10	11,327,058	3.15	19,575,670	8.57	43,421,588	10.03	11,398,102	4.11
	262,123,256	100.00	472,811,335	100.00	359,411,975	100.00	228,412,998	100.00	433,172,205	100.00	277,050,040	100.00

44.1.1.2 SEGMENT BY SECTOR

	2016						2015					
	Advances		Deposits		Contingencies and Commitments - note 44.1.1.6		Advances		Deposits		Contingencies and Commitments - note 44.1.1.6	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public sector / Government	85,244,751	32.51	168,256,224	35.59	157,411,108	43.80	72,753,491	31.85	165,798,351	38.28	106,367,819	38.39
Private	176,878,505	67.49	304,555,111	64.41	202,000,867	56.20	155,659,507	68.15	267,373,854	61.72	170,682,221	61.61
	262,123,256	100.00	472,811,335	100.00	359,411,975	100.00	228,412,998	100.00	433,172,205	100.00	277,050,040	100.00

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44.1.1.3 DETAILS OF NON-PERFORMING ADVANCES AND SPECIFIC PROVISIONS BY CLASS OF BUSINESS SEGMENT

Rupees in '000	2016		2015	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Agriculture finances	601,812	287,556	1,462,084	1,034,574
Automobiles and Allied	371,301	343,562	419,424	346,368
Cables / Electronics	1,116,525	1,112,207	1,100,964	1,095,936
Chemicals / Pharmaceuticals	201,781	190,916	218,670	209,284
Food and Allied	343,469	295,625	347,277	285,141
Fuel / Energy	2,593,982	2,572,106	3,007,063	2,999,853
Glass manufacturing	1,110,342	1,110,342	1,110,342	1,110,342
Individuals	2,799,113	2,562,359	2,863,940	2,625,318
Leather products and Shoes	73,557	44,865	81,554	34,227
Paper industries	41,305	40,745	88,976	88,136
Real estate / Construction	868,667	853,778	1,295,815	1,151,734
Services (Other than Financial, Hotelling and Travelling)	44,485	40,874	260,413	183,963
Sports goods	261,563	261,563	261,563	261,563
Textile	12,308,808	11,590,359	12,654,132	11,783,120
Transport and Communication	714,013	544,771	609,935	374,379
Others	5,083,907	4,502,163	5,701,565	4,465,035
	28,534,630	26,353,791	31,483,717	28,048,973

44.1.1.4 DETAILS OF NON-PERFORMING ADVANCES AND SPECIFIC PROVISIONS BY SECTOR

Private	28,534,630	26,353,791	31,483,717	28,048,973
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44.1.1.5 GEOGRAPHICAL SEGMENT ANALYSIS

Rupees in '000	Note	2016			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments - note 44.1.1.6
Pakistan	44.1.1.5.1	7,985,701	609,180,294	32,114,966	359,411,975
Asia Pacific (including South Asia)		—	—	—	—
Europe		—	—	—	—
United States of America and Canada		—	—	—	—
Middle East	44.1.1.5.1	491,247	9,958,899	461,984	—
Others		—	—	—	—
		8,476,948	619,139,193	32,576,950	359,411,975

Rupees in '000	Note	2015			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments - note 44.1.1.6
Pakistan	44.1.1.5.1	7,974,977	526,198,752	26,438,763	277,029,485
Asia Pacific (including South Asia)		—	—	—	—
Europe		—	—	—	—
United States of America and Canada		—	—	—	—
Middle East	44.1.1.5.1	456,719	9,667,962	414,180	20,555
Others		—	—	—	—
		8,431,696	535,866,714	26,852,943	277,050,040

44.1.1.5.1 These do not include intra bank items of Rs. 9,328,052 thousand (2015: Rs. 9,081,656 thousand) eliminated upon consolidation of wholesale bank branch.

44.1.1.6 Contingencies and commitments include amounts given in note 22 except bills for collection.

44.1.1.7 COLLATERAL

Following is the list of main types of collateral taken by the Bank.

- Government and trustee securities
- Defence saving certificates
- Fixed deposits (TDR)
- Lien on deposits
- Cash margin
- Shares listed on main index
- Shares listed on non main index
- Government guarantees

44.2 MARKET RISK

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

The Bank's Risk Management Process seeks to identify, measure, monitor, and control market risks in order to shield against adverse movements in market factors and to attain an efficient risk/return profile of its open positions. The Risk Management Division has developed and implemented market risk policy and risk measurement /monitoring methodology for review and reporting of market risk. The Bank makes use of the globally established Value-at-Risk (VaR) methodology to measure traded market risk.

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

44.2.1 MARKET RISK - GENERAL DISCLOSURES BASEL III SPECIFIC

Basel III Standardized Approach is used for calculating the Capital Adequacy for Market Risk.

44.2.2 FOREIGN EXCHANGE RISK

Foreign exchange risk, or the risk that the Bank's earnings and / or capital can fluctuate due to changes in foreign exchange rates, arises out from the Bank's foreign exchange exposure which consists of foreign currency cash in hand, nostro / vostro accounts, forward contracts, forward bookings with exporters, foreign bills purchased, foreign currency placements with SBP and the Bank's Wholesale Bank Branch, foreign currency lendings / deposits and capital investments in offshore operations. The Bank's treasury manages consolidated foreign exchange exposure by matching foreign currency assets and liabilities in spot and forward. The foreign exchange exposure and nostro balances are maintained within regulatory limits and VaR is calculated for consolidated foreign exchange exposure on a daily basis. The impact of a change in USD / PKR parity on the net open position is also determined through daily sensitivity analysis.

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2016				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	590,661,708	546,332,679	(12,217,411)	32,111,618
U.S. Dollars	27,201,039	34,716,921	7,705,375	189,493
Pound Sterling	502,022	3,952,788	3,460,370	9,604
Japanese Yen	54,626	35	(69,126)	(14,535)
Euro	319,550	1,554,765	1,120,061	(115,154)
Other European Currencies	22,092	–	731	22,823
Other Currencies	378,156	5,055	–	373,101
	619,139,193	586,562,243	–	32,576,950

2015				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	505,731,800	470,774,633	(8,546,479)	26,410,688
U.S. Dollars	28,431,154	33,086,350	4,755,485	100,289
Pound Sterling	724,703	3,723,758	2,969,967	(29,088)
Japanese Yen	8,499	34	(7,769)	696
Euro	483,010	1,418,054	845,658	(89,386)
Other European Currencies	185,411	–	(1,561)	183,850
Other Currencies	302,137	10,942	(15,301)	275,894
	535,866,714	509,013,771	–	26,852,943

44.2.3 EQUITY POSITION RISK

Equity position risk is the risk that the value of equity positions inside the trading book and banking book will change as a result of general and specific equity market movements. The Bank bifurcates its direct investment in equity into held for trading, available for sale, and strategic portfolios. Held for trading equity exposures are of a short term nature and are undertaken to earn profit by exploiting market imperfections and short term price fluctuations. Equities held in the available for sale portfolio are with the intent to earn profit from fundamentals. Strategic investments are undertaken in line with the long-term strategy of the Bank, i.e. to build strategic interest in other concerns. The Bank also carries indirect equity exposure through financing against shares and reverse repos against shares.

All equity positions in the trading book are subject to exposure limits established by the Bank in conformity with the general limits prescribed by the SBP. These limits include intraday limits, stop-loss limits, exposure limits, portfolio limits, and sectoral limits. The Bank carries out revaluation and calculates VaR on a daily basis for equity exposures in the trading book.

44.2.4 YIELD / INTEREST RATE RISK IN THE BANKING BOOK (IRBB)-BASEL III SPECIFIC

The Bank's interest rate exposure arises out from its investment, lending and borrowing activities. Interest rate risk in the banking book in its various forms is the risk of adverse changes in earnings and/or capital due to (i) timing differences or mismatches in the maturity/repricing period of financial assets and liabilities (repricing risk), (ii) differences in the basis used for calculating interest rates received and paid (basis risk), (iii) and options implicit or explicit in the Bank's financial assets and liabilities (options risk). The Asset and Liability Management Committee of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities on an ongoing basis through its regular meetings. Market risk calculates price sensitivity measures such as duration, convexity and probabilistic loss measures such as VaR for the Bank's debt investments to assess the impact of interest rate changes on value of the portfolio. Interest rate risk stress tests are carried out quarterly to assess the impact of a parallel and non-parallel shift in the yield curve on the Bank's capital using rate sensitive positions for on and off-balance sheet items.

44.2.5 MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

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

Rupees in '000	Effective Yield / Interest rate	2016										Non-interest bearing financial instruments		
		Total	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			
On-balance sheet financial instruments														
Assets														
Cash and balances with treasury banks		42,568,141	5,735,677	-	-	-	-	-	-	-	-	-	-	36,832,464
Balances with other banks	3.49%	5,845,748	4,093,287	-	-	-	-	-	-	-	-	-	-	1,752,461
Lendings to financial institutions	5.44%	6,836,584	3,992,000	2,330,023	-	514,561	-	-	-	-	-	-	-	-
Investments	6.93%	295,846,254	36,994,767	46,055,208	12,516,532	30,678,772	44,803,250	22,767,414	46,585,497	49,108,288	-	-	-	6,336,526
Advances	6.48%	235,163,922	80,293,195	117,462,397	22,854,031	7,993,480	938,751	422,906	807,555	1,216,564	3,175,043	-	-	-
Assets held for sale		261,762	-	-	-	-	-	-	-	-	-	-	-	261,762
Other assets		10,863,671	-	-	-	-	-	-	-	-	-	-	-	10,863,671
		597,386,082	131,108,926	165,847,628	35,370,563	39,186,813	45,742,001	23,190,320	47,393,052	50,324,852	3,175,043	-	-	56,046,884
Liabilities														
Bills payable		8,579,809	-	-	-	-	-	-	-	-	-	-	-	8,579,809
Borrowings	5.39%	89,261,788	83,980,814	1,804,423	3,381,433	-	31,706	31,706	31,706	-	-	-	-	-
Deposits and other accounts	3.70%	472,811,335	142,694,668	100,301,165	76,862,201	19,468,426	3,306,494	231,600	189,005	-	-	-	-	129,757,776
Sub-ordinated loans	7.66%	4,994,800	-	3,996,800	998,000	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		9,013,131	-	-	-	-	-	-	-	-	-	-	-	9,013,131
		584,660,863	226,675,482	106,102,388	81,241,634	19,468,426	3,338,200	263,306	220,711	-	-	-	-	147,350,716
On-balance sheet gap		12,725,219	(95,566,556)	59,745,240	(45,871,071)	19,718,387	42,403,801	22,927,014	47,172,341	50,324,852	3,175,043	-	-	(91,303,832)
Off-balance sheet financial instruments														
Purchase and resale agreements	6.02%	4,001,864	4,001,864	-	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	5.86%	73,525,204	73,375,556	149,648	-	-	-	-	-	-	-	-	-	-
Commitments to extend credits		18,532,793	18,532,793	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(88,056,133)	(87,906,485)	(149,648)	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(183,473,041)	59,595,592	(45,871,071)	19,718,387	42,403,801	22,927,014	47,172,341	50,324,852	3,175,043	-	-	(91,303,832)
Cumulative yield / interest risk sensitivity gap				(123,877,449)	(169,748,520)	(150,030,133)	(107,626,332)	(84,689,318)	(37,526,977)	12,797,875	15,972,918	-	-	-

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MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

Rupees in '000	Effective Yield / Interest rate	2015										Non-interest bearing financial instruments	
		Total	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		
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks		29,685,228	5,660,221	-	-	-	-	-	-	-	-	-	24,025,007
Balances with other banks	5.37%	8,295,724	6,886,860	-	-	-	-	-	-	-	-	-	1,408,864
Lendings to financial institutions	7.00%	812,898	-	289,193	523,705	-	-	-	-	-	-	-	-
Investments	8.46%	268,020,706	22,143,884	51,112,982	25,612,505	49,221,233	14,454,740	30,106,538	41,459,980	28,836,421	-	-	5,072,423
Advances	7.52%	199,930,812	67,687,071	102,479,565	16,794,661	6,779,301	923,391	403,315	772,510	1,142,507	2,948,491	-	-
Assets held for sale		-	-	-	-	-	-	-	-	-	-	-	-
Other assets		11,388,638	-	-	-	-	-	-	-	-	-	-	11,388,638
		518,134,006	102,378,036	153,881,740	42,830,871	56,000,534	15,378,131	30,509,853	42,232,490	29,978,928	2,948,491	-	41,894,932
Liabilities													
Bills payable		6,094,885	-	-	-	-	-	-	-	-	-	-	6,094,885
Borrowings	6.15%	57,323,250	54,045,475	263,444	2,983,305	-	10,342	10,342	10,341	1	-	-	-
Deposits and other accounts	4.64%	433,172,205	132,904,656	85,488,328	79,860,985	21,731,608	3,394,102	293,913	182,350	1,400	-	-	109,314,863
Sub-ordinated loans	10.15%	4,996,800	-	3,998,400	998,400	-	-	-	-	-	-	-	-
Liabilities against assets subject to													
finance lease		-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		6,078,880	-	-	-	-	-	-	-	-	-	-	6,078,880
		507,666,020	186,950,131	89,750,172	83,842,690	21,731,608	3,404,444	304,255	192,691	1,401	-	-	121,488,628
On-balance sheet gap		10,467,986	(84,572,095)	64,131,568	(40,911,819)	34,268,926	11,973,687	30,205,598	42,039,799	29,977,527	2,948,491	-	(79,593,696)
Off-balance sheet financial instruments													
Purchase and resale agreements	6.45%	292,361	292,361	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	6.17%	46,551,819	46,551,819	-	-	-	-	-	-	-	-	-	-
Commitments to extend credits		8,789,588	8,789,588	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(55,049,046)	(55,049,046)	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(139,621,141)	64,131,568	(40,911,819)	34,268,926	11,973,687	30,205,598	42,039,799	29,977,527	2,948,491	-	(79,593,696)
Cumulative yield / interest risk sensitivity gap				(75,489,573)	(116,401,392)	(82,132,466)	(70,158,779)	(39,953,181)	2,086,618	32,064,145	35,012,636	-	-

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

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

44.2.5.3 Assets do not include operating fixed assets of Rs. 11,019,555 (2015: Rs. 9,230,010) thousand and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealized gain on forward foreign exchange contracts-net, suspense account and stationary and stamps in hand of Rs. 10,733,556 (2015: Rs. 8,502,698) thousand.

44.2.5.4 Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, branch adjustment account, unrealized loss on forward foreign exchange contracts-net, withholding taxes payable, federal excise duty and worker's welfare fund of Rs. 1,374,950 (2015: Rs. 1,251,347) thousand.

44.3 LIQUIDITY RISK

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

44.3.1 MATURITIES OF ASSETS AND LIABILITIES

		2016									
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Assets											
Cash and balances with treasury banks	42,568,141	42,568,141	-	-	-	-	-	-	-	-	
Balances with other banks	5,845,748	5,136,105	709,643	-	-	-	-	-	-	-	
Lendings to financial institutions	6,836,584	3,992,000	2,330,023	-	514,561	-	-	-	-	-	
Investments	295,846,254	36,394,497	40,982,134	9,354,516	31,706,005	46,308,938	27,780,763	49,676,425	52,716,974	926,002	
Advances	235,163,922	61,041,844	45,007,109	24,906,513	22,639,800	18,660,415	16,694,225	21,037,575	13,328,584	11,847,857	
Operating fixed assets	11,019,555	361,477	158,358	232,560	447,835	834,871	756,331	1,132,220	1,235,785	5,860,118	
Assets held for sale	261,762	-	-	-	261,762	-	-	-	-	-	
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	
Other assets	21,597,227	5,054,494	-	-	-	3,369,663	3,369,663	3,267,802	3,267,802	3,267,803	
	619,139,193	154,548,558	89,187,267	34,493,589	55,569,963	69,173,887	48,600,982	75,114,022	70,549,145	21,901,780	
Liabilities											
Bills payable	8,579,809	2,823,769	-	520,334	5,235,706	-	-	-	-	-	
Borrowings	89,261,788	83,980,814	1,804,423	3,381,433	-	31,706	31,706	31,706	-	-	
Deposits and other accounts	472,811,335	63,087,708	41,961,473	13,410,693	19,468,426	81,918,302	78,843,408	83,028,889	45,546,219	45,546,217	
Sub-ordinated loans	4,994,800	-	800	200	1,000	2,000	2,000	1,000,000	3,988,800	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities	526,430	1,491,068	-	-	(165,249)	(5,867)	(592,927)	(200,595)	-	-	
Other liabilities	10,388,081	5,513,070	-	-	-	2,437,506	1,218,753	609,376	304,688	304,688	
	586,562,243	156,896,429	43,766,696	17,312,660	24,539,883	84,383,647	79,502,940	84,469,376	49,839,707	45,850,905	
Net assets	32,576,950	(2,347,871)	45,420,571	17,180,929	31,030,080	(15,209,760)	(30,901,958)	(9,355,354)	20,709,438	(23,949,125)	
Share Capital	12,602,602										
Reserves	8,670,686										
Unappropriated profit	4,084,206										
Surplus on revaluation of assets	7,219,456										
	32,576,950										
		2015									
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Assets											
Cash and balances with treasury banks	29,685,228	29,685,228	-	-	-	-	-	-	-	-	
Balances with other banks	8,295,724	8,295,724	-	-	-	-	-	-	-	-	
Lendings to financial institutions	812,898	-	289,193	523,705	-	-	-	-	-	-	
Investments	268,020,706	23,121,443	48,432,298	24,393,641	49,745,638	16,618,588	31,125,389	43,125,738	30,573,153	884,818	
Advances	199,930,812	32,760,751	40,370,323	33,828,924	27,336,462	13,502,206	11,359,846	22,703,658	5,687,802	12,380,840	
Operating fixed assets	9,230,010	386,458	132,898	194,707	373,469	687,208	629,606	1,087,225	1,196,270	4,542,169	
Assets held for sale	-	-	-	-	-	-	-	-	-	-	
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	
Other assets	19,891,336	4,655,257	-	-	-	3,103,505	3,103,505	3,009,690	3,009,690	3,009,689	
	535,866,714	98,904,861	89,224,712	58,940,977	77,455,569	33,911,507	46,218,346	69,926,311	40,466,915	20,817,516	
Liabilities											
Bills payable	6,094,885	2,005,936	-	369,632	3,719,317	-	-	-	-	-	
Borrowings	57,323,250	54,045,475	263,444	2,983,305	-	10,342	10,342	10,342	-	-	
Deposits and other accounts	433,172,205	57,076,507	31,534,061	21,179,160	21,731,608	73,892,434	70,792,245	75,031,766	40,967,912	40,966,512	
Sub-ordinated loans	4,996,800	-	800	200	1,000	2,000	2,000	502,000	4,488,800	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities	96,404	1,871,966	-	-	(119,594)	(5,867)	(592,927)	(525,972)	(531,202)	-	
Other liabilities	7,330,227	3,890,234	-	-	-	1,719,998	859,999	429,999	215,000	214,997	
	509,013,771	118,890,118	31,798,305	24,532,297	25,332,331	75,618,907	71,071,659	75,448,135	45,140,510	41,181,509	
Net assets	26,852,943	(19,985,257)	57,426,407	34,408,680	52,123,238	(41,707,400)	(24,853,313)	(5,521,824)	(4,673,595)	(20,363,993)	
Share Capital	12,602,602										
Reserves	6,445,888										
Unappropriated loss	2,763,314										
Surplus on revaluation of assets	5,041,139										
	26,852,943										

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

44.3.1.1 In compliance with the BSD circular letter No. 03 of 2011 dated February 22, 2011, all assets and liabilities with contractual maturities have been reported as per their remaining maturities, and where contractual maturities are not available, such assets and liabilities have been reported as per their expected maturities, determined on the basis of behaviour study of three years' historic data under volatility methodology. These basis have also been approved by the Asset and Liability Committee (ALCO) of the Bank.

44.4 OPERATIONAL RISK

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

Operational risk governance structure adopted by Bank is embedded within three lines of defense: Strategic, Macro and Micro. Bank already has in place an Operational Risk Management framework which is aligned with global best market practices.

Bank has dedicated functions to manage Operational Risk, Business Continuity Risk and Information Security Risk governed through comprehensive frameworks in line with international best practices.

44.4.1 OPERATIONAL RISK DISCLOSURES BASEL III

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

45. GENERAL

45.1 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

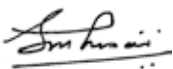
The Board of Directors in its meeting held on February 14, 2017 has proposed the following appropriations, which will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2016 do not include the effect of the appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2017 as follows:

Rupees in '000	2016	2015
Transfer from unappropriated profit to:		
General reserve	4,084,206	2,763,314
Transfer from general reserve:		
Payment of final cash dividend of Rs. 1.5 per share (2015: Rs. 1.25 per share)	1,890,390	1,575,325

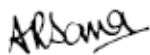
45.2 Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the SBP in respect of which there are no amounts have not been reproduced in these unconsolidated financial statements except for the unconsolidated statement of financial position and unconsolidated profit and loss account.

46. DATE OF AUTHORIZATION

These unconsolidated financial statements were authorized for issue on February 14, 2017 by the Board of Directors of the Bank.



Syed M. Husaini
President & Chief Executive



Asif Reza Sana
Director



Qaiser Javed
Director



Lt Gen (R) Khalid Nawaz Khan
Chairman

ANNEXURE-1

REFERRED TO IN NOTE 10.6.3 TO THESE FINANCIAL STATEMENTS

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of Rs 500,000 or above allowed to a person(s) during the year ended December 31, 2016 as referred to in note 10.6.3 to these financial statements.

(Rupees in '000)											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written-off	Interest / Mark-up Waived-off / Written-off	Other Financial relief provided	Total
				Principal	Interest / Mark-up	Others	Total				
1	Best Chemical Corporation 23-D, Block-W, Gulshan-e-Iqbal, Rahim Yar Khan	M. Arshad Nawaz 31201-0297380-3 M. Iqbal Ahmad Qureshi 31202-7137573-5 Malik Farooq Ahmed 31303-1356979-7	Malik Haq Nawaz Bashir Ahmad Qureshi Haji Ghulam Sarwar	-	2,199	-	2,199	-	1,828	-	1,828
2	Healthcare Hospital (Pvt) Ltd. D-9, Block-A, North Nazimabad, Karachi	Dr. Qamar Zaman Khan 42301-1080022-5 Mrs. Farhana Qamar 42301-1080023-7 Salman Zaman Khan 42301-1080023-7 Usman Zaman Khan 42301-1114944-7	Sultan Zaman Khan Dr. Qamar Zaman Khan Dr. Qamar Zaman Khan Dr. Qamar Zaman Khan	-	40,080	-	40,080	-	39,931	-	39,931
3	Textile Instinkt SF Unit No.24-B, SITE, Karachi	Wasif Ahmed 42201-4914794-9	Maqbool Ahmed	37,891	6,455	-	44,346	-	6,455	-	6,455
4	G.M.S. Electrical Company Mohallah Chah Trig, Gujrat	Ghazanfar Ali 34201-0523343-1	Muhammad Ali	1,500	566	-	2,066	-	566	-	566
5	Chaudhry & Company H No.118, Jinah Colony, Block-E, Highway Road, Chistian, Bahawalpur	Hassan Murtaza 31102-7023115-1 Ghulam Murtaza 31102-3594491-7	Abdul Shakoor Abdul Shakoor	-	733	-	733	-	733	-	733
6	Wasim Ahmed Mir H # 345, Sutluj Block, D.C Colony, Gujranwala Cantt.	Wasim Ahmed Mir 34101-2706051-5	Mir Abdul Rasheed	2,628	938	-	3,566	-	938	-	938
7	Lahore Textile Plot No.F-1316, Kundi Garan Bazar, Rang Mahal, Lahore	Hafiz Abdul Basit 35202-2705936-5	Muhammad Saleem	-	510	-	510	-	510	-	510
8	Bilal Safdar & Co. 23-B, Zafar Ali Road, Lahore	Ch. Fauzi Miraj 35202-3172941-9	Ch. Miraj Din	20,000	7,400	-	27,400	-	5,200	-	5,200
9	Atiq ur Rehman Bungalow No.91/III, 24th Street, Phase VI, DHA, Karachi	Atiq ur Rehman 42301-4960564-7	Abdul Rehman	-	5,527	-	5,527	-	5,323	-	5,323
10	Khurshed Ahmed Dera Haji Noor Muhammad Dala Wahga PO Khas Tehsil Muridke Distt. Sheikhpura	Khurshed Ahmed 35401-5919707-7	Noor Muhammad	-	875	-	875	-	875	-	875
11	Tahir Abbas Hardo Sehole Muslim Tehsil Muridke Distt. Sheikhpura	Tahir Abbas 35202-1290756-9	Karamat Ali	169	819	-	988	-	903	-	903
12	Syed Ali Naqvi Near Sunny Bakers H No. 525/5 New Gulgasht Colony Multan	Syed Ali Naqvi 36302-7873666-5	Syed Khurshed Ahmed	1,900	1,465	-	3,365	-	745	-	745
13	Malik Muhammad Yar Ward No. 08 Chowk Azam Teh. & Distt. Layyah	Malik Muhammad Yar 32203-2018698-3	Ghulam Muhammad	2,828	984	-	3,812	-	855	-	855
14	Ch. Muhammad Humanyuon Bhullar Rakh Jodhu Dher PO Raiwind Teh & Distt. Lahore	Ch. Muhammas Humanyuon Bhullar 35202-2995768-3	Ch Bashir Ahmed	-	2,447	-	2,447	-	2,359	-	2,359
15	Rai Israr Ahmad Khan Thatha Essa PO Khas Teh & Distt. Nankana	Rai Israr Ahmad Khan 35402-7358719-5	Rai Abdul Ghafoor Khan Bhatti	1,200	1,092	-	2,292	-	904	-	904

ANNEXURE-1

REFERRED TO IN NOTE 10.6.3 TO THESE FINANCIAL STATEMENTS

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written-off	Interest / Mark-up Waived-off / Written-off	Other Financial relief provided	Total
				Principal	Interest / Mark-up	Others	Total				
16	Madina Oil Mills 3-K.M Lahore Chunian Road Chunian	Khalid Hussain Kishwar 35101-7399260-5	Rehmat Ali	224	44	916	1,184	-	6	913	919
17	Shafat Sardar House # 191, St # 3, Sector B, Askari 14 Rawalpindi	Shafat Sardar 37405-0559267-5	Sardar Khan	8,098	3,512	364	11,974	-	3,512	364	3,876
18	Shield Hosiery Liaqat Road Garjakh Gujranwala	Mohammad Azeem 34101-9659633-7	Mohammad Yousaf	154	40	1,024	1,218	-	-	958	958
19	Mian Rafiq Weaving Factory Chak # 214, H # P-127 St # 2, Mohalla Hassan Pura Faisalabad	Mian Muhammad Rafiq 33100-0894294-5	Khushi Muhammad	3,162	1,028	6,101	10,291	-	1,028	4,369	5,397
20	Noman Ashraf Dar House no 1 Ashraf Town P.O Fareed Town Gujranwala	Noman Ashraf Dar 34101-2031046-5	Muhammad Ashraf Dar	279	29	560	868	-	29	560	589
21	Mudassar Latif St # 11, Peoples Colony # 1, Satiyana Road Mohalla Mohammad Nagar Faisalabad	Mudassar Latif 33100-0688210-1	Abdul Latif	552	623	2,251	3,426	-	724	1,870	2,594
22	Abdul Nasir H # 6202/D, St # 1, Mohalla Park View Colony Jhelum Road Rawalpindi	Abdul Nasir 34603-2222659-1	Ali Khan Malik	2,400	1,058	215	3,673	-	847	125	972
23	Fatima Jinnah Dental College Plot # AM-1/B Block D, Bhattai Colony Karangi Creek, Karachi	Syed Baqar Askari 42301-8966678-5	Syed Hassan Askari	11,695	2,189	35,337	49,221	-	2,189	35,337	37,526
24	Nosheen Abdul Raof House # N165 Defence Housing Authority DHA Phase 1 Lahore	Nosheen Abdul Raof 35201-2990305-6	Abdul Raof Sh	580	231	2,133	2,944	-	210	2,017	2,227
25	Dadabhoy Sack Ltd Maqbool Complex 5th Floor JCHS, Block 7, Sharae Faisal Karachi	Muhammad Hussain Dadabhoy 42301-0923094-5	Abdul Ghani Dadabhoy	3,218	2,425	10,347	15,990	-	2,425	10,347	12,772
26	Super Rice Mills Vanikey Tarar Dist Hafizabad	M Riaz Tarar 34101-2724426-5	M Nawaz Tarar	1,498	80	5,641	7,219	-	80	5,565	5,645
27	Syed Ahmed Mehdi Rizvi H # C-76, Block A North Nazimabad Karachi	Syed Ahmed Mehdi Rizvi 42101-1808382-3	Syed Ali Muhammad Rizvi	4,858	728	322	5,908	-	679	230	909
28	Muhammad Afzal Saleh H # 286, Askari II Gujranwala Cantt	Muhammad Afzal Saleh 34101-4276024-7	Nazar Hussain	2,984	823	296	4,103	-	719	134	853
29	M. A. Janjua House # 506, St # 4, Sector F-11/1, Islamabad	M. A. Janjua 61101-2018763-3	Talib Mehdi	10,313	5,421	-	15,734	-	5,421	464	5,885
30	Agri International 77 Industrial Estate, Multan	Amir Aziz Malik 36302-9139512-3 Amna Mustafa 35301-1894332-0	Malik Aziz Amir Aziz Malik	130	2	852	984	-	-	840	840
31	Major Farrukh Nawaz SD House # 405, Street # 10, Sector-B, Askari-10, Lahore Cantt	Major Farrukh Nawaz 54400-0557873-1	Ch Muhammad Nawaz	1,037	845	119	2,001	-	727	119	846
32	M Munir Ahmed H # 389 St # 79, Multi Professional Housing Scheme Sector E11/3, Islamabad	M Munir Ahmed 61101-2658138-3	Inayat Ullah Ch	7,450	1,204	335	8,989	-	754	335	1,089
33	Nasir Yaqoob Khan Durani Street H # 3, Kabal River Kalan Nowshera	Nasir Yaqoob Khan 17201-3962990-9	M Yaqoob Khan	331	62	1,029	1,422	-	62	967	1,029

