



# ANNUAL REPORT

# 2017



GROWTH IS AN EVIDENCE OF SUCCESS



## Table of Contents

02	»	Corporate Information
03	»	Vision, Mission Statement
05	»	Core Values
06	»	Management
10	»	Credit Rating
11	»	Six Years at a Glance
14	»	Corporate Social Responsibility (CSR)
18	»	President's Message
22	»	Economic Review
24	»	Directors' Report
45	»	Statement of Compliance with the Code of Corporate Governance
48	»	Auditors' Review Report to the members on Code of Corporate Governance
49	»	Report of Shariah Board
54	»	Statement of Internal Controls
56	»	Notice of Annual General Meeting
61	»	Unconsolidated Financial Statements of The Bank of Punjab
157	»	Consolidated Financial Statements of The Bank of Punjab and its Subsidiaries
256	»	Consumer Grievances Handling
257	»	Pattern of Shareholding Form of Proxy



# Corporate Information

## Board of Directors

Dr. Pervez Tahir.....	Chairman
Mr. Naeemuddin Khan.....	President / CEO
Mr. Mohammad Jehanzeb Khan.....	Director
Mr. Hamed Yaqoob Sheikh.....	Director
Dr. Umar Saif.....	Director
Syed Maratib Ali.....	Director
Dr. Muhammad Amjad Saqib.....	Director
Mr. Mohammed Afzaal Bhatti.....	Director
Khawaja Farooq Saeed.....	Director
Mr. Saeed Anwar.....	Director
Mr. Raza Saeed.....	Secretary to the Board

## Central Audit Committee (CAC)

Khawaja Farooq Saeed.....	Chairman
Mr. Mohammed Afzaal Bhatti.....	Member
Mr. Saeed Anwar.....	Member

## Board Risk Management Committee (BRMC)

Syed Maratib Ali.....	Chairman
Mr. Saeed Anwar.....	Member

## Human Resource & Remuneration Committee (HR&RC)

Mr. Mohammad Jehanzeb Khan.....	Chairman
Syed Maratib Ali.....	Member
Mr. Mohammed Afzaal Bhatti.....	Member
Mr. Naeemuddin Khan.....	Ex-officio Member

## Islamic Banking Review Committee (IBRC)

Dr. Muhammad Amjad Saqib.....	Chairman
Dr. Pervez Tahir.....	Member
Khawaja Farooq Saeed.....	Member
Khalid S. Tirmizey.....	Member

## Auditors

EY Ford Rhodes, Chartered Accountants

## Registered Office

BOP Tower, 10-B, Block-E-II,  
Main Boulevard, Gulberg-III, Lahore.  
Telephones: +92 42 35783700-10  
Fax No. +92 42 35783975  
UAN: 111 200 100

## Registrar

M/s. Corplink (Pvt) Limited  
Wings Arcade, 1-K, Commercial,  
Model Town, Lahore.  
Telephones: +92 42 35916714, 35916719, 35839182  
Fax No. +92 42 35869037

## Website

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



# VISION

To be a customer focused bank with service excellence.

# MISSION

To exceed the expectation of our stakeholders by leveraging our relationship with the Government of Punjab and delivering a complete range of professional solutions with a focus on programme driven products and services in the agriculture and middle tier markets through a motivated team.







Our network  
is growing.

**536** online branches  
in 301 cities and still counting...

Experience the service that makes **BOP** exceptional



# Core Values

## OUR CUSTOMERS

as our first priority

## PROFITABILITY

for the prosperity of our stakeholders that allows us to constantly invest, improve and succeed

## CORPORATE SOCIAL RESPONSIBILITY

to enrich the lives of community where we operate

## RECOGNITION AND REWARD

for the talented and high performing employees

## EXCELLENCE

in everything we do

## INTEGRITY

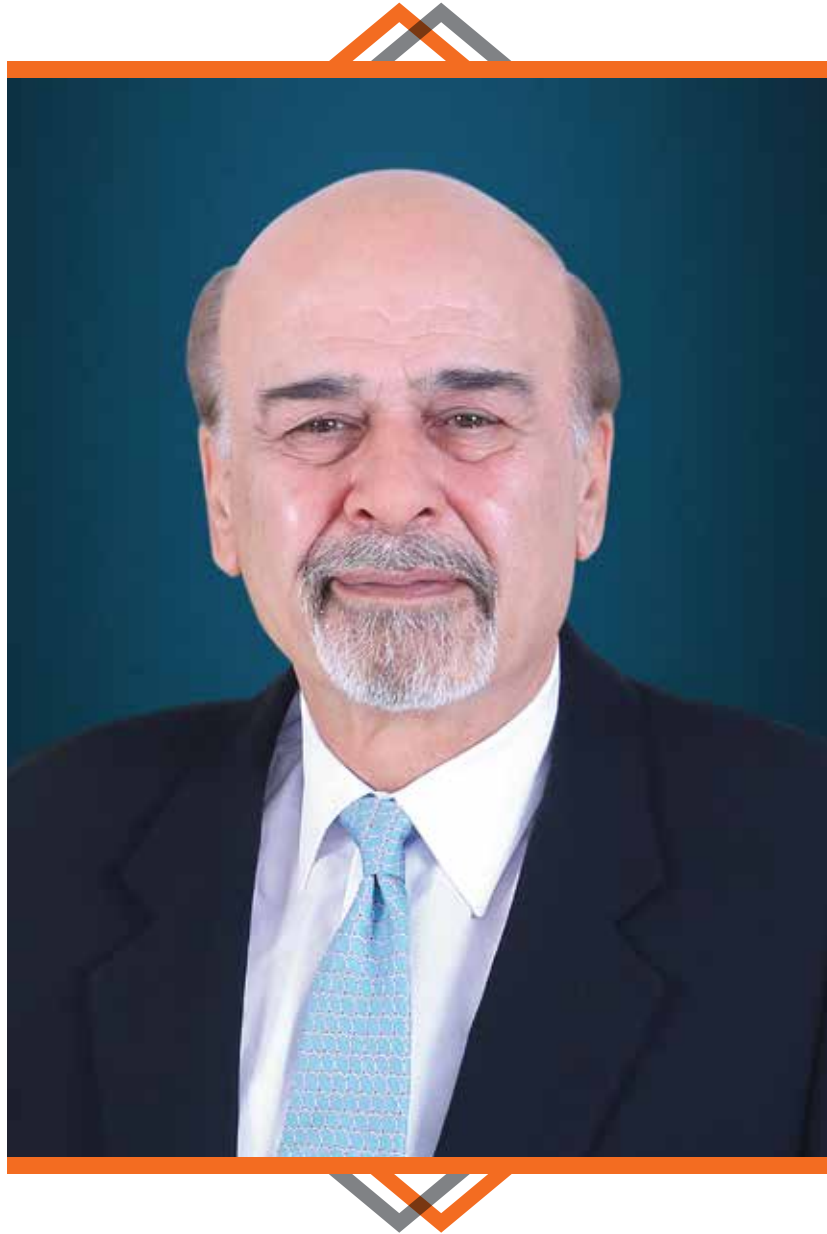
in all our dealings

## RESPECT

for our customers and each other



# MANAGEMENT



Naeemuddin Khan  
President / CEO







Taimur Afzal  
Group Head Retail Finance



Khalid S. Tirmizey  
Deputy CEO



Ahmed Shah Durrani  
Group Head Retail Banking,  
SME & Payment Services



Nadeem Amir  
Chief Financial Officer



Ijaz ur Rehman Qureshi  
Group Head Operations



Moghis Bokhari  
Group Head Human Resource



Mustafa Hamdani  
Group Head IB & WB (South)



Khawar S. Ansari  
Group Head Treasury & FIs



Arslan Iqbal  
Chief Risk Officer





Asim Jahangir Seth  
Head Wholesale Banking-II



Omer Iqbal Sheikh  
Head Islamic Banking



Muhammad Babar Ayyaz  
Head Wholesale Banking-I



Sahibzada Rafat Rauf  
Group Head SAM & Legal



Javed Iqbal  
Chief Information Officer



Khalid Munir  
Head Compliance & Internal Control



Asad Ullah Khan  
Head Audit & RAR



Col (R) Tenwir ul Hassan  
Head Administrative Support



Aalya Mawaz  
Head Corporate Communication





# BOP TAKES SERVICE TO THE NEXT LEVEL

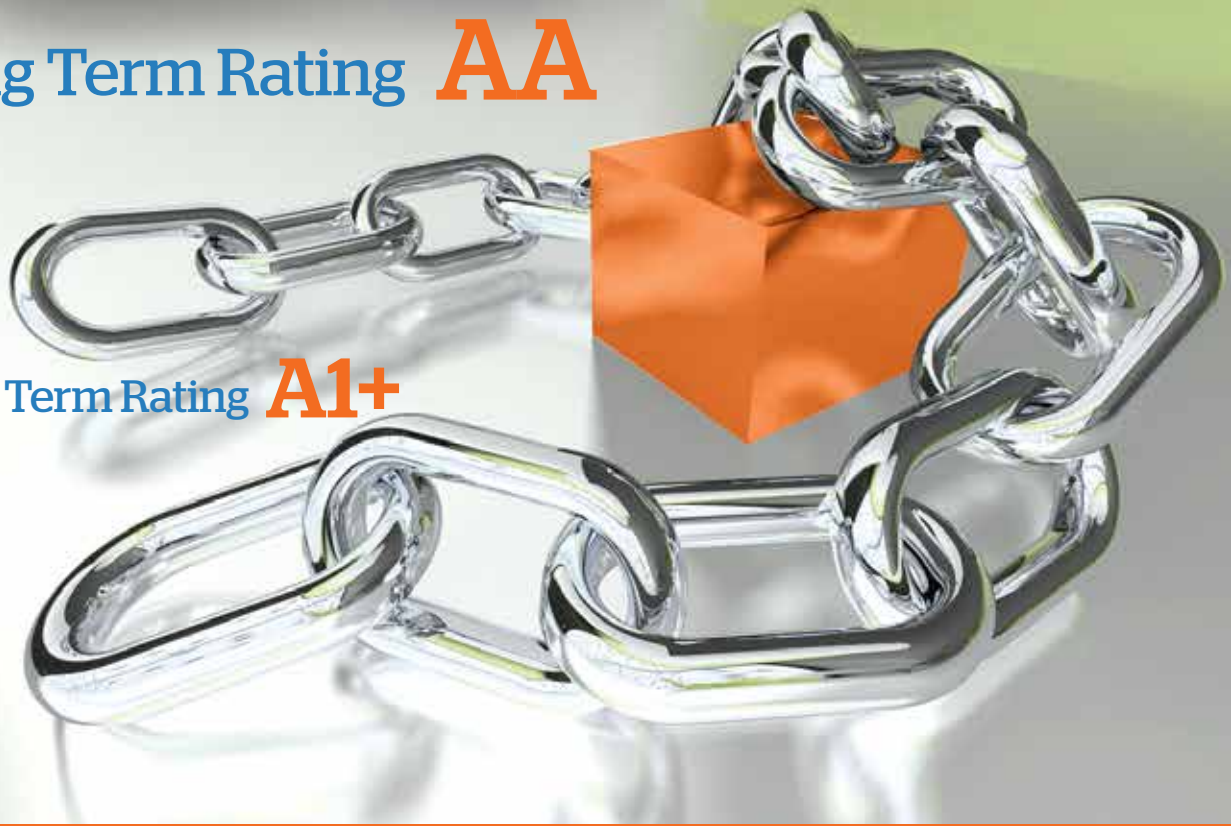
Introducing professional attire for its branch staff

- Dedicated customer services officer
- 536 branches in 301 cities and all tehsils of Punjab
- Over 400 ATMs
- 24/7 call center for easy access to your account
- Bank on-the-go with BOP Mobile App
- Q-Matics for easy and timely service delivery



Long Term Rating **AA**

Short Term Rating **A1+**



## Credit Rating

### Entity Ratings by PACRA

Long Term: AA

Short Term: A1+

### Rating Definition

#### Long Term Rating

AA: Very High Credit Quality. AA Ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable for foreseeable events.

#### Short Term Rating

A1+: Obligations supported by the highest capacity for timely repayment.





## Six Years At A Glance

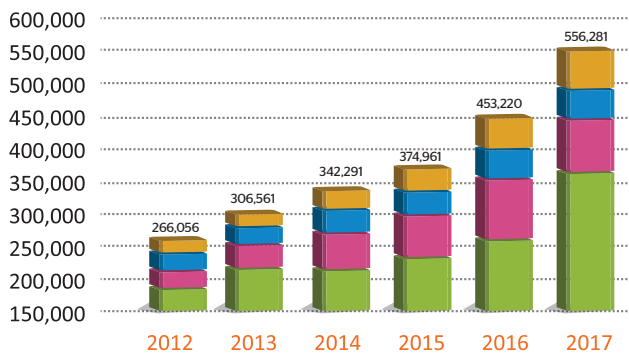
Criteria	2017	2016	2015	2014	2013	2012	
<b>BALANCE SHEET</b>							
Total Assets	Rs in m	649,547	545,214	472,284	420,370	352,698	332,111
Advances (net)	Rs in m	295,752	262,068	219,399	170,313	157,286	149,605
Investments (net)	Rs in m	242,506	199,742	176,043	154,875	123,956	129,519
Shareholders' Equity	Rs in m	26,845	24,248	19,397	15,256	12,577	10,733
Revaluation Reserves	Rs in m	2,887	3,607	3,282	4,071	905	1,638
Deposits	Rs in m	556,281	453,220	374,961	342,291	306,561	266,056
Borrowings	Rs in m	38,949	39,829	55,236	44,743	22,802	44,684
<b>OPERATING RESULTS</b>							
Markup/ return/ interest earned	Rs in m	34,451	29,674	31,266	29,522	24,228	24,666
Markup/ return/ interest expensed	Rs in m	18,877	17,430	20,199	20,526	20,209	22,523
Net markup income	Rs in m	15,574	12,244	11,068	8,996	4,019	2,143
Non-markup based income	Rs in m	4,591	5,294	7,624	2,790	3,596	3,191
Non-markup based expenses	Rs in m	10,646	8,464	7,666	6,250	5,280	4,558
Provision against NPLs	Rs in m	14,132	922	3,431	1,119	(673)	(965)
Net profit/(loss) before tax	Rs in m	(4,698)	8,050	7,529	4,307	3,001	1,404
Net profit/(loss) after tax	Rs in m	(3,322)	4,858	4,748	2,787	1,938	1,634
<b>Other Information</b>							
(Loss)/Earning per share	Rs. per share	(1.62)	3.12	3.05	1.94	2.34	2.63
Dividend - Cash	%	-	-	-	-	-	-
Dividend - Bonus issue-Interim	%	-	-	-	-	-	-
Dividend - Bonus issue-Final	%	-	-	-	-	-	-
No. of branches	No.	536	453	406	364	334	306
Staff Strength	No.	8,680	7,388	6,739	6,180	6,092	5,491
Break up value per share*		10.15	10.75	8.60	6.77	5.58	4.82

\*including impact of share deposit money at par value.

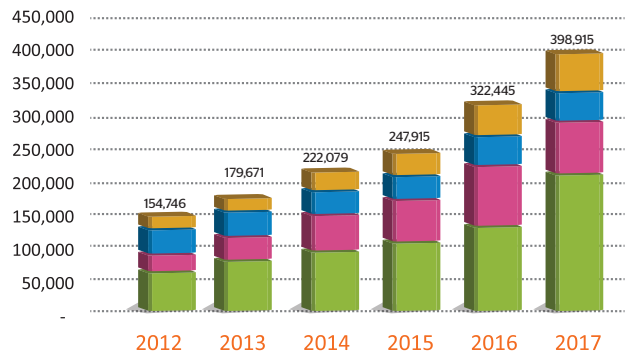
# Growth Trends



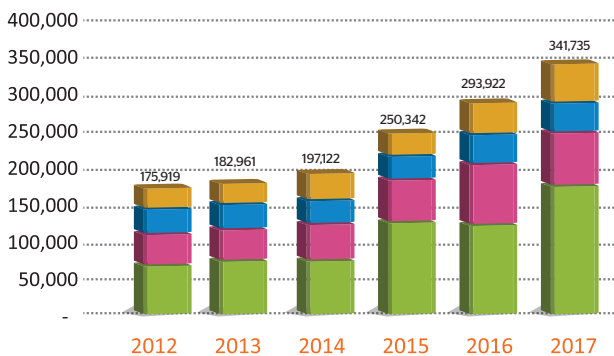
## Deposits (Rs. in million)



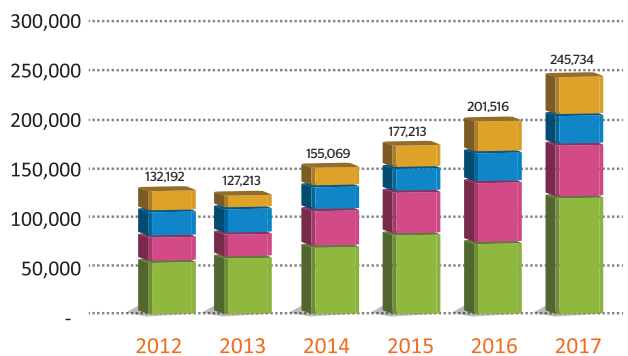
## CASA (Rs. in million)



## Advances (Rs. in million)



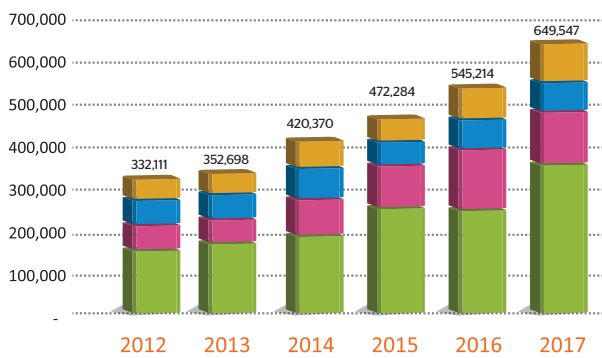
## Investments (at Cost) (Rs. in million)



# Growth Trends

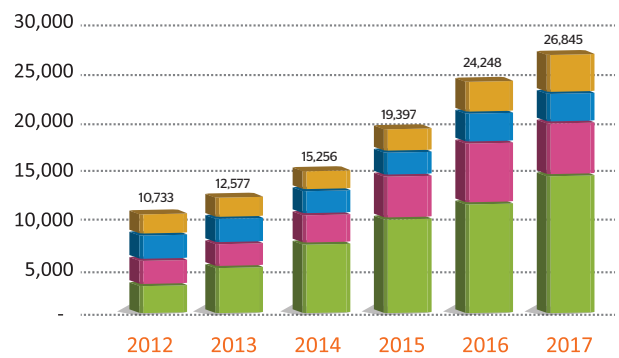
## Assets

(Rs. in million)



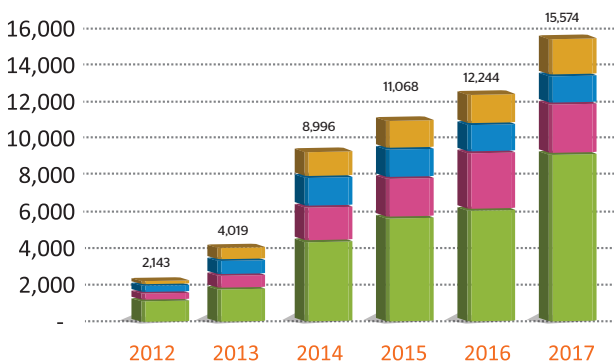
## Shareholders' Equity

(Rs. in million)



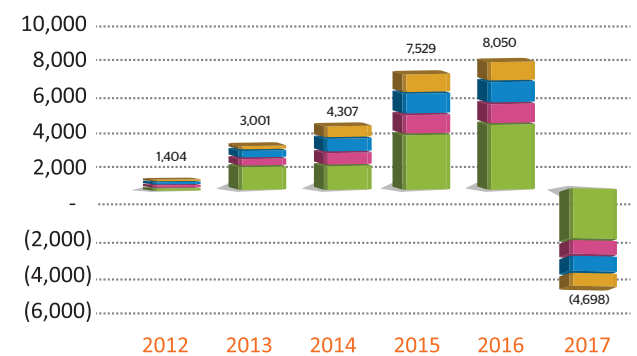
## Net Interest Margin

(Rs. in million)



## Profit Before Tax

(Rs. in million)







## CORPORATE SOCIAL RESPONSIBILITY (CSR)

With a vast network of 536 branches, strategically located across country, and having diverse clientele of over two million, The Bank of Punjab is playing its due role in social, environmental and financial uplift of the society through its Corporate Social Responsibility (CSR) initiatives. The Bank's CSR initiatives are also aimed at improving financial inclusion in the country thereby achieving the objective of a balanced growth with due participation of all segments of society.





Accordingly, the Bank continued to develop specially designed programs, products and services to cater financial requirements of under privileged communities across the country. Under its CSR initiatives, major focus of the Bank remained at human development, education, sports, art & culture and social welfare.

### Social Development through Banking Services:

During the year 2017, The Bank continued to expand its outreach with focus on remote and under privileged areas of the country. As the concept of Smart Branches, pioneered by the Bank, proved a breakthrough in improving financial inclusion in the remote areas, the Bank has increased number of such Smart branches to 109 with overall network reaching the level of 536.

Besides offering easy access to state of the art banking products and services to the residents of remote areas, branches have also been equipped with latest technologies and are also providing 24/7 banking services through a vast network of ATMs. The Bank has been ensuring availability of modern banking services to its clients at their doorstep. With a view to improve lives of millions of peoples related to agriculture and SME sectors, loan facilities at easy

terms are being offered through specially designed products.

Recognizing the importance of women's participation in socioeconomic activities, the Bank continued to encourage women entrepreneurship through specially designed products. While the Bank remains resolute in offering equal opportunity to women in all its dealings, every effort is being made to encourage women empowerment by making them an effective part of society.

The Bank fully recognizes the value of remittances from abroad in national economy and its impact on social lives of beneficiaries. Accordingly, the Bank fully supports Government's "Pakistan Remittance initiative (PRI)" by providing personalized services to the beneficiaries of the home remittances. Further, the Bank has been playing instrumental role in Government of the Punjab (GOPb) Wheat procurement initiative for last several years, ensuring quickest disbursement of funds to the farmers through its network.

### Digitalizing Government to People contacting:

The Branchless Banking System of the Bank is facilitating smooth disbursement of financial







assistance to the needy persons under Government of the Punjab (GOPb) Khidmat Card Scheme. The Bank, in partnership with the GOPb, has completely digitalized sale/ purchase of stamp-papers and now e-stamp paper could be generated through web portal.

#### Culture, Sports and Heritage:

During the year 2017, the Bank also continued to promote culture, sports and local heritage in the country. Besides organizing and sponsoring different sports events across the country, the Bank also extends financial support to the cultural events at the Regional levels to help promote local culture.

#### Environment protection and energy conservation:

Every effort is being made for conserving energy through effective utilization of day light in offices and branches of the Bank. Further, the generators are being used rationally to avoid pollution and help curtail fuel consumption.