(Rupees in '000)											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written-off	Interest / Mark-up Waived-off / Written-off	Other Financial relief provided	Total
				Principal	Interest / Mark-up	Others	Total				
34	Pacific Apparel Peer Bahar Shah Lahore Road Sheikhupura	Riaz Ahmed 35404-6919462-1	Nazir Ahmed Alvi	290	28	1,183	1,501	-	-	1,072	1,072
35	Saif-Ur-Rehman Mouza Kalyasia Bhattian Tehsil Safdarabad Distt. Sheikhupura	Saif-Ur-Rehman 35403-1110488-1	Noor Muhammad	999	638	-	1,637	-	510	-	510
36	Muhammad Siddique & Muhammad Idrees Lambi Jagir PO Khas Tehsil Pattoki Kasur	Muhammad Siddique 35103-1334221-3 Muhammad Idrees 35103-1526425-1	Shamshad Ali	1,399	687	-	2,086	-	584	-	584
37	Muhammad Ayaz Khan Moza Gandari Payan Karimo P.O Yangi Tehsil Tangi District Charsada	Muhammad Ayaz Khan 17102-1152129-1	Raheem Dad	1,200	951	-	2,151	-	713	-	713
38	Farooq Zafar House # 982-C Kanal View Housing Society Lahore	Farooq Zafar 35202-2858857-5	Ch. Zafar Ahmad	1,815	1,408	-	3,223	-	564	-	564
39	Nazar Hussain Kot Dina Mandi Faizaabad Tehsil Farozwala Distt. Sheikhupura	Nazar Hussain 35401-0263748-3	Muhammad Hussain	1,475	1,729	-	3,204	-	1,487	-	1,487
40	Emaan Associates Builders & Developers Office No.88, Computer Arcade 909/910-B, Peoples Colony No.01, Faisalabad	Khalid Mehmood 33100-7611048-5 M. Shahid 33100-6728518-5 Tahir Mehmood 35202-2164079-9	Mian Muhammad Aslam Mian Muhammad Aslam Mian Muhammad Aslam	421	1,149	-	1,570	-	668	-	668
41	Farah Irfan 145, Shahbaz Block, Mustafa Town, Lahore	Farah Irfan 35200-7796766-4	Muhammad Irfan Rashid	2,660	1,241	-	3,901	-	1,241	-	1,241
42	Diagnostic Services D-9, Block-A, North Nazimabad, Karachi	Farhana Qamar (Dr.) 42301-0970890-4	Qamar Zaman Khan (Dr.)	497	9,076	-	9,573	-	5,896	-	5,896
43	Pacific Plastic Industries H. No.A-16, Block-18, Gulshan-e-Iqbal, Karachi	Muhammad Aleem Siddiqui 42201-4741596-1	Muhammad Ahmed	3,766	1,695	-	5,461	-	924	-	924
44	Bismillah Leather House H # CB 535, Lane # 5 Peshawar Road Rawalpindi	Ilyas Ahmed Naz 37405-9210315-7	Mustajab Ahmed	296	142	1,792	2,230	-	142	1,806	1,948
45	Safia Begum 491, Block -GG Phase IV DHA Lahore	Safia Begum 35202-5174703-6	Ch M Bashir	13,847	1,883	823	16,553	-	1,883	806	2,689
46	Islamabad Air Conditioned Coach Services Near Malki Hotel, Me Road Lyari Karachi	Muhammad Iqbal 52101-5274662-1	Haji Khan Muhammad	11,350	4,108	35,840	51,298	-	-	5,890	5,890
47	Muhammad Mehfooz Khan Abbasi H # 193, St # 2, Sector 1 Airport Employee Cooperative Housing Society Rawalpindi	Muhammad Mehfooz Khan Abbasi 61101-6048645-5	Abdul Kareem Abbasi	3,061	3,189	255	6,505	-	1,898	138	2,036
48	Irshad Ali 52, Street # 2, Bajwa Colony Okara	Irshad Ali 35302-5183429-5	Niaz Ali	345	121	2,231	2,697	-	102	2,087	2,189
49	Ahmed Naeem Qasim House # B-18, Block N Nazimabad Karachi	Ahmed Naeem Qasim 35202-7154990-9	Ch M Qasim	19,406	5,514	1,073	25,993	-	2,757	1,213	3,970

ANNEXURE-1

REFERRED TO IN NOTE 10.6.3 TO THESE FINANCIAL STATEMENTS

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written-off	Interest / Mark-up Waived-off / Written-off	Other Financial relief provided	Total
				Principal	Interest / Mark-up	Others	Total				
50	Abdul Razzak H # A-876, Sector 11 A North Karachi	Abdul Razzak 42101-9302665-3	Mushtaq Ahmed	253	98	5,125	5,476	-	63	5,049	5,112
51	Naubhahar Travels House # 1 Jinnah Avenue Ali Plaza E-1 Islamabad	Syed Nusrat Ali Shah 61101-8673696-1	Syed Inayat Ali Shah	17,291	7,929	105,306	130,526	-	7,829	105,281	113,110
52	Muhammad Asif Dera Ch M Ashiq Tehsil Ferozwala Distt. Sheikhpura	Muhammad Asif 35401-9331542-3	Muhammad Ashiq	600	689	-	1,289	-	1,114	-	1,114
53	Muhammad Zubair Farooq Khan Al Farooq Ibrahim Garden Northern Bye Pass Multan	Muhammad Zubair Farooq Khan 36302-3012466-5	Abdul Rasheed Khan	1,438	1,700	-	3,138	-	1,105	-	1,105
54	Tayyab Bilal Khan Al Farooq Ibrahim Garden Northern Bye Pass Multan	Tayyab Bilal Khan 36302-2433872-7	Muhammad Zubair Farooq Khan	1,700	2,054	-	3,754	-	1,335	-	1,335
55	Umer Farooq Khan Al Farooq Ibrahim Garden Northern Bye Pass Multan	Umer Farooq Khan 36302-2604370-5	Muhammad Zubair Farooq Khan	1,900	1,634	-	3,534	-	1,062	-	1,062
56	Ahmad Sardar Chichawatni Road Mohallah Baghi Wala Kamalia Distt. Toba Take Singh	Ahmad Sardar 33302-6038461-1	Shafat Ali	1,500	1,060	-	2,560	-	530	-	530
57	Saleem Textile St.-19, Shah Baig Gabol Town, F.B. Area, Karachi	Muhammad Saleem 502-86-700618	Rajab Ali	20,000	9,584	-	29,584	-	9,584	-	9,584
58	Saad Oriental Carpets 427/428 G-1, Johar Town Lahore	Ijaz-ur-Rehman 35202-3807763-3 Attiq-ur-Rehman 35202-6803404-1 Anis-ur-Rehman 35202-9214582-7	Abdul Rehman Abdul Rehman	17,000	8,965	-	25,965	-	8,965	-	8,965
59	Awwad Zahir Khawaja House No.743, St. 64, G-9/4, Islamabad	Awwad Zahir Khawaja 61101-9467058-7	Sajjad Zahir Khawaja	2,271	811	-	3,082	-	811	-	811
60	Al-Hussaini Store C-19, Habib Centre, Block-5, Clifton, Karachi	Hassan Ali 42301-4955245-1	Masoom Ali	1,895	4,436	-	6,331	-	4,280	-	4,280
61	The Link Shop No.03, Ground Floor, Tooba Palace, Plot No.19-C, 37th Commercial Street, Tauheed Commercial Area, Karachi	Sharjeel Ahmed Abbasi 42101-5297635-9	Vakeel Ahmed Abbasi	2,585	2,220	-	4,805	-	2,054	-	2,054
62	Muhammad Ali House No.142-P Street No.9 Ahmad Abad, Faisalabad	Muhammad Ali 33100-0657308-7	Ghulam Ali	1,930	1,292	-	3,222	-	1,292	-	1,292
63	Weldone International Julkay Road, Off 28-KM, Ferozpur Road, Lahore	Muhamamd Hussain 35202-2880848-1 Noreen Nazir 36104-6853416-4	Muhammad Din Muhammad Tariq Usmani	16,140	12,309	-	28,449	-	10,462	-	10,462
64	Al-Noor Engineering Company 23KM, Ferozpur Road, Behind Kahna Telephone Exchange, Salimar Town, Lahore.	Shoaib Noor 35201-1540825-3	Mirza Noor Muhammad	6,000	2,324	-	8,324	-	2,324	-	2,324

(Rupees in '000)											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Written-off	Interest / Mark-up Waived-off / Written-off	Other Financial relief provided	Total
				Principal	Interest / Mark-up	Others	Total				
65	Qamar Tanning Company 135/9-L, Arifwala, Shaiwal	Sheikh Aftab Ahmed 36502-3738269-5 Sheikh Iftikhar Ahmed 36502-9512028-5 Qamar Aftab 36502-0698257-7 Muhammad Bashir 36502-0973309-1 Mst. Kaneez Fatima 36502-1896222-4 Sheikh Muhammad Waheed 36502-8472318-3 Mst. Balqees Iftikhar 36502-1555534-2 Mst. Robeena Shaheen 36502-0696137-6 Mubashar Hassan 36502-5858415-9 Sheikh Abdul Latif 36502-7410207-7	Sheikh Abdul Latif Sheikh Abdul Latif Sheikh Aftab Ahmed Sheikh Abdul Latif Sheikh Aftab Ahmed Sheikh Muhammad Saeed Sheikh Iftikhar Ahmed Muhammad Bashir Farooq Ahmed Sheikh Muhammad Siddique	7,997	759	-	8,756	-	568	-	568
66	Sheikh Javed Ahmed Engineers & Contractors 338-E, Gulshan-e-Ravi, Lahore	Sheikh Javaid Ahmed 35202-2223703-5 Sheikh Muhammad Nassar Javaid 35202-8380672-9 Muhammad Saqib Javaid 35202-2714201-9 Shaikh Marieje Javaid 35202-2232253-5 Anwari Begum 35202-7692903-8 Shazia Zaffer N.A.	Sheikh Abdul Latif Sheikh Javaid Ahmed Sheikh Javaid Ahmed Sheikh Javaid Ahmed Shaikh Javaid Ahmed Shaikh Javaid Ahmed Shaikh Zaffer Iqbal	30,801	30,158	-	60,959	-	19,158	-	19,158
67	New Mehran Gasoline (CNG) Station Gulf Homes, D-1597, Shaheed Mohtarama Benazir Bhutto Road, Sukkur	Abdul Qayyum Qureshi 45504-1145105-9	Muhammad Mehfooz Qureshi	8,248	10,497	-	18,745	-	9,076	-	9,076
68	Ali Javed Khan Askari Homes 1 Gujranwala Cantt	Ali Javed Khan 34101-8074291-7	Javed Ahmed Khan	98	1	632	731	-	-	630	630
69	Riaz Ahmad 6-B, Satellite Town Sadiqabad	Riaz Ahmad 53403-3135040-1	Al Bodad Urf Dad Muhammad	188	41	1,546	1,775	-	41	1,475	1,516
70	Johar Asma P.O Karim Pura H # 2969-T Peshawar	Johar Asma 17301-1215651-0	Mushtaq Hussain	298	24	526	848	-	-	523	523
71	Asad Ullah Khan Flat # 14-A, Askari Appartment School Road Cantt Karachi	Asad Ullah Khan 42301-9375686-9	Nawab Dawood Khan	244	34	1,275	1,553	-	-	1,259	1,259
72	Yasir Mehmood 756 Zeeshan Colony Dhoke Chaudharian Rwp	Yasir Mehmood 37405-2514726-1	Muhammad Qayyum	767	348	2,336	3,451	-	290	2,297	2,587
73	Fateh Mubeen H # 73/B3 Gulberg III Liberty Market Lahore	Fateh Mubeen 35202-2428484-1	Fateh Alim	48	519	-	567	-	519	-	519
TOTAL				331,098	225,479	227,785	784,362	-	189,368	195,040	384,408

ANNEXURE-2

REPORT OF SHARIAH BOARD FOR THE YEAR 2016

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

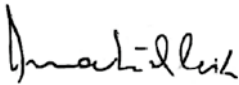
1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Askari Bank Limited – Islamic Banking Services Division (AKBL-IBSD) are conducted in a manner that comply with the Shariah Principles at all times, we are required to submit a report on the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

Based on above, we are of the view that:

- i. AKBL-IBSD has complied with the Shariah rules and principles in the light of fatawa, rulings and guidelines issued by its Shariah Board.
- ii. AKBL-IBSD has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
- iii. AKBL-IBSD has a comprehensive mechanism in place to ensure Shariah compliance in their overall operations.
- iv. AKBL-IBSD has a well-defined system in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized.
- v. The Distribution of Profit to Rabb-ul-Maal (depositors) remained in line with the SBP instructions on profit and loss distribution and pool management.
- vi. The level of awareness, capacity and sensitization of the staff, management and the BOD in appreciating the importance of Shariah compliance in the products and processes of the bank is adequate and will be further improved through orientation sessions / trainings.
- vii. The Shariah board has been provided adequate resources, enabling it to discharge its duties effectively.



Mufti Muhammad Zahid
Chairman Shariah Board



Mufti Ismatullah
Member Shariah Board



Dr. Muhammad Tahir
Resident Member Shariah Board

Date of Report: January 16, 2017

شریعی بورڈ کی رپورٹ

برائے سال 2016ء

بسم اللہ الرحمن الرحیم!

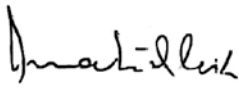
اسٹیٹ بینک آف پاکستان کی جاری کردہ ہدایات کی رو سے یہ بورڈ آف ڈائریکٹرز اور انتظامیہ کی ذمہ داری ہے کہ وہ اس بات کو یقینی بنائے کہ عسکری بینک لمیٹڈ اسلامی بینکاری سروسز کی تمام سرگرمیاں شریعت کے اصولوں کے مطابق ہیں۔ اسی طرح شریعی بورڈ کی ذمہ داری ہے کہ وہ بورڈ آف ڈائریکٹرز کو اسلامی بینکاری سروسز کی شرعی اصولوں کی مطابقت کے حوالے سے آگاہی فراہم کرے۔ شریعی بورڈ نے اپنی رپورٹ مرتب کرنے کے لیے شریعی ڈیپارٹمنٹ اور آڈٹ ڈیپارٹمنٹ کی رپورٹس کا بغور جائزہ لیا ہے۔

ان حقائق و معلومات سے ہم نے درج ذیل نتائج اخذ کیے ہیں۔

- ۱۔ اسلامک بینکاری کی خدمات فراہم کرتے ہوئے عسکری بینک لمیٹڈ نے شریعی بورڈ کے فتاویٰ اور ہدایات کو ملحوظ رکھا ہے۔
- ۲۔ اسلامک بینکاری کی خدمات فراہم کرتے ہوئے عسکری بینک لمیٹڈ نے اسٹیٹ بینک آف پاکستان اور اس کے شریعی بورڈ کی جاری کردہ ہدایات اور احکامات کی پاسداری کی ہے۔
- ۳۔ شرعی اصول کی پاسداری کے حوالے سے عسکری بینک لمیٹڈ میں اسلامی بینکاری سروسز کا ایک جامع اور مربوط نظام رائج ہے۔
- ۴۔ عسکری بینک لمیٹڈ اسلامی بینکاری سروسز کے پاس ایک ایسا واضح اور جامع نظام موجود ہے جس کے تحت غیر شرعی ذرائع سے حاصل شدہ آمدن صرف خیراتی مقاصد میں استعمال ہوتی ہے اور وہ بینک کی آمدن کا حصہ نہیں بنتی۔
- ۵۔ اس سارے عرصے میں رب المال (کھاتہ داران) کو نفع کی تقسیم اسٹیٹ بینک آف پاکستان کی جاری کردہ ہدایات اور احکامات کے مطابق ہوئی۔
- ۶۔ اسٹاف ممبران، انتظامیہ اور بورڈ آف ڈائریکٹرز اسلامی بینکاری کے متعلق مناسب اور معقول آگاہی رکھتے ہیں۔ ہمیں یقین ہے کہ ترقیاتی پروگرامز کے ذریعے اسے مزید تقویت دی جائے گی۔
- ۷۔ بینک انتظامیہ نے شریعی بورڈ کو اسکے فرائض کی انجام دہی کے لیے مطلوبہ وسائل مہیا کر رکھے ہیں۔



مفتی محمد زاہد
چیرمین شریعی بورڈ



مفتی عصمت اللہ
ممبر شریعی بورڈ



ڈاکٹر محمد طاہر
ریزیڈنٹ شریعی بورڈ ممبر

ANNEXURE-2

ISLAMIC BANKING BUSINESS - STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

The Bank is operating 94 Islamic banking branches including 3 sub-branches at the end of 2016 as compared to 78 Islamic banking branches including 3 sub-branches at the end of 2015.

Rupees in '000	Note	2016	2015
ASSETS			
Cash and balances with treasury banks		3,230,575	1,954,438
Balances with other banks		2,452,684	2,893,478
Due from financial Institutions		2,330,023	-
Investments		4,704,085	5,873,462
Islamic financing and related assets	A - 1	25,668,630	20,767,917
Operating fixed assets		613,394	536,261
Deferred tax assets		-	-
Other assets		1,862,503	1,332,515
TOTAL ASSETS		40,861,894	33,358,071
LIABILITIES			
Bills payable		748,865	525,144
Due to financial institutions		2,018,000	806,529
Deposit and other accounts			
-Current accounts		10,962,873	8,880,659
-Saving accounts	A - 2	15,016,974	10,029,967
-Term deposits		5,491,734	5,142,651
-Others		596,703	327,526
-Deposit from financial institutions - Remunerative		2,343,783	2,552,138
-Deposit from financial institutions - Non Remunerative		2,650	1,257
Due to head office		-	2,000,000
Other liabilities		1,162,362	779,852
		38,343,944	31,045,723
NET ASSETS		2,517,950	2,312,348
REPRESENTED BY			
Islamic Banking Fund		2,875,000	2,725,000
Reserves		-	-
Unappropriated loss		(381,679)	(412,652)
		2,493,321	2,312,348
Surplus on revaluation of assets		24,629	-
		2,517,950	2,312,348
REMUNERATION TO SHARIAH BOARD			
		3,937	2,979
A-1 ISLAMIC FINANCING AND RELATED ASSETS			
Murabaha		4,437,947	5,875,189
Ijarah		3,683,567	2,813,433
Musharaka		4,055,450	350,000
Diminishing musharaka		9,005,528	7,071,961
Salam		1,664,736	4,038,669
Istisna		1,604,148	924,856
Other islamic modes		1,543,411	45,092
		25,994,787	21,119,200
Total Provision		(326,157)	(351,283)
	A - 1.1	25,668,630	20,767,917

A - 1.1 ISLAMIC MODE OF FINANCING

Rupees in '000		2016							
		Murabaha	Ijarah (note A-1.1.1)	Musharaka	Diminishing Musharaka	Salam	Istisna	Other Islamic Modes	Total
Financing		4,287,491	3,178,034	4,055,450	9,005,328	1,664,736	1,582,536	61,111	23,834,686
Advance		150,456	505,533	-	200	-	-	-	656,189
Inventory		-	-	-	-	-	21,612	-	21,612
Receivables against Sale of Salam/Istisna Inventory		-	-	-	-	-	-	1,482,300	1,482,300
		4,437,947	3,683,567	4,055,450	9,005,528	1,664,736	1,604,148	1,543,411	25,994,787
Provision		(92,192)	(127,786)	-	(101,422)	(4,757)	-	-	(326,157)
Total		4,345,755	3,555,781	4,055,450	8,904,106	1,659,979	1,604,148	1,543,411	25,668,630

Rupees in '000		2015							
		Murabaha	Ijarah (note A-1.1.1)	Musharaka	Diminishing Musharaka	Salam	Istisna	Other Islamic Modes	Total
Financing		5,159,430	2,617,290	350,000	7,071,961	4,038,669	923,731	45,092	20,206,173
Advance		715,759	196,143	-	-	-	-	-	911,902
Inventory		-	-	-	-	-	1,125	-	1,125
Receivables against Sale of Salam/Istisna Inventory		-	-	-	-	-	-	-	-
		5,875,189	2,813,433	350,000	7,071,961	4,038,669	924,856	45,092	21,119,200
Provision		(88,628)	(146,692)	-	(115,490)	(473)	-	-	(351,283)
Total		5,786,561	2,666,741	350,000	6,956,471	4,038,196	924,856	45,092	20,767,917

A-1.1.1 Ijarah Financing of Rs. 3,178,034 thousand (2015: Rs. 2,617,920 thousand) includes net book value of assets / investment under IFAS-2 of Rs. 3,086,588 thousand (2015: Rs. 2,525,765 thousand) and net investment under ijarah of Rs. 91,446 thousand (2015: Rs. 91,525 thousand) breakup of which is as under:

Rupees in '000	2016				2015			
	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
Net book value of assets / investments under IFAS 2								
Asset acquired under Ijarah	563,493	3,569,365	261,735	4,394,593	190,427	2,920,238	115,167	3,225,832
Accumulated depreciation on Ijarah	(257,053)	(930,873)	(120,079)	(1,308,005)	(56,412)	(625,049)	(18,606)	(700,067)
Net Assets / Investments in Ijarah	306,440	2,638,492	141,656	3,086,588	134,015	2,295,189	96,561	2,525,765

Rupees in '000	2016				2015			
	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
Net investment under Ijarah								
Ijarah rentals receivable	93,275	-	-	93,275	93,354	-	-	93,354
Residual Value	1,969	-	-	1,969	1,969	-	-	1,969
Minimum Ijarah payments	95,244	-	-	95,244	95,323	-	-	95,323
Profit for future periods	(3,798)	-	-	(3,798)	(3,798)	-	-	(3,798)
Net Assets / Investments in Ijarah	91,446	-	-	91,446	91,525	-	-	91,525

A-2 Includes remunerative current accounts of Rs. 753,080 thousand (2015: Rs. 735,829 thousand).

ANNEXURE-2

ISLAMIC BANKING BUSINESS - PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	2016	2015
Profit / return earned on financings, investment and placements	2,204,247	1,971,701
Return on deposits and other dues expensed	1,028,736	893,869
Net spread earned	1,175,511	1,077,832
Reversal of provision against non-performing financings	(25,059)	(20,123)
(Reversal of provision) / provision for diminution in the value of investments	(31,294)	62,058
	(56,353)	41,935
Income after provisions	1,231,864	1,035,897
OTHER INCOME		
Fee, commission and brokerage income	119,289	80,773
Income from dealing in foreign currencies	8,709	8,272
Capital gain on sale of securities	15,800	13,932
Other income	24,086	13,089
Total other income	167,884	116,066
	1,399,748	1,151,963
OTHER EXPENSES		
Administrative expenses	1,359,532	1,065,272
Other provisions / write offs	9,213	-
Other charges	30	130
Total other expenses	1,368,775	1,065,402
	30,973	86,561
Extraordinary / unusual items	-	-
Profit before taxation	30,973	86,561

STATEMENT OF SOURCES AND USES OF CHARITY FUND FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	2016	2015
OPENING BALANCE	5,975	2,096
ADDITIONS DURING THE PERIOD		
- Received from customers on delayed payments	7,924	4,768
- Non shariah compliant income	25	498
- Profit on charity account	2	1
- Others	117	-
	8,068	5,267
PAYMENTS / UTILIZATION DURING THE PERIOD		
- Education	-	(300)
- Community welfare (provision of clean drinking water)	(1,040)	-
- Health	(2,719)	(788)
- Orphanage	(1,027)	(300)
	(4,786)	(1,388)
CLOSING BALANCE	9,257	5,975

ANNEXURE-2

ISLAMIC BANKING BUSINESS - NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

DISCLOSURE FOR PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

1.1 BANK GENERATES DEPOSIT ON THE BASIS OF FOLLOWING TWO MODES:

1. Qard
2. Mudaraba

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

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

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

A. GENERAL POOL

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

B. FOREIGN CURRENCY POOL

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

C. FINANCIAL INSTITUTIONS (FI) POOL

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

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

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

ANNEXURE-2

ISLAMIC BANKING BUSINESS - NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

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

During the year profit rate earned is 6.77% and profit rate distributed to the depositors is 3.14% (2015: 8.11% and 3.67% respectively)

1.2 THE BANK MANAGED FOLLOWING GENERAL AND SPECIFIC POOLS:

2016								
Mudaraba Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
						Rs. / USD		Rs. / USD
General Pool	PKR	Monthly	50%	0.90	1.93	655,800,050	39%	254,640,237
Financial Institution Pool	PKR	Monthly	50%	0.50	1.20	32,485,228	47%	15,214,683
Foreign Currency Pool	USD	Monthly	50%	1.00	1.00	15,657	-	-

2015								
Mudaraba Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
						Rs. / USD		Rs. / USD
General Pool	PKR	Monthly	50%	0.90	1.91	686,209,250	26%	180,595,583
Financial Institution Pool	PKR	Monthly	50%	0.50	1.20	22,593,163	13%	2,940,729
Foreign Currency Pool	USD	Monthly	50%	1.00	1.00	16,276	1%	140

2016								
Musharaka Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
Interbank borrowing pool	PKR	As required	100%	-	-	-	-	-
IERS pool	PKR	Monthly	100%	-	-	-	-	-

2015								
Musharaka Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
Interbank borrowing pool	PKR	As required	100%	-	-	-	-	-
IERS pool	PKR	Monthly	100%	-	-	-	-	-

1.3 MATURITY PROFILE OF FUNDS

Maturity profile of funds mobilised under various modes:

Rs in '000			2016									
Type	Currency	Mode	Upto 1 month	Over 1 month upto 3 month	Over 3 month upto 6 month	Over 6 month upto 1 year	Over 1 year upto 2 years	Over 2 years upto 3 years	Over 3 years upto 5 years	Over 5 years upto 10 years	Over 10 years	Total
Fixed deposit account	PKR	Mudaraba	1,834,461	889,974	840,325	1,776,046	80,923	26,100	43,905	-	-	5,491,734
Savings account	PKR	Mudaraba	1,896,032	343,645	-	-	3,359,517	3,359,517	4,031,420	2,053,322	2,053,322	17,096,775
Savings account	USD	Mudaraba	29,277	5,306	-	-	51,872	51,872	62,247	31,704	31,704	263,982
Mudaraba funds from HO	PKR	Mudaraba	-	-	-	-	-	-	-	-	-	-
Interbank borrowing	PKR	Musharka	1,800,000	-	-	-	-	-	-	-	-	1,800,000
IERS borrowing from SBP	PKR	Musharka	157,178	-	60,822	-	-	-	-	-	-	218,000
			5,716,948	1,238,925	901,147	1,776,046	3,492,312	3,437,489	4,137,572	2,085,026	2,085,026	24,870,491

Rs in '000			2015									
Type	Currency	Mode	Upto 1 month	Over 1 month upto 3 month	Over 3 month upto 6 month	Over 6 month upto 1 year	Over 1 year upto 2 years	Over 2 years upto 3 years	Over 3 years upto 5 years	Over 5 years upto 10 years	Over 10 years	Total
Fixed deposit account	PKR	Mudaraba	1,361,876	641,650	1,095,138	1,897,039	64,143	68,045	64,760	-	-	5,192,651
Savings account	PKR	Mudaraba	1,364,796	247,362	-	-	2,418,240	2,418,240	2,901,887	1,478,019	1,478,019	12,306,563
Savings account	USD	Mudaraba	25,015	4,533	-	-	44,318	44,318	53,183	27,087	27,087	225,541
Mudaraba funds from HO	PKR	Mudaraba	2,000,000	-	-	-	-	-	-	-	-	2,000,000
Interbank borrowing	PKR	Musharka	500,000	-	-	-	-	-	-	-	-	500,000
IERS borrowing from SBP	PKR	Musharka	-	-	306,529	-	-	-	-	-	-	306,529
			5,251,687	893,545	1,401,667	1,897,039	2,526,701	2,530,603	3,019,830	1,505,106	1,505,106	20,531,284

ANNEXURE-2

ISLAMIC BANKING BUSINESS - NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

1.4 CLASS OF ASSETS BY SOURCES OF FINANCING

Rupees in '000	2016	2015
Jointly financed by the Bank and PLS deposit account holders:		
Murabaha	4,286,523	5,157,382
Ijarah	3,162,621	2,611,136
Diminishing Musharaka	8,607,906	6,747,726
Salam	1,664,736	4,038,669
Musharaka	4,055,450	350,000
Istisna	1,582,536	923,731
Receivables against Sale of Salam / Istisna Inventory	1,482,300	–
Balances with other & Treasury Banks	4,169,042	3,256,456
Sukuk	4,623,346	1,476,667
Bai Muajjal-GOP	–	4,606,797
Bai Muajjal-Other Financial Institutions	2,330,023	–
	35,964,483	29,168,564

1.5 SECTORS OF ECONOMY USED FOR DEPLOYMENT OF MUDARBA BASED PKR DEPOSITS ALONG WITH EQUITY

	2016		2015	
	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / agribusiness	–	–	933,768	3.40
Automobiles & allied	47,125	0.14	69,930	0.25
Cables / electronics	2,224	0.01	–	–
Cement	113,393	0.35	74,322	0.27
Chemicals / pharmaceuticals	544,441	1.66	210,000	0.76
Engineering	9,801	0.03	–	–
Fertilizers	350,000	1.07	–	–
Food and allied	2,021,866	6.16	413,906	1.51
Fuel / energy	842,056	2.56	3,148,701	11.46
Ghee and edible oil	291,188	0.89	174,267	0.63
GOP Ijarah Sukuk (airport & highway land)	4,240,012	12.91	1,150,000	4.19
Individuals	2,388,465	7.27	1,616,632	5.88
Investment banks / scheduled banks	4,329,309	13.18	1,964,057	7.15
Leather products and shoes	124,498	0.38	–	–
Plastic products	333,869	1.02	115,972	0.42
Production and transmission of energy	2,520,176	7.67	–	–
Real estate / construction	73,755	0.22	710,455	2.59
Rice processing and trading	264,774	0.81	–	–
Services (other than financial, hotelling & traveling)	149,261	0.45	200,352	0.73
Sugar	2,371,342	7.22	3,129,970	11.39
Textile	3,427,905	10.44	2,970,261	10.81
Transport and communication	899,895	2.74	686,781	2.50
Public sector / Government	6,524,443	19.85	4,144,854	15.09
GOP Bai Muajjal	–	–	4,606,797	16.77
Others	977,157	2.97	1,150,384	4.20
	32,846,955	100.00	27,471,409	100.00

1.6 SECTORS OF ECONOMY USED FOR DEPLOYMENT OF MUDARBA BASED USD DEPOSITS ALONG WITH EQUITY

	2016		2015	
	USD in '000	Percent	USD in '000	Percent
Ghee and edible oil	1,422	30.26	795	19.49
Investment banks / scheduled banks	2,999	63.82	3,047	74.70
Public sector / Government	278	5.92	237	5.81
	4,699	100.00	4,079	100.00

CONSOLIDATED FINANCIAL STATEMENTS OF

ASKARI BANK LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2016



A·F·FERGUSON&Co.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Askari Bank Limited (the Bank) and its subsidiary companies as at December 31, 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof (hereinafter referred to as the 'consolidated financial statements') for the year then ended. These financial statements include unaudited certified returns from the branches, except for twenty six branches which have been audited by us and one branch audited by auditors abroad. We have also expressed separate opinions on the financial statements of Askari Bank Limited and its subsidiary companies Askari Investment Management Limited and Askari Securities (Pvt) Limited.