The Bank also encourages production of alternative

energy at consumer and mass level. Besides facilitating and financing large scale projects for production of environment friendly energy, the Bank is also extending financing facility to consumers for installation of solar panels at their houses to help produce low cost environment friendly energy.

#### Human Resource Development/ Employees Relation:

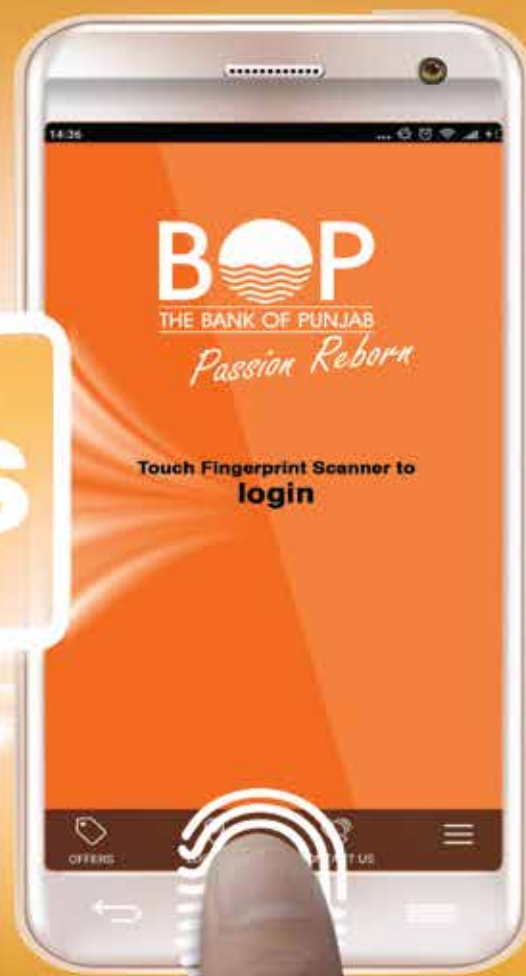
The Bank of Punjab has also created thousands of jobs for educated youth of the country. While best human resource is selected through a completely transparent and merit based system, a modern learning and development center has been made available to meet training requirements of new and existing human resource.

#### Care for Elderly and Special Persons:

Besides offering personalized and priority services to the senior citizens in line with directives of the Government of Pakistan and State Bank of Pakistan, the Bank also ensures hassle free services to the special persons visiting the Bank.

# NOW ACCESS AND SECURE YOUR ACCOUNT WITH A TOUCH

The Bank of Punjab introduces new and easy way to access your account with just an impression. To facilitate you with secure and fast way through mobile banking. No need to login through passwords anymore.



Rs





## President's Message

I feel proud to announce that in the year 2017 your Bank took a giant leap in its march towards self-reliance by meeting stipulated provisioning requirements under Prudential Regulations of SBP against certain classified legacy loan portfolio covered under Letters of Comfort (LOCs) issued by the Government of the Punjab (GOPb).

Although the Bank still had one year cushion with respect to meeting provisioning requirements under LOCs arrangements, phenomenal results exhibited by the Bank since year 2012 have created financial viability to get rid of provisioning relaxation stigma one year well prior to the maturity date.

During last few years, your Bank has come a long way and resilience shown by The Bank of Punjab made it possible to win this race against time and amicable retirement of LOCs, without shifting any burden of fresh injection of capital towards GOPb, seems at hand now and it would open the door of new era of self-sustainability for this esteemed organization. Now, for your Bank, the days of SBP relaxations are over and in near future, shareholders shall be reaping the benefits of their long term enduring support and the trust reposed in the Management.

Coming to performance of the year 2017, although overall operating environment remained fragile owing to financial and political instability in the country but your Bank maintained its growth trends and continued to consolidate its position. Despite persistent low interest rate regime and scarce investment opportunities, your Bank successfully managed its operations and optimum utilization of resources enabled it to post exceptional financial results during the year 2017. A sustained and visible improvement in all facets of Bank's operations has been achieved which greatly helped in neutralizing adverse operating spectrum.

A fast paced expansion of branch network which now stands at 536, especially in remote and unbanked areas of the country, proved a landmark decision which ignited business potential of these areas and also enabled





the Bank in improving its spread by generating sizeable low cost deposits. Your Bank's presence in small towns and villages shall go a long way in improving financial inclusion in under privileged areas of the country. No doubt, your Bank has the audacity and courage to reach where no one has dared to go before and thereby ensuring availability of modern banking services to the residents of those areas. Your Bank's Taqwa Islamic Banking operations have also grown considerably and a network of 66 branches has been offering a range of shariah compliant products and services to its clients.

With business expansion and balance sheet cleansing side by side, assets of the Bank have reached the level of Rs. 650 billion with improved risk profile. Bank's deposits crossed the level of Rs. 550 billion along-with substantial reduction in cost of deposits. While recovery of legacy infected portfolio is being vigorously followed up, prudent growth in risk portfolio has helped the Bank in keeping its non-performing portfolio under check. With current growth trends, your Bank now stands tall amongst its peers as a rapidly growing financial institution of the country.

Besides cleaning up of balance sheet, stringent measures have also been taken to strengthen Bank's capital base to ensure meeting of statutory capital requirements in post LOCs regime. During the year 2017, your Bank successfully completed Rs. 13 billion Right Shares Issue at the price of Rs. 12/- per share and issuance of PPTFCs of Rs. 4.3 billion was also initiated which has been completed in year 2018.

Your Bank's investment in technologies has also started yielding results by way of rolling out of various new products under the umbrella of Alternative Delivery Channels. While your Bank initiated branchless banking services last year, mobile banking application has also been successfully launched this year, offering range of facilities at a single touch of your smart phone. Through BOP Mobile Banking, customers are consistently connected with their accounts and also can avail variety of services

including funds transfer and bill payment at any time and from anywhere. The branchless banking system is successfully managing disbursement of financial assistance to thousands of marginalized and vulnerable people with disabilities under Khidmat Card Scheme of Government of Punjab. Further, to secure its customers against fraudulent transactions, the Bank has also started issuance of EMV chip based MasterCard.

The process of implementation of a robust state of the art core banking system (CBS) "Flexcube" is gathering pace and over 175 branches were operating on new CBS at the end of year 2017. It has been planned to complete the migration process by the end of year 2018. Upon completion of migration process, centralized operating environment of new CBS shall help in making operational controls more effective and bringing efficiency in banking operations. Your Bank plans to establish centralized operations function at Head Office level to manage growing operational requirements. Internal Control and Compliance function shall also be further strengthened to meet current control framework requirements.

Your Bank takes pride in investing in its Human Resource. While best and most suitable resources are hired through a vigorous and transparent recruitment process, regular training is also imparted to staff members to improve their skills and keep them acquainted with modern banking requirements. In current era of highly competitive market, your Bank has been privileged to have at its disposal, services of a proficient Human Resource team which is led by a very experienced and knowledgeable Management.

Your Bank shall continue to consolidate its position and strategies are being devised to maintain current growth trends in post LOCs scenario. As the pace of work on projects under China Pakistan Economic Corridor (CPEC) gathers momentum, a surge in construction related industrial activities is also being witnessed in the country. Your Bank is well equipped





and all set to take due market share of all such business opportunities emanating from industrial growth while aiding roll out of CPEC which will play pivotal role in boosting Pakistan's economy.

At current pace of growth, your Bank is now duly recognized as a fastest growing financial institution in the industry with a very bright and prosperous future ahead. Your Bank shall pursue aggressive marketing coupled with improved services to achieve business targets for the year 2018, as well. The Management of the Bank remains resolute in its resolve to make this Bank one of the leading financial institutions of the country.

Achievements made by the Bank in last few years have been made possible by a team of dedicated and hardworking human resource which ensured

execution of strategic plan in true letter and spirit. I wish to thank all staff members for their committed hardwork which enabled the Bank in achievement of its strategic goals. The support and guidance of Government of the Punjab and State Bank of Pakistan has also remained instrumental in working out business strategies. I also wish to extend my gratitude and appreciation to all shareholders and customers for their continuous support and patronage.

**Naeemuddin Khan**  
President / CEO





# AN EFFECTIVE WAY TO TRANSFER YOUR FUNDS



BOP Instant Remittance is the fastest, easiest and most secure service which enables you to transfer your funds instantly from anywhere in the world, encompassing 536 branches and over 400 ATMs in 301 cities nationwide. Be rest assured the money you send will reach your loved ones in the most secure way.







## Economic Review

Real GDP growth has maintained its upward trajectory and increased to a 13-year high of 5.8 percent in FY18. This acceleration was achieved on the back of a strong performance of agriculture and manufacturing sectors, which grew by 3.8 percent and 6.2 percent respectively. Some of the other macroeconomic indicators, such as subdued inflation, investment growth, and rising private sector credit, also showed an encouraging picture. Exports are also reviving, with a growth of 13.1 percent in July-March 2017-2018. However, a higher growth of imports of 15.6 percent continued to keep the trade and current account balance in the red.

The revival in agriculture during FY18 is especially notable. This was supported by favorable policy measures, including subsidy on fertilizer, reduction in sales tax on tractors, and increased access to finance. Agriculture credit increased to Rs. 570 billion in FY18. Further, CPEC-related activities also continued to boost construction related industries, such as cement and steel. The overall improvement in business sentiments along with supportive policies, historic low interest rate, high infrastructure spending, improved energy situation and better law and order, has encouraged a number of firms to pursue expansion plans. In the past five years, the number of newly incorporated companies increased sharply from 2,876 to 8,349.

This was reflected in a significant surge in private sector credit off-take during FY18, with a sizable share of fixed investment loans. The total private sector credit in July-March period was Rs. 469.2 billion.

The government has announced an incentive package for exporters. Moreover, general interest rates for businesses and special rates for export re-finance are at historic low. The private sector has the opportunity to fully benefit from these conditions by modernizing its business processes, investing in research and development, improving human capital, seeking international certifications, and meeting quality standards as expected by foreign consumers.

Pakistan's macroeconomic indicators continue to improve and solidify grounds for a sustained upward growth trajectory. In particular, key constraints impeding the economy from achieving high growth - i.e. power supply and security situation - are gradually getting better. In this backdrop, the government envisages a higher real GDP growth of 6.2 percent for FY19, compared to 5.8 percent recorded in FY18.

The latest information reveals that economic activity is strong as corroborated by broad-based pick up in industrial output, gains in factors

supporting production of major crops, and growth in private sector credit. This implies that the prospects of achieving over 6.0 percent target of real GDP growth continue to be strong. Overall inflation in FY18 (July-April) stayed low at 3.8 percent, although core inflation continued to rise. On the fiscal front, healthy growth in tax revenue collection by FBR during the ten months of FY18 of 16 percent, is a welcome development. Considering the stability in macroeconomic indicators, SBP kept its policy rate at 6.0% in FY18. PSX index increased from 19,916 in FY13 to 45,877 and market capitalization from Rs. 5.1 trillion to Rs. 9.4 trillion.

The growth prospects of Pakistan's economy from FY18 onwards would largely hinge upon planned infrastructure projects and capacity expansion by industries. In order to make these plans a success story, enhanced coordination amongst all public sector institutions would be more crucial. Also, continuity and consistency in policies, especially those related to investment and industry, would be necessary to ensure sustainability of the growth momentum.

The phased reduction in the corporate tax rate, major reduction in the income tax rate on AOPs and the incentives provided in customs duties and sales tax in the budget for 2018-2019 will spur strong industrial growth. Agriculture and services growth is expected to receive a further boost from the fiscal concessions provided in the budget. However, the continued path on a higher growth trajectory will critically depend on the effectiveness of the measures to deal with the weaknesses in the balance of payments. The Government has allowed managed depreciation of the rupee and announced financial incentives to boost exports. Import duties have been adjusted to discourage inessential imports. In order to build forex reserves, remittances have been incentivized and an amnesty scheme announced to bring back hidden wealth from abroad.

The path to sustained and inclusive long-term growth requires a responsible approach to fiscal and current account deficits, besides the continuation of structural reforms.





# Directors' Report

For the year ended December 31, 2017

The Board of Directors is pleased to present the 28th Annual Report of The Bank of Punjab together with the audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2017.



## Performance at a Glance

The financial viability created through capital management measures and superb performance of the Bank in the past few years has enabled the Bank to take an important step of fully providing for the legacy Non-performing loans portfolio (NPLs), covered through Letters of Comfort (LOCs) issued by the Government of Punjab (GOPb), as of December 31, 2017 i.e. well before the expiry date of December 31, 2018.

All stakeholders are well aware of the fact that financial mess created by imprudent lending decisions of previous management forced the Bank to agree upon a way forward with the Regulator and Sponsors which included certain NPLs provisioning relaxations. And while the Bank has been continuously posting phenomenal financial results in past few years, benefit of Bank's performance could not be fully passed on to the shareholders due to said relaxations constraining payouts under the applicable Prudential Regulations. Therefore, the BOD took the historic step of making full provision and that too one year prior to the expiry of the LOCs to make good the provisioning shortfall thereby meeting the SBP's provisioning requirements and also paving way to meet Capital Adequacy Ratio (CAR) requirement through a comprehensive Capital Management Plan.

As such, major impediment hindering Dividend payouts to shareholders now stands removed and the Board expects that Dividend payouts to shareholders, as per Bank's policy and based upon Bank's future financial performance, is well and truly in sight.

It is pertinent to mention that providing legacy NPLs is in no way adversely affecting Bank's resolve to recover the same through all available legal means. The Bank would continue to make vigorous efforts as before for recovery of these NPLs and future recovery would provide additional boost to Bank's profitability. During the year 2017, the Bank continued to consolidate its position and also pursued a calculated business expansion plan which facilitated the Bank in enhancing business volume and also helped in achieving improved margins. As of December 31, 2017, the deposits of the Bank stood at Rs. 556.3 billion against Rs. 453.2 billion on December 31, 2016, thereby registering a massive growth of 23%. A sizeable increase in low cost CASA Deposits and better return on lending enabled the Bank to significantly improve its Net Interest Margin (NIM) to Rs. 15.6 billion as against Rs. 12.2 billion during last year thereby reflecting a healthy growth of 28%. Similarly, the non-interest/markup income, excluding capital gains, remained at Rs. 3.3 billion as against Rs. 2.7 billion during last year. Accordingly, the Bank earned

operational profit of Rs.8.7 billion during the year 2017 which is 30% higher than operational profit of year 2016. However, the Bank charged additional provision of Rs. 12.3 billion against loans covered under LOCs and registered after tax loss of Rs.(3.3) billion for the year 2017. Had this additional provision of Rs. 12.3 billion not been charged in the current year, the financial results would have been as follows:

	Rs. in Billion
Profit before tax	7.6
Profit after tax	4.7
Earnings per share (Rs.)	2.28
Advances-net	308.1
Deferred tax asset-net	6.4
Total assets	657.6
Un-appropriated profit	4.3
Net assets	37.7
CAR (%)	14.18%

Despite huge provisioning, the book value per share also remained above par. As on December 31, 2017, gross advances and investments stood at Rs. 341.7 billion and Rs. 242.5 billion, respectively and Bank's Total Assets stood at Rs. 649.5 billion as against Rs.

545.2 billion as on December 31, 2016.

### Financial Highlights 2017

	Rs. in Billion
Loss before taxation	(4.7)
Taxation	1.4
Loss after taxation	(3.3)
Loss per share (Rupees)	(1.62)

### Capital Adequacy and Minimum Capital Requirements

As on December 31, 2017, paid-up capital (net of losses) amounted to Rs. 23.6 billion and the Bank stands compliant with SBP's minimum capital requirement of Rs. 10.0 billion. However, the Bank's Capital Adequacy Ratio (CAR) stood at 9.73% i.e. less than the applicable requirement of 11.275%. The Bank has prepared a capital management plan, including issuance of Tier-II capital, for compliance with minimum prescribed level of CAR till June 30, 2018. Accordingly, the SBP, on the basis of capital management plan, has granted the Bank relaxation from the applicable CAR till June 30, 2018.





As on December 31, 2017, the Bank stands compliant with the provisioning requirement under SBP's Prudential Regulations after charging provision of Rs. 12.3 billion required against certain exposures previously not subjected to provisioning criteria in view of the relaxation granted by SBP on the basis of two LOCs issued by the GOPb and in pursuance of achieving the capital management plan to attain level of CAR as prescribed by SBP, has successfully raised Rs. 4.3 billion as Tier-II capital through issuance of rated and unlisted privately placed term finance certificates. Accordingly, the adjusted level of CAR stood at 11.42% subsequent to the Balance Sheet date. Further, keeping in view the targeted growth and projections for the next year, the Management is confident to keep maintaining applicable requirements of CAR in future as well.

### Human Resource Management

The Bank fully recognizes the importance of an effective Human Resource Management (HRM) system in future success of the Bank. The modern days banking requirements and cut throat competition requires that a comprehensive Human Resource Management regime, linked with Bank's overall strategic business plan, is implemented across the organization.

Accordingly, the Bank has put in place a robust human resource management function to attract, recruit, develop, retain and sustain a high performing, diverse workforce. The Bank has been developing and implementing progressive human resource management policies and strategies to ensure effective participation of every staff member towards the Bank's success. The Bank has implemented an efficient pay for performance model where performance of every staff member is monitored on the basis of their respective key performance indicators and due reward is given to staff members on the basis of their performance during annual appraisal.

During the year, the Bank has been successful in fostering a positive work environment based on a culture of merit, transparency and professionalism.

### Risk Management Framework

In the era where there is an increasing demand to understand risk and in view of Bank's own legacy of NPLs, the Bank continues to manage the extended challenges for risk management emanating from both internal and external factors. Factors such as the global pace of change, resource constraints, product complexity and a growing demand for transparency, present a compelling case for stronger management of risk.





The Bank actively peruses the micro and macro-economic environment and employs a dynamic approach in policy formulation. The Bank's emphasis remains on key focal areas of risk management to ensure that its portfolio remains robust. The Bank continues to upgrade its risk-management capabilities through analytical techniques, standardized stress tests, and assessments of ratings migration.

The Board of Directors of the Bank is primarily responsible for laying down risk parameters and establishing an integrated risk management and control system in the light of the guidelines provided by the State Bank of Pakistan. The Bank's Board approves Risk Management policies and has also set out exposure limits taking into account the risk appetite of the Bank and the skills available for managing the risks. The Board of Directors is supported by "Board Risk Management Committee" in this respect.

### Approach to Risk Management

The risk management process encompasses four critical components:

1. Identification and assessment of risk;
2. measurement of risk;
3. control of risk; and
4. monitoring and reporting of risk.

The Bank has adopted a regimented approach whilst managing risk including assessments of various risks through self-assessment techniques, stress testing, portfolio review, early warning indicators/alerts, and dynamic monitoring. The Bank is continuously strengthening its capacity to manage its risks and risk management environment through the following endeavors in each risk class:

### Credit Risk

The Bank continues to focus and improve its Credit Risk Management program through evaluating, rigorous monitoring, effective management of the portfolio, sector studies, Target Market and Risk Acceptance Criteria. Credit portfolio monitoring, monitoring of Industry Concentration Limits and strengthening of forums such as CRMC are being carried out to achieve the overall goals of the Bank, whilst managing the credit risk from both micro and macro platforms. Risk Appetite for Credit risk has been

defined and approved by the Board of Directors and is being monitored through respective Credit Committees.

Furthermore, the Bank has heavily invested in the development of credit risk due diligence, which is in line with industry best practice and has incorporated a dynamic monitoring regime to ensure monitoring of exposures on an ongoing basis.

### Market Risk

An independent Treasury Middle Office (TMO) unit is established to actively identify, monitor and report changes in Market risk positions in accordance with approved Market Risk Management policies and procedures. Application of models Value at Risk (VAR), Duration & PVBP and portfolio level stress testing is carried out on periodic basis to assess the quality of portfolio. Various review reports are being prepared by TMO on a regular basis, and are being presented to management committees for required actions. Market risk appetite has been defined and approved by the Board of Directors and is monitored through ALCO for various portfolio limits and threshold levels.

### Operational Risk

The Bank endeavors to minimize the risk by ensuring that a strong control infrastructure is in place throughout the organization. Various procedures and processes are being used to manage operational risk, which include: effective staff training, appropriate controls to safeguard assets and records, regular audit, regular reconciliation of accounts and transactions, close monitoring of risk limits, segregation of duties, and financial management and reporting. Furthermore, Operational Risk Policy and Standard Operating Procedure (SOP) have been approved, Data of Key Risk Indicators, Control Testing Reports, Risk Control Self-Assessment and loss event data (LED) are being collected, cleansed and analyzed, improved monthly and quarterly operational risk reviews are being presented to senior management on regular basis covering reputation risk and legal risk causes of operational risk along with suggestions to mitigate the operational risk. Operational Risk Coordinators (ORCs) have been appointed by all the stakeholders and RMG has conducted training and awareness sessions for various Risk Takers across the Bank. Further, Operational risk appetite has been approved by BOD, which is being monitored through ALCO.



### Liquidity Risk

Liquidity risk is actively monitored and managed by ALCO which includes day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met; maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; monitoring balance sheet liquidity ratios against internal and regulatory requirements and managing the concentration and profile of debt maturities. Risk appetite has been defined and got approved from the BOD and is being maintained in shape of Cash and SLR eligible Government securities and also monitored through ALCO using analysis of liquidity ratios and deposit concentration.

### Interest Rate Risk

BOP has developed various quantitative and qualitative models to assess the risk existent in its interest rate sensitive exposures specially its balance sheet. Various reports are being produced and monitored frequently to quantify the underlying risks. The magnitude of the potential loss and the probability that the loss will occur were computed by risk management team through scenario building and stress testing.

TMO is involved in regular identification of risk exposures accruing to the Bank by monitoring

external factors such as interest rate and their impact on Bank's portfolio in order to assess the foreseeable future and place the same in periodic ALCO Meetings.

Under Board of Directors' guidance, the Bank continued to execute the risk strategy and undertake controlled risk-taking activities within its risk management framework, combining core policies, procedures and process design with active portfolio management. The Bank continuously challenges and improves its Risk Management Framework in the light of the international best practices and State Bank of Pakistan guidelines, besides learning from its past experience.

### Information Technology

In order to improve efficiency and ensure implementation of an effective control regime, the Bank has been investing in its IT infrastructure. The Bank has already acquired a state of the art core banking system "Flexcube" which is under implementation process. As on December 31, 2017, over 175 branches are successfully operating in new CBS while full migration shall be achieved during 2018. Under Oracle Enterprise Resource Planning (ERP), the Bank is in process of implementing Risk Management, Financial, Procurement and Inventory modules.

In order to ensure provision of smooth banking services to its valued clients, branches have been equipped with back-up connectivity, while a comprehensive IT





# STEPS TOWARD A PROSPEROUS GILGIT-BALTISTAN

The Bank of Punjab is playing an active role by offering and expanding Agricultural services in Gilgit Baltistan.

The Bank of Punjab offers the following specific Agricultural Financing products:

- Product Loans for farming of fruits
- Cold Storage Financing for storing agricultural produce
- Tractor Leasing
- Agri Vehicle Leasing for transportation of agricultural produce
- Financing for Poultry Farms or Dairy Farms





Security Policy has been put in place to ensure safety of customers' data and facilitate execution of banking transactions in a secured environment. In order to mitigate the risk, Disaster Recovery protocols are in place to ensure smooth conduct of customer services. Further, to assist the management in decision making, a robust Management Information System has been made available.

### Special Assets Management (SAM)

Taking into account the importance of recovery of legacy non-performing portfolio, the Special Assets Management Group has been strengthened and entrusted with the task of recovery/regularization of Non-Performing Loans (NPLs) portfolio. A comprehensive strategy has been implemented to recover/restructure the infected portfolio and to convert it into revenue generating assets.

With a view to make the recovery exercise of NPLs result oriented, the Management, apart from conventional recourse available for resolution in and outside the Court, has also initiated search and attachment of defaulters' hidden assets for recovery of decretal claims through the courts. Apart from placement of defaulters' names on ECL in the past, the Bank has also initiated hard hitting legal actions against the defaulters under National Accountability Ordinance, 1999 and FIA Act, 1974. On the initiatives taken by the

Bank's Management, NAB and FIA have commenced investigations against several defaulters.

During the year 2017, the Bank has fully provided against legacy NPLs covered under LOC. Nevertheless, the Bank shall continue all efforts for recovery/regularization of infected portfolio.

### Branch Network

In order to enhance Bank's business volume and also ensure provision of modern banking facilities to unbanked areas, the Bank continued to expand its network. During year 2017, the Bank opened 83 new branches, including 3 sub-branches, with major focus on remote areas. Now, with a nationwide network of 536 branches, including 6 sub-branches, the Bank is providing a wide range of products and services to its valued clients. During year 2018, the Bank intends to further expand its outreach and opening of 36 branches has been planned.

### Islamic Banking

The Bank commenced its Islamic Banking Operations during the year 2013 under the brand name of "Taqwa Islamic Banking" which is offering Shariah compliant products and services to clients. The Bank has been able to post significant growth over the period and the network has now been enhanced to 66 Branches,



including 2 sub-branches. The Bank is offering a wide range of shariah compliant products and services to its valued clients, through this platform. Recognizing immense potential, the network shall be further enhanced in coming years.

## Payment Services

With an objective to meet the electronic banking and services requirements of its customers through alternative channels under one umbrella, following key functions have been clubbed as the Payment Services Group:

- Alternate Distribution Channels
- Branchless Banking
- BOP Phone Banking
- Payment Card Products

The Payment Services Group is offering full range of products and services specially tailored and designed to meet the requirements of each group of customers. These services broadly include commercial electronic banking activities, remote banking convenience, and financial inclusion initiatives. The solutions being offered by the bank are at par with the global standards and enable quick, accurate, and convenient banking services to our valued clients.

The Bank has also taken various initiatives under Alternate Delivery Channel (ADC) to provide different services to its valuable clients, successfully introducing the following services:

- BOP Debit MasterCard
- SMS Banking
- BOP Mobile Banking
- Utility Bills Payment System
- Interbank Funds Transfer
- BOP Phone Banking & Complaint Management Unit
- Enterprise wide Customer Relationship Management (CRM) solution
- CTI/Contact Centre Solution

In order to support various initiatives of Government of Punjab (GoPb) for poverty alleviation and ensuring better governance in the province, The Bank of Punjab has paid specific attention to the areas of financial inclusion, documentation of economy, transparency and automation of disbursement system. The Bank has undergone significant transformation in areas of technology specifically designed for execution of GoPb's mandated programs, with an extensive outreach covering

remote and unbanked areas of the country. This has been made possible via induction of Branchless Banking infrastructure at the bank.

The Bank of Punjab is making every possible effort to support GoPb in the areas of healthcare, child education, direct subsidy disbursement, education and vocational training with an objective to uplift underprivileged segments of the society. Some of the key initiatives in this respect are as under:

- Khidmat Card Program for poor & marginalized communities
- Disbursement of Scholarships under Punjab Education Endowment Fund
- Payments under Prime Minister's Kissan Package
- E Stamping

In the year 2017, the Payments Services have undergone a tremendous surge - introducing state of the art technological products and services, while maintaining global standards. BOP Debit Card's shift to EMV Chip based technology, introduction of the Mobile Banking application as a valuable alternate banking channel, and enhancement of the BOP ATM footprint to over 400 ATMs are a few of the stellar accomplishments. All banking services are supported by the 24/7 available BOP Phone Banking team, serving the customers in all spheres of their banking needs.

## Home Remittances

The Bank is following the strategy to further improve its market share in Home Remittances by offering automated efficient processes to facilitate beneficiaries. In this regard, integration with a number of overseas Exchange Companies to facilitate Home Remittances in a secured and efficient manner has been accomplished. During the year 2017, the Bank handled about 1.0 million home remittance transactions aggregating to Rs. 49.4 billion.

## Wheat Procurement Program

During the year 2017, the Bank successfully managed syndicated financing arrangement for wheat procurement program of the Government of the Punjab as "Lead Arranger" to the tune of Rs. 200 billion as against Rs. 194 billion during year 2016.

## Financing for Self-Employment Scheme under "Apna Rozgar Scheme"

During the years 2011-12, the Bank financed 20,000





vehicles to educated unemployed youth of Punjab under Government of Punjab's Self Employment Scheme. Owing to noteworthy recovery rate of 99%, disbursement of further 50,000 vehicles for educated unemployed youth under "Apna Rozgar Scheme" was completed in 2016 and the Bank is now managing the largest auto lease portfolio in the banking sector.

### Internal Controls

The Board of Directors of The Bank of Punjab has overall responsibility for ensuring existence of an adequate and effective system of internal controls that is designed to manage the Bank's risks within an acceptable risk profile. The Board is pleased to endorse the Statement on Internal Controls made by the management, which is included in the annual report.

### Statement of compliance with Corporate and Financial Reporting Framework

The Directors are pleased to give the following statement in respect of Code of Corporate Governance:

- The financial statements, together with notes thereon have been prepared in conformity with

the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984. These Statements present fair state of affairs, the result of its operations, cash flows and changes in equity and comprehensive income. Proper books of account of the Bank have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting and Financial Reporting Standards and Islamic Financial Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed in the Annual Accounts. The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.



# SHARING YOUR FINANCIAL LOAD

**AVAIL LOAN AGAINST YOUR 7 GROSS SALARY AMOUNT**

- LOAN TENURE FROM 1 YEAR TO 3 YEARS
- FIX MARK UP FOR COMPLETE TENURE
- EASY MONTHLY INSTALLMENTS
- FINANCING LIMITS FOR THE FACILITY IS FROM (50,000) FIFTY THOUSAND TO FIVE HUNDRED THOUSAND (500,000)
- PRE-PAYMENT WITHOUT ANY PENALTY
- AVAIL LOAN WITH MINIMUM PAPER WORK

**SALARY  
LOAN**



- All the statutory liabilities, if any, have been adequately disclosed in the financial statements.
- Dividend has not been declared for the year in order to strengthen the equity base and to comply with regulatory requirements.
- Value of investment of Staff Provident Fund and Gratuity Fund, based on latest audited accounts is Rs.2,384 million & Rs. 565 million, respectively.
- Statement showing pattern of shareholding as on December 31, 2017 is disclosed at page No. 257 of the Annual Report.
- Statement showing key operating and financial data for the last six years is disclosed at page No. 11 of the Annual Report.
- Statement of compliance with code of corporate governance is presented at page No. 45 of the Annual Report.
- During the year, 9 meetings of Board of Directors were held with following attendance:

Name of Directors	No. of Meetings attended
• Dr. Pervez Tahir	9
• Mr. Naeemuddin Khan	9
• Mr. Mohammad Jehanzeb Khan	4
• Mr. Hamed Yaqoob Sheikh	8
• Khawaja Farooq Saeed	9
• Mr. Saeed Anwar	9
• Dr. Umar Saif	3
• Syed Maratib Ali	6
• Mr. Omar Saeed *	1
• Mr. Mohammed Afzaal Bhatti	6
• Dr. Muhammad Amjad Saqib	6

\* Mr. Omar Saeed retired on 16.06.2017.

- During the year, 4 meetings of Central Audit Committee(CAC) of Board of Directors were held with following attendance:

Name of Directors	No. of Meetings attended
• Khawaja Farooq Saeed	4
• Mr. Saeed Anwar	4
• Mr. Omar Saeed	0
• Mr. Mohammed Afzaal Bhatti	3

- During the year, 4 meetings of Board Risk Management Committee (BRMC) of Board of Directors were held with following attendance:

Name of Directors	No. of Meetings attended
• Syed Maratib Ali	4
• Mr. Saeed Anwar	4
• Mr. Omar Saeed	0

- During the year, 4 meetings of Human Resource & Remuneration Committee (HR&RC) of Board of Directors were held with following attendance:

Name of Directors	No. of Meetings attended
• Mr. Mohammad Jehanzeb Khan	4
• Mr. Naeemuddin Khan	4
• Mr. Mohammed Afzaal Bhatti	3
• Syed Maratib Ali	4

- During the year, 1 meeting of Islamic Banking Review Committee (IBRC) of Board of Directors were held with following attendance:

Name of Directors	No. of Meetings attended
• Dr. Muhammad Amjad Saqib	1
• Dr. Pervez Tahir	1
• Khawaja Farooq Saeed	1
• Mr. Khalid S. Tirmizey	1

## Credit Rating

While acknowledging the improved risk profile of the Bank, M/s Pakistan Credit Rating Agency (PACRA) has maintained the Long-term Entity Rating of "AA", while the Short-term Entity Rating has been maintained at "A1+".

As per standard rating scale and definition "AA" long term rating denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments, not significantly vulnerable to foreseeable events. Similarly, "A1+" short term rating denotes obligations supported by the highest capacity for timely repayment.

## Subsidiaries

The detail of Bank's subsidiaries are as follows:



Rs. In Million

Sr#	Name	Net Assets as of December 31, 2017	Net Assets as of December 31, 2016
1	Punjab Modaraba Services Private Limited	26.896	122.474
2	First Punjab Modaraba	185.732	178.319
3	Punjab Capital Securities Private Limited	71.383	-

### Outlook for the year 2018

Based upon the progress made in last few years, the Bank would continue to consolidate its position by expanding its outreach in unbanked areas and thereby improving business volume and spread. Implementation of modern technological tools, especially new Core Banking System, would help in improving control regime and bringing efficiency.

During the year 2017, the Bank has fully provided against legacy NPLs covered under LOCs. However, recovery/regularization of infected portfolio would remain a cornerstone of the Bank's strategy and all out efforts shall be made to ensure recovery of NPLs. The shareholders shall reap the benefits of their persistent and ensuring support in difficult times and now every penny of NPLs shall contribute to shareholders' returns.

The Bank also fully recognizes significance of China Pakistan Economic Corridor (CPEC) and potential business activity in connectivity, construction and allied industries. Accordingly, the Bank shall play its due role in projects related to CPEC.

### Auditors

The retiring auditors M/s EY Ford Rhodes, Chartered Accountants, being eligible, have offered themselves for reappointment for the year ending December 31, 2018.

The Board of Directors, on the suggestions of Audit Committee, recommended the above firm as statutory auditors of the Bank for year 2018.

### Acknowledgement

I would like to acknowledge the valuable support and guidance of State Bank of Pakistan and Government of the Punjab. I also wish to thank our shareholders and valued clients for their continued patronage and convey my gratitude to Bank's management and staff for their dedicated teamwork.

**Dr. Pervez Tahir**  
Chairman



The Bank of Punjab Foreign se...  
**FOREIGN SE FORI RAKUM**



# ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے دی بینک آف پنجاب کی 28 ویں سالانہ رپورٹ اور آڈٹ شدہ مالی حسابات برائے سال بہ اختتام 31 دسمبر 2017 بشمول آڈیٹرز رپورٹ پیش کرتے ہوئے مسرت محسوس کرتا ہوں۔

## مالیاتی کارکردگی

گذشتہ چند سالوں کی شاندار کارکردگی اور کیپیٹل کے استحکام کیلئے کیے گئے اقدامات کی بدولت مالیاتی ساکھ میں بہتری کی وجہ سے بینک نے 31 دسمبر 2017 کو گذشتہ دور میں جاری کردہ غیر فعال قرضہ جات پر درکار مطلوبہ پروویژن کو مالی حسابات میں شامل کیا ہے۔ یہ امر قابل ذکر ہے کہ ان قرضہ جات پر حکومت پنجاب کی طرف سے جاری کردہ لیٹرز آف کمفرٹ (LOCs) کی بنیاد پر بینک نے 31 دسمبر 2018 کو مطلوبہ پروویژن مالی حسابات میں شامل کرنی تھی جبکہ بینک نے ایک سال قبل ہی مطلوبہ پروویژن پوری کر دی ہے۔

تمام اسٹیک ہولڈرز اس امر سے آگاہ ہیں کہ سابقہ انتظامیہ کی جانب سے اجراء کردہ غیر فعال قرضہ جات کی وجہ سے بینک شدید مالی بحران کا شکار ہوا تھا اور بینک کو ریگولیٹور اور حکومت پنجاب کیساتھ ملکر مستقبل کا لائحہ عمل طے کرنا پڑا جس کے تحت بینک کو غیر فعال قرضہ جات پر پروویژن کی رعایت دی گئی تھی۔ اگرچہ بینک گذشتہ چند سالوں میں بہترین مالیاتی نتائج دیتا رہا ہے لیکن اسٹیٹ بینک آف پاکستان کی پروڈینشل ریگولیشن کے تحت درکار پروویژن میں دی جانے والی رعایت کی وجہ سے بینک کے حصص داران بینک کی مالیاتی ساکھ میں بہتری کے مکمل فوائد حاصل نہیں کر سکے۔ لہذا بینک کے بورڈ آف ڈائریکٹرز نے ایک تاریخی فیصلے کے ذریعے اسٹیٹ بینک آف پاکستان کی متعین کردہ معیاد سے ایک سال قبل ہی غیر فعال قرضہ جات پر مکمل پروویژن مالی حسابات میں شامل کی ہے۔ اب بینک نے اسٹیٹ بینک آف پاکستان کی مقرر کردہ پروویژن کی مطلوبہ سطح کو پورا کر لیا ہے اور ایک جامع کیپیٹل مینجمنٹ پلان کے ذریعے کیپیٹل ایڈیکویٹنسی ریشو (CAR) کی مطلوبہ سطح کو حاصل کرنے میں بھی کامیاب ہو جائے گا۔ اس طرح بینک کے حصص داران کو منافع کی ادائیگی میں حائل اہم رکاوٹ دور ہو گئی ہے اور بورڈ یہ سمجھتا ہے کہ بینک کی کارکردگی اور پالیسی کی بنیاد پر حصص داران کو مستقبل میں منافع کی ادائیگی کی توقع کی جاسکتی ہے۔ یہ امر قابل ذکر ہے کہ پرانے غیر فعال قرضہ جات پر پروویژن ڈالنے کے باوجود بینک ان قرضہ جات کی وصولی کیلئے ہر ممکن قانونی جدوجہد جاری رکھے گا اور مستقبل میں ہونے والی وصولی بینک کے منافع میں اضافے کا باعث ہوگی۔

سال 2017 کے دوران بینک نے اپنی پوزیشن کو مستحکم کرتے ہوئے اپنے دائرہ کار کو وسعت دی ہے جس سے کاروباری حجم میں اضافہ ہوا ہے اور بینک کے مارجن کو بہتر بنانے میں بھی مدد ملی ہے۔ 31 دسمبر 2017 کو بینک کے ڈیپازٹس 23 فیصد کے شاندار اضافے کے ساتھ 556.3 ارب روپے کی سطح پر پہنچ گئے جو کہ 31 دسمبر 2016 کو 453.2 ارب روپے کی سطح پر تھے۔ کم خرچ کا ساڈیپازٹس میں خاطر خواہ اضافے اور قرضہ جات پر بہتر منافع کی بدولت بینک کا نیٹ انٹرسٹ مارجن 28 فیصد کے قابل ذکر اضافے کیساتھ 15.6 ارب روپے پر پہنچ گیا جو کہ پچھلے سال 12.2 ارب روپے کی سطح پر تھا۔ اسی طرح بینک کی نان انٹرسٹ امارک اپ آمدن (کیپیٹل گین منہا کرنے کے بعد) 3.3 ارب روپے رہی جو کہ پچھلے سال 2.7 ارب روپے تھی۔ اس طرح بینک نے 8.7 ارب روپے کا آپریشنل منافع کمایا جو کہ گذشتہ سال 2016 کے مقابلے میں 30 فیصد زیادہ ہے۔ تاہم لیٹرز آف کمفرٹ (LOCs) کے زیرِ تخت آنے والے غیر فعال قرضہ جات پر بینک نے 12.3 ارب روپے کی اضافی پروویژن ڈالی جسکی وجہ سے بینک کو سال 2017 میں بعد از ٹیکس (3.3) ارب روپے کا خسارہ ہوا۔ اگر یہ 12.3 ارب روپے کی پروویژن موجودہ سال میں نہ ڈالی جاتی تو بینک کے مالیاتی نتائج حسب ذیل ہوتے:

### روپے ارب میں

7.6	قبل از ٹیکس منافع
4.7	بعد از ٹیکس منافع
2.28	فی حصص آمدنی (روپے)
308.1	قرضہ جات - نیٹ
6.4	ڈیفرنڈ ٹیکس ایسٹ - نیٹ
657.6	کل اثاثہ جات
4.3	غیر تخصیص شدہ منافع
37.7	نیٹ اثاثہ جات
14.18%	کیپیٹل ایڈیوکیٹسی ریشو % (CAR)

اتنی کثیر پروویژن کے باوجود بینک کی فی حصص بک ویلیو PAR ویلیو سے زیادہ رہی۔ 31 دسمبر 2017 کو بینک کے کل قرضہ جات اور سرمایہ کاری بالترتیب 341.7 ارب روپے اور 242.5 ارب روپے رہے اور بینک کے کل اثاثہ جات 649.5 ارب روپے کی سطح پر پہنچ گئے جو کہ 31 دسمبر 2016 کو 545.2 ارب روپے کی سطح پر تھے۔

### مالیاتی نتائج 2017

#### روپے ارب میں

(4.7)	قبل از ٹیکس خسارہ
1.4	ٹیکس
(3.3)	بعد از ٹیکس خسارہ
(1.62)	فی حصص خسارہ (روپے)

### کیپیٹل ایڈیوکیٹسی اور کم از کم سرمائے کی ضرورت

31 دسمبر 2017 کو بینک کا ادا شدہ سرمایہ (Net of Losses) 23.6 ارب روپے رہا جو کہ اسٹیٹ بینک آف پاکستان کی مقرر کردہ کم از کم سرمائے کی حد 10.0 ارب روپے سے زائد ہے جبکہ بینک کی کیپیٹل ایڈیوکیٹسی ریشو (CAR) 11.275 فیصد کی مطلوبہ سطح کے مقابلے میں 9.73 فیصد رہی۔ بینک نے ایک جامع کیپیٹل مینجمنٹ پلان (بشمول Tier-I کیپیٹل کا اجراء) تیار کیا ہے تاکہ 30 جون 2018 تک اسٹیٹ بینک آف پاکستان کی مقرر کردہ CAR کی مطلوبہ سطح حاصل کی جاسکے۔ اسٹیٹ بینک آف پاکستان نے اس کیپیٹل مینجمنٹ پلان کی بنیاد پر بینک کو 30 جون 2018 تک CAR کی مطلوبہ سطح پر رعایت دی ہے۔

31 دسمبر 2017 کو حکومت پنجاب کی جانب سے جاری کردہ لیٹرز آف کمفرٹ (LOCs) کے تحت اسٹیٹ بینک آف پاکستان کی جانب سے پروویژن میں رعایت شدہ قرضہ جات پر 12.3 ارب روپے کی پروویژن ڈالنے کے بعد بینک اسٹیٹ بینک آف پاکستان کی پروڈیونٹل ریگولیشن کے تحت پروویژن کی مطلوبہ سطح پوری کر چکا ہے۔ اس کیپیٹل مینجمنٹ پلان کے تحت CAR کی مطلوبہ سطح کو حاصل کرنے کیلئے بینک نے ریٹڈ ان لسٹڈ ٹرم فنانس سرٹیفیکیٹس کے اجراء کے ذریعے Tier-II کیپیٹل میں 4.3 ارب روپے کا اضافہ کیا ہے۔ اس طرح 31 دسمبر 2017 کے بعد بینک کی ایڈجسٹڈ CAR 11.42 فیصد ہو گئی ہے۔ بینک کے اگلے سال کے کاروباری حجم میں متوقع اضافے کے بنیاد پر انتظامیہ کو یقین ہے کہ بینک مستقبل میں بھی CAR کی مطلوبہ سطح برقرار رکھے گا۔

## ہیومن ریسورس مینجمنٹ

بینک اپنی کامیابی میں انسانی وسائل کے موثر کردار کی اہمیت سے بخوبی آگاہ ہے۔ جدید دور کی بینکاری کی ضروریات اور کاروباری مسابقت اس امر کے متقاضی ہیں کہ ایک جامع منصوبہ کے ذریعے بینک کے انسانی وسائل کو بینک کی کاروباری حکمت عملی سے ہم آہنگ کیا جائے۔

اس ضمن میں بینک نے ایک موثر نظام وضع کیا ہے اور بینک کی کامیابی میں تمام ملازمین کی سرگرم شرکت کو یقینی بنایا گیا ہے۔ اس نظام کے تحت ہر ملازم کی کارکردگی کو دیئے گئے اہداف کے تحت جانچا جاتا ہے اور ہر ملازم کو اسکی سالانہ کارکردگی کی بنیاد پر نوازا جاتا ہے۔ بینک نے اپنے ملازمین کو میرٹ، شفافیت اور پیشہ ورانہ بنیاد پر مبنی ماحول فراہم کیا ہے۔

## رسک مینجمنٹ فریم ورک

موجودہ دور میں جبکہ رسک کو سمجھنے کی اہمیت بہت بڑھ چکی ہے بینک نے اندرونی اور بیرونی عوامل کے نتیجے میں درپیش خطرات کا سامنا کرنے کیلئے اپنی کاوشیں جاری رکھی ہیں۔ اس ضمن میں بین الاقوامی تبدیلیاں، خدمات کی بڑھتی پیچیدگیاں اور شفافیت کی بڑھتی ضرورت ایک مضبوط رسک مینجمنٹ نظام کے قیام کی متقاضی ہیں۔ بینک مائیکرو اور میکرو اکنامک ماحول کا باریک بینی سے جائزہ لیتا ہے اور پالیسی وضع کرنے میں ایک متحرک سوچ کا حامی ہے۔ بینک تمام اہم عوامل پر اپنی توجہ مرکوز رکھتا ہے تاکہ بینک کے پورٹ فولیو کا معیار بہترین رہے۔ اس ضمن میں بینک مختلف جائزوں سے اپنی رسک مینجمنٹ کی صلاحیت کو بہتر بناتا ہے۔