These consolidated financial statements are the responsibility of Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Bank and its subsidiary companies as at December 31, 2016 and the results of their operations for the year then ended.

Chartered Accountants
Islamabad
Engagement partner: S. Haider Abbas
Date: February 28, 2017

*A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PWC network
PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan
Tel: +92 (51) 2273457-60 / 2604934-37; Fax: +92 (51) 2277924; <www.pwc.com/pk>*

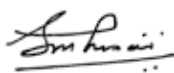
•KARACHI.LAHORE.ISLAMABAD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

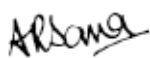
AS AT DECEMBER 31, 2016

Rupees in '000	Note	2016	2015
Assets			
Cash and balances with treasury banks	6	42,568,141	29,685,228
Balances with other banks	7	5,845,748	8,358,930
Lendings to financial institutions	8	6,836,584	812,898
Investments	9	295,846,254	268,048,928
Advances	10	235,163,922	199,936,549
Operating fixed assets	11	11,019,555	9,278,150
Other assets	12	21,596,324	20,068,057
		618,876,528	536,188,740
Assets attributable to discontinued operations	13	796,570	–
		619,673,098	536,188,740
Liabilities			
Bills payable	14	8,579,809	6,094,885
Borrowings	15	89,261,788	57,323,250
Deposits and other accounts	16	472,803,094	433,130,465
Sub-ordinated loans	17	4,994,800	4,996,800
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities	18	526,430	71,590
Other liabilities	19	10,386,352	7,497,960
		586,552,273	509,114,950
Liabilities associated with discontinued operations	13	267,254	–
		586,819,527	509,114,950
Net assets		32,853,571	27,073,790
Represented by			
Share capital	20	12,602,602	12,602,602
Reserves		8,855,953	6,445,888
Unappropriated profit		4,090,445	2,948,581
		25,549,000	21,997,071
Non-controlling interest		37,908	35,580
		25,586,908	22,032,651
Surplus on revaluation of assets - net of tax			
Continued operations	21	7,219,456	5,041,139
Discontinued operations		47,207	–
		32,853,571	27,073,790
Contingencies and commitments	22		

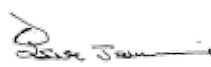
The annexed notes 1 to 45 form an integral part of these consolidated financial statements.



Syed M. Husaini
President & Chief Executive



Asif Reza Sana
Director



Qaiser Javed
Director

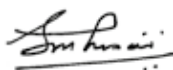


Lt Gen (R) Khalid Nawaz Khan
Chairman

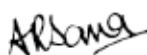
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	Note	2016	2015
Mark-up / return / interest earned	25	35,512,309	36,592,093
Mark-up / return / interest expensed	26	20,496,316	21,688,045
Net mark-up / interest income		15,015,993	14,904,048
Provision / (reversal) against non-performing loans and advances - net	10.4	(729,441)	315,840
Impairment loss on available for sale investments		22,565	217,243
Provision for diminution in the value of investments - net	9.2.1	48,052	345,969
Bad debts written off directly		–	–
		(658,824)	879,052
Net mark-up / interest income after provisions		15,674,817	14,024,996
Non mark-up / interest income			
Fee, commission and brokerage income		2,155,856	1,732,140
Dividend income		304,850	302,721
Income from dealing in foreign currencies		639,827	834,956
Gain on sale of securities - net	27	3,526,687	3,098,415
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net		–	–
Other income	28	479,102	573,477
Total non-markup / interest income		7,106,322	6,541,709
		22,781,139	20,566,705
Non mark-up / interest expenses			
Administrative expenses	29	14,073,084	12,009,457
Other provisions / write offs		3,260	49,671
Other charges	30	221,535	216,639
Total non-markup / interest expenses		14,297,879	12,275,767
		8,483,260	8,290,938
Extraordinary / unusual items		–	–
Profit before taxation			
		8,483,260	8,290,938
Taxation – current		(2,129,263)	(2,329,796)
– prior years'		(266,425)	(416,000)
– deferred		(860,625)	(642,481)
	31	(3,256,313)	(3,388,277)
Profit after taxation - continued operations			
		5,226,947	4,902,661
Profit after taxation - discontinued operations	13	4,362	41,326
		5,231,309	4,943,987
Attributable to:			
Equity holders of the Bank		5,228,775	4,940,255
Non-controlling interest		2,534	3,732
		5,231,309	4,943,987

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.



Syed M. Husaini
President & Chief Executive



Asif Reza Sana
Director



Qaiser Javed
Director



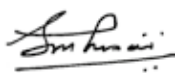
Lt Gen (R) Khalid Nawaz Khan
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

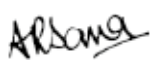
FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	2016	2015
Profit after taxation	5,231,309	4,943,987
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Exchange difference on translation of net investment in Wholesale Bank Branch	(7,318)	11,503
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plan	(142,003)	(17,171)
Related tax on remeasurement of defined benefit plan	49,701	6,010
Remeasurement of defined benefit plan - net of tax	(92,302)	(11,161)
Remeasurement of defined benefit plan - (discontinued operators) - net of tax	(2,107)	446
Comprehensive income transferred to statement of changes in equity	5,129,582	4,944,775
Components of comprehensive income not reflected in equity		
Surplus on revaluation of assets - net of tax		
Continued operations	2,178,317	623,567
Discontinued operations	47,207	-
	2,225,524	623,567
Total comprehensive income for the year	7,355,106	5,568,342
Total comprehensive income attributable to:		
Equity holders of the Bank	7,340,504	5,564,789
Non-controlling interest	14,602	3,553
	7,355,106	5,568,342
Total comprehensive income arises from:		
Continued operations	7,305,644	5,526,570
Discontinued operations	49,462	41,772
	7,355,106	5,568,342

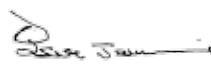
The annexed notes 1 to 45 form an integral part of these consolidated financial statements.



Syed M. Husaini
President & Chief Executive



Asif Reza Sana
Director



Qaiser Javed
Director



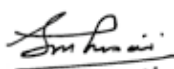
Lt Gen (R) Khalid Nawaz Khan
Chairman

CONSOLIDATED CASH FLOW STATEMENT

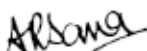
FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	Note	2016	2015
Cash flow from operating activities			
Profit before taxation		8,483,260	8,290,938
Less: dividend income		(304,850)	(302,721)
		8,178,410	7,988,217
Adjustments:			
Depreciation / amortization		1,013,547	864,179
(Reversal of provision) / provision against non-performing loans and advances - net		(729,441)	315,840
Impairment loss on available for sale investments		22,565	217,243
Provision for diminution in the value of investments - net		48,052	345,969
Gain on sale of asset held for sale		–	(67,587)
Reversal of provision against operating fixed assets		(9,842)	(238)
Provision against other assets		12,306	51,905
Unrealised loss on revaluation of investments classified as held for trading - net		–	–
Charge for defined benefit plan		326,801	307,334
Gain on sale of operating fixed assets		(6,484)	(7,841)
		677,504	2,026,804
		8,855,914	10,015,021
(Increase) / decrease in operating assets			
Lendings to financial institutions		(6,023,686)	1,187,102
Held for trading securities		245,405	(41,235)
Advances		(34,394,238)	(29,305,283)
Other assets (excluding advance taxation)		527,382	36,388
		(39,645,137)	(28,123,028)
Increase / (decrease) in operating liabilities			
Bills payable		2,484,924	(760,135)
Borrowings		31,938,538	43,581,220
Deposits		39,672,629	45,595,592
Other liabilities		2,405,386	(291,251)
		76,501,477	88,125,426
Discontinued operations		(87,999)	22,446
Cash generated from operations		45,624,255	70,039,865
Payment made to defined benefit plan		–	(203,541)
Income tax paid		(2,931,144)	(2,382,892)
Net cash flow from operating activities		42,693,111	67,453,432
Cash flow from investing activities			
Net investments in available for sale securities		(33,356,084)	(44,074,172)
Net investments in held to maturity securities		4,154,456	(6,322,982)
Sale proceeds of asset held for sale		–	269,169
Dividend income		289,272	292,964
Investments in operating fixed assets - net of adjustment		(1,493,330)	(1,765,809)
Sale proceeds of operating fixed assets disposed off		22,543	18,190
Discontinued operations		(369,796)	(35,852)
Net cash used in investing activities		(30,752,939)	(51,618,492)
Cash flow from financing activities			
Payments of sub-ordinated loans - net		(2,000)	(2,996,000)
Dividend paid		(1,561,123)	(2,485,279)
Net cash used in financing activities		(1,563,123)	(5,481,279)
Exchange difference on translation of net investment in Wholesale Bank Branch		(7,318)	11,503
Increase in cash and cash equivalents		10,369,731	10,365,164
Cash and cash equivalents at beginning of the year		38,044,158	27,678,994
Cash and cash equivalents at end of the year	32	48,413,889	38,044,158

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.



Syed M. Husaini
President & Chief Executive



Asif Reza Sana
Director



Qaiser Javed
Director



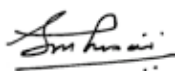
Lt Gen (R) Khalid Nawaz Khan
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

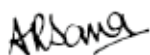
FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Revenue Reserves		Sub-total	Non-controlling interest	Total
					General reserve	Un-appropriated profit / (loss)			
Balance as at January 1, 2015	12,602,602	89,326	234,669	4,702,503	(202,760)	2,150,029	19,576,369	32,027	19,608,396
Total comprehensive income for the year ended December 31, 2015									
Net profit for the year ended December 31, 2015	-	-	-	-	-	4,940,255	4,940,255	3,732	4,943,987
Other comprehensive income related to equity	-	11,503	-	-	-	(10,536)	967	(179)	788
Transfer to:									
Statutory reserve	-	-	-	1,008,684	-	(1,008,684)	-	-	-
General reserve	-	-	-	-	1,862,223	(1,862,223)	-	-	-
	-	-	-	1,008,684	1,862,223	(2,870,907)	-	-	-
Transaction with owners, recorded directly in equity									
Final dividend 2014: Re. 1.00 per share	-	-	-	-	(1,260,260)	-	(1,260,260)	-	(1,260,260)
Interim dividend 2015: Re. 1.00 per share	-	-	-	-	-	(1,260,260)	(1,260,260)	-	(1,260,260)
Balance as at January 1, 2016	12,602,602	100,829	234,669	5,711,187	399,203	2,948,581	21,997,071	35,580	22,032,651
Total comprehensive income for the year ended December 31, 2016									
Net profit for the year ended December 31, 2016	-	-	-	-	-	5,228,775	5,228,775	2,534	5,231,309
Other comprehensive income related to equity	-	(7,318)	-	-	-	(94,203)	(101,521)	(206)	(101,727)
Transfer to:									
Statutory reserve	-	-	-	1,044,127	-	(1,044,127)	-	-	-
General reserve	-	-	-	-	2,948,581	(2,948,581)	-	-	-
	-	-	-	1,044,127	2,948,581	(3,992,708)	-	-	-
Transaction with owners, recorded directly in equity									
Final dividend 2015: Rs. 1.25 per share	-	-	-	-	(1,575,325)	-	(1,575,325)	-	(1,575,325)
Balance as at December 31, 2016	12,602,602	93,511	234,669	6,755,314	1,772,459	4,090,445	25,549,000	37,908	25,586,908

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.



Syed M. Husaini
President & Chief Executive



Asif Reza Sana
Director



Kaiser Javed
Director



Lt Gen (R) Khalid Nawaz Khan
Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. STATUS AND NATURE OF BUSINESS

- 1.1 The Group consists of Askari Bank Limited, the holding company, Askari Investment Management Limited (AIML), a wholly owned subsidiary company and Askari Securities Limited (ASL), a partly owned subsidiary company. The financial statements of AIML and ASL have been consolidated based on their audited financial statements for the year ended December 31, 2016.
- 1.2 Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Pakistan Stock Exchange. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent shares of the Bank as on December 31, 2016. The ultimate parent of the Bank is Fauji Foundation. The Bank has 501 branches (2015: 424 branches); 500 in Pakistan and Azad Jammu and Kashmir, including 91 (2015: 75) Islamic Banking branches, 35 (2015: 32) sub-branches and a Wholesale Bank Branch in the Kingdom of Bahrain.
- 1.3 AIML was incorporated in Pakistan on May 30, 2005 as a public limited company. AIML is a Non Banking Finance Company (NBFC), under license by the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management and investment advisory services under the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC & NE Regulations). The license was obtained on September 21, 2005. AIML is a wholly owned subsidiary of the Bank with its registered office in Karachi. AIML obtained its certificate of commencement of business on September 22, 2005.
- 1.4 ASL was incorporated in Pakistan on October 1, 1999 under the Companies Ordinance, 1984 as a public limited company. The Bank holds 74% Ordinary Shares of ASL. The principal activity includes share brokerage, investment advisory and consultancy services. The registered office of ASL is situated in Islamabad.

2. BASIS OF PRESENTATION

- 2.1 These consolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006.
- 2.2 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. One permissible form of trade related mode of financing comprises of purchase of goods by the Group from its customers and resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.
- 2.3 The financial results of the Islamic banking branches have been consolidated in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key figures of the Islamic banking branches are disclosed in Annexure - 2 to unconsolidated financial statements.
- 2.4 Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pak. Rupee, which is the Group's functional and presentation currency. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

3. STATEMENT OF COMPLIANCE

- 3.1 These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and directives issued by the SBP. In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 and the directives issued by the SBP shall prevail.

International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", International Accounting Standard 40, "Investment Property" and International Financial Reporting Standard 7, "Financial Instruments: Disclosure" are not applicable to banking companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements. Accordingly, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

The Securities and Exchange Commission of Pakistan vide SRO 56(1)/2016 dated January 28, 2016 has relaxed the requirement of consolidation under IFRS 10, "Consolidated Financial Statements" for companies having investment in mutual funds established under trust structure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3.2 STANDARDS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

- a) The following amendments to published accounting standards were effective during the year and have been adopted by the Group:

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments)	January 1, 2016
IFRS 11	Joint Arrangements (Amendments)	January 1, 2016
IAS 1	Presentation of financial statements (Amendments)	January 1, 2016
IAS 16	Property, plant and equipment (Amendments)	January 1, 2016
IAS 19	Employee Benefits (Amendments)	January 1, 2016
IAS 27	Separate financial statements (Amendments)	January 1, 2016
IAS 38	Intangible assets (Amendments)	January 1, 2016

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

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

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

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 1	First-time Adoption of International Financial Reporting Standards (Amendments)	January 1, 2018
IFRS 2	Share-based payment (Amendments)	January 1, 2018
IFRS 4	Insurance Contracts	January 1, 2018
IFRS 7	Financial Instruments (Amendments)	January 1, 2018
IFRS 12	Disclosure of Interests in Other Entities (Amendments)	January 1, 2017
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases (Amendments)	January 1, 2019
IAS 12	Income taxes (Amendments)	January 1, 2017
IAS 39	Financial Instruments: Recognition and Measurement (Amendments)	January 1, 2018
IAS 40	Investment property (Amendments)	July 1, 2018

The management anticipates that adoption of above standards and amendments in future periods will have no material impact on the Group's financial statements other than in presentation / disclosure.

4. BASIS OF MEASUREMENT

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

USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

significant to the financial statements are as follows:

- i) classification of investments (note 5.6)
- ii) provision against investments (note 5.6), advances (note 5.7), operating fixed assets (note 5.8) and other assets (note 5.9)
- iii) valuation and impairment of available for sale securities (note 5.6)
- iv) useful life of property and equipments, intangible assets and revaluation of land (note 5.8)
- v) taxation (note 5.11)
- vi) staff retirement benefits (note 5.13)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 ASSETS HELD FOR SALE

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

5.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies, AIML with 100% holding (2015: 100%) and ASL with 74% holding (2015: 74%) collectively referred to as "the Group".

During the year, the Board of Directors of the Bank has approved disposal of above referred subsidiary companies of the Bank. As per the decision of the Board of Directors, the Bank is required to purchase remaining 26% of shares in ASL and then sell 100% shares of ASL. Pursuant to the decision of the Board of Directors, the process for disposal has been initiated by the Bank and is expected to be completed during 2017. Accordingly, carrying amount of this investment has been reclassified from investments to assets held for sale.

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

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

Material intra-group balances and transactions have been eliminated.

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

5.3 CASH AND CASH EQUIVALENTS

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

5.4 SALE AND REPURCHASE AGREEMENTS

Securities sold under repurchase agreement (repo) are retained in the consolidated financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is recognised as mark-up / return expensed and earned on a time proportion basis as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

5.5 BAI MUAJJAL RECEIVABLE FROM OTHER FINANCIAL INSTITUTIONS

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

5.6 INVESTMENTS

Investments are classified as follows:

HELD FOR TRADING

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss

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account in accordance with the requirements prescribed by the SBP through various circulars.

AVAILABLE FOR SALE

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the SBP's BSD Circular No. 20 dated August 04, 2000 and BPRD Circular 06 dated June 26, 2014, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is taken through "Statement of Comprehensive Income" and is shown below the shareholders' equity in the consolidated statement of financial position.

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

Where the decline in prices of available for sale equity securities is significant and prolonged, it is considered impaired and included in profit and loss account. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by the SBP.

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

HELD TO MATURITY

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost less impairment, determined in accordance with the requirements of Prudential Regulations issued by the SBP.

All purchases and sale of investment that require delivery within the time frame established by regulations or market convention are recognized at the trade date, which is the date the Group commits to purchase or sell the investments.

5.7 ADVANCES

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the SBP from time to time. In addition, a general provision is maintained for advances other than consumer and small entities advances as per details given in note 10.4.3. General and specific provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries.

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

Ijarahs booked under IFAS - 2 are stated at cost less accumulated depreciation and impairment if any, and are shown under advances.

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

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

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

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

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

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

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

5.8 CAPITAL WORK-IN-PROGRESS, OPERATING FIXED ASSETS AND DEPRECIATION

CAPITAL WORK-IN-PROGRESS

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

TANGIBLE ASSETS

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold / leasehold land. Land is carried at revalued amounts which is not depreciated.

Land is revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited / (debited) to the surplus on revaluation of assets account and is shown below the shareholders' equity in the consolidated statement of financial position. Except to the extent actually realised on disposal of land which are revalued, the surplus on revaluation of land shall not be applied to set-off or reduce any deficit or loss, whether past, current or future, or in any manner applied, adjusted or treated so as to add to the income, profit or surplus of the Group or utilized directly or indirectly by way of dividend or bonus.

INTANGIBLE ASSETS

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

Trading Right Entitlement Certificates (TREC) has indefinite useful life and accordingly is not amortized however tested for impairment only. Impairment loss is recognized in profit and loss account.

DEPRECIATION / AMORTIZATION

Depreciation / amortization is computed over the estimated useful lives of the related assets at the rates set out in note 11.2 and 11.3 respectively on monthly basis. The cost of assets is depreciated / amortized on the diminishing balance method, except for vehicles, carpets, renovations, other assets and intangibles which are depreciated / amortized on a straight line basis. Depreciation / amortization is charged for the full month of purchase / acquisition / availability for use of an asset while no depreciation / amortization is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to the consolidated profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the consolidated profit and loss account.

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

ASSETS SUBJECT TO FINANCE LEASE

Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of the assets and the present value of minimum lease payments. Finance charge is allocated to the accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on the basis similar to that of the owned assets.

5.9 IMPAIRMENT

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

5.10 DEPOSITS

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

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

5.11 TAXATION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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CURRENT

Provision for current tax is the expected tax payable on the taxable profit for the year using tax rates applicable at the date of consolidated statement of financial position and any adjustment to tax payable for previous years.

DEFERRED

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

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

5.12 NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS

To comply with the requirements of the 'Regulations for Debt Property Swap' (the Regulations) issued by SBP vide BPRD Circular No. 1 of 2016 dated January 1, 2016, the Group has changed its accounting policy effective January 1, 2016 for recording of non-banking assets acquired in satisfaction of claims. In accordance with the Regulations, the non-banking assets acquired in satisfaction of claims are now being carried at revalued amounts. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of such properties is credited to the 'surplus on revaluation of non-banking assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and are not capitalised. Previously, non-banking assets acquired in satisfaction of claims were carried at cost including attached costs less impairment, if any. Had the accounting policy not been changed, non-banking assets acquired in satisfaction of claims (included in other assets in the consolidated statement of financial position) and surplus on revaluation of these assets would have been lower by Rs. 1,617,860 thousand.

5.13 STAFF RETIREMENT BENEFITS

DEFINED BENEFIT PLAN

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

DEFINED CONTRIBUTION PLAN

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

AIML operates a funded staff provident fund scheme as a defined contribution plan for all eligible employees. Equal monthly contributions are made by AIML and the staff at the rate of 10% of the basic salary.

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

COMPENSATED ABSENCES

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

5.14 REVENUE RECOGNITION

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

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

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

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

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

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

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

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

Revenue on Salam finance is recognized at the time of sale of Al-Muslam Fihi (Salam Goods).

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

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

5.15 FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

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

FOREIGN OPERATION

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

TRANSLATION GAINS AND LOSSES

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

COMMITMENTS

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

5.16 PROVISIONS

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

5.17 OFF-SETTING

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

5.18 FINANCIAL ASSETS AND LIABILITIES

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

5.19 DERIVATIVE FINANCIAL INSTRUMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5.20 APPROPRIATIONS SUBSEQUENT TO DATE OF UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

5.21 SEGMENT REPORTING

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

5.21.1 BUSINESS SEGMENT

CORPORATE FINANCE

Corporate financing includes corporate and investment banking activities such as mergers and acquisition, underwriting, privatization, securitisation, IPO's related activities and secondary private placements.

TRADING AND SALES

Trading and sales includes the Group's treasury and money market activities.

RETAIL BANKING

Retail banking segment provides services to small borrowers and include loans, deposits and other transactions with retail customers and credit card business.

COMMERCIAL BANKING

Commercial banking segment provides services related to project finance, export finance, trade finance, leasing, lending, guarantees, bills of exchange and deposits from corporate customers.

PAYMENT AND SETTLEMENT

Payment and settlement includes income from payments and collections, funds transfer, clearing and settlement.

AGENCY SERVICES

Agency services include income from rent of lockers provided to customers.

RETAILS BROKERAGE

Retail brokerage provides share brokerage, share trading and corporate advisory services.

ASSET MANAGEMENT

Asset management segment represents wealth management, cash management and fund management services.

5.21.2 GEOGRAPHICAL SEGMENTS

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

Rupees in '000	Note	2016	2015
6. CASH AND BALANCES WITH TREASURY BANKS			
IN HAND:			
Local currency		7,070,754	6,336,493
Foreign currencies		731,479	1,423,204
		7,802,233	7,759,697
NATIONAL PRIZE BONDS		14,463	4,344
WITH THE STATE BANK OF PAKISTAN IN:			
Local currency current accounts	6.1	25,219,764	12,622,867
Foreign currency current account	6.1	2,246,172	2,271,811
Foreign currency deposit account	6.2	5,735,677	5,660,221
		33,201,613	20,554,899
WITH NATIONAL BANK OF PAKISTAN IN:			
Local currency current accounts		1,549,832	1,366,288
		42,568,141	29,685,228

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

6.2 This represents special cash reserve maintained with the SBP and carries mark-up at the rate of 0.00% (2015: 0.00%) per annum.

Rupees in '000	Note	2016	2015
7. BALANCES WITH OTHER BANKS			
IN PAKISTAN			
On current accounts		165,727	193,887
On deposit accounts	7.1	2,293,217	2,235,530
		2,458,944	2,429,417
OUTSIDE PAKISTAN			
On current accounts		1,586,734	1,277,860
On deposit accounts	7.2	1,800,070	4,651,653
		3,386,804	5,929,513
		5,845,748	8,358,930

7.1 These represent placements with local banks, carrying interest rates ranging from 0.10% to 5.80% (2015: 0.25% to 6.15%) per annum.

7.2 These represent placements with international correspondent banks, carrying interest rates upto 0.66% (2015: upto 0.36%) per annum.

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Rupees in '000	Note	2016	2015
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings	8.1	3,992,000	289,193
Purchase under resale arrangement of equity securities		148,606	148,606
		4,140,606	437,799
Bai Muajjal receivable from other financial institutions	8.2	2,330,023	–
Funded trade finance		514,561	523,705
		6,985,190	961,504
Provision against purchase under resale arrangement of equity securities		(148,606)	(148,606)
		6,836,584	812,898

8.1 These are secured against underlying Government Securities, the differential between the contracted rate and resale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at the rate of 5.95% to 6.10% (2015: 6.45%) per annum and maturities of upto 1 month (2015: 2 months).

8.2 These are unsecured and carry return of 5.55% to 5.70% per annum (2015: Nil) and having maturity upto 3 months (2015: Nil).

Rupees in '000	Note	2016	2015
8.3 PARTICULARS OF LENDING			
In local currency		6,470,629	437,799
In foreign currencies		514,561	523,705
		6,985,190	961,504

8.4 SECURITIES HELD AS COLLATERAL AGAINST LENDINGS TO FINANCIAL INSTITUTIONS

	2016			2015		
	Held by the Group	Further given as collateral	Total	Held by the Group	Further given as collateral	Total
Market Treasury Bills	–	–	–	289,193	–	289,193
Pakistan Investment Bonds	3,992,000	–	3,992,000	–	–	–
	3,992,000	–	3,992,000	289,193	–	289,193

Market value of securities held as collateral is Rs. 4,355,193 thousand (2015: Rs. 290,021 thousand).

9. INVESTMENTS

Rupees in '000	Note	2016			2015		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
9.1 INVESTMENTS BY TYPES:							
Held for trading securities							
Fully paid ordinary shares		–	–	–	42	–	42
Units of open end mutual funds	9.4	–	–	–	246,263	–	246,263
		–	–	–	246,305	–	246,305
Available for sale securities							
Market Treasury Bills	9.13	49,646,772	57,836,770	107,483,542	100,118,219	3,841,766	103,959,985
Pakistan Investment Bonds	9.13	146,624,821	14,696,132	161,320,953	97,233,634	41,976,443	139,210,077
Fully paid ordinary shares / units		4,154,102	–	4,154,102	2,856,476	–	2,856,476
Units of open end mutual funds	9.4	1,782,635	–	1,782,635	1,783,068	–	1,783,068
Fully paid preference shares	9.6	50,100	–	50,100	150,100	–	150,100
Term Finance Certificates	9.7	4,525,616	–	4,525,616	4,681,860	–	4,681,860
Sukuk Certificates	9.8	9,933,974	–	9,933,974	2,544,682	–	2,544,682
Government of Pakistan Euro Bonds	9.9	642,971	–	642,971	1,374,126	–	1,374,126
		217,360,991	72,532,902	289,893,893	210,742,165	45,818,209	256,560,374
Held to maturity securities							
Government of Pakistan Euro Bonds	9.2.4	2,690,386	–	2,690,386	2,420,797	–	2,420,797
Sukuk Certificates	9.10	935,709	–	935,709	5,359,754	–	5,359,754
		3,626,095	–	3,626,095	7,780,551	–	7,780,551
Investments at cost		220,987,086	72,532,902	293,519,988	218,769,021	45,818,209	264,587,230
Provision for diminution in value of investments	9.2.1	(1,933,928)	–	(1,933,928)	(1,885,876)	–	(1,885,876)
Investments (net of provisions)		219,053,158	72,532,902	291,586,060	216,883,145	45,818,209	262,701,354
Unrealised loss on revaluation of held for trading securities - net		–	–	–	(900)	–	(900)
Surplus on revaluation of available for sale securities - net		4,380,259	(120,065)	4,260,194	4,408,601	939,873	5,348,474
Total investments		223,433,417	72,412,837	295,846,254	221,290,846	46,758,082	268,048,928

Market value of held to maturity securities as at December 31, 2016 is Rs. 3,734,451 thousand (2015: Rs. 7,823,875 thousand).

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Rupees in '000	Note	2016	2015
9.2 INVESTMENTS BY SEGMENTS:			
Federal Government Securities	9.2.3		
Market Treasury Bills		107,483,542	103,959,985
Pakistan Investment Bonds		161,320,953	139,210,077
Government of Pakistan Euro Bonds	9.2.4	3,333,357	3,794,923
Sukuk Certificates		9,534,906	7,239,120
		281,672,758	254,204,105
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	4,148,422	2,850,838
Unlisted companies	9.5	5,680	5,680
		4,154,102	2,856,518
Units of open end mutual funds	9.4	1,782,635	2,029,331
Fully paid preference shares	9.6		
Listed companies		25,100	25,100
Unlisted companies		25,000	125,000
		50,100	150,100
Term Finance Certificates	9.7		
Listed Term Finance Certificates		1,140,700	1,661,047
Unlisted Term Finance Certificates		3,384,916	3,020,813
		4,525,616	4,681,860
Other investments			
Sukuk Certificates		1,334,777	665,316
Total investment at cost		293,519,988	264,587,230
Provision for diminution in value of investments	9.2.1	(1,933,928)	(1,885,876)
Investments (net of provisions)		291,586,060	262,701,354
Less: Unrealised loss on revaluation of held for trading securities - net	9.12	–	(900)
Surplus on revaluation of available for sale securities - net		4,260,194	5,348,474
Total investments		295,846,254	268,048,928
9.2.1 PARTICULARS OF PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS			
Opening balance		1,885,876	1,539,907
Charge for the year		130,741	380,578
Reversal during the year		(82,689)	(34,609)
		48,052	345,969
Closing balance		1,933,928	1,885,876
9.2.2 PARTICULARS OF PROVISION IN RESPECT OF TYPE AND SEGMENT			
Available for sale securities			
Fully paid up ordinary shares - unlisted		5,680	5,680
Preference shares - unlisted		25,000	25,000
Term finance certificates		1,324,582	1,245,236
Sukuk certificates		468,666	499,960
Held to maturity securities			
Sukuk certificates		110,000	110,000
		1,933,928	1,885,876

9.2.3 PRINCIPAL TERMS OF INVESTMENTS IN FEDERAL GOVERNMENT SECURITIES

Name of investment	Maturity	Principal Payment	Rate (p.a)	Coupon Payment
Market Treasury Bills	January 2017 to August 2017	On maturity	5.80% to 6.28%	at maturity
Pakistan Investment Bonds	July 2017 to April 2026	On maturity	5.87% to 14.08%	semi-annually
Government of Pakistan Euro Bonds	June 2017 to April 2024	On maturity	6.88% to 8.25%	semi-annually
Sukuk Certificates				
- Neelum Jhelum Hydropower Company (Pvt) Limited - Type A	June 29, 2026	semi-annually	Six month KIBOR plus 1.13%	semi-annually
- Neelum Jhelum Hydropower Company (Pvt) Limited - Type B	June 29, 2026	semi-annually	Six month KIBOR plus 1.13%	semi-annually
- Pakistan Domestic Sukuk Company Limited	June 25, 2017	On maturity	Weighted average yield of 6 months market treasury bills minus 200 BPS	semi-annually
- Pakistan Domestic Sukuk Company Limited	February 15, 2019	On maturity	6.10%	semi-annually
- Pakistan Domestic Sukuk Company Limited	March 29, 2019	On maturity	5.59%	semi-annually
- Pakistan International Sukuk Company Limited	December 03, 2019	On maturity	6.75%	semi-annually
- Pakistan International Sukuk Company Limited	October 13, 2021	On maturity	5.50%	semi-annually
- WAPDA	July 13, 2017	semi-annually	6 months KIBOR minus 0.25%	semi-annually
- Pakistan International Sukuk Company Limited	December 03, 2019	On maturity	6.75%	semi-annually

9.2.4 Government of Pakistan Euro Bonds represent investments by Wholesale Bank Branch, Bahrain carrying mark-up at 6.80% and 8.25% and having maturities upto April 2024.