بینک کا بورڈ آف ڈائریکٹرز بنیادی طور پر رسک مینجمنٹ کا ایک مربوط نظام وضع کرنے اور کنٹرول سسٹم قائم کرنے کیلئے ذمہ دار ہے۔ بینک کا بورڈ رسک مینجمنٹ کی پالیسیوں کی منظوری دیتا ہے اور اس ضمن میں بینک کی رسک مینجمنٹ کی صلاحیت اور ترجیحات کو مد نظر رکھتے ہوئے ضروری امور طے کرتا ہے۔ اس سلسلے میں بورڈ کی رسک مینجمنٹ کمیٹی ضروری معاونت فراہم کرتی ہے۔

## رسک مینجمنٹ کا نقطہ نظر

رسک مینجمنٹ کا نظام مندرجہ ذیل اہم حصوں پر مشتمل ہے:

- رسک کی شناخت
- رسک کی جانچ
- رسک کنٹرول
- مانیٹرنگ اینڈ رپورٹنگ

بینک نے رسک مینجمنٹ کا ایک مربوط نظام وضع کیا ہے جو کہ شناخت کے خود کار طریقہ کار، سٹریٹجی ٹیسٹنگ، پورٹ فولیو ریویو، ابتدائی انتباہ اور متحرک نگرانی پر مشتمل ہے۔ بینک رسک کی مندرجہ ذیل اقسام کیلئے اپنے نظام کو مسلسل مضبوط بنا رہا ہے:

## کریڈٹ رسک

بینک ایک منظم طریقے سے کریڈٹ رسک کو کم ترین سطح پر برقرار رکھتا ہے۔ بینک کے بورڈ آف ڈائریکٹرز نے کریڈٹ رسک کی ترجیحات متعین کر دی ہیں جنکی نگرانی متعلقہ کریڈٹ کمیٹیوں کے ذریعے کی جاتی ہے۔ علاوہ ازیں بینکنگ انڈسٹری کے بہترین طریقہ کار کو مد نظر رکھتے ہوئے بینک نے نگرانی کا ایک موثر نظام وضع کیا ہے۔

## مارکیٹ رسک

بینک نے ایک خود مختار ریٹریڈل آفس قائم کیا ہے جو کہ مارکیٹ رسک کو منظور شدہ پالیسی اور طریقہ کار کے مطابق مانیٹر کرتا ہے۔ اس حوالے سے مختلف



جائزوں کے ذریعے پورٹ فولیو کی باقاعدگی سے جانچ کی جاتی ہے۔ ٹریڈری ڈیل آفس مختلف مینجمنٹ کمیٹیوں کو معلومات فراہم کرتا ہے۔ مارکیٹ رسک کی ترجیحات بورڈ آف ڈائریکٹرز نے متعین کی ہیں اور بینک کی ایسٹ لائٹ میٹی (ALCO) کے ذریعے اسکی نگرانی کی جاتی ہے۔

### آپریشنل رسک

آپریشنل رسک کو کم از کم سطح پر رکھنے کیلئے بینک میں انٹرنل کنٹرول کا ایک مضبوط نظام قائم کیا گیا ہے۔ آپریشنل رسک پر قابو پانے کیلئے سٹاف کی ٹریننگ، ضروری کنٹرول کا نفاذ، باقاعدہ آڈٹ اور رسک لمٹ کی مانٹرنگ کو یقینی بنایا جاتا ہے۔ اس حوالے سے منظور شدہ آپریشنل رسک پالیسی اور اسٹینڈرڈ آپریٹنگ پروسیجرز پر عمل درآمد یقینی بنایا جاتا ہے۔ آپریشنل رسک کی ترجیحات بورڈ نے منظور کی ہیں جنکی نگرانی ALCO کے ذریعے کی جاتی ہے۔

### لیکویڈٹی رسک

لیکویڈٹی رسک کی ترجیحات بورڈ نے منظور کی ہیں اور لیکویڈٹی رسک کی نگرانی ALCO کے ذریعے کی جاتی ہے۔ روزانہ کی بنیاد پر کیش فلو کا جائزہ لیا جاتا ہے اور کسی بھی غیر متوقع صورت حال سے نمٹنے کیلئے ضروری حفاظتی اقدامات کیے جاتے ہیں۔

### انٹرسٹ ریٹ رسک

بینک نے انٹرسٹ ریٹ رسک کی نگرانی کیلئے مختلف ماڈلز وضع کیے ہیں جنکے ذریعے فیصلہ سازی کیلئے ضروری معلومات باقاعدگی سے فراہم کی جاتی ہیں۔ اس ضمن میں ٹریڈری ڈیل آفس انٹرسٹ ریٹ پر اثر انداز ہونے والے بیرونی عوامل کی نگرانی کرتا ہے اور اس حوالے سے معلومات ALCO کو فراہم کی جاتی ہیں۔

بورڈ آف ڈائریکٹرز کی زیر نگرانی بینک رسک مینجمنٹ کے لائحہ عمل پر عمل پیرا ہے اور متعین کردہ حدود کی پاسداری کی جاتی ہے۔ بینک اپنے رسک مینجمنٹ کے نظام کو بہتر بنانے میں مسلسل مصروف ہے اور اس ضمن میں بین الاقوامی معیار، اسٹیٹ بینک کی گائیڈ لائنز اور سابقہ تجربات کو مد نظر رکھا جاتا ہے۔

### انفارمیشن ٹیکنالوجی

کارکردگی کو بہتر بنانے کیلئے بینک ہمیشہ سے انفارمیشن ٹیکنالوجی پر سرمایہ کاری کرتا رہا ہے۔ بینک ایک جدید کوربیننگ سسٹم (Flexcube) پر عمل درآمد شروع کر چکا ہے۔ 31 دسمبر 2017 کو بینک کی 175 سے زائد شاخیں نئے نظام پر منتقل کی جا چکی ہیں اور سال 2018 کے اختتام تک یہ عمل مکمل کر لیا جائیگا۔ علاوہ ازیں بینک Oracle Enterprise Resource Planning کے رسک مینجمنٹ، فنانشل، پروکیورمنٹ اور انویسٹری کے ماڈیولز پر عمل درآمد کا آغاز کر چکا ہے۔

اپنے معزز صارفین کو بلا تعطل خدمات کی فراہمی کیلئے برانچوں میں دوہری آن لائن ٹیکنالوجی فراہم کی گئی ہے جبکہ صارفین کے ڈیٹا اور ٹرانزیکشنز کو محفوظ بنانے کیلئے ایک جامع آئی ٹی سکیورٹی پالیسی وضع کی گئی ہے۔ اسی طرح ڈیزاسٹر ریکوری کے نظام پر موثر عمل درآمد یقینی بنایا گیا ہے۔ بینک کی انتظامیہ کو فیصلہ سازی میں مدد فراہم کرنے کیلئے ایک جدید مینجمنٹ انفارمیشن سسٹم بھی فراہم کیا گیا ہے۔

### اسٹیبل ایسٹ مینجمنٹ

پرانے غیر فعال قرضہ جات کی وصولی کو مد نظر رکھتے ہوئے اسٹیبل ایسٹ مینجمنٹ کو منظم کیا گیا ہے تاکہ غیر فعال قرضہ جات کی جلد وصولی کو یقینی بنایا جاسکے۔ اس ضمن میں ایک جامع حکمت عملی وضع کی گئی ہے۔

ان کاوشوں کو نتیجہ خیز بنانے کیلئے انتظامیہ نے روایتی اقدامات کے علاوہ نادرہندگان کے خفیہ اثاثہ جات کے ذریعے وصولی کے لئے بھی اقدامات کئے گئے ہیں۔ نادرہندگان کے نام ایگزٹ کنٹرول لسٹ میں ڈالنے کے علاوہ قومی احتساب بیورو ایکٹ 1999 اور ایف آئی اے ایکٹ 1974 کے تحت موثر اقدامات کو یقینی بنایا گیا ہے۔ بینک کے اقدامات کے نتیجے میں نیب اور ایف آئی اے نے بہت سے نادرہندگان کے خلاف کارروائی کا آغاز کر دیا ہے۔

سال 2017 کے دوران بینک نے پرانے غیر فعال قرضہ جات پر مکمل پروویژن ڈال دی ہے لیکن انکی وصولی کیلئے بینک تمام کاوشیں جاری رکھے گا۔

### برانچ نیٹ ورک

بینک کے کاروباری حجم میں اضافے اور دروازوں میں جدید بینکاری سہولیات فراہم کرنے کیلئے برانچ نیٹ ورک میں اضافے کو جاری رکھا گیا ہے۔ سال 2017 کے دوران بینک نے 83 نئی شاخیں بشمول 3 سب برانچیں کھولی ہیں جن میں دروازوں کو فوقیت دی گئی ہے۔ اس وقت بینک کا ملک گیر نیٹ ورک 536 برانچیں بشمول 6 سب برانچیز کے ذریعے اپنے صارفین کو خدمات فراہم کر رہا ہے۔ سال 2018 کے دوران بینک 36 مزید برانچیں کھولنے کا ارادہ رکھتا ہے۔

### اسلامی بینکاری

بینک نے "تقویٰ اسلامک بینکنگ" کے نام سے سال 2013 میں اسلامی بینکاری کا آغاز کیا جسکے ذریعے صارفین کو شرعی قوانین کے تحت بینکاری کی سہولیات فراہم کی جا رہی ہیں۔ اس شعبے میں خاطر خواہ ترقی کے بعد بینک کا نیٹ ورک 66 برانچز بشمول 2 سب برانچز ہو چکا ہے۔ اس پلیٹ فارم کے ذریعے بینک شرعی اصولوں کے تحت اپنے صارفین کو وسیع خدمات فراہم کر رہا ہے اور مستقبل میں بینک اپنے اسلامی بینکنگ نیٹ ورک کو مزید وسعت دینے کا ارادہ رکھتا ہے۔

### پیمنٹ سروسز

صارفین کی الیکٹرانک بینکنگ کی ضروریات کو مد نظر رکھتے ہوئے پیمنٹ سروسز گروپ کے تحت مندرجہ ذیل سہولیات کو یکجا کیا گیا ہے:

- متبادل ذرائع ترسیل
- برانچ لیس بینکنگ
- فون بینکنگ
- پیمنٹ کارڈ پراڈکٹس

مختلف صارفین کی ضروریات کو مد نظر رکھتے ہوئے پیمنٹ سروسز گروپ نے مخصوص سہولیات متعارف کرائی ہیں جن میں الیکٹرانک بینکنگ، ریہوٹ بینکنگ اور فنانشل انکلوژن شامل ہیں۔ بینک کی یہ خدمات بین الاقوامی معیار کے مطابق ہیں۔ بینک نے متبادل ذرائع ترسیل کے تحت مندرجہ ذیل سہولیات متعارف کرائی ہیں:

- BOP ڈیبٹ ماسٹر کارڈ

- SMS بینکنگ

- موبائل بینکنگ

- یوٹیلٹی بلز پیمنٹ سسٹم

- انٹر بینک فنڈ ٹرانسفر

- فون بینکنگ اینڈ کمپلیٹ پیمنٹ یونٹ

- کسٹمر ریلیشن شپ پیمنٹ سلوشن

- ICTI / کونٹیکٹ سنٹر سلوشن

حکومت پنجاب کے غربت ختم کرنے کیلئے کئے گئے اقدامات اور صوبے میں گورننس بہتر بنانے کیلئے بینک بھر پور مدد فراہم کر رہا ہے۔ اس ضمن میں بینک نے اپنے نظام کو بہتر بنایا ہے تاکہ خاص طور پر دروازوں میں حکومت کے مختلف اقدامات میں مدد فراہم کی جاسکے۔ اسکے لئے خاص طور پر برانچ لیس بینکنگ کا آغاز کیا گیا ہے۔

بینک حکومت پنجاب کو صحت، تعلیم، امداد کی ادائیگی اور پیشہ ورانہ تربیت میں ہر ممکن مدد فراہم کر رہا ہے تاکہ محروم طبقات کے معیار زندگی کو بلند کیا جاسکے۔ اس سلسلے میں کئے گئے چند اقدامات مندرجہ ذیل ہیں:

- خدمت کارڈ کے ذریعے غرباء میں امداد کی تقسیم
- پنجاب ایجوکیشن اینڈومنٹ فنڈ کے تحت وظائف کی تقسیم
- وزیر اعظم کسان پیکیج کے تحت امداد کی تقسیم
- ای سی پی ٹی

سال 2017 کے دوران پیمنٹ سروسز نے بین الاقوامی معیار کی خدمات بھی متعارف کرائی ہیں۔ اس ضمن میں BOP ڈیٹ کارڈ کو EMV-Chip Based Technology پر منتقل کیا گیا ہے، موبائل بینکنگ کا اجراء کیا گیا ہے اور ATM نیٹ ورک 400 سے تجاوز کر چکا ہے۔ تمام سہولیات کو فون بینکنگ ٹیم کے ذریعے 24/7 سپورٹ فراہم کی گئی ہے۔

### ترسیلات زر

ترسیلات زر میں اضافہ کیلئے بینک خود کار نظام کے تحت ادائیگی کے ذریعے صارفین کو خدمات مہیا کر رہا ہے۔ اس ضمن میں بیرون ملک ایکسچینج کمپنیوں کے ساتھ روابط کو بڑھایا گیا ہے۔ سال 2017 کے دوران بینک نے 49.4 ارب روپے کی ایک ملین سے زائد ترسیلات زر کی ادائیگیاں کی تھیں۔

### گندم کی خریداری

سال 2017 کے دوران بینک نے حکومت پنجاب کیلئے گندم کی خریداری کیلئے لیڈ اریجنر کے طور پر 200 ارب روپے کا انتظام کیا جبکہ سال 2016 کے دوران اس میں 194 ارب روپے کا انتظام کیا گیا تھا۔

### خود روزگار "اپنا روزگار اسکیم"

سال 2011-2012 کے دوران بینک نے حکومت پنجاب کی خود روزگار اسکیم کے تحت 20,000 گاڑیاں تعلیم یافتہ بے روزگار نوجوانوں میں تقسیم کیں۔ 99 فیصد کی شاندار وصولی کی شرح کی وجہ سے بے روزگار تعلیم یافتہ نوجوانوں میں 50,000 مزید گاڑیوں کی تقسیم کا عمل سال 2016 میں مکمل کیا گیا اور اس وقت بینک ملک میں آٹولیز کاسب سے بڑا پورٹ فولیو چلا رہا ہے۔

### انٹرنل کنٹرولز

بینک کا بورڈ آف ڈائریکٹرز رسک کے مختلف درجات کو کم کرنے اور ایک موثر انٹرنل کنٹرول کا نظام قائم کرنے کیلئے ذمہ دار ہے۔ بورڈ آف ڈائریکٹرز مینجمنٹ کی جانب سے پیش کی جانے والی انٹرنل کنٹرول اسٹیٹمنٹ کی توثیق کرتا ہے جو کہ اس سالانہ رپورٹ میں شامل ہے۔

### کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کی تعمیل

بورڈ آف ڈائریکٹرز کوڈ آف کارپوریٹ گورننس کے حوالے سے مندرجہ ذیل اسٹیٹمنٹ جاری کرتے ہوئے خوشی محسوس کرتا ہے۔

- بینک کے مالیاتی گوشوارے بینکنگ کمپنیز آرڈیننس 1962 اور کمپنیز آرڈیننس 1984 کے تحت تیار کیے گئے ہیں۔ یہ گوشوارے بینک کے مالی معاملات کی درست صورت حال، کیش فلوز اور ایکویٹی میں تبدیلی کی درست عکاسی کرتے ہیں اور مناسب مالی حسابات تیار کیے گئے ہیں۔
- مالی گوشوارے کی تیاری کے دوران مناسب اکاؤنٹنگ پالیسیز پر عمل کیا گیا ہے اور اکاؤنٹنگ کے تخمینے مناسب اور محتاط انداز میں لگائے گئے ہیں۔
- بینک نے مالیاتی گوشواروں کی تیاری میں انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز (جو پاکستان میں بینکوں پر لاگو ہوتے ہیں) کی پاسداری کی ہے اور کسی



- انحراف کی صورت میں ضروری تفصیلات سالانہ حسابات میں دی گئی ہیں۔ انٹرنل کنٹرول کا نظام مکمل طور پر موثر ہے اور اسکی باقاعدہ نگرانی کی جاتی ہے۔
- بینک کی اپنے امور جاری رکھنے کی صلاحیت پر کسی طرح کے شکوک و شبہات نہیں ہیں۔
  - کوڈ میں مذکور کارپوریٹ گورننس پر عمل کرنے میں کوئی اہم انحراف نہیں کیا گیا۔ جیسا کہ لسٹنگ ریگولیشن میں بیان کیا گیا ہے۔
  - تمام قانونی ذمہ داریاں (اگر کوئی ہیں) مناسب طریقے سے مالی گوشواروں میں ظاہر کی گئی ہیں۔
  - بینک کی ایکویٹی کو مضبوط بنانے اور قانونی ضروریات کو پورا کرنے کیلئے کوئی Dividend نہیں دیا گیا۔
  - تازہ ترین مالی گوشواروں میں سٹاف پراویڈنٹ فنڈ اور گریجویٹ فنڈ کی سرمایہ کاری کی مالیت بالترتیب 2,384 ملین روپے اور 564 ملین روپے رہی۔
  - 31 دسمبر 2017 کو بینک کا شیئر ہولڈنگ پیٹرن مالی حسابات کے صفحہ نمبر 257 پر موجود ہے۔
  - گذشتہ 6 سال سے متعلقہ اہم آپریٹنگ اور مالی اعداد و شمار مالی حسابات کے صفحہ نمبر 11 پر دیئے گئے ہیں۔
  - کوڈ آف کارپوریٹ گورننس کی تعمیل سے متعلق بیان مالی حسابات کے صفحہ نمبر 45 پر دیا گیا ہے۔
  - سال 2017 کے دوران بینک کے بورڈ آف ڈائریکٹرز کے 19 اجلاس ہوئے جنکی تفصیل مندرجہ ذیل ہے:

#### حاضری

9

9

4

8

9

9

3

6

1

6

6

#### ڈائریکٹر کا نام

ڈاکٹر پرویز طاہر

نعیم الدین خان

محمد جہانزیب خان

حامد یعقوب شیخ

خواجہ فاروق سعید

سعید انور

ڈاکٹر عمر سیف

سید مراتب علی

عمر سعید\*

محمد افضل بھٹی

ڈاکٹر محمد امجد ثاقب

\*جناب عمر سعید 2017-06-16 کو ریٹائر ہو گئے تھے۔

- سال 2017 کے دوران بورڈ آف ڈائریکٹرز کی سنٹرل آڈٹ کمیٹی کے چار اجلاس مندرجہ ذیل حاضری کیساتھ منعقد ہوئے:

#### حاضری

4

4

0

3

#### ڈائریکٹر کا نام

خواجہ فاروق سعید

سعید انور

عمر سعید

محمد افضل بھٹی

- سال 2017 کے دوران بینک کے بورڈ آف ڈائریکٹرز کی رسک مینجمنٹ کمیٹی کے چار اجلاس مندرجہ ذیل حاضری کیساتھ منعقد ہوئے:

ڈائریکٹر کا نام	حاضری
سید مراتب علی	4
سعید انور	4
عمر سعید	0

- سال 2017 کے دوران بورڈ آف ڈائریکٹرز کی ہیومن ریسورس اینڈ ریمو نیویشن کمیٹی کے چار اجلاس مندرجہ ذیل حاضری کیساتھ منعقد ہوئے:

ڈائریکٹر کا نام	حاضری
محمد جہانزیب خان	4
نعیم الدین خان	4
محمد افضال بھٹی	3
سید مراتب علی	4

- سال 2017 کے دوران بورڈ آف ڈائریکٹرز کی اسلامک بینکنگ ریویو کمیٹی کا ایک اجلاس مندرجہ ذیل حاضری کیساتھ منعقد ہوا:

ڈائریکٹر کا نام	حاضری
ڈاکٹر محمد امجد ثاقب	1
ڈاکٹر پرویز طاہر	1
خواجہ فاروق سعید	1
خالد الیس ترمذی	1

### کریڈٹ ریٹنگ

بینک کی رسک پروفائل میں بہتری کے پیش نظر پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے بینک کی طویل مدتی ریٹنگ "AA" پر برقرار رکھی ہے جبکہ قلیل مدتی ریٹنگ کو "A1+" کی اعلیٰ ترین سطح پر برقرار رکھا گیا ہے۔ اسٹینڈرڈ ریٹنگ سکیل کے مطابق "AA" ریٹنگ بہت کم درجہ کے کریڈٹ رسک کو ظاہر کرتی ہے۔ یہ ریٹنگ مالیاتی وعدوں کی بروقت ادائیگی کی صلاحیت کو ظاہر کرتی ہے۔ اسی طرح "A1+" کی قلیل مدتی ریٹنگ ادائیگیوں کی اعلیٰ ترین صلاحیت کو ظاہر کرتی ہے۔

### ذیلی ادارے

بینک کے ذیلی اداروں کی تفصیل مندرجہ ذیل ہے:

نمبر شمار	نام	نیٹ اثاثہ جات 31 دسمبر 2017	نیٹ اثاثہ جات 31 دسمبر 2016
1	پنجاب مضاربہ سروسز پرائیویٹ لمیٹڈ	26.896	122.474
2	فرسٹ پنجاب مضاربہ	185.732	178.319
3	پنجاب کپیٹل سیکورٹیز پرائیویٹ لمیٹڈ	71.383	-

## سال 2018 کیلئے حکمت عملی

گذشتہ چند سالوں کی کارکردگی کی بنیاد پر بینک دور دراز علاقوں میں توسیع کے ذریعے اپنے کاروباری حجم اور منافع میں اضافے کیساتھ اپنی پوزیشن کو مستحکم کرے گا۔ جدید ٹیکنالوجی خصوصاً نئے کوریٹنگ سسٹم کی بدولت انٹرنل کنٹرول میں بہتری آئے گی۔

سال 2017 کے دوران بینک نے LOCs کے تحت قرضہ جات پر مکمل پروویژن ڈال دی ہے لیکن ان غیر فعال قرضہ جات کی وصولی کیلئے بینک کوشاں رہے گا۔ بینک کے حصص داران اپنے تعاون کے فوائد اٹھائیں گے اور غیر فعال قرضہ جات میں ہونے والے وصولی کے منافع میں اضافہ کا باعث ہوگی۔

بینک پاک چائنہ کنٹامک کوریڈور کی افادیت اور اسکے ذریعے ہونے والی تعمیراتی اور متعلقہ شعبہ جات میں ترقی سے مکمل طور پر آگاہ ہے۔ لہذا بینک پاک چائنہ کوریڈور منصوبے میں اپنا مثبت کردار ادا کرتا رہے گا۔

## آڈیٹرز

بینک کے موجودہ آڈیٹرز ای وائے فورڈ رھوڈز چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر 31 دسمبر 2018 کو ختم ہونے والے سال کیلئے تعیناتی کی پیش کش کی ہے۔ بورڈ آف ڈائریکٹرز میں سینٹرل آڈٹ کمیٹی کی سفارش پر مندرجہ بالا فرم کا مالیاتی سال 2018 کے لئے بینک کے آڈیٹرز کے طور پر تقرر تجویز کیا ہے۔

## اظہار تشکر

میں اسٹیٹ بینک آف پاکستان اور حکومت پنجاب کے تعاون اور مدد کا شکریہ ادا کرتا ہوں۔ میں بینک کے شیئر ہولڈرز اور معزز صارفین کی مسلسل سرپرستی پر انکا مشکور ہوں اور بینک کے سٹاف کی محنت اور لگن قابل ستائش ہے۔

## ڈاکٹر پرویز طاہر

چیئر مین بورڈ آف ڈائریکٹرز



# Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Regulation No. 5.19 of Rule Book of Pakistan Stock Exchange (PSX) 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.