9.3 INVESTMENTS IN LISTED COMPANIES SHARES / UNITS

No. of ordinary shares / units		Average cost per share / unit	Name of companies / mutual funds	2016	2015
2016	2015	2016		Rupees in '000	
		Rupees			
-	1,116,500	-	Adamjee Insurance Company Limited	-	59,719
16,512,142	14,490,076	9.90	Agritech Limited	163,401	115,196
-	600,000	-	Allied Bank Limited	-	63,498
200,000	160,800	530.21	Attock Petroleum Limited	106,041	82,979
-	200	-	Attock Refinery Limited	-	42
414,800	-	250.14	AKZO Nobel Pak Limited	103,759	-
919,000	-	46.07	Arif Habib Corporation Limited	42,337	-
1,000,000	-	51.70	Al Shaheer Corporation Limited	51,697	-
1,650,000	-	62.60	Amreli Steel Limited	103,292	-
86,500	-	940.09	Abbot Laboratories (Pak) Limited	81,318	-
-	2,600,000	-	Bank Alfalah Limited	-	80,347
3,000,000	-	17.72	Bank of Punjab Limited	53,173	-
407,500	-	200.48	Berger Paints Pakistan Limited	81,695	-
1,191,500	1,191,500	60.31	Century Paper And Board Mills Limited	71,865	71,865
-	1,010,000	-	Cherat Cement Company Limited	-	88,245
618,200	-	157.14	Crescent Steel & Allied	97,142	-
26,700	-	211.20	D. G. Khan Cement Company Limited	5,639	-
38,498,000	9,090,000	10.94	Dolmen City REIT	421,305	99,990
167,100	-	141.07	EFU General Insurance Limited	23,573	-
437,300	200,000	309.87	Engro Corporation Limited	135,508	60,176
2,700,000	685,500	71.48	Engro Fertilizer Limited	193,000	61,292
2,237,500	2,007,500	39.01	Fatima Fertilizer Co. Limited	87,284	97,408
399,500	400,000	221.88	GlaxoSmithKline (Pak) Limited	88,639	88,354
-	1,054,500	-	Gul Ahmad Textile Mills Limited	-	47,246
100,000	-	117.03	Ghani Glass Limited	11,703	-
3,983,000	-	22.07	Ghani Global Glass Limited	87,887	-
120,000	-	-	GlaxoSmithKline Consumer Healthcare Pakistan Limited	-	-
2,350,000	-	117.66	Hub Power Company Limited	276,492	-
2,289,500	2,320,000	35.73	Habib Metropolitan Bank Limited	81,811	82,901
105,800	160,000	514.24	ICI Pakistan Limited	54,407	78,106
-	1,498,000	-	International Steel Limited	-	39,752
-	3,034,603	-	Islamabad Stock Exchange (ISE)	-	4,505
-	4,007,383	-	Karachi Stock Exchange (KSE)	-	40,074
1,000,000	450,000	22.75	Jahangir Siddiqui Co. Limited	22,749	9,394
-	10,000	-	Jubilee Life Insurance Co. Limited	-	5,250
375,000	289,000	118.98	Jubilee General Insurance Co. Limited	44,618	35,080
-	6,000,000	-	K- Electric Limited	-	50,492
2,490,500	572,500	86.21	Kot Addu Power Company Limited	214,711	55,717
2,910,000	3,002,500	30.63	Lalpir Power Limited	89,125	95,506
100,000	144,300	818.52	Lucky Cement Limited	81,852	78,830
457,400	12,000	223.52	MCB Bank Limited	102,239	3,113
-	614,500	-	Meezan Bank Limited	-	30,202
22,400	-	898.68	Millat Tractors Limited	20,131	-
3,700,000	1,550,000	68.52	National Bank of Pakistan	253,538	97,701
3,848,000	925,500	56.45	Nishat Chunian Power Limited	217,224	56,068
500,000	2,490,500	41.45	Nishat (Chunian) Limited	20,726	104,545

9.6 PARTICULARS OF INVESTMENTS HELD IN PREFERENCE SHARES

No. of preference shares		Paid-up value		Investee	Rate	Book Value		Market Value	
2016	2015	per share				2016	2015	2016	2015
		Rupees	%			Rupees in '000		Rupees in '000	
Listed									
10,000,000	10,000,000	10.00	–	Chenab Limited	–	100	100	31,100	18,500
18,322,418	18,322,418	10.00	11% per annum	Agritech Limited	–	–	–	36,645	54,967
2,500,000	2,500,000	10.00	Average of ask side of six months KIBOR plus 2% per annum	Masood Textile Mills Limited	–	25,000	25,000	22,100	25,000
						25,100	25,100	89,845	98,467
Unlisted									
2,500,000	2,500,000	10.00	–	First Dawood Investment Bank Limited	–	25,000	25,000	25,000	25,000
–	40,000,000	2.50	–	Silk Bank Limited	–	–	100,000	–	100,000
						25,000	125,000	25,000	125,000
						50,100	150,100	114,845	223,467

9.7 INVESTMENT IN TERM FINANCE CERTIFICATES

No. of certificates		Company's Name	Redeemable value per certificate	2016	2015
2016	2015			Rupees in '000	
Listed					
Rupees					
91,453	91,453	Bank Alfalah Limited	5,003	457,529	457,931
37,230	37,230	Pace Pakistan Limited	4,994	185,927	185,927
47,200	47,200	NIB Bank Limited	4,995	235,764	235,858
–	1,000	Pakistan Mobile Communication Limited	–	–	20,000
–	100,000	Engro Fertilizer Limited	–	–	500,000
133,023	133,023	Worldcall Telecom Limited	1,966	261,480	261,331
Book value as on December 31				1,140,700	1,661,047
Unlisted					
140,000	140,000	Agritech Limited (Chief Executive: Mr. Faisal Muzammil)	4,996	699,389	699,389
86,000	86,000	Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	1,678	144,317	177,990
3,700	3,700	Bunny's Limited (Chief Executive: Mr. Haroon Shafique Chaudhary)	236	874	9,320
54,000	–	Bank Al-Habib Limited (Chief Executive: Mr. Mansoor Ali Khan)	4,999	269,946	–
200,000	–	NRSP Microfinance Bank Limited (Chief Executive: Mr. Zahoor Hussain Khan)	3,750	750,000	–
10,077	10,077	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	3,321	33,470	41,870
–	20,000	Pak Libya Holding Company (Private) Limited	–	–	16,653
–	60,000	Pakistan Mobile Communication Limited	–	–	70,588
349,960	349,960	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Bernd Hildenbrand)	4,062	1,421,712	1,749,800
–	200	Pak Electron Limited - Commercial Paper	–	–	189,957
13,000	13,000	Standard Chartered Bank Limited (Chief Executive: Mr. Shazad Dada)	5,016	65,208	65,246
Book value as on December 31				3,384,916	3,020,813
				4,525,616	4,681,860

Investment in term finance certificates carry coupon rate ranging from 6.80% to 11.72% (2015: 7.26% to 11.72%) per annum and having remaining maturity periods of upto 10 years (2015: upto 7 years).

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9.8 SUKUK CERTIFICATES - AVAILABLE FOR SALE

Name of Investee	Rate (p.a)	Maturity	2016	2015
Rupees in '000				
Agritech Limited	Average of offer side of 6 month KIBOR plus 2%	August 6, 2019	299,963	299,963
Fatima Fertilizer Company Limited	6 month KIBOR plus 1.10%	November 28, 2021	350,000	–
Fatima Fertilizer Company Limited	6 month KIBOR plus 1.10%	November 30, 2021	350,000	–
Neelum Jhelum Hydropower Company (Pvt) Limited - Type A	6 month KIBOR plus 1.13%	June 29, 2026	1,650,000	–
Neelum Jhelum Hydropower Company (Pvt) Limited - Type B	6 month KIBOR plus 1.13%	June 29, 2026	1,925,000	–
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75%	September 28, 2016	–	5,357
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills minus 200bps	June 25, 2017	1,150,000	1,150,000
Pakistan Domestic Sukuk Company Limited	6.10%	February 15, 2019	1,580,574	–
Pakistan Domestic Sukuk Company Limited	5.59%	March 29, 2019	1,509,437	–
Pakistan International Sukuk Company Limited	6.75%	December 03, 2019	371,807	839,366
Pakistan International Sukuk Company Limited	5.50%	October 13, 2021	522,379	–
Shahraj Fabric Limited	Average of offer side of 6 month KIBOR plus 2.1%	December 31, 2012	150,000	150,000
Sitara Peroxide Limited	Average of offer side of 1 month KIBOR plus 1.0%	February 19, 2020	74,814	99,996
			9,933,974	2,544,682

9.9 Government of Pakistan Euro Bonds represent investments by Wholesale Bank Branch, Bahrain carrying mark-up at 6.88% to 8.25% and having maturities upto April 2024.

9.10 SUKUK CERTIFICATES - HELD TO MATURITY

Name of Investee	Rate (p.a)	Maturity	2016	2015
Rupees in '000				
Arzoo Textile Limited	Average of offer side of 6 month KIBOR plus 2% (for 1-2 years), 1.75% (for 3-6 years)	April 14, 2014	110,000	110,000
WAPDA	Average of offer side of 6 month KIBOR minus 0.25%	July 13, 2017	33,333	66,667
GOP Ijara Sukuk - Bai Muajjal	6%	November 17, 2016	–	3,596,432
GOP Ijara Sukuk - Bai Muajjal	5.99%	November 17, 2016	–	1,010,365
Pakistan International Sukuk Company Limited	6.75%	December 3, 2019	792,376	576,290
			935,709	5,359,754

9.11 QUALITY OF AVAILABLE FOR SALE SECURITIES

Rupees in '000	Note	2016		2015	
		Market Value	Rating	Market Value	Rating
Local securities					
Market Treasury Bills	9.11.1	107,500,862	unrated	104,037,305	unrated
Pakistan Investment Bonds	9.11.1	165,063,124	unrated	144,466,164	unrated
Fully paid-up ordinary shares / units	9.11.3				
Adamjee Insurance Company Limited		–	–	63,093	AA
Agritech Limited		209,374	D	135,410	D
Allied Bank Limited		–	–	56,556	AA+
Attock Petroleum Limited		136,924	–	81,223	–
Abbot Laboratories (Pakistan) Limited		82,788	unrated	–	–
AKZO Nobel Pakistan Limited		97,071	unrated	–	–
Al Shaheer Corporation Limited		57,400	unrated	–	–
Amreli Steel Limited		109,874	unrated	–	–
Arif Habib Corporation Limited		40,436	unrated	–	–
Bank Alfalah Limited		–	–	74,932	AA
Bank of Punjab Limited		52,950	AA	–	–
Berger Paints Pakistan Limited		75,921	–	–	–
Century Paper and Board Mills		73,933	A+	60,993	A+
Cherat Cement Company Limited		–	–	91,082	unrated
Crescent Steel & Allied		95,314	–	–	–
DG Khan Cement Company		5,920	–	–	–
Dolmen City REIT		418,473	RR1	97,536	–
EFU General Insurance Limited		25,232	AA+	–	–
Engro Corporation Limited		138,226	AA-	55,878	AA-
Engro Fertilizer Limited		183,546	AA-	57,671	–
Fatima Fertilizer Co. Limited		82,541	AA-	89,796	AA-
GlaxoSmithKline (Pak) Limited		93,203	–	88,008	–
GlaxoSmithKline Consumer HealthCare Pakistan Limited		1,200	–	–	–
Gul Ahmed Textile Mills Limited		–	–	38,215	–
Ghani Glass Limited		14,800	–	–	–
Ghani Global Glass Limited		93,362	–	–	–
Hub Power Company Limited		290,179	AA+	–	–
Habib Metropolitan Bank Limited		84,712	–	70,690	–
Islamabad Stock Exchange		–	–	4,505	–
International Steel Limited		–	–	36,566	unrated
ICI Pakistan Limited		105,137	–	77,443	–
Jahangir Siddiqui Co. Limited		25,390	AA	9,423	AA
Jubilee Life Insurance Co. Limited		–	–	5,040	AA+
Jubilee General Insurance Co. Limited		40,687	AA+	29,767	AA+
K- Electric Limited		–	–	44,640	AA
Karachi Stock Exchange		–	–	40,074	–
Kot Addu Power Company Limited		196,251	AA+	46,373	AA+
Lalpir Power Limited		70,422	AA	89,294	AA
Lucky Cement Limited		86,626	–	71,434	–
Millat Tractors Limited		20,264	–	–	–
MCB Bank Limited		108,779	AAA	2,602	AAA
Meezan Bank Limited		–	–	28,113	AA
National Bank of Pakistan		277,094	AAA	83,762	AAA
Nishat Chunian Power Limited		213,487	–	50,949	A+
Nishat (Chunian) Limited		31,215	–	84,677	A-
National Foods Limited		13,875	AA-	–	–
Nishat Mills Limited		8,679	AA	–	–
Oil and Gas Development Company Limited		–	–	46,936	AAA
Pakgen Power Limited		86,199	AA	94,176	AA
Pakistan Re-Insurance Company Limited		103,850	AA	89,110	–
Pakistan State Oil Company Limited		134,779	AA	88,316	AA

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Rupees in '000	Note	2016		2015	
		Market Value	Rating	Market Value	Rating
Pakistan Telecommunication Company Limited		53,421	–	47,623	unrated
PICIC Growth Fund		69,220	–	33,795	–
PICIC Investment Fund		63,968	–	52,601	unrated
Pioneer Cement Limited		–	–	81,774	–
Packages Limited		36,850	AA	23,284	AA
Pakistan International Bulk Terminal Limited		–	–	47,269	–
Pak Electron Limited		71,280	A+	56,286	A
Sui Northern Gas Company Limited		–	–	76,171	AA-
Sui Southern Gas Company Limited		–	–	63,495	AA-
Shell Pakistan Limited		–	–	26,521	–
Searl Pakistan Limited		407	–	–	–
TRG Pakistan Limited		44,260	–	25,416	–
Thal Limited		12,713	–	53,199	–
Fully paid preference shares					
Agritech Limited		36,645	unrated	54,967	unrated
Chenab Limited		31,100	unrated	15,300	unrated
Masood Textile Mills Limited		22,100	unrated	25,000	unrated
First Dawood Investment Bank Limited		25,000	–	25,000	–
Silk Bank Limited		–	–	100,000	A-
Units of open end mutual funds					
Askari High Yield Scheme		1,214,244	A	1,243,778	A
Askari Asset Allocation Fund		135,996	2-Star	119,526	3-Star
Askari Islamic Asset Allocation Fund		70,654	1-Star	58,038	2-Star
Askari Islamic Income Fund		164,749	A+	165,465	AA-
Askari Sovereign Yield Enhancer Fund		102,864	A+	106,717	AA-
Askari Equity Fund		70,367	3-Star	55,560	unrated
Askari Sovereign Cash Fund		119,004	AA+	120,004	AAA
NAMCO Balance Fund		–	–	941	unrated
NIT Islamic Equity Fund		64,183	–	49,325	–
Term Finance Certificates					
Agritech Limited		699,389	D	699,389	D
Azgard Nine Limited		144,317	D	177,990	D
Bank Alfalah Limited		468,629	AA-	465,144	AA-
Bunny's Limited		874	unrated	9,320	unrated
Bank Al Habib Limited		273,162	AA	–	–
Engro Fertilizer Limited		–	–	457,795	AA-
NIB Bank Limited		238,441	A+	233,500	A+
NRSP Microfinance Bank (Pvt) Limited		752,478	A	–	–
Pace Pakistan Limited		185,927	D	185,927	D
Pak Hy Oils Limited		33,470	D	41,870	unrated
Pak Libya Holding Company (Private) Limited		–	–	16,617	AA
Pakistan International Airlines Corporation Limited	9.11.1	1,421,712	unrated	1,749,800	unrated
Pakistan Mobile Communication Limited		–	–	90,985	AA-
Pak Electron Limited		–	–	189,957	A-
Standard Chartered Bank		65,260	AAA	65,100	AAA
World Call Telecom Limited		261,481	D	261,481	D
Sukuk Certificates	9.11.2	9,979,524	unrated	2,555,467	unrated
Foreign securities					
Government of Pakistan Euro Bonds	9.11.1	664,619	unrated	1,388,019	unrated
		294,148,407		261,903,168	

- 9.11.1 These are Government of Pakistan guaranteed securities.
- 9.11.2 These include Government of Pakistan guaranteed Sukuk Certificates of Rs. 9,534,906 thousand (2015: Rs. 2,000,151 thousand).
- 9.11.3 Ratings for these equity securities / units represent 'Entity Ratings'.
- 9.11.4 Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR-VIS Credit Rating Company Limited (JCR-VIS), whereas foreign securities and certain local securities are unrated. These ratings reflect independent credit risk assessment by respective credit rating entities.

Rupees in '000	2016	2015
9.12 UNREALIZED (LOSS) / GAIN ON REVALUATION OF INVESTMENTS CLASSIFIED AS HELD FOR TRADING		
Fully paid ordinary shares / units	–	(900)

- 9.13 Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with the SBP.
- 9.14 Investments include Rs. 1,984,359 thousand (2015: Rs. 2,060,887 thousand) which have been placed under non-performing status and the Group maintains provision of Rs. 1,928,248 thousand (2015: Rs. 1,880,196 thousand) against non performing investments.
- 9.15 The Group has availed the relaxation of Rs. 22,565 thousand (2015: Rs. Nil) allowed by the SBP against booking of impairment loss as required under para No. 4(a) of Regulation R-8 of Prudential Regulations.

Rupees in '000	Note	2016	2015
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		216,085,202	190,578,408
Outside Pakistan		3,345,613	3,573,890
		219,430,815	194,152,298
Islamic financing and related assets- note A - 1 of Annexure 2		25,994,787	21,119,200
Net investment in lease finance - In Pakistan	10.2	8,138,098	4,488,060
Bills discounted and purchased			
Payable in Pakistan		3,797,182	2,979,217
Payable outside Pakistan		4,762,374	5,679,960
		8,559,556	8,659,177
Advances - gross		262,123,256	228,418,735
Provision against non-performing advances	10.4		
Specific provision		(26,353,791)	(28,048,973)
General provision		(236,944)	(196,941)
General provision against consumer financing		(368,599)	(236,272)
		(26,959,334)	(28,482,186)
Advances - net of provision		235,163,922	199,936,549
10.1 PARTICULARS OF ADVANCES (GROSS)			
10.1.1 In local currency		251,909,942	219,560,838
In foreign currencies		10,213,314	8,857,897
		262,123,256	228,418,735
10.1.2 Short term (for upto one year)		153,595,266	156,276,736
Long term (for over one year)		108,527,990	72,141,999
		262,123,256	228,418,735

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10.2 NET INVESTMENT IN LEASE FINANCE – IN PAKISTAN

Rupees in '000	2016				2015			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Lease rentals receivable	2,714,842	3,625,963	42,224	6,383,029	1,797,421	1,604,253	16,933	3,418,607
Residual value	535,057	1,908,756	79,443	2,523,256	525,005	894,299	25,732	1,445,036
Minimum lease payments	3,249,899	5,534,719	121,667	8,906,285	2,322,426	2,498,552	42,665	4,863,643
Finance charges for future periods	(347,174)	(418,837)	(2,176)	(768,187)	(167,628)	(206,710)	(1,245)	(375,583)
Present value of minimum lease payments	2,902,725	5,115,882	119,491	8,138,098	2,154,798	2,291,842	41,420	4,488,060

10.3 Advances include Rs. 28,534,630 thousand (2015: Rs. 31,483,717 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2016								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially									
Mentioned - note 10.3.1	224,002	–	224,002	–	–	–	–	–	–
Substandard	215,562	–	215,562	31,481	–	31,481	31,481	–	31,481
Doubtful	576,104	–	576,104	216,967	–	216,967	216,967	–	216,967
Loss	27,518,962	–	27,518,962	26,105,343	–	26,105,343	26,105,343	–	26,105,343
	28,534,630	–	28,534,630	26,353,791	–	26,353,791	26,353,791	–	26,353,791
	Rupees in '000								
	2015								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially									
Mentioned - note 10.3.1	313,822	–	313,822	–	–	–	–	–	–
Substandard	1,202,328	–	1,202,328	199,079	–	199,079	199,079	–	199,079
Doubtful	596,758	–	596,758	86,097	–	86,097	86,097	–	86,097
Loss	29,370,809	–	29,370,809	27,763,797	–	27,763,797	27,763,797	–	27,763,797
	31,483,717	–	31,483,717	28,048,973	–	28,048,973	28,048,973	–	28,048,973

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

10.4 PARTICULARS OF PROVISION AGAINST NON-PERFORMING ADVANCES

Rupees in '000	Note	2016				2015			
		Specific	General (note 10.4.3)	Consumer financing – General	Total	Specific	General (note 10.4.3)	Consumer financing – General	Total
Opening balance		28,048,973	196,941	236,272	28,482,186	27,801,250	177,555	190,260	28,169,065
Charge for the year		1,198,881	56,299	147,073	1,402,253	1,790,206	34,687	49,966	1,874,859
Reversal for the year		(2,100,652)	(16,296)	(14,746)	(2,131,694)	(1,539,764)	(15,301)	(3,954)	(1,559,019)
Net (reversal) / charge for the year		(901,771)	40,003	132,327	(729,441)	250,442	19,386	46,012	315,840
Amounts written off	10.6	(234)	–	–	(234)	(2,719)	–	–	(2,719)
Amounts charged off- agri loans	10.7	(793,177)	–	–	(793,177)	–	–	–	–
Closing balance		26,353,791	236,944	368,599	26,959,334	28,048,973	196,941	236,272	28,482,186

10.4.1 The net FSV benefit already availed has been reduced by Rs. 415,069 thousand, which has resulted in increased charge for specific provision for the year by the same amount. Had the FSV benefit not reduced, before and after tax profit for the year would have been higher by Rs. 415,069 thousand (2015: Rs. 415,970 thousand) and Rs. 269,795 thousand (2015: Rs. 270,381 thousand) respectively. Further, at December 31, 2016, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 912,077 thousand (December 31, 2015: Rs. 1,181,873 thousand) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and un-appropriated profit to that extent are not available for distribution by way of cash or stock dividend.

10.4.2 The Group has availed the relaxation of Rs. 102,460 thousand (2015: Rs. 102,567 thousand) allowed by the SBP for maintaining provisions as per time based criteria of prudential regulations.

10.4.3 Provision against non-performing advances includes provision of Rs. 20,737 thousand (2015: Rs. 10,959 thousand) maintained against Secured Small Entities Finances. Further, the general provision is maintained at the rate of 0.1% on advances other than non-performing advances and consumer / small entities financing.

10.5 PARTICULARS OF PROVISION AGAINST NON-PERFORMING ADVANCES

Rupees in '000	2016				2015			
	Specific	General	Consumer financing – General	Total	Specific	General	Consumer financing – General	Total
In local currency	25,823,336	236,944	368,599	26,428,879	27,518,113	196,941	236,272	27,951,326
In foreign currencies	530,455	–	–	530,455	530,860	–	–	530,860
	26,353,791	236,944	368,599	26,959,334	28,048,973	196,941	236,272	28,482,186

Rupees in '000	2016	2015
10.6 PARTICULARS OF WRITE-OFFS:		
10.6.1 Against provisions	234	2,719
Directly charged to profit and loss account	–	–
	234	2,719
10.6.2 Write offs of Rs. 500,000 and above	–	2,413
Write offs of below Rs. 500,000	234	306
	234	2,719

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- 10.6.3 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 Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2016 is given at Annexure - 1 to the unconsolidated financial statements.
- 10.7 This represents agriculture loans charged off as per time based criteria prescribed by the State Bank of Pakistan in Annexure II of Regulation R - 11 of Prudential Regulations for Agriculture Financing.

Rupees in '000	Note	2016	2015
10.8 PARTICULARS OF LOANS AND ADVANCES TO DIRECTORS, ASSOCIATED COMPANIES ETC.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		2,696,930	2,426,961
Loans granted during the year		1,401,081	1,588,761
Repayments		(1,124,328)	(1,318,792)
Balance at end of year		2,973,683	2,696,930
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		5,617,466	3,092,645
Loans granted during the year		99,257,484	69,894,512
Repayments		(99,549,491)	(67,369,691)
Balance at end of year		5,325,459	5,617,466
		8,299,142	8,314,396
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	281,271	318,840
Property and equipment	11.2	9,851,669	8,008,159
Intangibles	11.3	922,212	996,590
		11,055,152	9,323,589
Provision against operating fixed assets		(35,597)	(45,439)
		11,019,555	9,278,150

- 11.1 This represents advances to suppliers and contractors.

11.2 PROPERTY AND EQUIPMENT

Rupees in '000	2016									
	COST / REVALUED AMOUNT				DEPRECIATION				Book value as at December 31 2016	Annual rate of depreciation %
	as at January 1, 2016	Additions / revaluation	Adjustments	Deletions / transfers	as at December 31, 2016	as at January 1, 2016	Charge for the year	on (deletions) / adjustments		
Land - freehold - note 11.4	2,445,595	463,417	-	-	2,909,012	-	-	-	2,909,012	-
Land - leasehold - note 11.4	1,076,293	804,422	-	-	1,880,715	-	-	-	1,880,715	-
Buildings on freehold land	870,064	17,187	-	-	887,251	343,845	27,420	-	371,265	5
Buildings on leasehold land	903,510	-	-	-	901,110	336,067	27,637	-	363,216	5
Renovation of premises	2,711,948	507,527	(2,400)	(3,370)	3,190,332	1,902,492	264,448	(2,122)	2,153,660	20
Furniture, fixtures and office equipment	944,550	187,732	(1)	(10,831)	1,100,889	365,662	64,173	(5,953)	411,532	10
Carpets	42,945	10,742	(20,425)	(136)	51,488	24,607	7,045	(12,350)	30,408	20
Machine and equipments	2,342,533	416,761	(643)	(48,412)	2,710,384	1,256,383	238,965	(39,965)	1,454,163	20
Computer equipments	2,431,284	281,648	(15)	(8,417)	2,656,190	1,593,881	181,309	(7,939)	1,730,087	20
Vehicles	175,813	40,228	(19,473)	(11,609)	202,366	113,439	21,755	(11,609)	123,830	20
Other assets	45,100	96	(2,031)	(35)	45,196	45,100	3	245	45,103	20
	13,989,635	2,729,760	(70,380)	(84,991)	16,534,933	5,981,476	832,755	(68,932)	6,683,264	9,851,669
Operating lease - vehicles	1,834	-	-	-	1,834	1,834	-	(62,035)	1,834	-
Assets held under finance lease	13,991,469	2,729,760	(70,380)	(114,082)	16,536,767	5,983,310	832,755	(130,967)	6,685,098	9,851,669
Vehicles	-	-	-	-	-	-	-	-	-	-
	13,991,469	2,729,760	(70,380)	(114,082)	16,536,767	5,983,310	832,755	(130,967)	6,685,098	9,851,669

Rupees in '000	2015									
	COST / REVALUED AMOUNT				DEPRECIATION				Book value as at December 31 2015	Annual rate of depreciation %
	as at January 1, 2015	Additions	Adjustments	Deletions / transfers	as at December 31, 2015	as at January 1, 2015	Charge for the year	on (deletions) / adjustments		
Land - freehold - note 11.4	2,445,595	-	-	-	2,445,595	-	-	-	2,445,595	-
Land - leasehold - note 11.4	1,076,293	-	-	-	1,076,293	-	-	-	1,076,293	-
Buildings on freehold land	870,064	-	-	-	870,064	316,717	27,128	-	343,845	5
Buildings on leasehold land	903,510	-	-	-	903,510	306,907	29,841	-	336,067	5
Renovation of premises	2,019,722	707,481	-	(15,255)	2,711,948	1,709,991	207,554	(15,097)	1,902,492	10 - 20
Furniture, fixtures and office equipment	725,530	226,955	93	(8,028)	944,550	319,039	51,191	(4,533)	365,662	10 - 33
Carpets	39,384	6,565	-	(3,004)	42,945	21,139	5,640	(35)	24,607	20
Machine and equipments	1,744,145	625,542	(1,339)	(25,815)	2,342,533	1,084,540	192,568	(20,033)	1,256,383	20
Computer equipments	2,145,117	287,352	202	(1,367)	2,431,284	1,426,136	168,889	(692)	1,593,881	20 - 33
Vehicles	149,673	44,003	74	(17,937)	175,813	114,371	16,944	(1,330)	113,439	20
Other assets	45,100	-	-	-	45,100	45,100	-	16	45,100	20
	12,164,133	1,897,898	(970)	(71,406)	13,989,635	5,343,940	699,755	(61,057)	5,981,476	8,008,159
Operating lease - vehicles	1,834	-	-	-	1,834	1,834	-	(1,162)	1,834	-
Assets held under finance lease	12,165,967	1,897,898	(970)	(71,426)	13,991,469	5,345,774	699,755	(62,219)	5,983,310	8,008,159
Vehicles	571	-	-	-	571	571	-	-	571	-
	12,166,538	1,897,898	(970)	(71,426)	13,992,040	5,346,345	699,755	(62,219)	5,983,881	8,008,159

11.2.1 Cost of fully depreciated property and equipment still in use amounts to Rs. 1,727,049 thousand (2015: Rs. 1,779,957 thousand).