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	Names
Independent Directors	1. Khawaja Farooq Saeed 2. Mr. Saeed Anwar
Executive Directors	1. Mr. Naeemuddin Khan
Non-Executive Directors	1. Dr. Pervez Tahir 2. Mr. Mohammad Jehanzeb Khan 3. Mr. Hamed Yaqoob Sheikh 4. Mr. Mohammed Afzaal Bhatti 5. Dr. Umar Saif 6. Syed Maratib Ali 7. Dr. Muhammad Amjad Saqib

- 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 this Bank (excluding the listed subsidiaries of listed holding companies where applicable).
  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 Broker of a stock exchange, has been declared as a defaulter by the stock exchange.
  4. A casual vacancy occurring on the Board due to retirement of one elected Director on June 16, 2017 will be filled through Election of Director to be held in the 27th Annual General Meeting of the Bank in 2018.
  5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
  6. The Board has developed a vision / mission statement, overall corporate strategy and 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 have been taken by the Board. However, the President / CEO has been appointed with remuneration and terms & conditions of his service determined by the Government of the Punjab (Government) as per Section 11(1) of the BOP Act, 1989. Further the appointment and determination of remuneration and terms & conditions of employment of the executive and non-executive directors have been taken by the board as per Section 10(1)(b)(c) of the BOP Act, 1989.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose 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 (7) seven days before the meetings except for three emergent meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has appropriate arrangements in place for orientation of its directors to apprise them of their duties and responsibilities.
10. The CFO was appointed prior to the implementation of Code of Corporate Governance. Company Secretary and Head of Internal Audit were appointed before 2017 by the Board.
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.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO 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 an Audit Committee. It comprises of three members of whom one is non-executive director and the Chairman and one member of the Committee are Independent Directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The Terms of Reference/Charter of the Audit Committee has already been approved by the Board.
17. The representatives of external auditors were present in AGM-2017 of the Bank for necessary feedback to the shareholders. However, Chairman Audit Committee did not attend the meeting.
18. The Board has formed a Human Resource & Remuneration Committee. It comprises of four members, of whom three are non-executive directors and the Chairman of the Committee is also a non-executive Director. President/CEO in his ex-officio capacity is an Executive Director/Member.
19. The Board has set up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Bank and are involved in internal audit function on full time basis.
20. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the 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.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Rule Book of Pakistan Stock Exchange (PSX) and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and stock exchange.
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
24. 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.
25. We confirm that all other material principles enshrined in the CCG have been complied with except for the following, where the corresponding provision(s) of The Bank of Punjab Act, 1989 have been complied.



(iii) Any casual vacancy on the Board of Directors of a listed company shall be filled up by the Directors at the earliest but not later than ninety days thereof.

**Section 14**

A Director appointed by the Government, other than President, shall hold office during the pleasure of Government

**Section 15(1)**

Any vacancy occurring on the Board by the death, resignation, removal or disqualification of any Director shall be filled by the remaining Directors, who shall co-opt a duly qualified person to fill the vacancy.

Provided that where a vacancy occurs in the office of a Director appointed by the Government, the vacancy shall be filled only by appointment by the Government.

(vi) The Chairman shall be elected from among the non-executive directors of the listed company..

**Section 10(2)**

The Chairman of the Board shall be nominated by the Government from amongst official Directors.

Further, in terms of Section 10(3), the Chairman shall preside over the meetings of the Board and shall have a casting vote, but he shall not exercise any executive authority or powers.

For and on behalf of the Board

**Naeemuddin Khan**  
President/CEO



## Review Report To The Members On Statement Of Compliance With The Best Practices Of The Code Of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of The Bank of Punjab (the Bank) for the year ended 31 December 2017 to comply with the requirements of Listing Regulation 5.19 of the rule book of Pakistan Stock Exchange, where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance 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 part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director'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 of Directors for their review and approval of 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 alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors 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 of Compliance 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 31 December 2017.

Further, we highlight below instance of non-compliance with the requirement of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph Reference	Description
17	The representatives of external auditors were present in AGM-2017 of the Bank for necessary feedback to the shareholders. However, Chairman Audit Committee did not attend the meeting

Chartered Accountants

**Engagement Partner:**  
**Farooq Hameed**

Lahore: 02 May 2018



# Report Of Shariah Board

## (For The Financial Year 2017)

While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Taqwa Islamic Banking The Bank of Punjab (TIB BOP) are conducted in a manner that comply with Shariah principles at all times, we are required to submit a report on the overall Shariah compliance environment of TIB BOP.

1. In line with IBD Circular No. 1 of 2015 dated April 07, 2015 issued by State Bank of Pakistan (SBP), the Shariah Governance Framework (SGF) has come into force with effect from July 1st, 2015. In compliance of the said circular Shariah Board became effective in October 2015.

Four (04) Shariah Board meetings have been held during the year 2017. Minutes of meetings have been subsequently submitted in Islamic Banking Department of SBP.

Two (02) meetings of Shariah Board with Board of Directors of the bank were held in the year 2017 to discuss the performance of TIB BOP and avenues for Islamic banking.

2. To form our opinion as expressed in this report, the Shariah Compliance Department of the Bank carried out reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed reports of internal Shariah audit and external Shariah audit. Based on above, we are of the view that:

Category of TIB BOP operations is overall satisfactory as per details given below:

- I. TIB BOP has by and large complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by RSBM / Shariah Board.

- II. TIB BOP has by and large complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP.
- III. TIB BOP has a satisfactory mechanism in place to ensure Shariah compliance in their overall operations.
- IV. Business affairs of TIB BOP, especially with reference to transactions, relevant documentation and procedures performed and executed by the Bank during the year 2017 are, by and large, in conformity with the principles and guidelines of Shariah and other guidelines issued by Shariah Board and SBP.
- V. The main modes of financing used for the bank's financing activities during the year consist of Murabaha, Ijarah, Diminishing Musharakah, Istisna and Running Musharakah. The gradual shift towards diversification of the modes of finance used, i.e. from Trade based modes to Participative modes is an encouraging development, beneficial towards the growth of Islamic Banking industry at large.
- VI. The Shariah Board supervised and analyzed various products, concepts, transactions, processes and their Shariah Compliance as an ongoing process to ensure that the transactions are valid and in conformity with Shariah injunctions.
- VII. The Internal Shariah Audit Department evaluates the adherence to Shariah guidelines by the Bank. During the year, Shariah Audit of the TIB BOP branches was conducted, that enabled the Bank to improve the Shariah control environment.



- VIII. To strengthen and broaden the functions of Shariah control, the Shariah Compliance Department (SCD) of the bank facilitated the customers by formulating customized process flows after assessment of the customers' business models and determining the most suitable product. During the year, SCD sought approvals of product structures and process flows from the Shariah Board. Further for effective compliance, SCD performed random physical inspections to assess the purchases, evidences and invoices of financing transactions. As a part of the department's responsibilities SCD also reviewed the process of profit distribution to the depositors on monthly basis. During the course of on-site visit of branches, SCD also evaluated Shariah knowledge of the staff.
- IX. TIB BOP has a proper system in place 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. Detail of the charity fund is available in the statement of financial position of TIB BOP (annexure I of Annual Report 2017 BOP).
- X. TIB BOP has overall acceptable system of profit / (loss) distribution and pool management, which can be further improved by achieving full automation. Profit is being properly distributed to all saving account holders on Mudarabah principles.
- XI. Bank is continuously focusing to enhance the Islamic Banking knowledge & skill set of the staff. Shariah Compliance Department and Product Development department with the coordination of Learning & Development Department of the Bank has imparted training on Islamic banking products.
- XII. Shariah Board has been provided with adequate resources enabling it to discharge its duties effectively.
3. There are following significant Shariah related issues which need to be addressed:
- I. Internal Shariah Audit Unit established under the ambit of Audit & RAR Group should be enriched with the resources as per organogram.
  - II. Staff Finance Policy approved by the Shariah Board needs implementation.
4. The Shariah Board of TIB BOP is satisfied with overall performance of Taqwa Islamic Banking - The Bank of Punjab and we expect that the management of the bank will continue adhering to the instructions issued by SBP and the Shariah Board of the bank that will further strengthen Shariah Compliance culture at TIB BOP.

**Mufti Muhammad Zahid**  
Chairman Shariah Board

**Dr. Ejaz Ahmed Samadani**  
Member Shariah Board

Dated: 22 March 2018







Taqwa Islamic Banking is pleased to offer Car Ijarah

- Based on Islamic Principle of Ijarah
- Market competitive rates
- Flexibility of matching rentals to cash flows
- Financing both used and new cars
- 20% minimum down payment as Security Deposit
- Profit Payment on Security Deposit



# شریعی بورڈ رپورٹ (برائے مالی سال - 2017)

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

شریعی بورڈ کے طور پر ہماری ذمہ داری "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" کے آپریشنز میں شرعی اصول و ضوابط کی تعمیل سے متعلق رپورٹ کا اجراء ہے۔ جبکہ بورڈ آف ڈائریکٹرز اور بینک کی ایگزیکٹو مینجمنٹ ہمہ وقت "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" میں شرعی اصولوں اور قوانین کے نفاذ کے کلی طور پر ذمہ دار ہیں۔

1. "اسٹیٹ بینک آف پاکستان" کے جاری کردہ سرکلر نمبر 1/2015 کے مطابق Shariah Governance Framework (SGF) یکم جولائی 2015 سے مؤثر طور پر لاگو ہو چکا ہے اور اسکی تعمیل کے طور پر شریعی بورڈ کا قیام "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" میں اکتوبر 2015 سے عمل میں آچکا ہے۔

سال 2017 میں شریعی بورڈ کے چار اجلاس منعقد ہوئے ہیں اور اجلاس کی تفصیلات "اسٹیٹ بینک آف پاکستان" کے "اسلامک بینکنگ ڈیپارٹمنٹ" میں جمع کی جا چکی ہیں۔

سال 2017 میں شریعی بورڈ کے دو اجلاس بینک کے "بورڈ آف ڈائریکٹرز" کیساتھ بھی ہوئے جس میں "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" کی کارکردگی اور اسلامک بینکنگ کے مواقع پر گفتگو ہوئی۔

2. ہماری رائے کی بنیاد جیسا کہ ہم نے اس رپورٹ میں ذکر کیا ہے "شریعی کمپلائنس کے ڈیپارٹمنٹ" نے بینک ہذا کے تمام طرح کے امور کا بشمول متعلقہ دستاویزات اور لائحہ عمل کا نمونے کے طور پر جائزہ لیا ہے۔ مزید یہ کہ ہم نے شعبہ "اندرونی و بیرونی شریعی آڈٹ" کی رپورٹس کا بھی جائزہ لیا ہے درج بالا کی بنیاد پر ہمارا نقطہ نظر یہ ہے۔

"تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" کے آپریشنز مجموعی طور پر تسلی بخش ہیں جسکی تفصیل درج ذیل ہے۔

- I. "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" مجموعی طور پر شریعی بورڈ اور ریزولوشن شریعی بورڈ ممبر سے جاری شدہ فتاویٰ اور اصول و ضوابط پر کاربند رہا ہے۔
- II. "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" "اسٹیٹ بینک آف پاکستان" کے شریعی سے متعلق جاری کردہ احکامات، قواعد و ضوابط، ہدایات اور رہنما اصولوں پر مجموعی طور پر کاربند رہا ہے۔

- III. "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" میں آپریشنز کو شریعی کمپلائنس بنانے کیلئے تسلی بخش نظام موجود ہے
- IV. "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" میں سال 2017 کے دوران کیے گئے آپریشنز کے معاملات خاص طور پر لین دین کے حوالے سے متعلقہ دستاویزات اور طریقہ کار کی کارکردگی مجموعی طور پر "اسٹیٹ بینک آف پاکستان" اور شریعی بورڈ کی طرف سے جاری شدہ ہدایات اور شرعی قواعد و ضوابط کے مطابق پائی گئیں۔

V. سال کے دوران بینک نے فنانسنگ کیلئے بالعموم مراضہ، اجارہ، شرکت متناقصہ، استصناع، اور رنگ مشارکہ کی پراڈکس اختیار کیں۔ مالیاتی طریقوں میں تنوع پیدا کرنے کا رجحان بالعموم اسلامی بینکاری کے فروغ کی طرف ایک قابل تحسین قدم ہے۔

VI. شریعی بورڈ نے مختلف پراڈکٹس، عقود، اور معاملات کی شریعت سے مطابقت کو برقرار رکھنے کیلئے نگرانی کا عمل مسلسل جاری رکھا تاکہ تمام معاملات شریعت کے اصولوں کے مطابق سرانجام پاتے رہیں۔

VII. شریعی آڈٹ ڈیپارٹمنٹ بینک کے معاملات میں شرعی اصولوں کی پابندی کو جانچتا ہے۔ اس سال کے دوران "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" کی برانچوں کا آڈٹ کیا گیا جس کے نتیجے میں بینک کے شریعی کنٹرول کے ماحول کو بہتر بنانے میں مدد ملی۔

VIII. شرعی کنفرول کے معاملات کو مزید بہتر اور وسیع بنانے کیلئے بینک کا "شریعی کمپلائنس ڈیپارٹمنٹ" کسٹمر کے کاروباری نظام کے جائزے اور کسٹمر کی ضرورت کے پیش نظر مناسب پراڈکٹ کے مطابق پراسس فلوز کو ترتیب دیتا ہے، اس سال کے دوران بھی شریعی کمپلائنس ڈیپارٹمنٹ نے شریعی بورڈ سے مختلف پراڈکٹس اور پراسس فلوز کی منظوری حاصل کی، شریعی کمپلائنس ڈیپارٹمنٹ نے دوران سال نمونے کے طور پر جائزوں، خریداری کی تصدیق، ثبوت، اور رسیدوں کی جانچ پڑتال کا خاص اہتمام کیا، "شریعی کمپلائنس ڈیپارٹمنٹ" کی دیگر ذمہ داریوں میں کھاتہ داروں کو نفع کی تقسیم کی ماہانہ کی بنیاد پر نگرانی بھی شامل ہے جس کو اس سال بھی "شریعی کمپلائنس ڈیپارٹمنٹ" نے بخوبی سرانجام دیا ہے، برانچوں کی جانچ کے دوران "شریعی کمپلائنس ڈیپارٹمنٹ" نے عملہ کے شرعی علم کا بھی جائزہ لیا۔

IX. ممنوعہ ذرائع سے حاصل ہونے والی آمدن کو خیراتی اکاؤنٹ میں منتقل کرنے اور اسکے مؤثر استعمال کو یقینی بنانے کیلئے "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" میں ایک مؤثر نظام موجود ہے۔ خیراتی رقم کی تفصیل بینک کی "سالانہ مالیاتی رپورٹ" میں موجود ہے۔

X. "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" میں نفع و نقصان کو تقسیم کرنے اور پول مینجمنٹ کا ایک قابل قبول نظام موجود ہے جسے مکمل آٹومیشن سے مزید بہتر بنایا جاسکتا ہے "سیونگ اکاؤنٹ" میں "مضاربہ" کے اصولوں کے مطابق کھاتہ داروں میں مناسب طریقہ سے منافع تقسیم کیا جا رہا ہے۔

XI. بینک اسلامی بینکاری سے متعلق عملہ کی صلاحیتوں کی بہتری کی طرف مسلسل متوجہ ہے، "شریعی کمپلائنس ڈیپارٹمنٹ" اور "پراڈکٹ ڈویلپمنٹ ڈیپارٹمنٹ" نے بینک کے "لرننگ اینڈ ڈویلپمنٹ ڈیپارٹمنٹ" کے تعاون سے اسلامک بینکنگ کی پراڈکٹس پر تربیتی مجالس کا انعقاد کروایا ہے۔

XII. شریعی بورڈ کو مناسب وسائل مہیا کر دیے گئے ہیں تاکہ وہ اپنی ذمہ داریوں کو احسن اور مؤثر طریقہ سے سرانجام دے سکے۔

3. شریعی سے متعلق مندرجہ ذیل کچھ اہم امور ہیں جنکی نشاندہی ضروری ہے:

I. "آڈٹ اینڈ آراے آرڈینرٹمنٹ" کے تحت قائم شدہ "انٹرئل شریعی آڈٹ یونٹ" کو آرگنائوگرام (organogram) کے مطابق مزید بہتر بنایا جاسکتا ہے۔

II. سٹاف فائننس پالیسی شریعی بورڈ سے منظور ہو چکی ہے جسے عملی طور پر نافذ کرنے کی ضرورت ہے۔

4. شریعی بورڈ "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" بینک ہذا کی مجموعی کارکردگی اور امور سے مطمئن ہے۔ اور امید کرتا ہے کہ "تقویٰ اسلامک بینکنگ-دی بینک

آف پنجاب" کی انتظامیہ شریعی بورڈ اور "اسٹیٹ بینک آف پاکستان" کی جاری کردہ ہدایات پر عملدرآمد کرتی رہے گی، جو کہ "تقویٰ اسلامک بینکنگ-دی بینک آف پنجاب" کے شریعی کمپلائنس ماحول کی مزید مضبوطی کا سبب بنے گا۔

واللہ سبحانہ و تعالیٰ اعلم

بتاریخ: 22 مارچ 2018

مفتی محمد زاہد

چیرمین شریعی بورڈ

ڈاکٹر مفتی اعجاز احمد صدیقی

ممبر شریعی بورڈ

# Statement Of Internal Controls

The Management of The Bank of Punjab (the "Bank") acknowledges its responsibility for establishing and maintaining an adequate and effective system of internal control to provide reasonable assurance to achieve the following:

- Efficiency and effectiveness of the operations;
- Reliability of financial reporting;
- Compliance with applicable laws and regulations.

The internal control system encompasses policies and procedures relating to all processes, products and activities of the bank's operations. All significant policies and procedural manuals are in place, which are reviewed, revised, and improved to keep them current with latest activities and challenges.

Implementing State Bank of Pakistan (the "SBP") Guidelines on Internal Controls, to place an effective internal control system has been the Bank's top priority. Compliance & Internal Control Division (C&ICD) has been entrusted with remediation of internal control deficiencies and maintaining the system on an ongoing basis. During the year 2017, walkthrough of processes and activities were conducted to update related processes, risks and control documentation. C&ICD also ensures implementation of control design improvements recommended by Audit & RAR Group (A & RAR), SBP and External Auditors.

The A & RAR, independent from Management, is entrusted with the supervisory function with respect to the review of internal controls. A & RAR evaluates, validates, monitors and contributes to ongoing effectiveness of control systems as part of its scope. It periodically reports significant findings, directly to the Central Audit Committee (CAC) of the Board. The A & RAR is also entrusted with the function to assess adequacy and effectiveness of the control activities as well as testing implementation of and compliance with all the prescribed policies and procedures. The

management expeditiously takes up the findings and observations of Audit Group, SBP and Bank's External Auditors to ensure implementation of control design improvements.

The Bank has put in place all stages of SBP roadmap on Internal Control over Financial Reporting (ICFR). External Auditor of the Bank also evaluates the effectiveness of ICFR system through a special review, and a Long Form Report (LFR) is submitted to SBP as per regulatory requirements. During the year under review, we have endeavored to follow the guidelines issued by SBP on ICFR for evaluation and management of significant risks and shall continue further improvements in Internal Controls System.

Internal Controls System evolves continuously and hence its evaluation is an ongoing process. This statement of internal controls is based on the management's assessment towards various aspects of the Internal Controls System of the Bank. The Internal Control Systems of the Bank are designed to minimize and manage risks rather than eliminate the risk of failure to achieve the desired objectives; hence it can only provide reasonable assurance and not absolute assurance, against material misstatement or loss. The system of internal control followed by the Bank is considered to be adequate in design and is being implemented and continuously monitored.

**Naeemuddin Khan**  
President / CEO



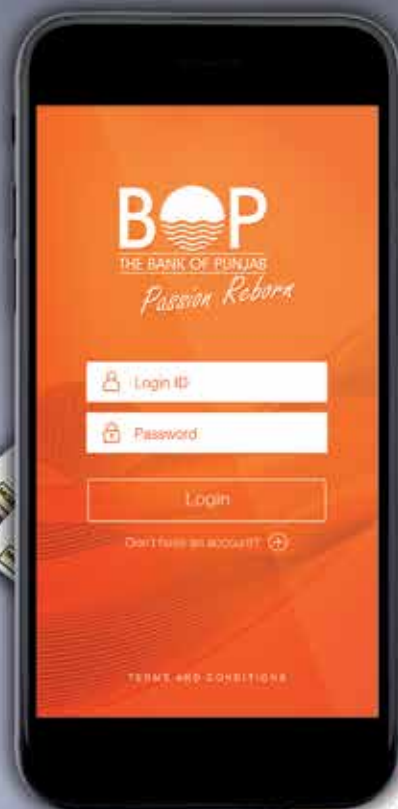
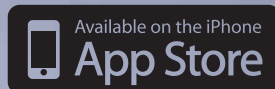


# BANKING MADE MOBILE WITH BOP MOBILE APP

The new way to bank is with BOP Mobile App which makes banking truly mobile letting you **TRANSFER FUNDS, PAY BILLS, MOBILE TOP-UPS** & do much more.

All on-the-go, wherever, whenever!!

Install **BOP** Mobile App from your App Store and register yourself.





## Notice Of Annual General Meeting

Notice is hereby given that the 27th Annual General Meeting of the members of The Bank of Punjab will be held at the CRIMSON EVENTS, 9-Civic Centre, Barkat Market, New Garden Town, Lahore (LDA Community Centre) on Wednesday, 30th May, 2018 at 5:00 p.m. to transact the following business:

### Ordinary Business:

1. To confirm the minutes of 26th Annual General Meeting held on April 28, 2017.
2. To receive, consider and adopt the Annual Audited Financial Statements of The Bank of Punjab for the year ended December 31, 2017 together with the Directors' and the Auditors' reports thereon.
3. To appoint Auditors for the year ending December 31, 2018 and to fix their remuneration.
4. Election of four Directors under Section 10(1)(b) of The Bank of Punjab Act, 1989.

### Special Business:

1. Conversion of TFCs into Ordinary Shares of the Bank upon the occurrence of a Point of Non-Viability as determined by the State Bank of Pakistan.