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11.3 INTANGIBLES

Rupees in '000	2016										Annual rate of Amortization %
	COST				AMORTIZATION				Book value	Annual rate of	
	as at January 1, 2016	Additions	Adjustments	Deletions / transfers	as at December 31, 2016	as at January 1, 2016	Charge for the year	on (deletions) / adjustments	as at December 31 2016	as at December 31 2016	
Software	1,839,064	123,155	(5)	-	1,968,448	857,400	180,792	-	1,046,236	922,212	10
Trading Right Entitlement Certificates	12,426	-	(12,426)	-	-	-	-	-	-	-	-
Exchanges membership cards	2,500	-	(2,500)	-	-	-	-	-	-	-	-
	1,853,990	123,155	(32,351)	-	1,968,448	857,400	180,792	-	1,046,236	922,212	
				23,654				8,044			

Rupees in '000	2015										Annual rate of Amortization %
	COST				AMORTIZATION				Book value	Annual rate of	
	as at January 1, 2015	Additions	Adjustments	Deletions / transfers	as at December 31, 2015	as at January 1, 2015	Charge for the year	on (deletions) / adjustments	as at December 31 2015	as at December 31 2015	
Software	1,789,044	50,000	-	-	1,839,064	681,581	175,812	-	857,400	981,664	10 - 25
Trading Right Entitlement Certificates	12,426	-	-	-	12,426	-	-	-	-	12,426	
Exchanges membership cards	2,500	-	-	-	2,500	-	-	-	-	2,500	
	1,803,970	50,000	-	-	1,853,990	681,581	175,812	-	857,400	996,590	
				20				7			

11.3.1 Cost of fully amortized intangible assets still in use amounts to Rs. 43,305 thousand (2015: Rs. 42,243 thousand).

11.4 The Group's freehold and leasehold land was revalued by the valuers approved by the Pakistan Banks Association on December 31, 2016 on the basis of their professional assessment of present market value. The amount of revaluation surplus after valuation on land is Rs. 2,832,470 thousand. The information relating to location of revalued land is as follows:

City	Revalued Amount Rupees in '000	Name of Valuers
Karachi	1,003,587	Sadrudin Associates
Lahore	1,559,232	-do-
Islamabad	273,332	-do-
Rawalpindi	1,418,560	-do-
Peshawar	14,736	-do-
Quetta	520,280	-do-
	4,789,727	

Had the land not been revalued, the carrying amount of land as at December 31, 2016 would have been Rs. 1,957,257 thousand.

11.5 DETAIL OF DISPOSALS OF OPERATING FIXED ASSETS

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees in '000						
MACHINE AND EQUIPMENT						
Air Conditioner	6,229	6,193	36	36	Tender	M/s GM Enterprises
Generator	2,569	2,144	425	565	Negotiation	Army Welfare Trust
Passenger Lift	2,212	73	2,139	2,213	Tender	Owner NPT Building
Generator	2,015	1,614	401	533	Negotiation	Army Welfare Trust
Air Conditioner	1,883	1,859	24	23	Tender	M/s GM Enterprises
Generator	1,491	1,491	–	190	Tender	Shaqurri & Sons
Generator	1,484	1,210	274	213	Tender	HA Trader
Generator	1,163	992	171	210	Tender	M/s Wariach Power
Generator	1,099	1,029	70	200	Tender	Tanveer Scrap Dealer
Generator	1,095	933	162	130	Tender	Shaqurri & Sons
Generator	1,043	905	138	160	Tender	NK Engineering
Air Conditioner	1,029	909	120	–	Tender	M/s GM Enterprises
Air Conditioner	1,025	866	159	123	Tender	M/s Techono Reg
Generator	1,000	757	243	323	Negotiation	Army Welfare Trust
VEHICLES						
Toyota Land Cruiser	3,860	3,860	–	3,565	Auction	Ali Nawaz
Toyota Parado	3,420	3,420	–	3,529	Auction	Muhammad Arif
Honda Civic	1,465	1,465	–	1,001	Auction	Malik Adnan
RENOVATION						
Renovations	3,370	2,122	1,248	51	Write off	
	37,452	31,842	5,610	13,065		
Other assets having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000 other than assets sold to Group's executives / related parties	47,539	37,090	10,449	9,478		
2016	84,991	68,932	16,059	22,543		
2015	71,406	61,057	10,349	18,318		

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Rupees in '000	Note	2016	2015
12. OTHER ASSETS			
Income / mark-up accrued in local currency	12.1	10,121,951	10,500,851
Income / mark-up accrued in foreign currencies		280,405	271,337
Advances, deposits, advance rent and other prepayments		1,111,261	974,263
Advance taxation (payments less provisions)		4,817,715	4,282,259
Non banking assets acquired in satisfaction of claims	12.2	4,938,757	3,424,591
Un-realised gain on forward foreign exchange contracts - net		—	30,257
Suspense account		52,716	67,100
Stationary and stamps in hand		61,262	45,209
Dividend receivable		96,431	80,853
Others		363,982	693,402
		21,844,480	20,370,122
Provision against other assets	12.3	(248,156)	(302,065)
Other assets - net of provision		21,596,324	20,068,057

12.1 This balance is net of interest in suspense amounting to Rs. 11,183,774 thousand (2015: Rs. 11,528,478 thousand).

12.2 Carrying amount includes surplus on revaluation amounting to Rs. 1,617,860 thousand (2015: Rs. Nil).

Rupees in '000	2016	2015
12.3 PROVISION AGAINST OTHER ASSETS		
Opening balance	302,065	265,836
Provision recognised during the year	14,731	51,905
Recovery / written off during the year	(68,640)	(15,676)
Closing balance	248,156	302,065

13. DISCONTINUED OPERATIONS

As explained in note 5.2, the Bank has classified its investment in AIML and ASL as held for sale. Consequently, assets and liabilities of AIML and ASL have been classified as assets and liabilities attributable to discontinued operations.

Amounts appearing in consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and related notes have been re-presented for the year ended December 31, 2015.

13.1 An analysis of the assets and liabilities attributable to discontinued operations at the balance sheet date is as follows:

Rupees in '000	2016
13.1.1 ASSETS ATTRIBUTABLE TO DISCONTINUED OPERATIONS:	
Cash and balances with treasury banks	—
Balances with other banks	151,394
Lendings to financial institutions	—
Investments	387,960
Advances	6,634
Operating fixed assets	42,748
Deferred tax assets	8,354
Other assets	199,480
	796,570
LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS:	
Bills payable	—
Borrowings	—
Deposits and other accounts	—
Sub-ordinated loans	—
Liabilities against assets subject to finance lease	—
Other liabilities	267,254
	267,254
	529,316

Rupees in '000	2016	2015
13.1.2 FINANCIAL PERFORMANCE		
Mark-up / return / interest earned	12	1,796
Mark-up / return / interest expensed	–	–
Net mark-up / interest income	12	1,796
Provision / (reversal) against non-performing loans and advances - net	–	–
Impairment loss on available for sale investments	–	–
Provision for diminution in the value of investments - net	–	–
Bad debts written off directly	–	–
Net mark-up / interest income after provisions	12	1,796
Non mark-up / interest income		
Fee, commission and brokerage income	188,504	204,431
Dividend income	11,804	5,549
Income from dealing in foreign currencies	–	–
Gain on sale of securities - net	18,161	21,419
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net	278	(900)
Other income	2,976	7,888
Total non-markup / interest income	221,723	238,387
Non mark-up / interest expenses		
Administrative expenses	192,368	193,277
Other provisions / write offs	–	–
Other charges	442	752
Total non-markup / interest expenses	192,810	194,029
Extra ordinary / unusual items	–	–
Profit before taxation	28,925	46,154
Taxation – current	(18,236)	(10,917)
– prior years'	–	532
– deferred	(6,327)	5,557
	(24,563)	(4,828)
Profit after taxation	4,362	41,326
13.1.3 OTHER COMPREHENSIVE INCOME		
Profit after tax	4,362	41,326
Remeasurement of defined benefit plan - net of tax	(2,107)	446
Surplus on revaluation of assets - net of tax	47,207	–
Total comprehensive income	49,462	41,772
13.1.4 CASH FLOW INFORMATION		
Net cash flows from operating activities	(87,999)	22,446
Net cash flows from investing activities	(369,796)	(35,852)
Net cash flows from financing activities	–	–
14. BILLS PAYABLE		
In Pakistan	8,579,809	6,094,885
15. BORROWINGS		
In Pakistan	88,975,683	57,316,223
Outside Pakistan	286,105	7,027
	89,261,788	57,323,250

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Rupees in '000	Note	2016	2015
15.1	PARTICULARS OF BORROWINGS WITH RESPECT TO CURRENCIES		
In local currency		88,975,683	57,316,223
In foreign currencies		286,105	7,027
		89,261,788	57,323,250
15.2	DETAILS OF BORROWINGS - SECURED / UNSECURED		
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	15.2.1	9,712,571	9,314,529
Long term financing of export oriented projects		–	7,386
Long term financing facility	15.2.2	3,165,516	1,005,047
Financing facility for storage of agricultural produce	15.2.3	12,500	–
		12,890,587	10,326,962
Repo borrowings			
State Bank of Pakistan	15.2.4	67,078,365	42,646,764
Financial institutions	15.2.5	6,211,169	3,842,399
		73,289,534	46,489,163
Unsecured			
Call borrowings	15.2.6	2,795,562	500,000
Overdrawn balance with other banks		–	98
		2,795,562	500,098
		88,975,683	57,316,223
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		286,105	7,027
		89,261,788	57,323,250

- 15.2.1** This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 2.5% to 3% (2015: 2.5% to 4.5%) per annum payable on a quarterly basis.
- 15.2.2** This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 2.0% to 6.0% (2015: 3.0% to 6.0%) per annum payable on a quarterly basis.
- 15.2.3** These are secured against pledge of Government Securities and carry markup of 3.25% per annum and have maturities upto October 2020.
- 15.2.4** These are secured against pledge of Government Securities and carry markup of 5.87% (2015: 6.16%) per annum and have maturities upto 1 month (2015: 1 month).
- 15.2.5** These are secured against pledge of Government Securities and carry markup of 5.50% to 5.84% (2015: 6.0% to 6.35%) per annum and have maturities upto 3 months (2015: 1 month).
- 15.2.6** These carry mark-up rate of 5.00% to 5.60% (2015: 6.05%) per annum and having maturity upto 3 months (2015:1 month).

Rupees in '000	2016	2015
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	87,044,527	87,271,214
Savings deposits	249,391,921	230,855,326
Current accounts - remunerative	753,080	735,829
Current accounts - non-remunerative	125,241,669	105,530,938
Special exporters' account	31,934	59,733
Margin accounts	3,080,895	2,724,193
Others	1,205,111	824,850
Financial institutions		
Remunerative deposits	5,860,112	4,959,028
Non-remunerative deposits	193,845	169,354
	472,803,094	433,130,465

Rupees in '000	2016	2015
16.1 PARTICULARS OF DEPOSITS		
In local currency	433,180,253	395,198,228
In foreign currencies	39,622,841	37,932,237
	472,803,094	433,130,465

Deposits include Rs. 14,026,647 thousand (2015: Rs. 12,293,194 thousand) due to related parties.

Rupees in '000	2016	2015
17. SUB-ORDINATED LOANS		
Term Finance Certificates - IV	998,000	998,400
Term Finance Certificates - V	3,996,800	3,998,400
	4,994,800	4,996,800

17.1 The Group had raised unsecured sub-ordinated loans through issuance of five separate Term Finance Certificates to improve the Group's capital adequacy. The first two issues were fully redeemed in 2013 while the third issue was fully redeemed in 2015. Liability to the TFC holders is subordinated to and rank inferior to all other indebtedness of the Group including deposits and is not redeemable before maturity without prior approval of the SBP. The salient features of outstanding issues are as follows:

	Term Finance Certificates - IV	Term Finance Certificates - V
Outstanding amount - Rupees in '000	998,000	3,996,800
Issue date	December 23, 2011	September 30, 2014
Total issue	Rupees 1,000 million	Rupees 4,000 million
Rating	AA	AA-
Listing	Unlisted	Unlisted
Rate	Payable six monthly - Base Rate plus 1.75% (after 5 years: 2.20%) Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.20% Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Repayment	10 Years	10 Years
Call option	Exercisable after 60 months from the date of issue subject to approval by the SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Redemption	6-96th month: 0.32% 97-120th month: 99.68%	6-108th month: 0.36% 108-120th month: 99.64%

Rupees in '000	2016	2015
18. DEFERRED TAX LIABILITIES		
Deferred (debits) / credits arising due to:		
Accelerated tax depreciation and amortization	537,926	531,967
Unused tax loss	—	(22,639)
Provisions	—	(3,094)
Provision against non-performing advances		
- excess of 1% of total advances	(1,327,402)	(2,181,302)
- classified in sub-standard category	(71,278)	(71,278)
	(860,754)	(1,746,346)
Surplus on revaluation of available for sale securities	1,491,068	1,871,966
Actuarial loss	(103,884)	(54,030)
	526,430	71,590

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Rupees in '000	Note	2016	2015
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		2,569,950	1,628,889
Mark-up / return / interest payable in foreign currencies		100,216	79,794
Unearned income / commission		292,344	308,197
Accrued expenses		1,358,471	1,346,966
Advance payments		245,651	164,333
Security deposit against lease / Ijarah financing		3,444,309	2,032,455
Unclaimed dividends		101,392	87,190
Branch adjustment account		121,306	251,574
Payable to defined benefit plan		384,364	11,566
Payable against purchase of listed shares		10,251	88,816
Un-realised loss on forward foreign exchange contracts - net		82,664	–
Withholding taxes payable		90,815	151,723
Federal excise duty payable		41,404	114,868
Workers' Welfare Fund	19.1	500,766	332,817
Switch fee payable		431,432	343,634
Others		611,017	555,138
		10,386,352	7,497,960

19.1 During the year, the Honourable Supreme Court of Pakistan (SC) vide its order dated November 10, 2016 has held that the amendment made in the law introduced by the Federal Government for the levy of WWF is not lawful.

The Federal Board of Revenue has filed review petition against this order which is currently pending.

Legal advice obtained on the matter indicates that consequent to these review petitions the judgement may not currently be treated as conclusive. Accordingly, the Group maintains its provision in respect of WWF and shall revisit the position on a periodic basis.

20. SHARE CAPITAL

20.1 AUTHORIZED CAPITAL

2016		2015	2016		2015
Number of shares			Rupees in '000		
1,600,000,000	1,600,000,000	Ordinary shares of Rs. 10 each	16,000,000	16,000,000	

20.2 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016		2015	2016		2015
Number of shares			Rupees in '000		
			Ordinary shares of Rs. 10 each:		
514,689,096	514,689,096	Fully paid in cash	5,146,891	5,146,891	
717,297,769	717,297,769	Issued as bonus shares	7,172,978	7,172,978	
28,273,315	28,273,315	Issued on Askari Leasing Limited merger	282,733	282,733	
1,260,260,180	1,260,260,180		12,602,602	12,602,602	

20.3 The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent of ordinary shares of the Bank as on December 31, 2016.

Rupees in '000	2016	2015
21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus / (deficit) on revaluation of:		
Operating fixed assets	2,832,470	1,564,631
Non banking assets acquired in satisfaction of claims	1,617,860	–
Available for sale investments		
i) Federal Government securities	3,826,689	5,358,513
ii) Listed shares	254,555	(108,910)
iii) Units of open end mutual funds	159,426	136,286
iv) Other securities	19,524	(37,415)
	4,260,194	5,348,474
Related deferred tax	(1,491,068)	(1,871,966)
	2,769,126	3,476,508
	7,219,456	5,041,139
22. CONTINGENCIES AND COMMITMENTS		
22.1 DIRECT CREDIT SUBSTITUTES		
i) Others	9,657,366	6,791,143
22.2 TRANSACTION RELATED CONTINGENT LIABILITIES		
Money for which the Group is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	487,585	609,971
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	72,129,895	64,533,613
ii) Banks and other financial institutions	10,650,624	10,575,081
iii) Others	29,125,937	12,944,217
	111,906,456	88,052,911
	112,394,041	88,662,882

These include guarantees amounting to Rs. 1,143,046 thousand (2015: Rs. 1,038,657 thousand) against which the Group is contesting court proceedings and these are not likely to result in any liability against the Group.

Rupees in '000	2016	2015
22.3 TRADE RELATED CONTINGENT LIABILITIES	111,801,548	81,107,284
22.4 OTHER CONTINGENCIES		
22.4.1 These represent certain claims by third parties against the Group, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Group.	790,979	761,459
22.4.2 The Group is contesting a case filed against it and some of its employees in the Sindh High Court for declaration and damages. Based on outside legal advice, the case of declaration is likely to be decided in the Group's favour. However, in case of award of damages, the potential liability of the Group is estimated not to be more than Rs. 100 million.		
22.4.3 ASL has pledged / hypothecated assets worth Rs. 45.22 million (Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited (PSX) at a notional value of Rs. 5 million, assigned sales proceeds of 4,007,383 ordinary shares of PSX with a nominal value of Rs. 39.99 million and cash deposit of Rs. 0.23 million) against the Base Minimum Capital (BMC) requirement of PSX aggregating to Rs. 0.23 million.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Rupees in '000	2016	2015
22.5 COMMITMENTS IN RESPECT OF FORWARD LENDING		
Commitments against "REPO" transactions		
Purchase and resale agreements	4,001,864	292,361
Sale and repurchase agreements	73,375,556	46,551,819
22.6 COMMITMENTS IN RESPECT OF FORWARD EXCHANGE CONTRACTS		
Purchase	20,227,932	26,019,601
Sale	8,010,521	17,473,121
The above commitments have maturities falling within one year.		
22.7 COMMITMENTS FOR THE ACQUISITION OF OPERATING FIXED ASSETS	237,735	200,797
22.8 COMMITMENTS TO EXTEND CREDIT		
The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for	18,532,793	8,789,588
22.9 OTHER COMMITMENTS		
This represents participation in the equity of a Pakistan Mortgage Refinance Company Limited	281,640	300,000
22.10 BILLS FOR COLLECTION		
Payable in Pakistan	1,557,837	2,280,969
Payable outside Pakistan	13,712,443	12,517,571
	15,270,280	14,798,540

Bills for collection represent bills drawn in favour of various financial institutions in Pakistan and abroad on behalf of Group's customers. These are accepted by the Group as an agent and the Group does not carry any credit risk in respect of these bills.

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Group's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in import and export transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the SBP and equity futures. The Group also enters into repo transactions against Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counter parties' intra-day and overnight limits. In addition, these also come under the SBP's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

24. DERIVATIVE INSTRUMENTS

The Group at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Swap, Forward Rate Agreements or Foreign Exchange Options. The Group's Treasury and Investments Banking Group buy and sell derivative instruments such as forward exchange contracts and equity futures, however, do not deal in market making and foreign exchange hedging.

24.1 FORWARD EXCHANGE CONTRACTS

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transacts internationally. The traders use this product to hedge themselves from unfavourable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favourable movements in that currency.

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

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

24.2 EQUITY FUTURES

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

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

The accounting policies used to recognize and disclose derivatives are given in note 5.19.

Rupees in '000	Note	2016	2015
25. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
i) Customers	25.1	15,091,639	15,755,271
ii) Financial institutions		219,989	118,835
		15,311,628	15,874,106
On investments in:			
i) Available for sale securities		19,370,206	19,709,523
ii) Held to maturity securities		473,055	283,433
		19,843,261	19,992,956
On deposits with financial institutions		179,208	326,966
On securities purchased under resale agreements		111,889	245,231
On lendings to financial institutions		66,323	152,834
		35,512,309	36,592,093

25.1 This includes an amount of Rs. 406,579 thousand (2015: Rs. 390,212 thousand) on account of income received from related parties.

Rupees in '000	Note	2016	2015
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	26.1	16,832,449	18,835,009
Securities sold under repurchase agreements		2,862,127	1,784,696
Sub-ordinated loans		382,452	616,965
Call money borrowings		144,063	107,993
Refinance borrowings from SBP		208,941	293,926
Long term finance for export oriented projects from SBP		64,512	46,802
Other short term borrowings		1,772	2,654
		20,496,316	21,688,045

26.1 This includes Rs. 693,444 thousand (2015: Rs. 823,458 thousand) on account of mark-up / interest on deposits of related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Rupees in '000	Note	2016	2015
27. GAIN ON SALE OF SECURITIES - NET			
Federal Government Securities			
Market Treasury Bills		10,071	18,200
Pakistan Investment Bonds		3,094,403	2,520,012
Euro Bonds		43,513	14,409
Sukuk		49,874	–
Shares - listed		282,100	542,094
- unlisted		46,400	–
Term Finance Certificates		–	400
Others		326	3,300
		3,526,687	3,098,415
28. OTHER INCOME			
Rent on property		9,043	5,918
Gain on sale of operating fixed assets		6,484	7,841
Rent of lockers		30,699	27,490
Gain on sale of non-banking asset	28.1	27,145	127,108
Recovery of write / charge off assets		62,144	68,666
Recovery of expenses from customers		343,587	336,454
		479,102	573,477

28.1 GAIN ON SALE OF NON-BANKING ASSET

Name of party	2016				
	Book value	Market value	Cash received	Gain on sale	Mode of disposal
	Rupees '000				
Al-Rehmat Trader	42,534	44,000	68,378	25,844	Buy Back
Shafi Exports	12,199	12,321	13,500	1,301	Buy Back
	54,733	56,321	81,878	27,145	

Rupees in '000	Note	2016	2015
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		7,361,375	6,067,374
Charge for defined benefit plans	29.1	326,801	301,525
Contribution to defined contribution plan	35	235,888	211,315
Non-executive directors' fees, allowances and other expenses		5,812	6,662
Rent, taxes, insurance, electricity, etc.		2,194,975	1,753,154
Legal and professional charges		111,258	100,706
Brokerage and commission		111,491	119,419
Communications		499,562	437,366
Repairs and maintenance		551,113	595,524
Stationery and printing		161,540	158,276
Advertisement and publicity		130,399	84,178
Donations		–	35,000
Auditors' remuneration	29.2	9,665	7,560
Depreciation	11.2	832,755	690,325
Amortization	11.3	180,792	173,854
Travelling and entertainment		180,251	169,497
Fuel and vehicle running expenses		520,722	540,023
Subscriptions		21,378	31,665
Security service charges		516,629	432,141
Staff training expenses		26,318	24,276
Other expenditure		94,360	69,617
		14,073,084	12,009,457

29.1 This includes Rs. 242,361 thousand (2015: Rs. 183,123 thousand) in respect of charge for gratuity fund and Rs. 84,440 thousand (2015: Rs. 118,402 thousand) in respect of charge for leave encashment.

Rupees in '000		2016	2015
29.2	AUDITORS' REMUNERATION		
	Statutory auditors of the Bank		
	Audit fee	3,300	2,800
	Fee for the audit of provident and gratuity funds	220	200
	Special certifications, half year review, audit of consolidated financial statements and sundry advisory services	3,150	2,578
	Out-of-pocket expenses	980	–
		7,650	5,578
	Auditors of Wholesale Bank Branch, Bahrain		
	Audit fee	2,015	1,982
		9,665	7,560
30.	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	51,996	49,639
	Workers' Welfare Fund	169,539	167,000
		221,535	216,639
31.	TAXATION		
	For the year		
	Current	2,129,263	2,329,796
	Deferred	860,625	642,481
	For the prior year(s)		
	Current	266,425	416,000
		3,256,313	3,388,277
31.1	RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT		
	Profit before taxation	8,483,260	8,290,938
	Tax at applicable tax rate of 35 percent (2015: 35 percent)	2,969,141	2,901,828
	Effect of:		
	- charge for prior year	266,425	416,000
	- permanent differences	18,198	17,373
	- others	2,549	53,076
		3,256,313	3,388,277

31.2 TAX STATUS

- i) The Group has filed tax returns for and upto tax year 2016 (year ended 31 December 2015). The assessments for and upto tax year 2015 were amended by the tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income. The matter of provision against doubtful debts has been decided in favour of the Group for and upto tax year 2006 upto the level of Appellate Tribunal Inland Revenue [ATIR] whereas partial relief has been provided by the Commissioner Inland Revenue (Appeals) [CIR(A)] on other matters. The Group and the tax department have filed appeals and reference applications to the higher forums in relation to matters not decided in their favour.

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

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

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

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

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FOR THE YEAR ENDED DECEMBER 31, 2016

- iii) Super tax at the rate of 4 percent of the taxable income levied through Finance Act 2015 has also been extended for the tax year 2016.
- iv) ASL appealed before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by the Commissioner Inland Revenue (Appeals) [CIR(A)] related to tax year 2006 assessing net income at Rs 27,486,803 against the declared loss of Rs 9,306,446 due to disallowance of provision for doubtful debts and commission expense resulting in income tax demand of Rs 9,565,724. The ATIR has directed the CIR(A) to re-examine the case and issue a fresh appellate order. The matter is pending adjudication by the CIR(A). The management is confident that the matter will be decided in ASL's favour.
- v) The income tax returns of AIML have been filed upto tax year 2014 under the self assessment scheme and are deemed to be finalised under section 120 of the Income Tax Ordinance, 2001. However, the tax authorities are empowered to amend the assessment within five years from the end of the financial year in which these returns were filed.

During the year 2011, tax authorities issued notice to AIML for rectification of assessment for the Tax Year 2010 in terms of section 221 of the Ordinance, thereby, charging minimum tax under section 113 of the Ordinance. However, on detailed reply filed by AIML, the tax authority has not proceeded any further, so far.

Further, AIML was also selected for audit of income tax affairs for the tax year 2010. After completion of income tax proceeding, tax authority issued notice to AIML for amendment of its assessment, thereby, contending to disallow certain expenses. On a detailed reply filed by AIML, the tax authority passed an order ignoring the detailed explanation to which AIML filed and appeal and the case was remanded back to the assessing authority for 'de novo' consideration. AIML received another notice to provide explanation for the same items to which AIML had complied with in the current period, the tax authority have raised demand of Rs 397,802 against which AIML has filed an appeal before CIR(A). AIML has not recorded any provision against this demand in its financial statements as AIML is confident of a favourable outcome.

The assessment for the tax year 2013 was rectified in terms of section 221 of the Income Tax Ordinance, 2001. On a detailed reply filed by the tax advisors of AIML, the tax authorities reduced the additional tax liability from Rs. 0.857 million to Rs. 0.497 million. AIML, through its tax advisor, has requested to adjust this amount from the outstanding refundable amount of the previous year. Response from the department is awaited in this regard. In prior year, an order dated July 24, 2015 was received from the tax authorities under section 161/205 for non-deduction of tax on motor vehicles, which were sold through auction. Demand of Rs. 507,609 was created against which appeal has been filed. The CIR(A) decided appeal on June 29, 2016. Order was set aside and reassessment is pending. AIML has not recorded any provision against this demand in its financial statements, as AIML is confident of a favourable outcome.

During the year, the tax authorities issued notice to AIML for rectification of assessment for the Tax Year 2012 in terms of section 221 of the Ordinance, thereby, charging minimum tax under section 113 of the Ordinance which resulted in reduction of amount of refund from Rs. 3,575,280 to Rs. 2,085,667. However, such order has been challenged in appeal before CIR(A) and an application for rectification of error u/s 221 has also been filed before the Officer Inland Revenue. AIML has not recorded any provision against this reduction in its financial statements, as AIML is confident of a favourable outcome.

Rupees in '000		2016	2015
32.	CASH AND CASH EQUIVALENTS		
	Cash and balances with treasury banks	42,568,141	29,685,228
	Balances with other banks	5,845,748	8,358,930
		48,413,889	38,044,158
<hr/>			
33.	STAFF STRENGTH	2016	2015
		NUMBER OF EMPLOYEES	
	Permanent	6,428	6,224
	Temporary / on contractual basis	824	648
	Total staff strength	7,252	6,872

34. DEFINED BENEFIT PLAN**34.1 GENERAL DESCRIPTION**

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

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

Rupees in '000	2016	2015
34.2 THE AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:		
Present value of defined benefit obligation	2,192,580	1,835,035
Fair value of plan assets	(1,808,216)	(1,823,469)
Net liability	384,364	11,566
34.3 THE AMOUNTS RECOGNIZED IN CONSOLIDATED PROFIT AND LOSS ACCOUNT ARE AS FOLLOWS:		
Current service cost	242,361	200,299
Net interest income	–	(11,361)
	242,361	188,938
34.4 ACTUAL RETURN ON PLAN ASSETS	129,178	223,466
34.5 CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION		
Opening defined benefit obligation	1,813,892	1,508,455
Current service cost	242,361	200,300
Interest expense	174,647	178,361
Actuarial loss	96,534	50,228
Benefits paid	(134,854)	(102,309)
Closing defined benefit obligation	2,192,580	1,835,035
34.6 CHANGES IN FAIR VALUE OF PLAN ASSETS		
Opening fair value of plan assets	1,813,892	1,498,769
Interest income	174,647	189,722
Return on plan assets, excluding amounts included in interest income	(45,469)	33,743
Contributions by employer	–	203,541
Benefits paid	(134,854)	(102,306)
Closing fair value of plan assets	1,808,216	1,823,469

The Group expects to contribute Rs. 262,650 thousand to its defined benefit gratuity plan in 2017.

The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Group, at beginning of the period, for returns over the entire life of the related obligation.

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	2016		2015	
	Rupees '000	Percentage	Rupees '000	Percentage
34.7 BREAK-UP OF CATEGORY OF ASSETS				
Debt instruments	1,622,636	89	1,509,101	82
Equity instruments	138,791	8	48,634	3
Cash and cash equivalents	46,789	3	265,734	15
	1,808,216	100	1,823,469	100

All Government bonds have quoted prices in active markets. All Government bonds are issued by GoP.

At each reporting date the board of trustees reviews the fund investments and decides for strategic investments. The strategic investment policy of the gratuity fund is summarized as follows:

- strategic asset mix comprising of 5%-25% bank deposits, 70% to 90% Government bonds and 5%-25% others.
- interest risk is managed by investing 90% of funds through Government bonds.