"RESOLVED THAT with respect to the Term Finance Certificate Issue ("TFCs") of The Bank of Punjab ("Bank") in the amount of PKR 4,300,000,000/- (Pak Rupees Four Billion Three Hundred Million) pursuant to the terms of the Trust Deed dated February 27, 2018, amended by the First Supplemental Trust Deed dated April 4, 2018 (hereinafter collectively referred to as the "Trust Deed") and in accordance with the directions of the State Bank of Pakistan's ("SBP") instructions regarding loss absorbency as provided under the 'Instructions for Basel III Implementation in Pakistan' ("Basel III Rules") issued under BPRD Circular # 06 dated August 15, 2013 as amended

from time to time, in the event SBP exercises its option to convert the TFCs into ordinary shares of the Bank upon the occurrence of a Point of Non-Viability ("PONV"), such ordinary shares shall be issued other than by way of rights in accordance with the proviso provided under section 83 of the Companies Act, 2017 ("Additional Shares").

FURTHER RESOLVED that the issuance of such Additional Shares shall be based on the market value of the shares of the Bank on the date of trigger of PONV as declared by SBP and shall be subject to a cap of 495 Million additional ordinary shares being issued, or such other number as may be agreed to in consultation with SBP and shall further be subject to approval of the Securities and Exchange Commission of Pakistan in accordance with the proviso under section 83 of the Companies Act, 2017.

FURTHER RESOLVED that the President/CEO or Company Secretary of the Bank, be and are hereby Singly authorized to take all steps, necessary, ancillary and incidental to the above and are further authorized to sign execute and deliver all necessary documents, agreements and letters on behalf of the Bank, as may be deemed appropriate and as may be required for the purposes above-mentioned."

2. Any other item of business with the permission of the Chair.

By order of the Board

**Raza Saeed**  
**Secretary to the Board**  
Lahore: May 08, 2018



## NOTES

01. The Register of Members and the Share Transfer Books of the Bank shall remain closed for transfer from 23-05-2018 to 29-05-2018 (both days inclusive).
02. All members are entitled to attend the meeting; however, the right of vote is restricted to those who are registered as such for a period of not less than three months prior to the date of the meeting as per section 17(1) of The Bank of Punjab Act, 1989.
03. Proxies in order to be effective must be deposited at the Corporate Affairs Department of the Bank, BOP Tower, 10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore not less than 48 hours before the meeting. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
04. A member is entitled to appoint another member as proxy to attend the meeting.
05. The members should quote their Folio number in all correspondence with the Bank and at the time of attending the Meeting.
06. Members are requested to promptly notify any change in their addresses to our Registrar M/s. CORPLINK (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore before book closure so that entitlement, if any, be dispatched at the correct addresses.
07. CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular O1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan:

### A. FOR ATTENDING THE MEETING

- i) In case of individual, the account holder or sub-account holder shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors; resolution/power of attorney with

specimen signature of the nominee shall have to be produced (unless it has been provided earlier) at the time of the meeting.

### B. FOR APPOINTING PROXIES

- i) In case of individual, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
  - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - iii) Attested copies of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
  - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall have to be submitted (unless it has been provided earlier) along with proxy form to the Company.
08. Entry of the member/physical shareholder or his/her duly authorized person will be on strict identification as per specimen signature on the Bank's record.
09. SECP vide SRO # 787 (I)/2014 dated 8th September, 2014 has allowed companies to circulate Annual Audited Financial Statements along with notice of Annual General Meeting to its members through e.mail. Shareholders who desire to receive the Bank's Annual Audited Financial Statements and notice of Annual General Meeting through e.mail, in future, are requested to fill the requisite form available on Bank's Website i.e. [www.bop.com.pk](http://www.bop.com.pk).

In case any member who has provided consent to receive Annual Audited Financial Statements and notice of Annual General Meeting through e-mail subsequently requests for a hard copy, the same shall be provided free of cost within 7 days of the receipt of such request.

10. Pursuant to SECP Circular No.10 of 2014 dated May 21, 2014, if Bank receives consent form from the members holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video conference at least 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. To avail this facility please provide following information and submit to the Corporate Affairs Department, Lahore.

I/We \_\_\_\_\_ of \_\_\_\_\_ being a member of The Bank of Punjab, holding \_\_\_\_\_ ordinary shares as per registered Folio/CDC Account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

Signature of Member(s)

The Bank will intimate members regarding venue of conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

## 11. ELECTION OF DIRECTORS

1. It is notified as follows:
  - a) The Number of Directors to be elected are four.
  - b) The Name(s) of Director(s) who retired/retiring are as under:
    - i) Mr. Omar Saeed (Retired on 16/06/2017)
    - ii) Khawaja Farooq Saeed (Retiring on 30/06/2018)
    - iii) Mr. Saeed Anwar (Retiring on 30/06/2018)
    - iv) Mr. Mohammed Afzaal Bhatti (Retiring on 30/06/2018)
  - c) Elected directors would take charge subject to Fit & Proper Test clearance of State Bank of Pakistan.
2. Any person, who seeks to contest the election to the Office of Director, must be the holder, in his own right, of unencumbered shares of the Bank of the nominal amount of Twenty Five Thousand Rupees at the least as per Section 12(1) of The Bank of Punjab Act, 1989.
3. As per Bank's Bye-law No.19(3) any person who seeks to contest an election to the Office of Director shall, file with the Bank, not later than fourteen (14) days before the date of the meeting at which election is to be held, a notice of his intention to offer himself for Election of Director. Such person can at any time before holding of the election withdraw this notice.
4. Guidelines under Fit & Proper Test (FPT) shall be complied with in terms of SBP, BPRD Circular No.04 of 2007 and 05 of 2015 dated April 23, 2007 and March 12, 2015 respectively in fresh appointments and/or renewals of the members

of Board of Directors. All appointments in Banks/DFIs shall be subject to prior clearance from SBP and applications in this regard would be forwarded / routed through their concerned Banks/DFIs.

5. All members whose names appear in the Bank's Members' Register as on 28/02/2018 and continue to be the member up to 29/05/2018 are entitled to attend and vote at the meeting as per section 17(1) of The Bank of Punjab Act, 1989.

## SPECIAL BUSINESS

- 1) Conversion of TFCs into Ordinary Shares of the Bank upon the occurrence of a Point of Non-Viability as determined by the State Bank of Pakistan

### A statement under Bank's Bye-Laws # 18-IV(ii) and under Section 134(3) of the Companies Act, 2017

Conversion of TFCs into Ordinary Shares of the Bank upon the occurrence of a Point of Non-Viability as determined by the State Bank of Pakistan

On April 23, 2018, The Bank of Punjab ("Bank") issued Term Finance Certificates in the amount of PKR 4,300,000,000/- (Pak Rupees Four Billion Three Hundred Million) ("TFCs") to raise Tier 2 Capital. [This privately placed, unsecured and subordinated issue was raised to comply with the State Bank of Pakistan's ("SBP") regulation to maintain the minimum Capital Adequacy Ratio ("CAR").]

[SBP through BSD Circular No. 7 dated April 15, 2009 had directed all banks to achieve and maintain the minimum CAR of 10% by December 2013. SBP vide its Circular No. 6 of Banking Policy and Regulation Department ("BPRD") dated August 15, 2013 ("Basel III Circular"), covering Basel III reforms, gave a roadmap to increase the minimum CAR upto 12.5% in a phased manner by December 31, 2019.]

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

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

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

- i The terms and conditions of all non-CET1 and Tier





2 instruments issued by banks must have a provision in their contractual terms and conditions that the instruments, at the option of the SBP, will either be fully and permanently converted into common share or immediately written off upon the occurrence of a non-viability trigger event called the Point of Non-Viability (PONV) as described below;

- ii. The PONV trigger event is the earlier of;
  - a. A decision made by SBP that a conversion or temporary/ permanent write-off is necessary without which the bank would become non-viable.
  - b. The decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by SBP.
- iii. The issuance of any new shares as a result of the trigger event must occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.
- iv. The amount of non-equity capital to be converted/ written-off will be determined by the SBP.
- v. Where an Additional Tier-1 capital instrument or Tier-2 capital instrument provides for conversion into ordinary shares, the terms of the instruments should include provision that upon a trigger event the investors holding 5% or more of paid-up shares (ordinary or preferred) will have to fulfill fit and proper criteria (FPT) of SBP.
- vi. The conversion terms of the instruments must contain pricing formula linked to the market value of common equity on or before the date of trigger event. However, to quantify the maximum dilution and to ensure that prior shareholder/ regulatory approvals for any future issue of the required number of shares is held, the conversion method must also include a cap on the maximum number of shares to be issued upon a trigger event.
- vii. The conversion method should describe and take into account the order (hierarchy of claims) in which the instruments will absorb losses in liquidation/ gone concern basis. These terms must be clearly stated in the offer documents. However, such hierarchy should not impede the ability of the capital instrument to be immediately converted or to be written off.

viii. There should be no impediments (legal or other) to the conversion i.e. the bank should have all prior authorizations (sufficient room in authorized capital etc.) including regulatory approvals to issue the common shares upon conversion.

- ix. The contractual terms of all Additional Tier 1 and Tier 2 capital instruments must state that SBP will have full discretion in deciding/ declaring a bank as a non-viable bank. SBP will, however, form its opinion based on financial and other difficulties by which the bank may no longer remain a going concern on its own unless appropriate measures are taken to revive its operations and thus, enable it to continue as a going concern. The difficulties faced by a bank should be such that these are likely to result in financial losses and raising the CET1/ MCR of the bank should be considered as the most appropriate way to prevent the bank from turning non-viable. Such measures will include complete write-off/ conversion of non-equity regulatory capital into common shares in combination with or without other measures as considered appropriate by the SBP.”

[As per Letter bearing reference no. BPRD/BA&CP-04/620/29839/2017 dated December 20, 2017 issued by SBP, SBP has granted a waiver / deferral from obtaining upfront approvals as required under Paragraph (viii) of Annexure A-5-3 of the Basel III Circular (as stated above) and the same shall be obtained by the Issuer on a post facto basis if need be.]

As per the loss absorbency conditions, upon the occurrence of a “Point of Non-Viability” event (“PONV”), SBP may at its option, fully and permanently convert the TFCs into common shares of the issuer, i.e. the Bank and / or have them immediately written off (either partially or in full).

In light of the above conditions, the Bank is required to obtain all approvals for the issuance of such additional shares, which additional shares shall be issued based on the market value of the shares of the Bank on the date of trigger of PONV as declared by SBP and shall be subject to a cap of 495 Million additional ordinary shares being issued, or such other number as may be agreed to in consultation with SBP. It may further be noted that issuance of such additional shares shall further be subject to approval of the Securities and Exchange Commission of Pakistan in accordance with the proviso under section 83 of the Companies Act, 2017.



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

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

The shares issued will rank pari passu in all respects with the existing shares of the Company. The issue of shares without rights is subject to approval from the Securities and Exchange Commission of Pakistan.

The Directors of the Company have no personal interest in the Resolutions except in their capacity as shareholders of the Company to the extent of their respective shareholding.





**UNCONSOLIDATED  
FINANCIAL STATEMENTS**  
for the year ended December 31, 2017

## Auditors' Report to the members

We have audited the annexed unconsolidated statement of financial position of The Bank of Punjab (the Bank) as at December 31, 2017 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 18 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of 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 requirement of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962(LVII of 1962), and the Companies Ordinance, 1984(XLVII 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 60% 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 Bank of Punjab Act, 1989, the Companies Ordinance, 1984(XLVII of 1984), and the returns referred to above received from 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 notes thereon have been drawn up in conformity with the The Bank of Punjab Act, 1989, 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;
  - 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 change in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required







**Building a better  
working world**

EY Ford Rhodes  
Chartered Accountants  
96-B-I, 4th Floor, Pace Mall Building  
M. M. Alam Road, Gulberg-II  
P.O. Box 104, Lahore-54660

Tel: +9242 3577 8402-11  
Fax: +9242 3577 8412-13  
ey.lhr@pk.ey.com  
ey.com/pk

by The Bank Of Punjab Act, 1989, 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 Bank's affairs as at December 31, 2017 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 Central Zakat Fund established under section 7 of that Ordinance.

The unconsolidated financial statement of the Bank for the year ended 31 December 2016 were audited by another firm of chartered accountants, whose audit report dated 29 March 2017 expressed an unmodified opinion with an emphasis of matter paragraph in respect of relaxation granted by the SBP from provision against certain advances.

Chartered Accountants

Engagement Partner:  
Farooq Hameed

Date: April 25, 2018

Lahore

# Unconsolidated Statement of Financial Position

As at December 31, 2017

	Note	2017 Rupees in '000'	2016
<b>ASSETS</b>			
Cash and balances with treasury banks	7	42,477,950	35,756,024
Balances with other banks	8	6,077,383	3,765,867
Lendings to financial institutions	9	24,570,850	11,562,133
Investments - net	10	242,506,452	199,741,990
Advances - net	11	295,751,721	262,067,924
Operating fixed assets	12	8,518,887	7,692,675
Deferred tax assets - net	13	10,724,523	6,480,256
Other assets - net	14	18,919,285	18,147,262
		649,547,051	545,214,131
<b>LIABILITIES</b>			
Bills payable	16	3,365,325	4,183,480
Borrowings	17	38,949,362	39,829,134
Deposits and other accounts	18	556,281,156	453,219,740
Sub-ordinated loans	19	4,499,000	4,500,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities	20	16,720,448	15,627,279
		619,815,291	517,359,633
<b>NET ASSETS</b>		29,731,760	27,854,498
<b>REPRESENTED BY</b>			
Share capital	21	26,436,924	15,551,132
Reserves	22	3,214,673	1,037,515
Share deposit money	23	-	7,000,000
(Accumulated loss) / unappropriated profit		(2,806,439)	658,938
		26,845,158	24,247,585
Surplus on revaluation of assets - net of tax	24	2,886,602	3,606,913
		29,731,760	27,854,498
<b>CONTINGENCIES AND COMMITMENTS</b>		25	

The annexed notes from 1 to 45 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director



# Unconsolidated Profit and Loss Account

For the year ended December 31, 2017

	Note	2017 Rupees in '000'	2016
Mark-up / return / interest earned	26	34,450,944	29,674,488
Mark-up / return / interest expensed	27	18,877,316	17,430,154
Net mark-up / interest income		15,573,628	12,244,334
Provision against non-performing loans and advances - net	11.5.1	14,131,960	922,236
Provision for diminution in the value of investments - net	10.3	85,358	102,632
Bad debts written off directly	11.6	-	-
		14,217,318	1,024,868
Net mark-up / interest income after provisions		1,356,310	11,219,466
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		1,226,378	974,703
Dividend income		90,939	61,774
Income from dealing in foreign currencies		109,173	75,248
Gain on sale and redemption of securities - net	28	1,316,155	2,525,572
Unrealized loss on revaluation of investments classified as held for trading	10.7	(287)	(1,176)
Other income	29	1,848,916	1,658,309
Total non-markup / interest income		4,591,274	5,294,430
		5,947,584	16,513,896
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	30	10,089,062	8,346,001
Provision against other assets	14.4	513,461	569,923
Reversal of provision against off balance sheet obligations	20.1	-	(485,668)
Other charges	31	43,003	33,699
Total non-markup / interest expenses		10,645,526	8,463,955
		(4,697,942)	8,049,941
Extra ordinary / unusual items		-	-
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		(4,697,942)	8,049,941
Taxation - Current year		2,269,087	960,820
- Prior years		227,511	622,219
- Deferred		(3,872,485)	1,608,548
	32	(1,375,887)	3,191,587
<b>(LOSS) / PROFIT AFTER TAXATION</b>		(3,322,055)	4,858,354
<b>Basic (loss) / earnings per share - Rupees</b>	33	(1.62)	3.12
<b>Diluted (loss) / earnings per share - Rupees</b>	34	(1.62)	3.12

The annexed notes from 1 to 45 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

# Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2017

	Note	2017 Rupees in '000'	2016
<b>(Loss) / profit after taxation for the year</b>		(3,322,055)	4,858,354
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>			
Remeasurement loss on defined benefit obligations - net of tax	37.1.1	(82,051)	(64,620)
<b>Other comprehensive (loss) / income transferred to equity</b>		(3,404,106)	4,793,734
<b>Items that may be reclassified to profit and loss in subsequent periods:</b>			
Change in surplus on revaluation of investments - net of tax		(895,122)	(385,309)
<b>Total comprehensive income for the year</b>		(4,299,228)	4,408,425

The annexed notes from 1 to 45 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

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

\_\_\_\_\_  
President

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director





# Unconsolidated Cash Flow Statement

For the year ended December 31, 2017

	Note	2017 Rupees in '000'	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation		(4,697,942)	8,049,941
Less: Dividend income		(90,939)	(61,774)
		(4,788,881)	7,988,167
Adjustments for:			
Depreciation on property and equipment	12.2	788,194	693,261
Depreciation on non banking assets acquired in satisfaction of claims	30	86,535	105,601
Depreciation on ijarah assets under IFAS - 2	30	339,052	80,077
Amortization on intangible assets	12.3	26,197	23,395
Amortization of premium on debt securities - net		856,114	708,843
Unrealized loss on revaluation of investments classified as held for trading	10.7	287	1,176
Provision against non-performing loans and advances - net	11.5.1	14,131,960	922,236
Provision for diminution in the value of investments - net	10.3	85,358	102,632
Provision for employees compensated absences	37.1.3	9,860	(136,542)
Provision for gratuity	37.1.1	107,608	78,615
Provision against other assets	14.4	513,461	569,923
Reversal of provision against off balance sheet obligations	20.1	-	(485,668)
Net profit on sale of property and equipment	29	(1,789)	(16,785)
Net profit on sale of non-banking assets acquired in satisfaction of claims	29	(12,157)	(11,636)
Gain on sale and redemption of securities - net	28	(1,316,155)	(2,525,572)
		15,614,525	109,556
		10,825,644	8,097,723
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		(8,205,394)	(5,448,871)
Net investments in held for trading securities		(9,014,480)	(23,263,387)
Advances - net		(48,154,809)	(43,671,606)
Others assets - net		(718,829)	7,040,922
		(66,093,512)	(65,342,942)
Increase / (Decrease) in operating liabilities:			
Bills Payable		(818,155)	2,296,048
Borrowings		(853,650)	(15,417,446)
Deposits and other accounts		103,061,416	78,258,644
Other liabilities		849,468	585,897
		102,239,079	65,723,143
		46,971,211	8,477,924
Income tax paid		(3,006,066)	(1,703,866)
<b>Net cash flow from operating activities</b>		<b>43,965,145</b>	<b>6,774,058</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		(34,816,530)	(14,315,418)
Net investments in held to maturity securities		63,832	15,000,000
Dividends received		79,814	72,663
Investments in operating fixed assets		(1,690,950)	(1,435,818)
Sale proceeds of property and equipment disposed-off		150,057	22,889
Sale proceeds of non-banking assets disposed-off		280,750	190,852
<b>Net cash used in investing activities</b>		<b>(35,933,027)</b>	<b>(464,832)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Repayment) / Issuance of sub-ordinated loans		(1,000)	2,500,000
Issue of right shares at premium during the year		6,062,950	-
Right shares issue cost		(231,181)	-
<b>Net cash flow from financing activities</b>		<b>5,830,769</b>	<b>2,500,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>13,862,887</b>	<b>8,809,226</b>
Cash and cash equivalents at beginning of the year		39,437,081	30,627,855
Cash and cash equivalents at end of the year	35	53,299,968	39,437,081

The annexed notes from 1 to 45 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

# Unconsolidated Statement of Changes in Equity

## For the year ended December 31, 2017

	Capital reserves				Revenue reserve		Total
	Share capital	Discount on issue of shares	Statutory reserve	Share premium	Share deposit money	(Accumulated loss) unappropriated profit	
	<b>R u p e e s i n '000'</b>						
<b>Balance as at January 01, 2016</b>	15,551,132	(263,158)	2,291,119	37,882	7,000,000	(5,220,276)	19,396,699
Profit after taxation for the year ended December 31, 2016	-	-	-	-	-	4,858,354	4,858,354
Other comprehensive income	-	-	-	-	-	(64,620)	(64,620)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	4,793,734	4,793,734
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated losses) - net of tax	-	-	-	-	-	54,639	54,639
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated losses) on disposal	-	-	-	-	-	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit / (accumulated losses) - net of tax	-	-	-	-	-	2,513	2,513
Transfer to unappropriated profit / (accumulated losses)	-	-	(2,000,000)	-	-	2,000,000	-
Transfer to statutory reserve	-	-	971,672	-	-	(971,672)	-
<b>Balance as at December 31, 2016</b>	15,551,132	(263,158)	1,262,791	37,882	7,000,000	658,938	24,247,585
Loss after taxation for the year ended December 31, 2017	-	-	-	-	-	(3,322,055)	(3,322,055)
Other comprehensive loss	-	-	-	-	-	(82,051)	(82,051)
Total comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(3,404,106)	(3,404,106)
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated loss) - net of tax	-	-	-	-	-	51,294	51,294
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated loss) on disposal	-	-	-	-	-	108,678	108,678
Transfer from surplus on revaluation of non banking assets to unappropriated profit / (accumulated loss) on disposal	-	-	-	-	-	7,592	7,592
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	2,346	2,346
<b>Transactions with owners, recorded directly in equity:</b>							
Issuance of right shares at premium during the year	10,885,792	-	-	2,177,158	(7,000,000)	-	6,062,950
Right shares issue cost	-	-	-	-	-	(231,181)	(231,181)
	10,885,792	-	-	2,177,158	(7,000,000)	(231,181)	5,831,769
Balance as at December 31, 2017	26,436,924	(263,158)	1,262,791	2,215,040	-	(2,806,439)	26,845,158

The annexed notes from 1 to 45 and Annexures - I to IV form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

# Notes to the Unconsolidated Financial Statements

## For the year ended December 31, 2017

### 1. STATUS AND NATURE OF BUSINESS

- 1.1** The Bank of Punjab (the Bank) was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 536 branches including 06 sub branches and 64 islamic banking branches (2016: 453 branches including 03 sub branch and 48 islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Pakistan Stock Exchange. The majority shares of the Bank are held by Government of the Punjab (GoPb).
- 1.2** As on December 31, 2017, the Bank stands compliant with the provisioning requirement under SBP's Prudential Regulations after charging provision of Rs. 12,323,289 thousand required against certain exposures previously not subjected to provisioning criteria in view of the relaxation granted by SBP on the basis of two LOCs issued by the GOPb as explained below. Had this additional provision of Rs. 12,323,289 thousand not been charged in the current year, the financial results would have been as follows:

	Rupees in '000'
Profit before tax	7,625,347
Profit after tax	4,688,083
Earnings per share (Rs.)	2.28
Advances-net	308,075,010
Deferred tax asset-net	6,411,372
Total assets	657,557,189
Un-appropriated profit	4,266,082
Net assets	37,741,898
CAR (%)	14.18%

Under the arrangements agreed between GOPb, SBP and the Bank, the GOPb vide two LOCs has undertaken to inject necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum aggregate amount of Rs. 14,150,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2018 if the Bank fails to make provision of Rs. 21,770,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning. In addition, in terms of aforesaid LOCs, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

As on December 31, 2017, paid-up capital (net of losses) amounted to Rs 23,630,485 thousand and the Bank stands compliant with SBP's minimum capital requirement of Rs. 10,000,000 thousand. However, the Bank's Capital Adequacy Ratio (CAR) is less than the applicable requirements as disclosed in note 42.3. The Management has prepared a capital management plan, including issuance of Tier-II capital, for compliance with minimum prescribed level of CAR till June 30, 2018. Accordingly, the SBP, on the basis of capital management plan, has granted the Bank relaxation from the applicable CAR till June 30, 2018.

Subsequent to year ended December 31, 2017, the Bank, in pursuance of achieving the capital management plan, has successfully raised Rs. 4,300,000 thousand as Tier-II capital through issuance of rated and unlisted privately placed term finance certificates. Further, keeping in view the targeted growth and projections for the next year, the Management is confident to meet applicable requirements of CAR by June 30, 2018.

## 2. BASIS OF PREPARATION

- 2.1** These unconsolidated financial statements are separate financial statements of the Bank in which the investment in subsidiaries is stated at cost less impairment losses (if any) and has not been accounted for on the basis of reported results and net assets of the investee. Consolidated financial statements of the Group are being issued separately.
- 2.2** In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks from their customers and immediate resale to them at appropriate marked-up price on 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 facility actually utilized and the appropriate portion of mark-up thereon.
- 2.3** The financial results of Islamic Banking business have been consolidated in these unconsolidated financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking business are disclosed in Annexure-I to these unconsolidated financial statements.

## 3. STATEMENT OF COMPLIANCE

- 3.1** These unconsolidated financial statements have been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance 1984 (repealed – note 3.1.1) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance 1984 (repealed – note 3.1.1). Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 (repealed – note 3.1.1) differ with the requirements of these standards, the requirements of the said directives, the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 (repealed – note 3.1.1) take precedence.
- 3.1.1** The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. However, as allowed by the SECP vide its Circular No. 23 dated October 04, 2017, these unconsolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 3.2** SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, “Financial Instruments: Recognition and Measurement” and International Accounting Standard (IAS) 40, “Investment Property” for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 “Financial Instruments: Disclosures” has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these unconsolidated financial statements.
- 3.3** IFRS 8, ‘Operating Segments’ is effective for the Bank’s accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006,





'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these unconsolidated financial statements is based on the requirements laid down by the SBP.

- 3.4** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard - 3 for Profit & Loss Sharing on Deposits (IFAS 3) issued by the Institute of Chartered Accountants of Pakistan and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in these unconsolidated financial statements of the Bank.

#### **4. BASIS OF MEASUREMENT**

These unconsolidated financial statements have been prepared under the historical cost convention, except for revaluation of freehold land and buildings on freehold land, revaluation of non banking assets acquired in satisfaction of claims, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

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

#### **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's unconsolidated financial statements or where judgment was exercised in the application of accounting policies are as follows:

##### **5.1 Classification of investments**

In classifying investments as "held for trading" the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as "held to maturity" the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

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

##### **5.2 Provision against non-performing advances and debt securities classified as investments**

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations issued by the SBP, the management also applies the subjective criteria of classification and, accordingly, the classification of advances and debt securities is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision.

### **5.3 Impairment of available for sale investments**

The Bank considers that available for sale equity investments are impaired when there has been a significant and prolonged decline in the fair value below its cost. Other factors will also need to be considered before deciding the permanent impairment of investment. This determination of what is significant and prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the statement of financial position date, the management has determined an impairment loss on available for sale securities, held to maturity securities and subsidiary company as disclosed in note 10.3.1.

### **5.4 Depreciation, amortization and revaluation of operating fixed assets**

Estimates of useful life of operating fixed assets are based on management's best estimate. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Further, the Bank estimates the revalued amount of freehold land and buildings on freehold land on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

### **5.5 Income taxes**

In making estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

### **5.6 Staff retirement benefits**

The amount of provision for gratuity and compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

### **5.7 Non banking assets acquired in satisfaction of claims**

The Bank estimates the revalued amounts of non banking assets acquired in satisfaction of claims on a regular basis. The estimates are based on expected legal enforceability, ease of realization and valuations carried out by an independent valuation expert under the market conditions.

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **6.1 Cash and cash equivalents**

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lendings less over drawn nostro accounts and other overdrawn bank accounts.

### **6.2 Revenue recognition**

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized:



### 6.2.1 Mark-up / return / interest income

Mark-up / return / interest on advances and return on investments are recognized in profit and loss account on an accrual basis, except mark-up on non-performing advances which is recognized when received.

### 6.2.2 Dividend income

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

### 6.2.3 Lease finance income

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of 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 periods so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

### 6.2.4 Fees and commission income

Commission income is recognized on time proportion basis.

## 6.3 Advances including net investment in finance lease

Advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value.

The rentals received / receivable on Ijarah are recorded as income / revenue. 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 the delivery of respective assets to Mustajir upto the date of maturity / termination of Ijarah agreement.

## 6.4 Investments

Investments other than those categorized as held for trading are initially recognized at fair value which includes transaction costs associated with the investments. Investments classified as held for trading are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

All regular way purchase / sale of investment are recognized on the trade date, i.e., the date the Bank commits to purchase / sell the investments. Regular way purchase or sale of investment requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Investment in subsidiary is stated at cost less provision for impairment (if any). Other investments are classified as follows:

- Held for trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to profit and loss account.
- Held to maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.
- Available for sale – These are investments, other than those in subsidiaries and associates, which do not fall under the held for trading or held to maturity categories. These are carried at market value with the surplus / (deficit) on revaluation taken to ‘Surplus / (deficit) on revaluation of assets shown below equity, except available for sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills and Pakistan Investment Bonds) which are stated at cost less provision for diminution in value of investments, if any.

Provision for diminution in the value of investments is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP’s Prudential Regulations.

Premium or discount on debt securities classified as available for sale and held to maturity securities are amortized using the effective yield method.

On de-recognition or impairment in quoted available for sale securities the cumulative gain or loss previously reported as “Surplus / (Deficit) on revaluation of assets” below equity is included in the profit and loss account for the year.

Gain and loss on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

## **6.5 Lending to / borrowing from financial institutions**

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

### **6.5.1 Sale under repurchase obligations**

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and repurchase price is accrued using effective yield method and recorded as interest expense over the term of the related repo agreement.

### **6.5.2 Purchase under resale obligations**

Securities purchased under agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.





## 6.6 Operating fixed assets and depreciation

### 6.6.1 Owned

Property and equipment, other than freehold land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Freehold land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 12.2 to these unconsolidated financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus / (Deficit) arising on revaluation of freehold land and buildings on freehold land is credited to the "Surplus / (Deficit) on Revaluation of Assets" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

Gains and losses on sale of operating fixed assets are included in profit and loss account currently.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

### 6.6.2 Leased

Property and equipment subject to finance lease are accounted for by recording the assets and the related liabilities. These are stated at fair value or present value of minimum lease payments whichever is lower at the inception of the lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

### 6.6.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method as per the rates given in note 12.3 to these unconsolidated financial statements. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

### 6.6.4 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). These are transferred to specific assets as and when assets are available for use.

## 6.7 Taxation

### 6.7.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### 6.7.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The Bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of operating fixed assets and available for sale securities which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS)12, 'Income Taxes'.

## 6.8 Assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation except land which is carried at revalued amount. Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of non banking assets is credited to the 'surplus on revaluation of 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 not capitalized.

## 6.9 Employee retirement and other benefits

### 6.9.1 Defined contribution plan – Provident fund

The Bank operates an approved provident fund scheme, covering all permanent employees. Contributions are made monthly by the Bank and the employees at the rate of 8.33% of basic salary. Contributions by the Bank are charged to profit and loss account.

### 6.9.2 Defined benefit plan - Gratuity scheme

The Bank operates an approved funded gratuity scheme for all its permanent employees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are charged or credited to other comprehensive income in the year in which they occur.



### 6.9.3 Defined benefit plan - Employees' compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. Actuarial gains and losses are charged to income in the year in which they occur.

### 6.10 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the exchange rates prevailing at the statement of financial position date except assets and liabilities for which there are forward contracts which are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

### 6.11 Provisions

Provisions are recorded when the Bank has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

### 6.12 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations are made when the Bank has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

### 6.13 Dividend distribution and appropriations

Dividend distributions and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

### 6.14 Impairment

The carrying amounts of assets (other than deferred tax assets) are reviewed for impairment at each statement of financial position date whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

### 6.15 Earnings per share

The Bank presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares (if any).

## 6.16 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the equity.

## 6.17 Financial instruments

### 6.17.1 Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial institutions, deposits and other payables. The particular recognition criteria adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### 6.17.2 Offsetting

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

## 6.18 Segment reporting

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

### 6.18.1 Business segments

#### Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, and brokerage debt.

#### Retail banking

It includes retail lending and deposits, banking services, private lending and deposits, trust and estates investment advice, merchant / commercial and private labels and retail.

#### Commercial banking

Commercial banking includes project finance, real estate finance, export finance, trade finance, lending, guarantees, bills of exchange and deposits.

#### Payment and settlement

It includes payments and collections, funds transfer, clearing and settlement.

#### Agency service

It includes depository receipts, securities lending (customers), issuer and paying agents.





## 6.18.2 Geographical segments

The Bank operates only in Pakistan.

## 6.19 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2017

During the year, certain amendments to standards, interpretations and improvement to accounting standards became effective; however, the amendments, interpretations and improvements did not have any material effect on the unconsolidated financial statements of the Bank.

## 6.20 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. The Bank considers that the following standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements provided that such changes do not conflict with the format of financial statements prescribed by the SBP for banks.

Standard or Interpretations	Effective date (accounting periods beginning on or after)	
IFRS 2	Share Based Payments– Clarification of the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 3	Business Combinations (amendments)	January 01, 2018
IFRS 9	Financial Instruments: Amendments related to Classification and Measurement (The Bank is currently awaiting instructions from SBP, as applicability of IAS 39 was deferred by SBP till further instructions)	January 01, 2018
IFRS 15	Revenue from contracts	January 01, 2018
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2018
IFRS 16	Leases	January 01, 2019
IAS 12	Income Taxes (amendments)	July 01, 2018
IAS 28	Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2018

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition. The standard introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

	Note	2017 Rupees in '000'	2016
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand:			
- Local currency	7.1	7,721,831	5,945,166
- Foreign currencies		989,859	774,935
		8,711,690	6,720,101
With State Bank of Pakistan (SBP) in:			
- Local currency current account	7.2	21,547,521	17,403,109
- Foreign currency deposit account:	7.3		
- Non remunerative		427,867	382,831
- Remunerative	7.4	1,263,173	1,228,107
		23,238,561	19,014,047
With National Bank of Pakistan in:			
- Local currency current account		10,527,699	10,021,876
- Local currency deposit account		-	-
		10,527,699	10,021,876
		42,477,950	35,756,024

**7.1** This includes National Prize Bonds of Rs. 43,256 thousand (2016: Rs. 34,312 thousand).

**7.2** This represents current account maintained with the SBP under the requirements of section 22 "Cash Reserve Requirement" of the Banking Companies Ordinance, 1962.

**7.3** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

**7.4** This carries mark-up at the rate ranging from 0.23% to 0.37% per annum (2016: Nil) as announced by SBP on monthly basis.

	Note	2017 Rupees in '000'	2016
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan:			
- On current accounts		2,902,571	1,665,141
- On deposit accounts	8.1	2,371,040	1,610,987
		5,273,611	3,276,128
Outside Pakistan:			
- On current accounts		276,364	244,762
- On deposit accounts	8.2	527,408	244,977
		803,772	489,739
		6,077,383	3,765,867

**8.1** These carry mark-up at rates ranging from 2.40% to 5.55% per annum (2016: 1.75% to 4.75% per annum).

**8.2** These carry mark-up at rates ranging from 0.77% to 1.17% per annum (2016: 0.05% to 0.41% per annum).



	Note	2017 Rupees in '000'	2016
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	9.2	4,803,323	-
Reverse repurchase agreement lendings	9.3	9,510,527	6,162,133
Placements	9.4	9,490,000	5,400,000
Bai - Muajjal with SBP	9.5	767,000	-
		24,570,850	11,562,133

<b>9.1 Particulars of lendings</b>			
In local currency		24,570,850	11,562,133
In foreign currency		-	-
		24,570,850	11,562,133

**9.2** These carry profit at the rate of 5.80% per annum (2016: Nil) with maturities upto January 03, 2018.

### **9.3 Securities held as collateral against lendings to financial institutions**

	2017			2016		
	Rupees in '000'					
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Market treasury bills	8,650,527	-	8,650,527	3,302,133	-	3,302,133
Pakistan investment bonds	860,000	-	860,000	2,860,000	-	2,860,000
	9,510,527	-	9,510,527	6,162,133	-	6,162,133

Market value of securities held as collateral as at December 31, 2017 amounted to Rs. 9,526,431 thousand (2016: Rs. 6,225,139 thousand). These carry mark-up at rates ranging from 5.90% to 6.25% per annum (2016: 5.90% to 6.25% per annum) with maturities upto February 15, 2018.

**9.4** These carry profit at rates ranging from 5.60% to 6.25% per annum (2016: 4.85% to 6.25% per annum) with maturities upto April 02, 2018.

**9.5** These carry profit rates ranging from 5.65% to 5.75% per annum (2016: Nil) with maturities upto June 21, 2018.

### **10. INVESTMENTS - NET**

	Note	2017			2016		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000'							
<b>10.1 Investments by types</b>							
<b>Held for trading securities:</b>							
Market treasury bills	10.4 & Annex II - 7	32,310,448	-	32,310,448	23,298,833	-	23,298,833
<b>Available for sale securities:</b>							
Market treasury bills	10.4 & Annex II - 7	142,725,994	20,712,635	163,438,629	80,885,259	9,925,825	90,811,084
Pakistan investment bonds	10.4 & Annex II - 7	34,733,700	-	34,733,700	59,242,027	15,979,961	75,221,988
Ordinary shares / certificates of listed companies and modarabas	Annex II - 1	1,823,940	-	1,823,940	1,305,364	-	1,305,364
Preference shares of listed companies	Annex II - 2	340,451	-	340,451	340,451	-	340,451
Preference shares of unlisted companies	Annex II - 2	71,406	-	71,406	-	-	-
Ordinary shares of unlisted company	Annex II - 3	25,000	-	25,000	25,000	-	25,000
Government of Pakistan ijarah sukuk	Annex II - 7	5,031,226	-	5,031,226	2,885,472	-	2,885,472
Listed term finance certificates	Annex II - 4	1,330,918	-	1,330,918	1,193,277	-	1,193,277
Unlisted term finance certificates / sukuks	Annex II - 5	6,211,152	-	6,211,152	6,015,763	-	6,015,763
		192,293,787	20,712,635	213,006,422	151,892,613	25,905,786	177,798,399

	Note	2017			2016		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
<b>Rupees in '000'</b>							
<b>Held to maturity securities:</b>							
Pakistan investment bonds	10.5	252,178	-	252,178	253,867	-	253,867
WAPDA bonds	10.5	400	-	400	400	-	400
		252,578	-	252,578	254,267	-	254,267
<b>Subsidiary:</b>							
Punjab modaraba services (private) limited	Annex II - 6	164,945	-	164,945	164,945	-	164,945
<b>Total investments at cost</b>							
Provision for diminution in the value of investments - net	10.3	(3,145,347)	-	(3,145,347)	(3,068,083)	-	(3,068,083)
<b>Investments - net of provision</b>							
(Deficit) / Surplus on revaluation of available for sale securities	24.3	(82,728)	421	(82,307)	1,264,948	29,857	1,294,805
Deficit on revaluation of held for trading securities	10.7	(287)	-	(287)	(1,176)	-	(1,176)
<b>Total investments at carrying value</b>							
		221,793,396	20,713,056	242,506,452	173,806,347	25,935,643	199,741,990
<b>10.2 Investments by segments:</b>							
<b>Federal government securities:</b>							
Market treasury bills	10.4 & Annexure II - 7	175,036,442	20,712,635	195,749,077	104,184,092	9,925,825	114,109,917
Pakistan investment bonds	10.4 & Annexure II - 7	34,985,878	-	34,985,878	59,495,894	15,979,961	75,475,855
Government of Pakistan ijarah sukuk	Annexure II - 7	5,031,226	-	5,031,226	2,885,472	-	2,885,472
<b>Ordinary shares/certificates:</b>							
Listed companies and modarabas	Annex II - 1	1,823,940	-	1,823,940	1,305,364	-	1,305,364
Unlisted company	Annex II - 3	25,000	-	25,000	25,000	-	25,000
Unlisted subsidiary company	Annex II - 6	164,945	-	164,945	164,945	-	164,945
<b>Preference shares:</b>							
Listed companies	Annex II - 2	340,451	-	340,451	340,451	-	340,451
Unlisted companies	Annex II - 2	71,406	-	71,406	-	-	-
<b>Term finance certificates and bonds:</b>							
Listed term finance certificates	Annex II - 4	1,330,918	-	1,330,918	1,193,277	-	1,193,277
Unlisted term finance certificates / sukuks	Annex II - 5	6,211,152	-	6,211,152	6,015,763	-	6,015,763
WAPDA bonds		400	-	400	400	-	400
<b>Total investments at cost</b>							
Provision for diminution in the value of investments - net	10.3	(3,145,347)	-	(3,145,347)	(3,068,083)	-	(3,068,083)
<b>Investments - net of provision</b>							
(Deficit) / Surplus on revaluation of available for sale securities	24.3	(82,728)	421	(82,307)	1,264,948	29,857	1,294,805
Deficit on revaluation of held for trading securities	10.7	(287)	-	(287)	(1,176)	-	(1,176)
<b>Total investments at carrying value</b>							
		221,793,396	20,713,056	242,506,452	173,806,347	25,935,643	199,741,990





	Note	2017 Rupees in '000'	2016
<b>10.3 Provision for diminution in the value of investments - net</b>			
Opening balance		3,068,083	3,048,940
Charge for the year		94,584	102,632
Reversal during the year		(9,226)	-
		85,358	102,632
Reversal on disposal		3,153,441 (8,094)	3,151,572 (83,489)
Closing balance	10.3.1	3,145,347	3,068,083

#### 10.3.1 Particulars of provision in respect of type and segment

##### Available for sale securities:

Ordinary shares of listed companies	427,665	388,561
Preference shares	340,451	340,451
Ordinary shares of unlisted company	9,010	11,949
Term finance certificates - listed	17,348	17,348
Term finance certificates - unlisted	2,219,275	2,171,888
	3,013,749	2,930,197

##### Held to maturity securities:

WAPDA bonds	400	400
Subsidiary company	131,198	137,486
	3,145,347	3,068,083

**10.4** Market treasury bills and Pakistan investment bonds are eligible for re-discounting with SBP.

**10.5** Market value of held to maturity investments amounted to Rs. 258,323 thousand (2016: Rs. 263,326 thousand).

**10.6** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

#### 10.7 Unrealized loss on revaluation of investments classified as held for trading

	2017 Rupees in '000'	2016
Market treasury bills	(287)	(1,176)

	Note	2017 Rupees in '000'	2016
<b>11. ADVANCES - NET</b>			
Loans, cash credits, running finances etc.			
- In Pakistan		278,644,944	237,926,509
- Outside Pakistan		-	-
		278,644,944	237,926,509
Net book value of assets in ijarah under IFAS 2 - In Pakistan	11.2	848,684	517,073
Islamic financing and related assets		10,987,660	8,419,676
Net investment in finance lease			
- In Pakistan	11.3	35,158,851	39,519,683
- Outside Pakistan		-	-
		35,158,851	39,519,683
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		14,560,960	6,043,018
- Payable outside Pakistan		1,534,316	1,495,896
		16,095,276	7,538,914
Advances - (gross)	11.1	341,735,415	293,921,855
Less: Provision for non-performing advances			
- Specific	11.4 & 11.5.1	(45,558,411)	(31,462,960)
- General	11.5.1	(425,283)	(390,971)
		(45,983,694)	(31,853,931)
Advances - net of provision		295,751,721	262,067,924

#### 11.1 Particulars of advances (gross)

11.1.1 In local currency		341,555,198	293,317,377
In foreign currencies		180,217	604,478
		341,735,415	293,921,855
11.1.2 Short-term advances upto one year		150,176,664	120,508,258
Long-term advances for over one year		191,558,751	173,413,597
		341,735,415	293,921,855

#### 11.2 Net book value of assets in Ijarah under IFAS 2 - In Pakistan

	2017				2016			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000'				Rupees in '000'			
Assets acquired under ijarah	183,552	1,166,763	-	1,350,315	-	679,784	-	679,784
Less: Accumulated depreciation on ijarah	103,480	398,151	-	501,631	-	162,711	-	162,711
Net investment in ijarah	80,072	768,612	-	848,684	-	517,073	-	517,073



	2017				2016			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000'				Rupees in '000'			

### 11.3 Net investment in finance lease

Lease rentals receivable	3,131,032	24,046,645	-	27,177,677	3,035,757	27,770,600	-	30,806,357
Add: Guaranteed residual value	847,727	9,436,103	-	10,283,830	1,613,625	9,089,196	-	10,702,821
Minimum lease payments	3,978,759	33,482,748	-	37,461,507	4,649,382	36,859,796	-	41,509,178
Less: Finance charge for future periods	880,126	1,422,530	-	2,302,656	827,763	1,161,732	-	1,989,495
Present value of minimum lease payments	3,098,633	32,060,218	-	35,158,851	3,821,619	35,698,064	-	39,519,683

11.4 Advances include Rs. 50,950,992 thousand (2016: Rs. 54,953,553 thousand) which have been placed under non-performing status as detailed below:

Category of classification	2017											
	Classified advances				Provision required				Provision held			
	Domestic	Overseas	Total		Domestic	Overseas	Total		Domestic	Overseas	Total	
Other Assets Especially Mentioned	81,533	-	81,533	2,895	-	2,895	2,895	-	2,895	-	2,895	
Substandard	285,447	-	285,447	54,330	-	54,330	54,330	-	54,330	-	54,330	
Doubtful	7,540,694	-	7,540,694	3,546,630	-	3,546,630	3,546,630	-	3,546,630	-	3,546,630	
Loss	43,043,318	-	43,043,318	41,954,556	-	41,954,556	41,954,556	-	41,954,556	-	41,954,556	
	50,950,992	-	50,950,992	45,558,411	-	45,558,411	45,558,411	-	45,558,411	-	45,558,411	

Category of classification	2016											
	Classified advances				Provision required				Provision held			
	Domestic	Overseas	Total		Domestic	Overseas	Total		Domestic	Overseas	Total	
Other Assets Especially Mentioned	337,806	-	337,806	2,042	-	2,042	2,042	-	2,042	-	2,042	
Substandard	1,585,906	-	1,585,906	80,564	-	80,564	80,564	-	80,564	-	80,564	
Doubtful	7,450,320	-	7,450,320	3,609,147	-	3,609,147	3,609,147	-	3,609,147	-	3,609,147	
Loss	45,579,521	-	45,579,521	27,771,207	-	27,771,207	27,771,207	-	27,771,207	-	27,771,207	
	54,953,553	-	54,953,553	31,462,960	-	31,462,960	31,462,960	-	31,462,960	-	31,462,960	

11.4.1 During the year the Bank has charged provision of Rs. 12,323,289 thousand against exposures previously covered under LOCs issued by GOPb as explained in Note 1.2.