34.8 PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation was carried out for the year ended December 31, 2016 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2016	2015
Discount rate - per annum	9.00%	9% to 10%
Expected rate of increase in salaries - per annum	8.50%	9% to 15%
Expected rate of return on plan assets - per annum	9.00%	9% to 10%
Duration	11.17 years	11.40 years
Mortality rate	SLIC 2001 - 2005 mortality table	SLIC 2001 - 2005 mortality table

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

Rupees in '000	2016	2015	2014	2013	2012
As at December 31,					
Defined benefit obligation	2,192,580	1,835,035	1,508,450	1,184,202	1,219,552
Plan assets	(1,808,216)	(1,823,469)	(1,498,769)	(1,177,979)	(1,075,372)
Deficit	384,364	11,566	9,681	6,223	144,180
Experience adjustments					
Actuarial (loss) / gain on obligation	(96,534)	(50,228)	(135,517)	103,640	15,101
Actuarial (loss) / gain on plan assets	-	-	-	(4,247)	(3,144)
Return on plan assets, excluding amounts included in interest income	(45,469)	33,743	(2,571)	-	-

34.10 SENSITIVITY ANALYSIS

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

Assumptions	Change in assumption	Impact on Defined Benefit Obligation	
		Increase in assumption	Decrease in assumption
		Rupees in '000	
Discount rate	1.00%	(225,081)	265,493
Salary increase	1.00%	264,176	(227,971)
Mortality rate change	1 year	(465)	463

35. DEFINED CONTRIBUTION PLAN

The Bank operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund. The total assets of the fund as at December 31, 2015 were Rs. 3,270,502 thousand (December 31, 2014: Rs. 2,776,823 thousand) as per latest available audited financial statements of the fund.

35.1 THE DETAILS OF SIZE AND INVESTMENT OF THE PROVIDENT FUND IS AS FOLLOWS:

Rupees in '000	2016	2015
	Un-audited	Audited
Size of the Fund	3,767,730	3,317,934
Cost of investments	3,544,211	3,110,023
Fair value of investments	3,805,396	3,315,192
Percentage of investments	94.07%	93.73%

35.2 BREAKUP OF PROVIDENT FUND INVESTMENTS

	2016		2015	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Pakistan Investment Bonds	2,529,242	71.36	2,486,682	79.96
Government Sukuks	–	–	99,275	3.19
Mutual Funds	765,338	21.60	324,787	10.44
Shares	249,631	7.04	190,062	6.11
Investment in saving accounts with banks	–	–	9,217	0.30
	3,544,211	100.00	3,110,023	100.00

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

36. COMPENSATED ABSENCES

36.1 GENERAL DESCRIPTION

The Bank grants compensated absences to all its regular employees as per effective Service Rules. Provisions are recorded in accordance with the actuarial recommendation.

Under this unfunded scheme, regular employees are entitled to 30 days privilege leave for each completed year of service. Unutilized privilege leaves are accumulated upto a maximum of 120 days out of which 60 days are encashable at the time of separation from service on the basis of last drawn gross salary.

36.2 PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation was carried out for the year ended December 31, 2016 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2016 was Rs. 314,797 thousand (2015: Rs. 285,200 thousand). Expense for the year of Rs. 84,440 thousand (2015: Rs. 118,402 thousand) has been included in administrative expenses. The main assumptions used for actuarial valuation are as follows:

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	2016	2015
Discount rate - per annum	9.00%	9.25% - 10%
Expected rate of increase in salaries - per annum	8.50%	9% - 15%
Leave accumulation factor - days	8	5 - 11

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President & Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
Fees	–	–	5,812	6,662	–	1,860
Managerial remuneration	43,538	38,700	–	–	1,461,387	1,292,636
Allowances	4,641	4,125	–	–	232,016	215,568
Charge for defined benefit plan	3,375	3,000	–	–	86,740	76,093
Contribution to defined contribution plan	3,374	2,999	–	–	86,147	78,693
Rent and house maintenance	12,150	10,800	–	–	499,330	441,570
Utilities	3,341	2,970	–	–	119,181	103,991
Medical	3,038	2,700	–	–	109,088	94,787
Bonus	15,750	9,000	–	–	313,074	207,667
Others	3,872	7,406	–	–	3,504	3,221
	93,079	81,700	5,812	6,662	2,910,467	2,516,086
Number of persons	1	1	10	10	757	722

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

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

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

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 5.

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

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

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

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

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Group has adopted revaluation model (as per IAS 16) in respect of land and non-banking assets acquired in satisfaction of claims.

Rupees in '000	2016		
	Level 1	Level 2	Level 3
FINANCIAL ASSETS:			
Available for sale securities			
Market Treasury Bills	–	107,500,863	–
Pakistan Investment Bonds	–	165,063,124	–
Fully paid ordinary shares / units	4,338,233	–	–
Units of open end mutual funds	–	1,942,061	–
Fully paid preference shares	89,845	–	–
Term Finance Certificates	707,070	2,513,486	–
Sukuk Certificates	–	9,510,858	–
Government of Pakistan Euro Bonds	–	664,619	–
	5,135,148	287,195,011	–
NON-FINANCIAL ASSETS:			
Operating fixed assets			
Property and equipment (freehold and leasehold land)	–	–	4,789,727
Other assets			
Non-banking assets acquired in satisfaction of claims	–	–	4,938,757
	–	–	9,728,484
FINANCIAL ASSETS:			
Held for trading securities			
Fully paid ordinary shares	42	–	–
Units of open end mutual funds	–	245,364	–
Available for sale securities			
Market Treasury Bills	–	104,037,305	–
Pakistan Investment Bonds	–	144,466,164	–
Fully paid ordinary shares / units	2,627,140	–	44,579
Units of open end mutual funds	–	1,919,353	–
Fully paid preference shares	95,267	–	100,000
Term Finance Certificates	1,307,396	2,092,243	–
Sukuk Certificates	–	1,945,507	–
Government of Pakistan Euro Bonds	–	1,388,017	–
	4,029,845	256,093,953	144,579
NON-FINANCIAL ASSETS:			
Operating fixed assets			
Property and equipment (freehold and leasehold land)	–	–	3,521,888

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

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39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2016								
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
Total income	261,444	23,511,356	805,757	17,870,183	130,244	39,647	165,316	56,419	42,840,366
Total expenses	25,532	19,304,375	1,207,442	13,581,431	12,719	3,872	148,513	44,297	34,328,181
Net income / (loss)	235,912	4,206,981	(401,685)	4,288,752	117,525	35,775	16,803	12,122	8,512,185
Segment Assets (Gross)	138,015	346,785,045	13,364,939	287,824,466	68,755	20,929	442,558	433,932	649,078,639
Segment Non Performing Loans	-	-	2,293,882	26,240,748	-	-	-	-	28,534,630
Segment Provision Required	-	1,501,597	2,426,511	25,397,513	-	-	-	66,215	29,391,836
Segment Liabilities	1,643	75,223,592	284,767	511,041,204	818	249	102,197	178,762	586,833,232
Segment Return on net Assets (ROA) (%)	0.05	4.07	0.14	3.09	0.02	0.01	0.03	0.01	
Segment Cost of funds (%)	0.00	3.52	0.22	2.48	0.00	0.00	0.03	0.01	

Rupees in '000	2015								
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
Total income	201,500	23,559,603	1,107,319	18,337,671	48,101	27,487	32,442	59,862	43,373,985
Total expenses	18,547	18,922,802	1,153,895	14,747,783	4,428	2,530	143,471	43,437	35,036,893
Net income / (loss)	182,953	4,636,801	(46,576)	3,589,888	43,673	24,957	(111,029)	16,425	8,337,092
Segment Assets (Gross)	86,739	306,793,691	11,377,589	248,146,054	20,706	11,832	413,827	202,474	567,052,912
Segment Non Performing Loans	-	-	2,333,680	29,150,037	-	-	-	-	31,483,717
Segment Provision Required	-	1,422,250	2,333,573	27,042,134	-	-	-	66,215	30,864,172
Segment Liabilities	860	46,562,157	262,183	462,152,870	205	117	66,150	70,408	509,114,950
Segment Return on net Assets (ROA) (%)	0.04	4.40	0.21	3.43	0.01	0.01	0.01	0.01	
Segment Cost of funds (%)	0.00	3.72	0.23	2.90	0.00	0.00	0.03	0.01	

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 3.47% (2015: 3.29%) of the total assets have been allocated to segments based on their respective income.
- Unallocatable liabilities representing 1.31% (2015: 1.11%) of the total liabilities have been allocated to segments based on their respective assets.

40. TRUST ACTIVITIES

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

41. RELATED PARTY TRANSACTIONS

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

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment.

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

Rupees in '000	December 31, 2016						December 31, 2015					
	Parent	Key management personnel	Directors	Companies with common directorship having equity under 20%	Associates	Other related parties	Parent	Key management personnel	Directors	Companies with common directorship having equity under 20%	Associates	Other related parties
Balances outstanding as at												
- Advances												
- Secured	799,921	305,484	-	4,534,697	-	-	1,072,623	244,938	-	4,544,842	-	-
- Un-secured	-	6,425	114	-	-	-	-	11,343	936	-	-	-
- Mark-up receivable	4,181	46,426	-	16,645	-	-	5,670	38,220	-	40,986	-	-
- Deposits	5,462,689	147,552	13,377	7,296,044	-	1,106,985	5,073,778	103,803	67,078	6,285,967	-	762,568
- Mark-up payable	11,569	1,249	15	12,170	-	313	7,997	1,169	-	9,174	-	38
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	339,761	-	-	187,164	-	-	339,761	-	-	454,867	-	-
- Investment in shares / units	-	-	-	2,160,992	-	-	-	-	-	2,115,291	-	-
- Security deposits against lease	494	1,165	-	8,665	-	-	-	704	-	4,323	-	-
- Contribution payable to employees' funds	-	-	-	-	-	384,364	-	-	-	-	-	-
- Reimbursable expenses on behalf of Askari High Yield Scheme	-	-	-	42,509	-	-	-	-	-	31,702	-	-
- Management fee and commission receivable from Askari High Yield Scheme	-	-	-	5,675	-	-	-	-	-	6,176	-	-
- Reimbursable expenses on behalf of Askari Asset Allocation Fund	-	-	-	3,433	-	-	-	-	-	2,853	-	-
- Management fee and commission receivable from Askari Asset Allocation Fund	-	-	-	346	-	-	-	-	-	500	-	-
- Reimbursable expenses on behalf of Askari Islamic Income Fund	-	-	-	3,446	-	-	-	-	-	2,765	-	-
- Management fee and commission receivable from Askari Islamic Income Fund	-	-	-	423	-	-	-	-	-	461	-	-
- Reimbursable expenses on behalf of Askari Islamic Asset Allocation Fund	-	-	-	1,991	-	-	-	-	-	1,662	-	-
- Management fee and commission receivable from Askari Islamic Asset Allocation Fund	-	-	-	213	-	-	-	-	-	241	-	-
- Reimbursable expenses on behalf of Askari Sovereign Cash Fund	-	-	-	21,269	-	-	-	-	-	19,661	-	-
- Management fee and commission receivable from Askari Sovereign Cash Fund	-	-	-	942	-	-	-	-	-	1,093	-	-
- Reimbursable expenses on behalf of Askari Equity Fund	-	-	-	2,706	-	-	-	-	-	2,116	-	-
- Management fee and commission receivable from Askari Equity Fund	-	-	-	234	-	-	-	-	-	383	-	-
- Management fee and commission receivable from Askari Sovereign Yield Enhancer	-	-	-	690	-	-	-	-	-	1,689	-	-
- Reimbursable expenses on behalf of Askari Sovereign Yield Enhancer	-	-	-	9,253	-	-	-	-	-	6,517	-	-
- Pre-paid insurance premium by AIML	-	-	-	-	-	-	-	-	-	-	1,355	-
- Payable to employee funds by AIML	-	-	-	-	-	1,614	-	-	-	-	-	10,596
Transactions during the year												
- Net mark-up / interest earned	50,915	9,680	-	345,984	-	-	26,748	9,890	-	353,574	-	-
- Net mark-up / interest expensed	192,247	4,383	228	431,784	-	64,802	272,541	2,980	458	440,488	3,259	103,732
- Contribution to employees' funds	-	-	-	-	-	235,888	-	-	-	-	-	419,991
- Rent of property / service charges paid	18,500	-	-	-	-	-	14,730	-	-	-	-	-
- Remuneration paid	-	400,482	-	-	-	3,937	-	324,049	-	-	-	2,979
- Post employment benefits	-	26,477	-	-	-	-	-	22,631	-	-	-	-
- Insurance claim received	-	-	-	-	-	-	-	-	-	-	673	-
- Insurance premium paid	-	-	-	-	-	-	-	-	-	-	11,648	-
- Dividend income	-	-	-	124,555	-	-	-	-	-	179,201	-	-
- Security services costs	1,063	-	-	-	-	-	-	-	-	853	-	-
- Fee, commission and brokerage income	165	-	-	3,331	-	-	2,361	-	-	149,597	-	-
- Fee, commission and brokerage paid	-	-	-	293	-	-	-	-	-	140	-	-
- Dividend paid	1,132,852	297	282	-	-	8,644	1,812,564	364	351	-	-	3,300
- Fees and other expenses paid	-	2,190	5,812	-	-	-	-	365	8,522	-	-	-

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

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42. CAPITAL ADEQUACY

42.1 SCOPE OF APPLICATION

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

The Bank's Board of Directors during the year 2016 approved disposal of its two subsidiaries, Askari Investment Management Limited (AIML) and Askari Securities Limited (ASL) and thus classified them as Assets attributable to Discontinued Operations. Furthermore, the Bank does not enter into in any securitization activity that shields it from the risk inherent in securitization.

42.2 CAPITAL MANAGEMENT

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

GOALS OF MANAGING CAPITAL

The goals of managing capital of the Bank are as follows:

- To be an adequately capitalised institution, considering the requirements set by the regulators of the banking markets where the Group operates;
- Maintain strong ratings and to protect the Group against unexpected events; and
- Availability of adequate capital at a reasonable cost so as to enable the Group to operate adequately and provide reasonable value added for the shareholders and other stakeholders.

GROUP'S REGULATORY CAPITAL ANALYSED IN TWO TIERS

Tier I capital, includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, reciprocal cross holdings in CET 1 instruments of Banking, Financial or Insurance entities, investments in mutual funds exceeding prescribed limits and 50% of other deductions e.g. majority and significant minority investments in insurance and other financial entities. Deductions that have come afresh as part of the Basel III rules such as those on account of Deferred Tax Assets are also required to be made.

Tier II capital under Basel III is subject to a maximum of 2.5% of total Risk Weighted Assets as of December 31, 2016. It includes subordinated debt issued prior to January 1, 2013 phasing out at an annual rate of 10%, Basel III compliant Tier II instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), reserves on the revaluation of fixed assets and available for sale investments (on an after tax basis up to a maximum of 45 percent), foreign exchange translation reserves etc. Basel III rules however do allow for the inclusion of the remaining 55% of the revaluation reserves into Tier II capital at an inclusion rate equal to the rate of deduction specified under the transitional arrangements for the coming years upto 2018. Tier II capital deductions comprise of the remaining 50% other deductions noted above, reciprocal cross holdings in Tier II instruments of Banking, Financial or Insurance entities etc.

As of December 31, 2016 the Group must meet a Tier 1 to RWA ratio and CAR including CCB of 7.5% and 10.65% respectively.

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise, the exposures are treated as unrated and relevant risk weights are applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable. Collaterals if any, are used as credit risk mitigant after applying appropriate haircuts under the Comprehensive Approach. Risk weights notified, are hence applied at adjusted exposures, wherever credit risk mitigation is available. Collaterals used include: Government of Pakistan guarantees, cash, lien on deposits, shares, government securities, bank and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfill other specified criteria under the relevant capital adequacy guidelines.

The calculation of Capital Adequacy enables the Group to assess the long-term soundness. As the Group carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated approach / view.

LEVERAGE RATIO

SBP vide BPRD Circular No. 06 dated August 15, 2013 introduced leverage ratio (Tier 1 Capital to total exposure) under Basel III Framework. Banks are required to maintain minimum leverage ratio of 3% and to disclose the same from December 31, 2015. At present, the leverage ratio is on parallel run till December 31, 2017. Based on the results of the parallel run period, the SBP intends to make any final adjustments to the definition and calibration of the leverage ratio with a view to set the leverage ratio requirements as a separate capital standard on December 31, 2018.

The Group's position under Basel III's third capital standard is as under:

Rupees in '000	Note	2016	2015
Tier I Capital		24,141,559	20,596,881
Total Exposure		968,649,190	782,272,160
Leverage Ratio		2.49%	2.63%
42.3 CAPITAL ADEQUACY RATIO (CAR)			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital/ Capital deposited with SBP		12,602,602	12,602,602
Balance in Share Premium Account		234,669	234,669
Reserve for issue of Bonus Shares		–	–
General/ Statutory Reserves		8,527,773	6,110,390
Gain/(Losses) on derivatives held as Cash Flow Hedge		–	–
Unappropriated/unremitted profit		4,090,445	2,948,581
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		–	23,731
CET 1 before Regulatory Adjustments		25,455,489	21,919,973
Total regulatory adjustments applied to CET1	42.3.1	1,313,930	1,323,092
Common Equity Tier 1		24,141,559	20,596,881
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		–	–
of which: Classified as liabilities		–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT1)		–	420
of which: instrument issued by subsidiaries subject to phase out		–	–
AT1 before regulatory adjustments		–	420
Total regulatory adjustment applied to AT1 capital	42.3.2	–	–
Additional Tier 1 capital after regulatory adjustments		–	–
Additional Tier 1 capital recognized for capital adequacy		–	–
Tier 1 Capital (CET1 + admissible AT1)		24,141,559	20,596,881
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		3,992,000	3,993,600
Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel III rules		418,800	628,320
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group Tier 2)		–	701
of which: instruments issued by subsidiaries subject to phase out		–	–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		605,543	433,213
Revaluation Reserves			
of which: Revaluation reserves on Property		2,209,327	1,048,303
of which: Unrealized Gains / Losses on AFS		2,159,918	2,329,260
		4,369,245	3,377,563
Foreign Exchange Translation Reserves		93,511	100,829
Undisclosed/Other Reserves (if any)		–	–
T2 before regulatory adjustments		9,479,099	8,534,226
Total regulatory adjustment applied to T2 capital	42.3.3	380,247	99,741
Tier 2 capital (T2) after regulatory adjustments		9,098,852	8,434,485

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Rupees in '000	Note	2016	2015
Tier 2 capital recognized for capital adequacy		9,098,852	8,342,524
Portion of Additional Tier 1 capital recognized in Tier 2 capital		—	—
Total Tier 2 capital admissible for capital adequacy		9,098,852	8,342,524
TOTAL CAPITAL (T1 + admissible T2)		33,240,411	28,939,405
Total Risk Weighted Assets (RWA)	42.6	265,174,663	229,929,632
		2016	2015
Capital Ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA		9.10%	8.96%
Tier-1 capital to total RWA		9.10%	8.96%
Total capital to RWA		12.54%	12.59%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		6.65%	6.25%
of which: capital conservation buffer requirement		0.65%	0.25%
of which: countercyclical buffer requirement		—	—
of which: D-SIB or G-SIB buffer requirement		—	—
CET1 available to meet buffers (as a percentage of risk weighted assets)		2.45%	2.71%
National minimum capital requirements prescribed by SBP			
CET1 minimum ratio		6.00%	6.00%
Tier 1 minimum ratio		7.50%	7.50%
Total capital minimum ratio		10.00%	10.00%
Total Capital plus CCB ratio		10.65%	10.25%
*CCB: Consisting of CET1 Only			
Rupees in '000		2016	2015
42.3.1 Common Equity Tier 1 capital: Regulatory adjustments			
Goodwill (net of related deferred tax liability)		—	—
All other intangibles (net of any associated deferred tax liability)		963,621	996,711
Reciprocal cross holdings in CET1 capital instruments		247,917	236,914
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		—	—
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		102,392	89,466
Total regulatory adjustments applied to CET1		1,313,930	1,323,091
42.3.2 Additional Tier 1 Capital: regulatory adjustments			
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		102,392	89,887
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital		—	—
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		—	—
Total regulatory adjustment applied to AT1 capital		—	—
42.3.3 Tier 2 Capital: regulatory adjustments			
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-2 capital		—	—
Reciprocal cross holdings in Tier 2 instruments		380,247	99,741
Total regulatory adjustment applied to T2 capital		380,247	99,741
42.3.4 Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment			
of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity		1,624,933	1,384,412
of which: deferred tax assets		—	—
of which: Defined-benefit pension fund net assets		—	—
		1,624,933	1,384,412
Amounts below the thresholds for deduction (before risk weighting)			
Non-significant investments in the capital of other financial entities		1,154,156	1,071,993
Significant investments in the common stock of financial entities		—	—
Deferred tax assets arising from temporary differences (net of related tax liability)		—	—

Rupees in '000	Note	2016	2015
Applicable caps on the inclusion of provisions in Tier 2			
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		605,543	433,213
Cap on inclusion of provisions in Tier 2 under standardized approach		2,455,699	2,147,321
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		—	—
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		—	—
		Balance sheet as in published financial statements	Under regulatory scope of consolidation
Rupees in '000		As at December 31, 2016	
42.4 CAPITAL STRUCTURE RECONCILIATION			
ASSETS			
Cash and balances with treasury banks		42,568,141	42,568,141
Balances with other banks		5,845,748	5,845,748
Lending to financial institutions		6,836,584	6,836,584
Investments		295,846,254	295,846,254
Advances		235,163,922	235,163,922
Operating fixed assets		11,019,555	11,019,555
Deferred tax assets		—	—
Other assets		22,406,599	22,406,599
TOTAL ASSETS		619,686,803	619,686,803
LIABILITIES & EQUITY			
Bills payable		8,579,809	8,579,809
Borrowings		89,261,788	89,261,788
Deposits and other accounts		472,803,094	472,803,094
Sub-ordinated loans		4,994,800	4,994,800
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities		526,430	526,430
Other liabilities		10,667,311	10,667,311
TOTAL LIABILITIES		586,833,232	586,833,232
Share capital/ Head office capital account		12,602,602	12,602,602
Reserves		8,855,953	8,855,953
Unappropriated/ Unremitted (loss) / profit		4,090,445	4,090,445
Non-controlling interest		37,908	37,908
Surplus on revaluation of assets		7,266,663	7,266,663
TOTAL LIABILITIES & EQUITY		619,686,803	619,686,803

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	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Rupees in '000	As at December 31, 2016	
ASSETS		
Cash and balances with treasury banks	42,568,141	42,568,141
Balances with other banks	5,845,748	5,845,748
Lending to financial institutions	6,836,584	6,836,584
Investments	295,846,254	295,846,254
<i>of which: Mutual Funds exceeding regulatory threshold</i>	102,392	102,392
<i>of which: reciprocal crossholding of capital instrument CET 1</i>	247,917	247,917
<i>of which: reciprocal crossholding of capital instrument AT 1</i>	-	-
<i>of which: reciprocal crossholding of capital instrument Tier 2</i>	380,247	380,247
<i>of which: others</i>	295,115,698	295,115,698
Advances	235,163,922	235,163,922
shortfall in provisions / excess of total EL amount over eligible provisions under IRB	-	-
general provisions reflected in Tier 2 capital	605,543	605,543
Fixed Assets	11,019,555	11,019,555
<i>of which: Intangibles</i>	963,621	963,621
Deferred Tax Assets	-	-
<i>of which: DTAs excluding those pertaining to temporary differences</i>	-	-
<i>of which: DTAs arising from temporary differences below the threshold</i>	-	-
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-
Other assets	22,406,599	22,406,599
<i>of which: Goodwill</i>	-	-
<i>of which: Intangibles</i>	-	-
<i>of which: Defined-benefit pension fund net assets</i>	-	-
TOTAL ASSETS	619,686,803	619,686,803
LIABILITIES & EQUITY		
Bills payable	8,579,809	8,579,809
Borrowings	89,261,788	89,261,788
Deposits and other accounts	472,803,094	472,803,094
Sub-ordinated loans	4,994,800	4,994,800
<i>of which: eligible for inclusion in AT1</i>	-	-
<i>of which: eligible for inclusion in Tier 2</i>	4,410,800	4,410,800
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	526,430	526,430
Other liabilities	10,667,311	10,667,311
TOTAL LIABILITIES	586,833,232	586,833,232
Share capital	12,602,602	12,602,602
<i>of which: amount eligible for CET1</i>	12,602,602	12,602,602
<i>of which: amount eligible for AT1</i>	-	-
Reserves	8,855,953	8,855,953
<i>of which: portion eligible for inclusion in CET1-Balance in Share Premium Account</i>	234,669	234,669
<i>of which: portion eligible for inclusion in CET1-General/ Statutory Reserves</i>	8,527,773	8,527,773
<i>of which: portion eligible for inclusion in Tier 2</i>	93,511	93,511
Unappropriated profit	4,090,445	4,090,445
Non-controlling interest	37,908	37,908
<i>of which: portion eligible for inclusion in CET1</i>	-	-
<i>of which: portion eligible for inclusion in AT1</i>	-	-
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-
Surplus on revaluation of assets	7,266,663	7,266,663
<i>of which: Revaluation reserves on Property</i>	2,832,470	2,832,470
<i>of which: Unrealized Gains/Losses on AFS</i>	2,769,126	2,769,126
<i>of which: on Non-Banking Assets</i>	1,617,860	1,617,860
TOTAL LIABILITIES & EQUITY	619,686,803	619,686,803

	Balance sheet as in published financial statements
Rupees in '000	As at December 31, 2016
42.5 BASEL III DISCLOSURE	
COMMON EQUITY TIER 1 CAPITAL (CET 1): INSTRUMENTS AND RESERVES	
Fully Paid-up Capital / Capital deposited with SBP	12,602,602
Balance in Share Premium Account	234,669
General / Statutory Reserves	8,527,773
Unappropriated /unremitted (loss) / profit	4,090,445
Minority Interest	-
CET 1 BEFORE REGULATORY ADJUSTMENTS	25,455,489
COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS	
All other intangibles (net of any associated deferred tax liability)	963,621
Reciprocal cross holdings in CET1 capital instruments	247,917
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	102,392
Total regulatory adjustments applied to CET1	1,313,930
Common Equity Tier 1	24,141,559
ADDITIONAL TIER 1 (AT1) CAPITAL	
Qualifying Additional Tier-1 instruments plus any related share premium	-
of which: Classified as equity	-
of which: Classified as liabilities	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-
of which: instrument issued by subsidiaries subject to phase out	-
AT1 BEFORE REGULATORY ADJUSTMENTS	-
ADDITIONAL TIER 1 CAPITAL: REGULATORY ADJUSTMENTS	
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	102,392
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital	-
Total of Regulatory Adjustment applied to AT1 capital	102,392
Additional Tier 1 capital	-
Additional Tier 1 capital recognized for capital adequacy	-
TIER 1 CAPITAL (CET 1 + ADMISSIBLE AT 1)	24,141,559
TIER 2 CAPITAL	
Qualifying Tier 2 capital instruments under Basel III	3,992,000
Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)	418,800
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group Tier 2)	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	605,543
Revaluation Reserves eligible for Tier 2	4,369,245
of which: portion pertaining to Property	2,209,327
of which: portion pertaining to AFS securities	2,159,918
Foreign Exchange Translation Reserves	93,511
Undisclosed/Other Reserves	-
T2 BEFORE REGULATORY ADJUSTMENTS	9,479,099

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Rupees in '000	Balance sheet as in published financial statements
	As at December 31, 2016
TIER 2 CAPITAL: REGULATORY ADJUSTMENTS	
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-2 capital	—
Reciprocal cross holdings in Tier 2 instruments	380,247
Amount of Regulatory Adjustment applied to T2 capital	380,247
<i>Tier 2 capital (T2)</i>	9,098,852
<i>Tier 2 capital recognized for capital adequacy</i>	9,098,852
<i>Excess Additional Tier 1 capital recognized in Tier 2 capital</i>	—
Total Tier 2 capital admissible for capital adequacy	9,098,852
TOTAL CAPITAL (T1 + admissible T2)	33,240,411

42.6 CAPITAL ADEQUACY RATIO AS AT DECEMBER 31, 2016

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy, using standardized approaches for credit and market risks and basic indicator approach for operational risk is presented below.

RISK-WEIGHTED EXPOSURES

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2016	2015	2016	2015
CREDIT RISK				
PORTFOLIOS SUBJECT TO STANDARDISED APPROACH (COMPREHENSIVE APPROACH FOR CRM)				
CLAIMS ON:				
Sovereigns other than PKR claims	537,544	559,259	5,375,437	5,592,587
Public Sector Entities (PSEs)	344,086	485,619	3,440,864	4,856,187
Banks	510,984	607,461	5,109,837	6,074,614
Corporates	9,841,650	8,219,520	98,416,503	82,195,203
Retail portfolio	1,304,426	1,062,211	13,044,257	10,622,112
Residential mortgage finance	399,594	332,655	3,995,935	3,326,550
Listed equities and regulatory capital instruments issued by others banks	68,338	67,862	683,380	678,623
Unlisted equity investments	—	15,000	—	150,000
Significant investment and DTAs	—	—	—	—
Fixed Assets	1,005,593	828,143	10,055,931	8,281,433
Other Assets	752,868	508,894	7,528,683	5,088,937
Past Due Exposures	267,637	408,259	2,676,368	4,082,588
OFF-BALANCE SHEET				
Non-market related	4,586,061	4,024,156	45,860,614	40,241,556
Market related	26,811	59,529	268,105	595,290
MARKET RISK				
PORTFOLIOS SUBJECT TO STANDARDIZED APPROACH				
Interest rate risk	2,612,291	2,352,427	26,122,910	23,524,274
Equity position risk	907,805	590,161	9,078,052	5,901,607
Foreign exchange risk	55,106	15,603	551,059	156,029
OPERATIONAL RISK	3,296,673	2,856,204	32,966,728	28,562,042
TOTAL	26,517,467	22,992,963	265,174,663	229,929,632
GROSS TOTAL (including CCB)	28,241,102	23,567,787	265,174,663	229,929,632

CAPITAL ADEQUACY RATIO

	Required		Actual	
	2016	2015	2016	2015
CET1 to total RWA	6.00%	6.00%	9.10%	8.96%
Tier-1 capital to total RWA	7.50%	7.50%	9.10%	8.96%
Total capital to total RWA	10.00%	10.00%	12.54%	12.59%
Gross Total Capital to total RWA (including CCB)	10.65%	10.25%	12.54%	12.59%

42.7 MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

MAIN FEATURES	COMMON SHARES	INSTRUMENT- 3 (PPTFC TFC IV)	INSTRUMENT- 4 (PPTFC TFC V)
Issuer		Askari Bank - Public Limited Company	
Unique identifier	AKBL	NA	NA
Governing law(s) of the instrument	The Companies Ordinance 1984 & Stock Exchanges Regulations	The Companies Ordinance, 1984	The Companies Ordinance, 1984
Regulatory treatment			
Transitional Basel III rules	NA	Tier 2	NA
Post-transitional Basel III rules	NA	Ineligible	NA
Eligible at solo / group / group & solo	Solo and Group	Solo and Group	Solo and Group
Instrument type	Ordinary shares	Subordinated Debt Instrument	Subordinated Debt Instrument
Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,602,602	418,800	3,992,000
Par value of instrument	Rs. 10 per Share	Rs. 1,000,000 per Instrument	Rs. 1,000,000 per Instrument
Accounting classification	Shareholder's equity	Liability - amortized cost	Liability - amortized cost
Original date of issuance	Year 1992	December 23, 2011	September 30, 2014
Perpetual or dated	Perpetual/ no Maturity	Dated	Dated
Original maturity date	NA	December 23, 2021	September 30, 2024
Issuer call subject to prior supervisory approval	NA	Yes	Yes
Optional call date, contingent call dates and redemption amount	NA	December 23, 2016	September 30, 2019, Call would be subject to SBP approval and not less than 30 days notice to investors and security trustee. Tax: as per prevailing structure.
Subsequent call dates, if applicable	NA	Yes	Yes
Coupons / dividends			
Fixed or floating dividend/ coupon	NA	Floating	Floating
coupon rate and any related index/ benchmark	NA	Average Ask 6 month KIBOR + 1.75% (1 to 5 Years) & Average Ask 6 month KIBOR + 2.20% (6 to 10 Years)	Average Ask 6 month KIBOR + 1.20%
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	NA	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Non cumulative	Cumulative	Cumulative
Convertible or non-convertible	NA	Non-convertible	Convertible
If convertible, conversion trigger(s)	NA	NA	As deemed to be triggered by SBP
If convertible, fully or partially	NA	NA	Fully or as deemed appropriate by SBP
If convertible, conversion rate	NA	NA	Dependent on target market value of equity per share on or before the date of conversion
If convertible, mandatory or optional conversion	NA	NA	Mandatory
If convertible, specify instrument type convertible into	NA	NA	Common Equity Tier 1
If convertible, specify issuer of instrument it converts into	NA	NA	Askari Bank Limited
Write-down feature	NA	NA	Yes
If write-down, write-down trigger(s)	NA	NA	As deemed to be triggered by SBP. Legal basis is provided to authorities to set trigger as part of the terms of contract.
If write-down, full or partial	NA	NA	As deemed to be appropriate by SBP.
If write-down, permanent or temporary	NA	NA	Legal basis is provided to authorities to decide as part of the terms of contract.
If temporary write-down, description of write-up mechanism	NA	NA	
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	3rd, Subordinated Debt being senior	2nd, Lenders and Depositors being senior	2nd, Lenders and Depositors being senior
Non-compliant transitioned features	No	Yes	No
If yes, specify non-compliant features	NA	Does not meet loss absorbency requirements including conversion	NA

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43. RISK MANAGEMENT

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

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

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

43.1 CREDIT RISK

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

The Group has built and maintains a sound loan portfolio in terms of a well defined Credit Policy and Credit Risk Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Advances portfolio constitutes around 40% of the total asset base and is also the largest source of credit risk for the Group. Moreover, more than 70% of Group's capital requirement pertains to credit risk. The Group's advances portfolio is well diversified across various business segments, industries and geographical locations.

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

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

43.1.1 SEGMENT INFORMATION

Segmental Information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

43.1.1.1 SEGMENT BY CLASS OF BUSINESS

	2016						2015					
	Advances		Deposits		Contingencies and Commitments - note 43.1.1.6		Advances		Deposits		Contingencies and Commitments - note 43.1.1.6	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture finances	3,576,371	1.36	3,842,218	0.81	1,551,558	0.43	3,878,666	1.70	3,425,016	0.79	654,654	0.24
Automobiles and Allied	773,519	0.30	2,013,449	0.43	252,617	0.07	1,044,527	0.46	1,107,919	0.26	280,101	0.10
Cables / Electronics	2,701,249	1.03	2,822,440	0.60	1,738,981	0.48	3,006,374	1.32	4,774,760	1.10	1,540,915	0.56
Carpets	80,398	0.03	352,934	0.07	8,250	0.00	78,080	0.03	128,971	0.03	8,250	0.00
Cement	2,994,025	1.14	479,227	0.10	1,674,275	0.47	2,334,179	1.02	464,520	0.11	1,788,668	0.65
Chemicals / Pharmaceuticals	5,044,205	1.92	1,193,756	0.25	4,689,262	1.30	4,148,075	1.82	2,788,100	0.64	3,093,205	1.12
Engineering	740,025	0.28	403,155	0.09	4,334,405	1.21	45,454	0.02	448,138	0.10	13,877,480	5.01
Fertilizers	2,022,455	0.77	2,897,960	0.61	5,247,773	1.46	2,931,671	1.28	4,286,310	0.99	2,668,838	0.96
Food and Allied	8,092,397	3.09	1,225,539	0.26	948,822	0.26	3,691,952	1.62	748,138	0.17	1,077,265	0.39
Fuel / Energy	17,630,179	6.73	2,739,153	0.58	35,551,970	9.89	21,725,867	9.51	962,695	0.22	19,202,001	6.93
Ghee and Edible Oil	2,225,561	0.85	777,626	0.16	2,464,737	0.69	2,513,308	1.10	532,983	0.12	1,885,242	0.68
Glass and Ceramics	1,805,348	0.69	32,224	0.01	621,221	0.17	2,056,181	0.90	54,052	0.01	693,816	0.25
Hotels and Restaurants	2,862,339	1.09	496,497	0.11	491	0.00	2,523,884	1.10	796,438	0.18	239,196	0.09
Individuals	23,086,530	8.81	190,397,975	40.25	2,932,627	0.82	17,884,178	7.83	165,874,917	38.30	439,527	0.16
Insurance	74,949	0.03	1,021,956	0.22	-	-	21,896	0.01	1,767,497	0.41	-	-
Financial institutions / Investment companies	3,626,132	1.38	183,393	0.04	34,537,594	9.61	1,026,667	0.45	6,291	0.00	48,343,439	17.45
Leasing	640,000	0.24	6,947	0.00	150,000	0.04	615,000	0.27	13,657	0.00	-	-
Leather Products and Shoes	1,747,738	0.67	873,093	0.18	1,294,398	0.36	1,603,964	0.70	757,571	0.17	1,015,003	0.37
Modarabas	-	-	12	0.00	-	-	-	-	12	0.00	518,346	0.19
Paper and Board	427,044	0.16	130,715	0.03	557,209	0.16	291,017	0.13	132,290	0.03	339,570	0.12
Plastic products	1,174,196	0.45	161,791	0.03	648,322	0.18	415,137	0.18	206,032	0.05	290,702	0.10
Ready made garments	2,432,235	0.93	884,083	0.19	675,739	0.19	1,037,571	0.45	359,715	0.08	257,765	0.09
Real Estate / Construction	6,553,193	2.50	18,656,191	3.95	17,880,697	4.97	4,002,861	1.75	15,413,359	3.56	45,643,775	16.47
Rice Processing and trading	6,128,491	2.34	1,127,937	0.24	258,136	0.07	5,404,329	2.37	929,808	0.21	201,688	0.07
Rubber Products	745,080	0.28	108,992	0.02	1,180,916	0.33	205,968	0.09	219,664	0.05	69,058	0.02
Services												
(Other than Financial, Hotelling and Travelling)	5,137,514	1.96	7,706,778	1.63	55,699,083	15.50	2,945,291	1.29	6,526,484	1.51	687,539	0.25
Sports goods	371,496	0.14	152,154	0.03	168,466	0.05	299,794	0.13	112,572	0.03	160,232	0.06
Sugar	4,850,866	1.85	238,376	0.05	167,856	0.05	5,756,270	2.52	69,869	0.02	1,777	0.00
Surgical equipment / Metal Products	10,269,940	3.92	2,208,867	0.47	1,530,107	0.43	7,658,364	3.35	2,109,448	0.49	820,337	0.30
Synthetic and Rayon	878,930	0.34	169,617	0.04	444,236	0.12	1,275,791	0.56	92,524	0.02	248,338	0.09
Textile	33,857,964	12.92	4,766,839	1.01	9,071,708	2.52	31,374,438	13.74	4,239,102	0.98	8,379,726	3.02
Tobacco / Cigarette manufacturing	4,462	0.00	8	0.00	1,000	0.00	4,462	0.00	-	-	-	-
Transport and communication	5,129,771	1.96	2,672,122	0.57	3,869,062	1.08	3,804,627	1.67	3,895,240	0.90	4,460,220	1.61
Travel Agencies	251,055	0.10	355,695	0.08	490,331	0.14	106,492	0.05	149,849	0.03	393,396	0.14
Woolen	394,778	0.15	951,015	0.20	31,960	0.01	371,502	0.16	558,325	0.13	4,050	0.00
Public sector / Government	85,244,751	32.51	168,256,224	35.59	157,411,108	43.79	72,753,491	31.84	165,798,351	38.28	106,367,818	38.39
Others	18,548,070	7.08	52,496,136	11.10	11,327,058	3.15	19,581,407	8.58	43,379,848	10.03	11,398,118	4.11
	262,123,256	100.00	472,803,094	100.00	359,411,975	100.00	228,418,735	100.00	433,130,465	100.00	277,050,055	100.00

43.1.1.2 SEGMENT BY SECTOR

	2016						2015					
	Advances		Deposits		Contingencies and Commitments - note 43.1.1.6		Advances		Deposits		Contingencies and Commitments - note 43.1.1.6	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public sector / Government	85,244,751	32.52	168,256,224	35.59	157,411,108	43.79	72,753,491	31.84	165,798,351	38.28	106,367,818	38.39
Private	176,878,505	67.48	304,546,870	64.41	202,000,867	56.21	155,665,244	68.16	267,332,114	61.72	170,682,237	61.61
	262,123,256	100.00	472,803,094	100.00	359,411,975	100.00	228,418,735	100.00	433,130,465	100.00	277,050,055	100.00

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43.1.1.3 DETAILS OF NON-PERFORMING ADVANCES AND SPECIFIC PROVISIONS BY CLASS OF BUSINESS SEGMENT

Rupees in '000	2016		2015	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Agriculture finances	601,812	287,556	1,462,084	1,034,574
Automobiles and Allied	371,301	343,562	419,424	346,368
Cables / Electronics	1,116,525	1,112,207	1,100,964	1,095,936
Chemicals / Pharmaceuticals	201,781	190,916	218,670	209,284
Food and Allied	343,469	295,625	347,277	285,141
Fuel / Energy	2,593,982	2,572,106	3,007,063	2,999,853
Glass manufacturing	1,110,342	1,110,342	1,110,342	1,110,342
Individuals	2,799,113	2,562,359	2,863,940	2,625,318
Leather products and Shoes	73,557	44,865	81,554	34,227
Paper industries	41,305	40,745	88,976	88,136
Real estate / Construction	868,667	853,778	1,295,815	1,151,734
Services (Other than Financial, Hotelling and Travelling)	44,485	40,874	260,413	183,962
Sports goods	261,563	261,563	261,563	261,563
Textile	12,308,808	11,590,359	12,654,132	11,783,120
Transport and Communication	714,013	544,771	609,935	374,379
Others	5,083,907	4,502,163	5,701,565	4,465,036
	28,534,630	26,353,791	31,483,717	28,048,973

43.1.1.4 DETAILS OF NON-PERFORMING ADVANCES AND SPECIFIC PROVISIONS BY SECTOR

Private	28,534,630	26,353,791	31,483,717	28,048,973
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43.1.1.5 GEOGRAPHICAL SEGMENT ANALYSIS

Rupees in '000	Note	2016			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments - note 43.1.1.6
Pakistan	43.1.1.5.1	7,992,013	609,727,904	32,391,587	359,411,975
Asia Pacific (including South Asia)		—	—	—	—
Europe		—	—	—	—
United States of America and Canada		—	—	—	—
Middle East	43.1.1.5.1	491,247	9,958,899	461,984	—
Others		—	—	—	—
		8,483,260	619,686,803	32,853,571	359,411,975

Rupees in '000	Note	2015			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments - note 43.1.1.6
Pakistan	43.1.1.5.1	7,880,373	526,520,778	26,659,610	277,029,500
Asia Pacific (including South Asia)		—	—	—	—
Europe		—	—	—	—
United States of America and Canada		—	—	—	—
Middle East	43.1.1.5.1	456,719	9,667,962	414,180	20,555
Others		—	—	—	—
		8,337,092	536,188,740	27,073,790	277,050,055

43.1.1.5.1 These do not include intra bank items of Rs. 9,328,052 thousand (2015: Rs. 9,081,656 thousand) eliminated upon consolidation of wholesale bank branch.

43.1.1.6 Contingencies and commitments include amounts given in note 22 except bills for collection.

43.1.1.7 COLLATERAL

Following is the list of main types of collateral taken by the Group.

- Government and trustee securities
- Defence saving certificates
- Fixed deposits (TDR)
- Lien on deposits
- Cash margin
- Shares listed on main index
- Shares listed on non main index
- Government guarantees

43.2 MARKET RISK:

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

The Group's Risk Management Process seeks to identify, measure, monitor, and control market risks in order to shield against adverse movements in market factors and to attain an efficient risk/return profile of its open positions. The Risk Management Division has developed and implemented market risk policy and risk measurement /monitoring methodology for review and reporting of market risk. The Group makes use of the globally established Value-at-Risk (VaR) methodology to measure traded market risk.

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

43.2.1 MARKET RISK - GENERAL DISCLOSURES BASEL III SPECIFIC

Basel III Standardized Approach is used for calculating the Capital Adequacy for Market Risk.

43.2.2 FOREIGN EXCHANGE RISK

Foreign exchange risk, or the risk that the Group's earnings and / or capital can fluctuate due to changes in foreign exchange rates, arises out from the Group's foreign exchange exposure which consists of foreign currency cash in hand, nostro / vostro accounts, forward contracts, forward bookings with exporters, foreign bills purchased, foreign currency placements with SBP and the Group's Wholesale Group Branch, foreign currency lendings / deposits and capital investments in offshore operations. The Group's treasury manages consolidated foreign exchange exposure by matching foreign currency assets and liabilities in spot and forward. The foreign exchange exposure and nostro balances are maintained within regulatory limits and VaR is calculated for consolidated foreign exchange exposure on a daily basis. The impact of a change in USD / PKR parity on the net open position is also determined through daily sensitivity analysis.

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2016				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	591,209,318	546,603,668	(12,217,411)	32,388,239
U.S. Dollars	27,201,039	34,716,921	7,705,375	189,493
Pound Sterling	502,022	3,952,788	3,460,370	9,604
Japanese Yen	54,626	35	(69,126)	(14,535)
Euro	319,550	1,554,765	1,120,061	(115,154)
Other European Currencies	22,092	–	731	22,823
Other Currencies	378,156	5,055	–	373,101
	619,686,803	586,833,232	–	32,853,571

2015				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	506,053,826	470,875,812	(8,546,479)	26,631,535
U.S. Dollars	28,431,154	33,086,350	4,755,485	100,289
Pound Sterling	724,703	3,723,758	2,969,967	(29,088)
Japanese Yen	8,499	34	(7,769)	696
Euro	483,010	1,418,054	845,658	(89,386)
Other European Currencies	185,411	–	(1,561)	183,850
Other Currencies	302,137	10,942	(15,301)	275,894
	536,188,740	509,114,950	–	27,073,790

43.2.3 EQUITY POSITION RISK

Equity position risk is the risk that the value of equity positions inside the trading book and banking book will change as a result of general and specific equity market movements. The Group bifurcates its direct investment in equity into held for trading, available for sale, and strategic portfolios. Held for trading equity exposures are of a short term nature and are undertaken to earn profit by exploiting market imperfections and short term price fluctuations. Equities held in the available for sale portfolio are with the intent to earn profit from fundamentals. Strategic investments are undertaken in line with the long-term strategy of the Group, i.e. to build strategic interest in other concerns. The Group also carries indirect equity exposure through financing against shares and reverse repos against shares.

All equity positions in the trading book are subject to exposure limits established by the Group in conformity with the general limits prescribed by the SBP. These limits include intraday limits, stop-loss limits, exposure limits, portfolio limits, and sectoral limits. The Group carries out revaluation and calculates VaR on a daily basis for equity exposures in the trading book.

43.2.4 YIELD / INTEREST RATE RISK IN THE BANKING BOOK (IRBB)-BASEL III SPECIFIC

The Group's interest rate exposure arises out from its investment, lending, and borrowing activities. Interest rate risk in the banking book in its various forms is the risk of adverse changes in earnings and/or capital due to (i) timing differences or mismatches in the maturity/repricing period of financial assets and liabilities (repricing risk), (ii) differences in the basis used for calculating interest rates received and paid (basis risk), (iii) and options implicit or explicit in the Group's financial assets and liabilities (options risk). The Asset and Liability Management Committee of the Group monitors and controls mismatch of interest rate sensitive assets and liabilities on an ongoing basis through its regular meetings. Market risk calculates price sensitivity measures such as duration, convexity and probabilistic loss measures such as VaR for the Group's debt investments to assess the impact of interest rate changes on value of the portfolio. Interest rate risk stress tests are carried out quarterly to assess the impact of a parallel and non-parallel shift in the yield curve on the Group's capital using rate sensitive positions for on and off-balance sheet items.

43.2.5 MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

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

Rupees in '000	Effective Yield / Interest rate	2016											
		Total	Exposed to yield / interest risk								Non-interest bearing financial instruments		
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years	
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks		42,568,141	5,735,677	-	-	-	-	-	-	-	-	-	36,832,464
Balances with other banks	3.49%	5,845,748	4,093,287	-	-	-	-	-	-	-	-	-	1,752,461
Lendings to financial institutions	5.44%	6,836,584	3,992,000	2,330,023	-	514,561	-	-	-	-	-	-	-
Investments	6.93%	295,846,254	36,994,767	46,055,208	12,516,532	30,678,772	44,803,250	22,767,414	46,585,497	49,108,288	-	-	6,336,526
Advances	6.48%	235,163,922	80,293,195	117,462,397	22,854,031	7,993,480	938,751	422,906	807,555	1,216,564	3,175,043	-	-
Other assets		10,863,671	-	-	-	-	-	-	-	-	-	-	10,863,671
		597,124,320	131,108,926	165,847,628	35,370,563	39,186,813	45,742,001	23,190,320	47,393,052	50,324,852	3,175,043	-	55,785,122
Liabilities													
Bills payable		8,579,809	-	-	-	-	-	-	-	-	-	-	8,579,809
Borrowings	5.39%	89,261,788	83,980,814	1,804,423	3,381,433	-	31,706	31,706	31,706	-	-	-	-
Deposits and other accounts	3.70%	472,803,094	142,694,668	100,301,165	76,862,201	19,468,426	3,306,494	231,600	189,005	-	-	-	129,749,535
Sub-ordinated loans	7.66%	4,994,800	-	3,996,800	998,000	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		9,013,131	-	-	-	-	-	-	-	-	-	-	9,013,131
		584,652,622	226,675,482	106,102,388	81,241,634	19,468,426	3,338,200	263,306	220,711	-	-	-	147,342,475
On-balance sheet gap		12,471,698	(95,566,556)	59,745,240	(45,871,071)	19,718,387	42,403,801	22,927,014	47,172,341	50,324,852	3,175,043	-	(91,557,353)
Off-balance sheet financial instruments													
Purchase and resale agreements	6.02%	4,001,864	4,001,864	-	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	5.86%	73,525,204	73,375,556	149,648	-	-	-	-	-	-	-	-	-
Commitments to extend credits		18,532,793	18,532,793	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(88,056,133)	(87,906,485)	(149,648)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(183,473,041)	59,595,592	(45,871,071)	19,718,387	42,403,801	22,927,014	47,172,341	50,324,852	3,175,043	-	(91,557,353)
Cumulative yield / interest risk sensitivity gap				(123,877,449)	(169,748,520)	(150,030,133)	(107,626,332)	(84,699,318)	(37,526,977)	12,797,875	15,972,918	-	-

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MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

Rupees in '000	Effective Yield / Interest rate	Total	2015									Non-interest bearing financial instruments
			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	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		29,685,228	5,660,220	-	-	-	-	-	-	-	-	24,025,008
Balances with other banks	5.37%	8,358,930	6,887,182	-	-	-	-	-	-	-	-	1,471,748
Lendings to financial institutions	7.00%	812,898	-	289,193	523,705	-	-	-	-	-	-	-
Investments	8.46%	268,048,928	22,206,560	51,175,658	25,675,181	49,221,233	14,454,740	30,106,538	41,459,980	28,836,421	-	4,912,617
Advances	7.52%	199,936,549	67,688,615	102,482,482	16,795,923	6,779,314	923,391	403,315	772,510	1,142,507	2,948,492	-
Other assets		11,547,165	-	-	-	-	-	-	-	-	-	11,547,165
		518,389,698	102,442,577	153,947,333	42,994,809	56,000,547	15,378,131	30,509,853	42,232,490	29,978,928	2,948,492	41,956,538
Liabilities												
Bills payable		6,094,885	-	-	-	-	-	-	-	-	-	6,094,885
Borrowings	6.15%	57,323,250	54,045,475	263,444	2,983,305	-	10,342	10,342	10,342	-	-	-
Deposits and other accounts	4.64%	433,130,465	132,886,683	85,479,342	79,851,999	21,731,608	3,394,102	293,913	182,350	1,400	-	109,309,068
Sub-ordinated loans	10.15%	4,996,800	-	3,998,400	998,400	-	-	-	-	-	-	-
Other liabilities		6,332,492	-	-	-	-	-	-	-	-	-	6,332,492
		507,877,892	186,932,158	89,741,186	83,833,704	21,731,608	3,404,444	304,255	192,692	1,400	-	121,736,445
On-balance sheet gap		10,511,806	(84,489,581)	64,206,147	(40,838,895)	34,268,939	11,973,687	30,205,598	42,039,798	29,977,528	2,948,492	(79,779,907)
Off-balance sheet financial instruments												
Purchase and resale agreements	6.45%	292,361	292,361	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	6.17%	46,551,819	46,551,819	-	-	-	-	-	-	-	-	-
Commitments to extend credits		8,789,588	8,789,588	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(55,049,046)	(55,049,046)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		(139,538,627)	64,206,147	(40,838,895)	34,268,939	11,973,687	30,205,598	42,039,798	29,977,528	2,948,492	(79,779,907)	
Cumulative yield / interest risk sensitivity gap			(75,332,480)	(116,171,375)	(81,902,436)	(69,928,749)	(39,723,151)	2,316,647	32,294,175	35,242,667		

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

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

43.2.5.3 Assets do not include operating fixed assets of Rs. 11,019,555 (2015: Rs. 9,278,150) thousand and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealized gain on forward foreign exchange contracts-net, suspense account and stationary and stamps in hand of Rs. 10,732,653 (2015: Rs. 8,520,892) thousand.

43.2.5.4 Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, branch adjustment account, unrealized loss on forward foreign exchange contracts-net, withholding taxes payable, federal excise duty and worker's welfare fund of Rs. 1,373,221 (2015: Rs. 1,165,468) thousand.

43.3 LIQUIDITY RISK

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

43.3.1 MATURITIES OF ASSETS AND LIABILITIES

		2016									
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Assets											
Cash and balances with treasury banks	42,568,141	42,568,141	-	-	-	-	-	-	-	-	
Balances with other banks	5,845,748	5,136,105	709,643	-	-	-	-	-	-	-	
Lendings to financial institutions	6,836,584	3,992,000	2,330,023	-	514,561	-	-	-	-	-	
Investments	295,846,254	36,394,497	40,982,134	9,354,516	31,706,005	46,308,938	27,780,763	49,676,425	52,716,974	926,002	
Advances	235,163,922	61,041,844	45,007,109	24,906,513	22,639,800	18,660,415	16,694,225	21,037,575	13,328,584	11,847,857	
Operating fixed assets	11,019,555	361,477	158,358	232,560	447,835	834,871	756,331	1,132,220	1,235,785	5,860,118	
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	
Other assets	21,596,324	5,054,494	-	-	-	3,369,663	3,369,663	3,267,802	3,267,802	3,266,900	
Assets attributable to discontinued operations	810,275	-	-	-	810,275	-	-	-	-	-	
	619,686,803	154,548,558	89,187,267	34,493,589	56,118,476	69,173,887	48,600,982	75,114,022	70,549,145	21,900,877	
Liabilities											
Bills payable	8,579,809	2,823,769	-	520,334	5,235,706	-	-	-	-	-	
Borrowings	89,261,788	83,980,814	1,804,423	3,381,433	-	31,706	31,706	31,706	-	-	
Deposits and other accounts	472,803,094	63,087,708	41,961,473	13,410,693	19,468,426	81,918,302	78,843,408	83,028,889	45,546,219	45,537,976	
Sub-ordinated loans	4,994,800	-	800	200	1,000	2,000	2,000	1,000,000	3,988,800	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities	526,430	1,491,068	-	-	(165,249)	(5,867)	(592,927)	(200,595)	-	-	
Other liabilities	10,386,352	5,513,070	-	-	-	2,435,777	1,218,753	609,376	304,688	304,688	
Liabilities associated with discontinued operations	280,959	-	-	-	280,959	-	-	-	-	-	
	586,833,232	156,896,429	43,766,696	17,312,660	24,820,842	84,381,918	79,502,940	84,469,376	49,839,707	45,842,664	
Net assets	32,853,571	(2,347,871)	45,420,571	17,180,929	31,297,634	(15,208,031)	(30,901,958)	(9,355,354)	20,709,438	(23,941,787)	
Share Capital	12,602,602										
Reserves	8,855,953										
Unappropriated profit	4,090,445										
Non-controlling interest	37,908										
Surplus on revaluation of assets - net of tax											
Continued operations	7,219,456										
Discontinued operations	47,207										
	32,853,571										

		2015									
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Assets											
Cash and balances with treasury banks	29,685,228	29,685,228	-	-	-	-	-	-	-	-	
Balances with other banks	8,358,930	8,358,930	-	-	-	-	-	-	-	-	
Lendings to financial institutions	812,898	-	289,193	523,705	-	-	-	-	-	-	
Investments	268,048,928	23,433,775	48,502,951	24,456,317	49,748,173	16,622,279	31,129,080	43,043,162	30,445,598	667,593	
Advances	199,936,549	32,760,770	40,370,362	33,828,981	27,336,577	13,502,435	11,360,076	22,704,117	5,688,949	12,384,282	
Operating fixed assets	9,278,150	434,598	132,898	194,707	373,469	687,208	629,606	1,087,225	1,196,270	4,542,169	
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	
Other assets	20,068,057	4,696,617	-	-	-	3,131,078	3,131,078	3,036,429	3,036,429	3,036,426	
	536,188,740	99,369,918	89,295,404	59,003,710	77,458,219	33,943,000	46,249,840	69,870,933	40,367,246	20,630,470	
Liabilities											
Bills payable	6,094,885	2,005,936	-	369,632	3,719,317	-	-	-	-	-	
Borrowings	57,323,250	54,045,475	263,444	2,983,305	-	10,342	10,342	10,342	-	-	
Deposits and other accounts	433,130,465	57,071,666	31,533,337	21,179,160	21,731,608	73,884,087	70,783,898	75,022,263	40,962,923	40,961,523	
Sub-ordinated loans	4,996,800	-	800	200	1,000	2,000	2,000	502,000	4,488,800	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities	71,590	1,871,966	-	-	(119,441)	(5,867)	(617,894)	(525,972)	(531,202)	-	
Other liabilities	7,497,960	3,979,253	-	-	-	1,759,356	879,678	439,839	219,919	219,915	
	509,114,950	118,974,296	31,797,581	24,532,297	25,332,484	75,649,918	71,058,024	75,448,472	45,140,440	41,181,438	
Net assets	27,073,790	(19,604,378)	57,497,823	34,471,413	52,125,735	(41,706,918)	(24,808,184)	(5,577,539)	(4,773,194)	(20,550,968)	
Share Capital	12,602,602										
Reserves	6,445,888										
Unappropriated profit	2,948,581										
Non-controlling interest	35,580										
Surplus on revaluation of assets	5,041,139										
	27,073,790										

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

43.3.1.1 In compliance with the BSD circular letter No. 03 of 2011 dated February 22, 2011, all assets and liabilities with contractual maturities have been reported as per their remaining maturities, and where contractual maturities are not available, such assets and liabilities have been reported as per their expected maturities, determined on the basis of behaviour study of three years' historic data under volatility methodology. These basis have also been approved by the Asset and Liability Committee (ALCO) of the Group.

43.4 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The Group strives to manage operational risk within acceptable levels through sound operational risk management practices. Board Risk Management Committee defines the operational risk appetite and tolerance limits.

Operational risk governance structure adopted by Group is embedded within three lines of defense: Strategic, Macro and Micro. Group already has in place an Operational Risk Management framework which is aligned with global best market practices.

Group has dedicated functions to manage Operational Risk, Business Continuity Risk and Information Security Risk governed through comprehensive frameworks in line with international best practices.

43.4.1 OPERATIONAL RISK DISCLOSURES BASEL III

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

44. GENERAL

44.1 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

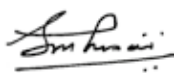
The Board of Directors in its meeting held on February 14, 2017 has proposed the following appropriations, which will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2016 do not include the effect of the appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2017 as follows:

Rupees in '000	2016	2015
Transfer from unappropriated profit to:		
General reserve	4,090,445	2,948,581
Transfer from general reserve:		
Payment of final cash dividend of Rs. 1.5 per share (2015: Rs. 1.25 per share)	1,890,390	1,575,325

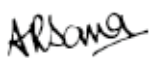
44.2 Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the SBP in respect of which there are no amounts have not been reproduced in these consolidated financial statements except for the consolidated statement of financial position and consolidated profit and loss account.

45. DATE OF AUTHORIZATION

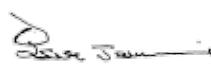
These consolidated financial statements were authorized for issue on February 14, 2017 by the Board of Directors of the Group.



Syed M. Husaini
President & Chief Executive



Asif Reza Sana
Director



Qaiser Javed
Director



Lt Gen (R) Khalid Nawaz Khan
Chairman

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2016

Number of shareholders	Shareholding		Total shares held
	From	To	
1,990	1	100	79,650
3,062	101	500	885,082
2,169	501	1,000	1,695,537
4,787	1,001	5,000	12,340,088
2,109	5,001	10,000	15,742,224
1,026	10,001	15,000	12,914,380
943	15,001	50,000	24,694,112
435	50,001	525,000	60,206,444
29	540,001	1,000,000	22,539,755
19	1,055,001	2,000,000	27,712,587
8	2,085,001	2,500,000	18,286,230
14	2,795,001	10,000,000	82,829,022
4	12,425,001	26,115,000	75,454,683
1	90,425,001	90,430,000	90,429,653
1	271,880,001	271,885,000	271,884,009
1	542,565,001	542,570,000	542,566,724
16,598			1,260,260,180

Categories of shareholders

Particulars	Number of shareholders	Shares held	Percent
Directors, CEO, Children	7	225,567	0.02
Associated Companies	5	906,281,917	71.91
Public Sector Companies & Corporations	22	25,097,723	1.99
Banks, DFIs & NBFIs, Insurance Companies, Takaful, modarabas, Pension Funds	31	9,690,272	0.77
Mutual Funds	26	34,168,547	2.71
General Public (Local)	16,296	208,475,899	16.54
General Public (Foreign)	3	780	0.00
Others	190	50,872,620	4.04
Foreign investors (Foreign Companies)	18	25,446,855	2.02
TOTAL	16,598	1,260,260,180	100.00

Held by

Particulars	Number of shareholders	Shares held	Percentage
ASSOCIATED COMPANIES	5	906,281,917	71.91
FAUJI FOUNDATION CONSORTIUM			
Fauji Foundation	2	90,629,884	7.19
Fauji Fertilizer Company Limited	2	543,768,024	43.15
Fauji Fertilizer Bin Qasim Limited	1	271,884,009	21.57
Public Sector Companies & Corporations (including NIT / ICP)	22	25,097,723	2.00
NOTE 1 - BOARD OF DIRECTORS SHAREHOLDING			
Lt Gen Muhammad Haroon Aslam, HI (M) (Retd)	1	500	0.00
Mr. Qaiser Javed	1	500	0.00
Dr. Nadeem Inayat	1	500	0.00
Mr. Asif Reza Sana	1	500	0.00
Mr. Zaffar Ahmad Khan	1	200,000	0.02
Mr. Tariq Hafeez Malik	1	500	0.00
Mr. Muhammad Ghous	1	23,067	0.00
SHAREHOLDING BOARD OF DIRECTORS	7	225,567	0.02
EXECUTIVES OF THE BANK	22	202,528	0.02
BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS (INCLUDING NIT & ICP)	57	43,858,819	3.48
GENERAL PUBLIC (LOCAL) - INDIVIDUALS	16,274	208,273,371	16.53
GENERAL PUBLIC (FOREIGN) - INDIVIDUALS	3	780	0.00
FOREIGN COMPANIES	18	25,446,855	2.02
OTHERS	190	50,872,620	4.04
	16,485	284,593,626	22.59
TOTAL	16,598	1,260,260,180	100.00

NOTE 1: For the purpose of reporting trades in the shares of the Bank, as per requirement of Code of Corporate Governance 2012, * Executive(s) mean person(s) included in a list, who have access to sensitive information, alongwith CEO of the Bank.

NOTE 2: There have been no trades in the shares of the Bank, carried out by it's Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children, except following Executives:

Sr. No.	Name of Executive	(In Numbers)	
		Sale	Purchase
1	Mr. Ahsan Raza Qaisar	3,000	30
2	Mr. Rashid Nawaz Tipu	125,000	-

CORRESPONDENT NETWORK

1. Algeria		
Banque de l' Agriculture et du Development Rural		
2. Argentina		
Banco Credicoop Cooperativo Ltda Banco Macro SA Banco Patagonia SA		
3. Australia		
Citigroup Pty Limited Commonwealth Bank of Australia National Australia Bank Ltd WestPac Banking Corporation		
4. Austria		
Erste Group Bank AG Oberbank AG Raiffeisen Bank International AG Raiffeisenlandesbank Oberösterreich Aktiengesellschaft Raiffeisen-Landesbank Steiermark AG Salzburger Sparkasse Bank AG UniCredit Bank Austria AG Vorarlberger Landes-und Hypothekenbank Aktiengesellschaft		
5. Azerbaijan		
The International Bank of Azerbaijan Republic		
6. Bahrain		
Al Baraka Islamic Bank BSC BMI Bank BSC ©		
7. Bangladesh		
City Bank Ltd Export Import Bank of Bangladesh Prime Bank Ltd Rupali Bank Ltd Southeast Bank Ltd		
8. Belgium		
Belfius Bank SA/NV Beobank NV/SA BNP Paribas Fortis NV/S.A Byblos Bank Europe SA CBC Banque SA KBC Bank NV		
9. Brazil		
Banco Citibank SA Banco Do Brasil S.A. Banco do Estado do Rio Grande do Sul SA Banco Industrial e Comercial SA Deutsche Bank SA Banco Alemão		
10. Brunei Darussalam		
Bank Islam Brunei Darussalam Berhad		
11. Bulgaria		
UniCredit Bulbank AD		
12. Cameroon		
Citybank Cameroon		
13. Canada		
Canadian Imperial Bank of Commerce Habib Candain Bank Korea Exchange Bank of Canada La Caisse centrale Desjardins du Quebec National Bank of Canada Royal Bank of Canada Toronto-Dominion Bank		
14. Chile		
Banco Bilbao Vizcaya Argentaria Chile Banco Security		
15. China		
Agricultural Bank of China Bank of Beijing Co. Ltd Bank of Changsha Bank of China Ltd Bank of Communications Co Ltd Bank of Jiangsu Co Ltd Bank of Nanjing Bank of Qingdao Co Ltd Bank of Ruifeng China Citic Banking Corporation China Construction Bank Corporation China Everbright Bank China Guangfa Bank Co Ltd China Merchants Bank Co Ltd China Minsheng Banking Corporation Ltd China Zheshang Bank Co Ltd Citibank (China) Co Ltd Deutsche Bank (China) Co Ltd Evergrowing Bank Co Ltd Export Import Bank of China (EXIM Bank) Hua Xia Bank Co Ltd Huishang Bank Corporation Ltd Industrial Bank Co Ltd Industrial and Commercial Bank of China Ltd Jiangsu Jiayin Rural Commercial Bank Co Ltd Jiangsu Zijin Rural Commercial Bank Co Ltd Mizuho Bank (China) Ltd Ningbo Cixi Rural Cooperative Bank Co Ltd Shinhan Bank (China) Ltd Shengjing Bank Co Ltd Standard Chartered Bank (China) Ltd Sumitomo Mitsui Banking Corporation (China) Limited The Agricultural Development of China The Bank of Tokyo Mitsubishi UFJ (China) Xiamen Commercial Co Ltd Yinzhou Bank Bank of Hebei Qilu Bank China Weifang Rural Commercial Bank Co Ltd		
16. Côte d'Ivoire		
Citibank Côte d'Ivoire SA		
17. Croatia		
Privredna banka Zagreb dd Zagrebacka Banka dd		
18. Cyprus		
Bank of Cyprus Public Company Limited Hellenic Bank Public Company Ltd.		
19. Czech Republic		
Ceska Sporitelna as Ceskoslovenska Obchodni Banka as Raiffeisenbank as UniCredit Bank Czech Republic and Slovakia A.S		
20. Denmark		
Danske Andelskassers Bank A/S Danske Bank A/S Jyske Bank A/S Nordea Bank Denmark A/S		
21. Egypt		
Ahli United Bank Egypt Ltd Arab International Bank Bank of Alexandria The United Bank		
22. Ethiopia		
Dashen Bank Debut Global Bank S.C		
23. Fiji		
HFC Bank		
24. Finland		
Nordea Bank Finland plc Danske Bank Plc, Finland Pohjola Bank plc		
25. France		
Banque Fédérative du Crédit Mutuel Banque Palatine BNP Paribas SA Credit Lyonnais Credit Agricole SA Credit Agricole CIB Credit Du Nord Crédit Industriel et Commercial Crédit Mutuel Arkéa Societe Generale Union de Banques et de Francaises (UBAF)		
26. Germany		
Bayerische Landesbank BHF-BANK Aktiengesellschaft Bremer Landesbank Kreditanstalt Olden-burg- Girozentrale Commerzbank A.G Deutsche Bank AG Deutsche Bank Privat-und Geschäftskunden Aktiengesellschaft DZ Bank AG Deutsche Zentral-Genosschaftsbank HSH Nordbank AG Kreissparkasse Birkenfeld Kreissparkasse Esslingen-Nuertingen Kreissparkasse Heilbronn Kreissparkasse Köln Kreissparkasse Steinfurt Landesbank Baden-Württemberg Landesbank Hessen-Thüringen Girozentrale SEB AG Sparkasse Aachen Sparkasse Kraichgau Bruchsal-Bretten-Sinsheim Sparkasse Neuss-Zweckverbandssparkasse des Rhein-Kreises Neuss, der Stadt Neuss, Stadt Korschenbroich und der Stadt Kaarst Sparkasse Osnabrück Stadtsparkasse Düsseldorf Unicredit Bank AG Volksbank Remscheid-Solinge eG WGZ-Bank AG Westdeutsche Genossenschafts		
27. Greece		
Alpha Bank AE Piraeus Bank SA		
28. Hong Kong		
CTBC Bank Co Ltd HBZ Finance Limited Habib Finance International Limited Standard Chartered Bank (Hong Kong) Limited		
29. Hungary		
Bank of China (Hungária) Hitelintézet Zrt Budapest Hitel-és Fejlesztési Bank Zrt CIB Bank Zrt Commerzbank Zrt Erste Bank Hungary Zrt OTP Bank Nyrt Raiffeisen Bank Zrt UniCredit Bank Hungary Zrt		
30. India		
HDFC Bank ICICI Bank Ltd Karur Vysya Bank Ltd., The Punjab National Bank Tamilnad Mercantile Bank Limited		

CORRESPONDENT NETWORK

31. Indonesia	PT Bank CIMB Niaga TBK PT Bank CTBC Indonesia PT Bank Danamon Indonesia, TBK PT Bank Mandiri (Persero) Tbk PT Bank Negara Indonesia (Persero) Tbk (BNI) PT Bank SBI PT Bank Syariah Mandiri	39. Korea (South)	Busan Bank SA Citibank Korea Inc Daegu Bank Ltd Hana Bank Industrial Bank of Korea KB Kookmin Bank Korea Development Bank Korea Exchange Bank National Federation of Fisheries Cooperatives Nonghyup Bank Shinhan Bank Standard Chartered Bank Korea Limited The Export-Import Bank of Korea Woori Bank	53. Netherlands	ABN AMRO BANK N.V. Credit Europe Bank N.V. Garanti Bank International N.V.
32. Iraq	Trade Bank of Iraq	40. Kuwait	Al-Ahli Bank of Kuwait KSC Burgan Bank Commercial Bank of Kuwait Gulf Bank KSC National Bank of Kuwait	54. New Zealand	Bank of New Zealand
33. Ireland	Bank of Ireland Citibank Europe Plc	41. Latvia	Nordea Bank AB (publ)	55. Nigeria	Citibank Nigeria Ltd
34. Italy	Banca del Piemonte SpA Nuova Banca delle Marche SpA Nuova Banca dell'Etruria e del Lazio SpA Banca Monte Dei Paschi Di Siena SPA. Intesa Sanpaolo SPA. Banca Nuova SpA BPER Banca SpA Banca Popolare di Sondrio Società Cooperativa per Azioni Banca Popolare di Vicenza Società Cooperativa Per Azioni Banca Popolare FriulAdria SpA Banca UBAAE SpA Banca Versilia Lunigiana e Garfagnana Credito Cooperativo Società Cooperativa Banco di Desio e della Brianza SpA Banco di Napoli SpA Banco Popolare Società Cooperativa BIVERBANCA - Cassa di Risparmio di Biella e Vercelli SpA Cassa Centrale Banca Credito Cooperativo del Nord Est SpA Cassa dei Risparmi di Forlì e della Romagna SpA Cassa di Risparmio del Veneto SpA Cassa di Risparmio di Ferrara SpA Credito Agricole Cariparma SpA Cassa di Risparmio in Bologna SpA Casse di Risparmio dell'Umbria SpA Credito Emiliano SpA Credito Valtellinese Società Cooperativa ICCREA Banca - Istituto Centrale del Credito Cooperativo UniCredit SPA Unione di Banche Italiane ScpA Veneto Banca Spa	42. Lebanon	Byblos Bank SAL Fransabank SAL	56. Norway	DNB Bank ASA Nordea Bank Norge ASA
35. Japan	Bank of Tokyo - Mitsubishi UFJ Ltd (The) Citibank Japan Ltd Mizuho Bank Ltd Resona Bank Limited Saitama Resona Bank Ltd Sumitomo Mitsui Banking Corp. Tama Shinkin Bank	43. Lithuania	AB SEB bankas	57. Oman	Bank Muscat SAOG Bank Dhofar (S.A.O.G.) National Bank of Oman S.A.O.G.
36. Jordan	The Housing Bank for Trade & Finance	44. Luxemburg	Danske Bank International SA	58. Pakistan	AI – Baraka Bank (Pakistan) Limited Allied Bank of Pakistan Bank Al-Habib Limited Bank Alfalah Limited Bank Islami (Pakistan) Limited Bank of Khyber, The Bank of Punjab, The Dubai Islamic Bank Pakistan Ltd Faysal Bank Limited First Women Bank Ltd Habib Bank Ltd. Habib Metropolitan Bank Limited JS Bank Limited MCB Bank Ltd. MCB Islamic Bank Ltd Meezan Bank Limited National Bank of Pakistan NIB Bank Limited SAMBA Bank Ltd Silk Bank Pakistan Sindh Bank Ltd Soneri Bank Limited Standard Chartered Bank (Pakistan) Ltd SUMMIT Bank Limited United Bank Limited
37. Kazakhstan	Alliance Bank Joint Stock Company Citibank Kazakhstan JSC	45. Macedonia	Komercijalna Banka AD Skopje	59. Poland	Alior Bank SA Bank BPH SA Bank Handlowy Warszawie SA Bank Polska Kasa Opieki SA Bank Zachodni WBK SA Deutsche Bank Polska SA mBank SA Powszechna Kasa Oszczednosci Bank Polski Spolka Akcyjna
38. Kenya	Dubai Bank Kenya Ltd Kenya Commercial Bank Middle East Bank Kenya Ltd CFC Stanbic Bank Kenya Ltd Standard Chartered Bank Kenya Ltd	46. Malaysia	Bank of America Malaysia Berhad Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad CIMB Bank Berhad Citibank Berhad Hong Leong Bank Berhad Malayan Banking Berhad Public Bank Berhad RHB Bank Berhad Standard Chartered Bank Malaysia Bhd	60. Portugal	Banco BPI S.A Banco Comercial Português SA Caixa Central de Credito Agricola Mutuo Caixa Económica Montepio Geral
		47. Maldives	Bank of Maldives	61. Qatar	Doha Bank Ltd. International Bank of Qatar Qatar National Bank
		48. Malta	FIM Bank IIG BANK (MALTA) LTD	62. Romania	Banca Comerciala Romana SA UniCredit Tiriac Bank SA
		49. Mauritius	Mauritius Post and Cooperative Bank The Mauritius Commercial Bank Ltd		
		50. Mexico	Banco del Bajío SA Banco Santander (Mexico) S.A.		
		51. Morocco	Attijariwafa Bank Attijari International Bank s.a. - Banque off shore Tanger Citibank Maghreb Credit Du Maroc		
		52. Nepal	Laxmi Bank Limited		

63. Russia	74. Taiwan	81. United Kingdom
Bank of Moscow Credit Bank of Moscow Promsvyazbank Public Joint-Stock Company Zao Citibank	Citibank Taiwan Limited CTBC Bank Co Ltd DBS Bank (Taiwan) Ltd Far Eastern International Bank Huanan Commercial Bank Mega International Commercial Bank Co Ltd Standard Chartered Bank (Taiwan) Limited Taiwan Cooperative Bank Taipei Fubon Commercial Bank Co Ltd Taiwan Shin Kong Commercial Bank Co Ltd Taichung Commercial Bank Ltd Union Bank of Taiwan	Bank Mandiri (Europe) Ltd Bank of Ceylon (UK) Ltd Bank of Cyprus UK Limited Bank of Ireland (UK) Plc Clydesdale Bank PLC Habibsons Bank Ltd. National Westminster Bank plc Northern Bank Limited Royal Bank of Scotland Plc Standard Chartered Bank United National Bank Ltd
64. Saudi Arabia	75. Tanzania	82. Uruguay
Al Inma Bank Arab National Bank Al-Rajhi Banking and Investment Corporation Banque Saudi Fransi Bank Al-Jazira National Commercial Bank Ltd. (The) Riyad Bank Samba Financial Group Saudi Hollandi Bank	Citibank Tanzania Ltd	Banco Bilbao Vizcaya Argentaria Uruguay SA
65. Serbia	76. Thailand	83. U S A
Erste Bank ad Novi Sad UniCredit Bank Serbia ad Beograd	Bangkok Bank Public Co. Export – Import Bank of Thailand Standard Chartered Bank (Thai) Public Company Limited	Associated Bank NA Bank of New York Mellon Bank of America NA BOKF NA Capital One NA Citibank NA Cathay Bank City National Bank Compass Bank Comerica Bank Deutsche Bank Trust Company Americas East West Bank First Tennessee Bank NA Intrust Bank NA JP Morgan Chase Bank KeyBank National Association National Penn Bank New York Commercial Bank PNC Bank NA Regions Bank Santander Bank NA Suntrust Bank TD Bank NA The Bank of New York Mellon The Huntington National Bank UMB Bank NA US Bank NA Wells Fargo Bank NA Woori America Bank
66. Singapore	77. Tunisia	
DBS Bank Limited Standard Chartered Bank (Singapore) Limited	Bank Franco Tunisienne Societe Tunisienne de Banque Tunis International Bank	
67. Slovakia	78. Turkey	
Ceskoslovenska Obchodna Banka AS	Akbank TAS Albaraka Türk Katılım Bankasi AS Anadolubank AS Asya Katılım Bankasi AS Citibank AS Denizbank AS Finansbank AS Türkiye Cumhuriyeti Ziraat Bankasi AS Türkiye Finans Katılım Bankasi AS Türkiye Garanti Bankasi AS Türkiye Halk Bankasi AS Kuveyt Türk Katılım Bankasi AS Türkiye is Bankasi AS Türkiye Vakıflar Bankasi TAO Turkland Bank AS Yapi ve Kredi Bankasi AS	
68. Slovenia	79. Ukraine	84. Vietnam
Banka Celje dd Nova Ljubljanska Banka D.D. UniCredit Banka Slovenija dd Abanka DD	Public Joint Stock Company "Citibank" Public Joint Stock Company "First Ukrainian International Bank" PUBLIC JOINT STOCK COMPANY UKRSOTSBANK Raiffeisen Bank Aval Public Joint Stock Company UKREXIMBANK	AN BINH Bank Joint Stock Commercial Bank Foreign Trade of Vietnam
69. South Africa	80. United Arab Emirates	85. Yemen Arab Republic
Firststrand Bank Limited HBZ Bank Limited Habib Overseas Bank Limited Standard Bank of South Africa	Abu Dhabi Commercial Bank Commercial Bank of Dubai Credit Europe Bank (Dubai) Ltd Dubai Bank PJSC Dubai Islamic Bank Emirates Islamic Bank PJSC Emirates NBD PJSC First Gulf Bank MashreqBank Psc National Bank of Fujairah Noor Bank pjsc The National Bank of Ras Al-Khaima Union National Bank United Arab Bank	International Bank of Yemen YSC Islamic Bank of Yemen for Finance & Investment National Bank of Yemen Saba Islamic Bank Tadhamon International Islamic Bank Yemen Gulf Bank Yemen Bank for Reconstruction and Development Yemen Commercial Bank
70. Spain		
Banco Cooperativo Español SA Banco de Sabadell SA Banco Santander S.A. Banco Popular Espanol Bankinter SA CaixaBank SA Caja Laboral Popular Coop. de Crédito Catalunya Banc SA		
71. Sri Lanka		
Bank of Ceylon Hatton National Bank Sampath Bank PLC Seylan Bank PLC Union Bank of Colombo Limited		
72. Sweden		
Nordea Bank AB (Publ) Skandinaviska Enskilda Banken Svenska Handelsbanken AB (publ) Swedbank AB		
73. Switzerland		
Arab Bank Switzerland Bank CIC (Schweiz) AG Banque Cantonale de Genève Banque Cantonale Vaudoise Banque de Comm. et de Placements SA Citibank (Switzerland) AG Habib Bank AG Zurich Schwyzer Kantonalbank (SZKB) UBL (Switzerland) AG Zuercher Kantonal Bank		

**(473 BANKS OF
85 COUNTRIES
OF ORIGIN, AS ON
DECEMBER 31, 2016)**

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION IN US\$ AS AT DECEMBER 31, 2016

2016		2015		2016		2015	
US \$ in '000				Rupees in '000			
Assets							
406,967	283,416	Cash and balances with treasury banks	42,568,141	29,685,228			
55,887	79,202	Balances with other banks	5,845,748	8,295,724			
65,360	7,761	Lendings to financial institutions	6,836,584	812,898			
2,828,399	2,558,890	Investments	295,846,254	268,020,706			
2,248,253	1,908,811	Advances	235,163,922	199,930,812			
105,351	88,122	Operating fixed assets	11,019,555	9,230,010			
2,503	–	Assets held for sale	261,762	–			
–	–	Deferred tax assets	–	–			
206,477	189,910	Other assets	21,597,227	19,891,336			
5,919,198	5,116,112		619,139,193	535,866,714			
Liabilities							
82,026	58,190	Bills payable	8,579,809	6,094,885			
853,375	547,286	Borrowings	89,261,788	57,323,250			
4,520,250	4,135,651	Deposits and other accounts	472,811,335	433,172,205			
47,752	47,706	Sub-ordinated loans	4,994,800	4,996,800			
–	–	Liabilities against assets subject to finance lease	–	–			
5,033	920	Deferred tax liabilities	526,430	96,404			
99,314	69,984	Other liabilities	10,388,081	7,330,227			
5,607,750	4,859,738		586,562,243	509,013,771			
311,448	256,375	Net Assets	32,576,950	26,852,943			
Represented By							
120,485	120,322	Share capital	12,602,602	12,602,602			
82,895	61,541	Reserves	8,670,686	6,445,888			
39,047	26,382	Unappropriated profit	4,084,206	2,763,314			
242,427	208,245		25,357,494	21,811,804			
69,021	48,130	Surplus on revaluation of assets - net of tax	7,219,456	5,041,139			
311,448	256,375		32,576,950	26,852,943			

Note:

The above is for information only and conversion has been made @ 1US\$=Pak Rs. 104.5985 as at December 31, 2016. (1US\$ = Pak Rs. 104.7410 as at December 31, 2015)

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT IN US\$ AS AT DECEMBER 31, 2016

2016		2015			
US \$ in '000				Rupees in '000	
339,511	349,358	Mark-up / return / interest earned	35,512,309	36,592,093	
195,957	207,086	Mark-up / return / interest expensed	20,496,757	21,690,386	
143,554	142,272	Net mark-up / interest income	15,015,552	14,901,707	
(6,974)	3,015	Provision / (reversal) against non-performing loans and advances - net	(729,441)	315,840	
216	2,074	Impairment loss on available for sale investments	22,565	217,243	
459	3,303	Provision for diminution in the value of investments	48,052	345,969	
–	–	Bad debts written off directly	–	–	
(6,299)	8,393		(658,824)	879,052	
149,853	133,879	Net mark-up / interest income after provisions	15,674,376	14,022,655	
		Non mark-up / interest income			
20,611	16,537	Fee, commission and brokerage income	2,155,856	1,732,140	
2,914	2,890	Dividend income	304,850	302,721	
6,117	7,972	Income from dealing in foreign currencies	639,827	834,956	
33,716	30,994	Gain on sale of investments - net	3,526,687	3,246,294	
–	–	Unrealised gain / (loss) on revaluation of investments classified as held for trading - net	–	–	
4,581	5,475	Other income	479,139	573,477	
67,939	63,868	Total non-markup / interest income	7,106,359	6,689,588	
217,792	197,747	Non mark-up / interest expenses	22,780,735	20,712,243	
134,600	114,704	Administrative expenses	14,078,992	12,014,237	
31	474	Other provisions / write offs	3,260	49,671	
2,118	2,068	Other charges	221,535	216,639	
136,749	117,247	Total non-markup / interest expenses	14,303,787	12,280,547	
81,043	80,500		8,476,948	8,431,696	
–	–	Extra ordinary / unusual items	–	–	
81,043	80,500	Profit before taxation	8,476,948	8,431,696	
(20,357)	(22,243)	Taxation – current	(2,129,263)	(2,329,796)	
(2,547)	(3,972)	– prior years'	(266,425)	(416,000)	
(8,228)	(6,134)	– deferred	(860,625)	(642,481)	
(31,132)	(32,349)		(3,256,313)	(3,388,277)	
49,911	48,151	Profit after taxation	5,220,635	5,043,419	
26,418	17,779	Unappropriated profit brought forward	2,763,314	1,862,223	
76,329	65,931	Profit available for appropriation	7,983,949	6,905,642	
0.04	0.04	Basic earnings per share	4.14	4.00	

Note:

The above is for information only and conversion has been made @ 1US\$ = Pak Rs. 104.5985 as at December 31, 2016. (1US\$ = Pak Rs. 104.7410 as at December 31, 2015)

NOTES

AGM

Friday, March 31, 2017 at 10:00 am

at Pearl Continental Hotel, Rawalpindi

FORM OF PROXY ASKARI BANK LIMITED

I/We _____ S/o/ D/o/ W/o _____ of _____
being member(s) of Askari Bank Limited ("the Bank"), holding _____ ordinary shares vide Folio/CDC
Account No. _____, do hereby appoint Mr./Mrs./Ms. _____ Folio/CDC Account
No. _____ of _____ failing him / her, Mr./Mrs./Ms. _____ Folio/
CDC Account No. _____ of _____ as my / our proxy and to attend, act and vote on my / our behalf at the
25th Annual General Meeting of the Bank to be held on Friday, March 31, 2017 at 10:00 am at Pearl Continental Hotel, Rawalpindi and at any adjournment
thereof.

Signed this _____ day of March 2017.

(Member's signature on
Rs. 5/- Revenue Stamp

Witnesses No. 1: _____

Name: _____

C.N.I.C. No.: _____

Address: _____

Witnesses No. 2: _____

Name: _____

C.N.I.C. No.: _____

Address: _____

NOTES:

A. General:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him / her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan / State Bank of Pakistan / corporate entity may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his / her attorney duly authorized in writing. If the member is a corporate entity (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 1st Floor, AWT Plaza, The Mall, P. O. Box No. 1084, Rawalpindi not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
2. Copies of the CNIC or passport of the beneficial owners shall be furnished with the proxy form.
3. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
4. In case of Government of Pakistan / State Bank of Pakistan / Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.

THE COMPANY SECRETARY:

ASKARI BANK LIMITED

AWT PLAZA, THE MALL, P.O. BOX NO. 1084,
RAWALPINDI – PAKISTAN.

پراکسی فارم عسکری بینک لمیٹڈ

میں / ہم _____ ولدیت / بنت ازوجہ _____ شہر _____ بحیثیت ممبر عسکری بینک لمیٹڈ، حامل عام شیئر زبیطابق فوئیو / سی ڈی سی اکاؤنٹ نمبر _____
 ، مسٹر / مسز / مس _____ فوئیو / سی ڈی سی اکاؤنٹ نمبر _____ شہر _____ اسکی ناکامی کی صورت میں، مسٹر / مسز / مس _____ فوئیو / سی ڈی سی اکاؤنٹ
 نمبر _____ شہر _____ کو اپنے / ہمارے ایما پر بطور پراکسی مقرر کرتا ہوں / کرتے ہیں تاکہ وہ میری / ہماری طرف سے بینک کے 25 ویں سالانہ اجلاس عام جو بتاریخ 31 مارچ 2017ء بروز
 جمعہ المبارک دن بوقت 10 بجے بمقام پرل کانٹی نینٹل ہوٹل، راولپنڈی میں منعقد ہونے والے یا اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے، بات کرے اور حق رائے دہی استعمال کرے۔
 آج بروز _____ بتاریخ _____ 2017ء کو بطور گواہ دستخط کیے

دستخط ممبر
(پارنچ روپے کارسیدی ٹکٹ)

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

نوٹس:-

الف۔ عام

- 1۔ جو ممبر اجلاس میں شرکت اور ووٹ ڈالنے کا اہل ہے وہ اپنی جگہ اجلاس میں شرکت اور ووٹ ڈالنے کے لئے پراکسی مقرر کر سکتا ہے۔ گورنمنٹ آف پاکستان، سٹیٹ بینک آف پاکستان یا کاروباری ادارے کے علاوہ کوئی ایسا شخص پراکسی کے طور پر کام نہیں کر سکتا، اگر وہ بینک کا ممبر نہیں ہے۔
- 2۔ پراکسی مقرر کرنے کی دستاویز ممبر یا اس کے تحریری طور پر یا اختیار اٹارنی سے دستخط شدہ ہونی چاہیے۔ اگر ممبر (گورنمنٹ آف پاکستان یا سٹیٹ بینک آف پاکستان کے علاوہ) ایک کاروباری ادارہ ہے تو اس کی عام ممبر دستاویز پر لگی ہونی چاہیے۔
- 3۔ پراکسی مقرر کیے جانے سے متعلق دستاویزات بنام کمپنی بیکٹری عسکری بینک لمیٹڈ، فرسٹ فلور، اے ڈبلیو پیلازہ، دی مال، پی او بکس 1084 راولپنڈی پر اجلاس سے کم از کم 48 گھنٹے قبل لازماً وصول ہو جانا چاہیے۔
- 4۔ اگر کوئی ممبر ایک سے زیادہ پراکسی مقرر کرے گا اور ایک سے زیادہ پراکسی کے دستاویز جمع کروانے کا تو پراکسی کی تمام دستاویزات کا عدم قراردی جائیں گی۔

ب۔ سی ڈی سی اکاؤنٹ رکھنے والوں کے لئے

- 1۔ پراکسی فارم دو گواہان سے تصدیق شدہ ہونا چاہیے۔ جن کے نام، پتے اور سی این آئی سی نمبر فارم کے اوپر درج ہوں۔
- 2۔ مستفید مالکان کے سی این آئی سی یا پاسپورٹ کی نقول پراکسی فارم کے ساتھ فراہم کی جانی چاہئیں۔
- 3۔ پراکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ فراہم کرنا ہوگا۔
- 4۔ گورنمنٹ آف پاکستان / سٹیٹ بینک آف پاکستان / کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی مجھے نمونہ دستخط پراکسی فارم کے ساتھ جمع کروانی ہوگی۔

THE COMPANY SECRETARY:

ASKARI BANK LIMITED

AWT PLAZA, THE MALL, P.O. BOX NO. 1084,
RAWALPINDI – PAKISTAN.

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