## 11.5 Particulars of provisions against non-performing loans and advances

	Note	2017			2016		
		Specific	General	Total	Specific	General	Total
<b>Rupees in '000'</b>							
<b>11.5.1</b> Opening balance		31,462,960	390,971	31,853,931	30,596,588	346,493	30,943,081
Charge for the year		17,194,540	34,312	17,228,852	4,375,441	76,344	4,451,785
Reversals for the year		(3,096,892)	-	(3,096,892)	(3,497,683)	(31,866)	(3,529,549)
Amounts written off	11.6	14,097,648 (2,197)	34,312 -	14,131,960 (2,197)	877,758 (11,386)	44,478 -	922,236 (11,386)
Closing balance		45,558,411	425,283	45,983,694	31,462,960	390,971	31,853,931
<b>11.5.2</b> In local currency		45,558,411	425,283	45,983,694	31,462,960	390,971	31,853,931
In foreign currencies		-	-	-	-	-	-
		45,558,411	425,283	45,983,694	31,462,960	390,971	31,853,931

**11.5.3** General provision represents provision against consumer financing portfolio as required by Prudential Regulations issued by the SBP.

**11.5.4** The bank has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing advances as allowed vide BSD Circular No.1 date October 21,2011. This has resulted in decrease in provision against non-performing advances by Rs. 1,380,448 thousand (2016: Rs. 1,424,208 thousand). The FSV benefit availed is not available for cash or stock dividend.

	Note	2017 Rupees in '000'	2016
<b>11.6 Particulars of write offs:</b>			
<b>11.6.1</b> Against provisions	11.5.1	2,197	11,386
Directly charged to profit and loss account		-	-
		2,197	11,386
<b>11.6.2</b> Write Offs of Rs. 500,000 and above	11.7	1,840	327
Write Offs of below Rs. 500,000		357	11,059
		2,197	11,386

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2017 is given in Annexure-III.





## 11.8 Particulars of loans and advances to executives, subsidiary & associated companies, etc.

	Note	2017 Rupees in '000'	2016
Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons :			
Balance at beginning of year		2,327,121	1,991,152
Loans granted during the year		1,193,814	885,202
Repayments received during the year		(625,464)	(549,233)
Balance at end of year	11.8.1	2,895,471	2,327,121
Debts due by subsidiary company and managed modaraba:			
Balance at beginning of year		1,078,614	855,445
Loans granted during the year		850,263	932,466
Repayments received during the year		(729,830)	(709,297)
Balance at end of year		1,199,047	1,078,614
		4,094,518	3,405,735

**11.8.1** These represent staff loans given to executives and officers in accordance with their terms of employment and advances given under consumer finance schemes of the Bank.

	Note	2017 Rupees in '000'	2016
<b>12. OPERATING FIXED ASSETS</b>			
Capital work in progress	12.1	854,607	882,444
Property and equipment	12.2	7,620,888	6,768,011
Intangible assets	12.3	43,392	42,220
		8,518,887	7,692,675
<b>12.1 Capital work in progress</b>			
Civil works		236,840	99,150
Hardware - Core Banking System		-	356,002
Hardware - Others		31,997	32,875
Software - Core Banking System		529,095	379,275
Software - Others		56,675	15,142
		854,607	882,444

## 12.2 Property and equipment

	2017						2016								
	COST / REVALUED AMOUNT			DEPRECIATION			COST / REVALUED AMOUNT			DEPRECIATION					
	Opening balance as at January 01, 2017	Additions	(Deletions) / Transfer / (Adjustment) Revaluation adjustment	Closing balance as at December 31, 2017	Opening balance as at January 01, 2017	Charge for the year	(Deletions) / Transfer / Adjustment	Revaluation adjustment	Closing balance as at December 31, 2017	Opening balance as at January 01, 2016	Charge for the year	(Deletions) / Transfer / Adjustment	Revaluation adjustment	Closing balance as at December 31, 2016	Rate of depreciation %
Rupees in '000'															
Free hold land	2,020,827	269,908	(81,352)	2,209,383	-	-	-	-	2,209,383	-	-	-	-	2,209,383	-
Buildings on free hold land	3,095,168	275,643	(75,127)	3,295,684	-	161,193	(12,858)	-	148,335	5				3,147,349	5
Furniture, fixture and office equipment	4,013,618	1,226,032	(50,092)	5,189,558	2,522,428	538,442	(46,163)	-	3,014,707	10-33.33				2,174,851	10-33.33
Vehicles	340,900	17,756	(40,749)	317,907	180,074	88,559	(40,031)	-	228,602	33.33				89,305	33.33
	9,470,513	1,789,339	(247,320)	11,012,532	2,702,502	788,194	(99,052)	-	3,391,644					7,620,888	
	2017						2016								
	COST / REVALUED AMOUNT			DEPRECIATION			COST / REVALUED AMOUNT			DEPRECIATION					
	Opening balance as at January 01, 2016	Additions	(Deletions) / Transfer / (Adjustment) Revaluation adjustment	Closing balance as at December 31, 2016	Opening balance as at January 01, 2016	Charge for the year	(Deletions) / Transfer / Adjustment	Revaluation adjustment	Closing balance as at December 31, 2016	Opening balance as at January 01, 2016	Charge for the year	(Deletions) / Transfer / Adjustment	Revaluation adjustment	Closing balance as at December 31, 2016	Rate of depreciation %
	Rupees in '000'														
Free hold land	1,355,098	477,058	42,419	2,020,827	146,252	-	-	-	2,020,827	-	-	-	-	2,020,827	-
Buildings on free hold land	2,973,911	459,844	(42,419)	3,095,168	(296,168)	142,205	-	(289,268)	3,095,168	5				3,095,168	5
Furniture, fixture and office equipment	3,395,754	656,625	(38,761)	4,013,618	-	467,470	(32,733)	-	2,522,428	10-33.33				1,491,190	10-33.33
Vehicles	281,632	83,456	(24,188)	340,900	-	83,586	(24,112)	-	180,074	33.33				160,826	33.33
	8,006,395	1,676,983	(62,949)	9,470,513	(149,916)	693,261	(56,845)	(289,268)	2,702,502					6,768,011	



### 12.2.1 Details of Disposal of property and equipment:

The information relating to disposal of property and equipment required to be disclosed as part of the financial statements by the SBP is given in Annexure - IV and is an integral part of these unconsolidated financial statements.

12.2.2 Freehold land and buildings on freehold land were revalued on December 31, 2016 by PBA approved independent valuer, on the basis of fair market value. This valuation resulted in surplus Rs. 1,049,848 thousand (2016: 1,108,184 thousand) and Rs. 1,466,843 thousand (2016: 1,590,235 thousand) in respect of freehold land and buildings on freehold land respectively. Detailed particulars are as follows:

	Revalued Amount Rupees in '000'
Free hold land	2,209,383
Buildings on free hold land	3,147,349

12.2.3 Had the free hold land and buildings on freehold land not been revalued, their carrying amounts would have been as follows:

	2017 Rupees in '000'	2016
Freehold land	1,159,535	912,643
Buildings on freehold land	1,680,506	1,504,933

12.2.4 The gross carrying amount (cost) of fully depreciated assets that are still in use is Rs. 367,355 thousand (2016: Rs. 345,346 thousand).

### 12.3 Intangible assets

	2017							
	COST			AMORTIZATION				
	Opening balance as at January 01, 2017	Additions	Closing balance as at December 31, 2017	Opening balance as at January 01, 2017	Amortization for the year	Closing balance as at December 31, 2017	Book value as at December 31, 2017	Rate of amortization %
	Rupees in '000'							
Softwares	86,133	27,369	113,502	43,913	26,197	70,110	43,392	33.33
	86,133	27,369	113,502	43,913	26,197	70,110	43,392	

	2016							
	COST			AMORTIZATION				
	Opening balance as at January 01, 2016	Additions	Closing balance as at December 31, 2016	Opening balance as at January 01, 2016	Amortization for the year	Closing balance as at December 31, 2016	Book value as at December 31, 2016	Rate of amortization %
	Rupees in '000'							
Softwares	71,451	14,682	86,133	20,518	23,395	43,913	42,220	33.33
	71,451	14,682	86,133	20,518	23,395	43,913	42,220	

12.3.1 The gross carrying amount (cost) of fully depreciated intangible assets that are still in use is Rs. 15,179 thousand (2016: Rs. 11,384 thousand).

	Note	2017 Rupees in '000'	2016
<b>13. DEFERRED TAX ASSETS - NET</b>			
<b>Taxable temporary differences:</b>			
-Surplus on revaluation of operating fixed assets	24.1	(513,360)	(556,582)
-Surplus on revaluation of non banking assets	24.2	(47,143)	(25,712)
-Accelerated tax depreciation		(313,078)	(225,104)
-Surplus on available for sale securities		-	(453,182)
<b>Deductible temporary differences:</b>			
-Deficit on available for sale securities	24.3	28,808	-
- Post retirement employee benefits		44,182	-
-Loan loss provision		11,525,114	7,740,836
-Business loss		-	-
		10,724,523	6,480,256

The management believes that sufficient taxable profits would be available in future against which the deferred tax asset will be realized.

### 13.1 Reconciliation of deferred tax

	Balance as at January 01, 2016	Prior years adjustment	Recognized in profit and loss account	Recognized in equity other / comprehensive income	Balance as at December 31, 2016	Prior years adjustment	Recognized in profit and loss account	Recognized in equity other / comprehensive income	Balance as at December 31, 2017
Rupees in '000'									
<b>Taxable temporary differences:</b>									
- Surplus on revaluation of operating fixed assets	(588,418)	-	29,421	2,415	(556,582)	-	27,620	15,602	(513,360)
- Surplus on revaluation of non banking assets	-	-	1,353	(27,065)	(25,712)	-	1,263	(22,694)	(47,143)
- Accelerated tax depreciation	(212,391)	-	(12,713)	-	(225,104)	-	(87,974)	-	(313,078)
- Surplus on available for sale securities	(660,655)	-	-	207,473	(453,182)	-	-	453,182	-
<b>Deductible temporary differences:</b>									
- Deficit on available for sale securities	-	-	-	-	-	-	-	28,808	28,808
- Post retirement employee benefits	-	-	-	-	-	-	-	44,182	44,182
- Loan loss provision	8,597,319	-	(856,483)	-	7,740,836	(147,298)	3,931,576	-	11,525,114
- Business loss	770,126	257,960	(1,028,086)	-	-	-	-	-	-
	7,905,981	257,960	(1,866,508)	182,823	6,480,256	(147,298)	3,872,485	519,080	10,724,523



	Note	2017 Rupees in '000'	2016
<b>14. OTHER ASSETS - NET</b>			
Income/mark-up accrued in local currency		6,230,450	6,430,315
Profit paid in advance on pehlay munafa scheme		21,007	29,695
Advance, deposits, advance rent and other prepayments		763,721	578,148
Advance taxation (payments less provisions)		2,812,366	2,155,600
Non-banking assets acquired in satisfaction of claims	14.1 & 14.2	9,005,461	9,086,418
Branch adjustment account		227,183	-
Stock of stationery		84,023	42,684
Suspense account		5,318	5,921
Zakat recoverable from NITL	14.3	36,790	36,790
Unrealized gain on revaluation of foreign bills purchased		76,844	11,996
Unrealized gain on revaluation of forward contracts		99,266	3,723
Fraud and forgeries		104,441	24,307
Others		804,768	580,643
		20,271,638	18,986,240
Less provision against:			
Advance deposits, advance rent and other prepayments		(39,884)	(35,723)
Non-banking assets acquired in satisfaction of claims		(961,274)	(749,123)
Zakat recoverable from NITL		(36,790)	(36,790)
Fraud and forgeries		(63,232)	(17,342)
Legal expenses recoverable		(251,173)	-
	14.4	(1,352,353)	(838,978)
Other assets - net of provision		18,919,285	18,147,262

**14.1 Detail of properties sold during the year 2017 is summarised below:**

	2017 Rupees in '000'		
	Carrying value	Sale proceeds	Gain
Commercial Shops IT Tower, Hali Road, Lahore	12,198	13,750	1,552
Land at Bahawalpur Road, Multan	189,395	200,000	10,605
Commercial plots LAKE City, Lahore	67,000	67,000	-
	268,593	280,750	12,157
2016	179,216	190,852	11,636

**14.2** These include assets acquired under buyback arrangements and assets which are in the process of sale and are stated at revalued amounts based on desktop valuations carried out by independent valuer as on December 31, 2017. The carrying and revalued amounts have been determined based on prudence, expected legal enforceability, ease of realization and current market conditions etc. These also include an asset acquired under sub-lease arrangements where the rights of the Bank, being bonafide purchaser of the lease land, are protected by decision of the court of law. In view of prevailing circumstances and based on the legal opinion, the Bank continues to report the same as non-banking asset.

**14.3** This represents zakat deducted on dividends by NITL. The Bank has filed suit against NITL for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Bank's claim against NITL at the court of law, the claim amount has been fully provided for.



	Note	2017 Rupees in '000'	2016
<b>14.4 Provision against other assets</b>			
Opening balance		838,978	270,380
Charge for the year		513,461	575,763
Reversal during the year		-	(5,840)
		513,461	569,923
Amount written off		(86)	(1,325)
Closing balance		1,352,353	838,978
<b>15. CONTINGENT ASSETS</b>			
Contingent assets		Nil	Nil
<b>16. BILLS PAYABLE</b>			
In Pakistan		3,365,325	4,183,480
Outside Pakistan		-	-
		3,365,325	4,183,480
<b>17. BORROWINGS</b>			
In Pakistan		38,890,674	39,744,324
Outside Pakistan		58,688	84,810
	17.1	38,949,362	39,829,134
<b>17.1 Particulars of borrowings with respect to currencies</b>			
In local currency		38,890,674	39,744,324
In foreign currencies		58,688	84,810
		38,949,362	39,829,134
<b>17.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from SBP against:			
-Export refinance (ERF)	17.2.1	12,089,724	10,282,058
-Long term financing facility (LTFF)	17.2.2	4,991,566	3,163,460
-Finance facility for storage of agricultural produce (FFSAP)	17.2.3	15,954	12,834
-Finance facility for renewable energy performance platform (REPP)	17.2.4	241,746	-
Repurchase agreement borrowings	17.2.5	994,298	15,879,035
Call borrowings	17.2.6	19,558,533	9,911,835
		37,891,821	39,249,222
<b>Unsecured</b>			
Call borrowings		998,853	495,102
Overdrawn nostro accounts		58,688	84,810
		38,949,362	39,829,134



- 17.2.1** These are secured against the Bank's cash and security balances held with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 1.00% to 2.00% per annum (2016: 1.00% to 2.50% per annum) with maturities upto October 28, 2018.
- 17.2.2** This amount is due to the SBP and has been obtained for providing long term finance to customers. As per the agreements with the SBP, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 1.00% to 9.70% per annum (2016: 2.00% to 9.70% per annum) with maturities upto September 27, 2027.
- 17.2.3** These represent borrowings from the SBP under scheme of financing facility for storage of agricultural produce. Mark-up on these borrowings is payable quarterly at rates ranging from 2.00% to 3.50% per annum (2016: 3.50% per annum) with maturities upto April 20, 2018.
- 17.2.4** These represent borrowings from the SBP under scheme of financing facility renewable energy performance platform. Mark-up on these borrowings is payable quarterly at rate of 2.00% per annum (2016: Nil) with maturities upto March 28, 2018.
- 17.2.5** These are secured against market treasury bills and Pakistan investment bonds and carry mark-up at rate of 5.86% per annum (2016: 5.89% to 5.90% per annum) maturing on January 05, 2018. The carrying value of securities given as collateral against these securities is given in note 10.1.
- 17.2.6** These represent secured interbank borrowings, carrying markup rates ranging from 5.75% to 5.83% per annum (2016: 5.77% to 5.80% per annum) maturing on various dates, latest by September 21, 2018.

	Note	2017 Rupees in '000'	2016
<b>18. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		157,236,983	129,533,881
Savings deposits		238,205,713	193,301,179
Current accounts - non-remunerative		139,494,000	117,973,360
Sundry deposits, margin accounts, etc.		15,546,838	6,399,769
		550,483,534	447,208,189
Financial institutions			
Remunerative deposits		3,038,191	4,722,171
Non-remunerative deposits		2,759,431	1,289,380
		5,797,622	6,011,551
		556,281,156	453,219,740
<b>18.1 Particulars of deposits</b>			
In local currency		548,989,834	445,571,885
In foreign currencies		7,291,322	7,647,855
		556,281,156	453,219,740
<b>19. SUB-ORDINATED LOANS</b>			
Loan from the GoPb			
Privately Placed Term Finance Certificates	19.1	2,000,000	2,000,000
	19.2	2,499,000	2,500,000
		4,499,000	4,500,000

## 19.1 Loan from the GoPb

The GoPb has extended loan of Rs. 2,000,000 thousand to support capital structure of the Bank for the purpose of the regulatory capital requirement. The loan is unsecured and sub-ordinated to all other indebtedness including deposits. The salient features of the loan are as follows:

Tenor:	07 Years.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Average SBP discount rate. (Average shall be calculated on daily basis).
Conversion option:	May be converted, subject to consent of the parties and necessary regulatory approvals, after a period of five years into ordinary shares at the rate of Rs. 15 per share.
Repayment:	Bullet repayment after lapse of 07 years.
Call / Put option:	Callable after a period of 05 years. However no put option is available to GoPb.

## 19.2 Privately Placed Term Finance Certificates

BOP has issued rated, unsecured & subordinated term finance certificates under section 120 of the Companies Ordinance, 1984, in a set of twenty (20) scrips, corresponding to the redemption dates of the TFC and representing the TFC Holders entitlement to the redemption amount on the each such redemption date; and registered book entry securities in accordance with the CDC regulations, as outlined by SBP under BPRD Circular No. 06 dated August 15, 2013; with each TFC having a face value of PKR 100,000 or multiples thereof.

Issue amount:	Rupees 2.5 billion.
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Floating rate of return at base rate plus 100 bps p.a. (Base rate will be the average rate 'Ask side of the six month Karachi Inter Bank Offered Rate set at 1 (one business) day prior to the redemption date for the redemption amount payable on the immediately following redemption date).
Repayment:	The TFC has been structured to redeem 0.02% of the issue amount semi-annually in the first 09 years after the issue and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Call / Put option:	Callable after a period of 05 years. However no put option is available to the investors.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss Absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.



	Note	2017 Rupees in '000'	2016
<b>20. OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable in local currency		4,980,205	3,516,326
Mark-up/ return/ interest payable in foreign currencies		30,599	33,766
Mark-up payable on privately placed term finance certificates		4,443	4,408
Sundry creditors and accrued expenses		641,857	580,481
Unclaimed dividends		2,636	2,644
Branch adjustment account		-	285,061
Payable to gratuity fund	37.1.1	233,841	143,235
Provision for employees compensated absences	37.1.3	93,523	91,181
Provision against off - balance sheet obligations	20.1	62,183	62,183
Lease key money		10,283,830	10,702,821
Others		387,331	205,173
		16,720,448	15,627,279

### 20.1 Provision against off-balance sheet obligations

Opening balance		62,183	547,851
Charge for the year		-	-
Reversal during the year		-	(485,668)
		-	(485,668)
Closing balance		62,183	62,183

The above provision has been made against letters of guarantee issued by the Bank.

## 21. SHARE CAPITAL

### 21.1 Authorized Capital

2017 Number	2016 Number		2017 Rupees in '000'	2016
5,000,000,000	5,000,000,000	Ordinary / Preference shares of Rs. 10 each	50,000,000	50,000,000

The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of ten rupees each.

### 21.2 Issued, subscribed and paid up share capital

2017 Number	2016 Number	Ordinary shares	2017 Rupees in '000'	2016
<b>Opening Balance</b>				
519,333,340	519,333,340	Ordinary shares of Rs. 10 each paid in cash	5,193,333	5,193,333
526,315,789	526,315,789	Ordinary shares of Rs. 10 issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<b>Movement during the year</b>				
1,088,579,215	-	Issuance of right shares during the year	10,885,792	-
<b>Closing balance</b>				
1,607,912,555	519,333,340	Ordinary shares of Rs. 10 each paid in cash	16,079,125	5,193,333
526,315,789	526,315,789	Ordinary shares of Rs. 10 issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
2,643,692,380	1,555,113,165		26,436,924	15,551,132

**21.3** GoPb held 57.47% shares in the Bank as at December 31, 2017 (2016: 57.47%). Further, during the year the Bank has issued 1,088,579,215 (70%) right shares at a price of Rs. 12.00 per share including premium of Rs. 2.00 per share.

	Note	2017 Rupees in '000'	2016
<b>22. RESERVES</b>			
Statutory reserve	22.1 & 22.2	1,262,791	1,262,791
Share premium reserve		2,215,040	37,882
Discount on issue of shares		(263,158)	(263,158)
		3,214,673	1,037,515

**22.1** In accordance with the Banking Companies Ordinance, 1962, the Bank is required to transfer twenty percent of its profits each year to statutory reserve fund until the amount in such fund equals to the paid up share capital of the Bank.

	Note	2017 Rupees in '000'	2016
<b>22.2 Reconciliation of statutory reserve</b>			
Opening balance		1,262,791	2,291,119
Created during the year		-	971,672
Transfer to unappropriated profit / (accumulated loss)	22.2.1	-	(2,000,000)
Closing balance		1,262,791	1,262,791

**22.2.1** During the year, the Bank has transferred Nil (2016: Rs. 2,000,000 thousand) from statutory reserve to unappropriated profit / (accumulated loss) as approved by the Board of Directors of the Bank.

	Note	2017 Rupees in '000'	2016
<b>23. SHARE DEPOSIT MONEY</b>			
Share deposit money - II		7,000,000	7,000,000
Utilized against issuance of right shares during the year		(7,000,000)	-
		-	7,000,000

	Note	2017 Rupees in '000'	2016
<b>24. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
<b>Surplus on revaluation of :</b>			
Operating fixed assets	24.1	2,003,331	2,141,837
Non banking assets acquired in satisfaction of claims	24.2	936,770	623,453
Available for sale securities	24.3	(53,499)	841,623
		2,886,602	3,606,913





	Note	2017 Rupees in '000'	2016
<b>24.1 Surplus on revaluation of operating fixed assets - net of tax</b>			
As on January 01		2,985,137	2,845,785
-Surplus on revaluation realized during the year		(108,678)	-
-Surplus on building transferred from non banking assets during the year		5,864	-
-Surplus on revaluation during the year		-	139,352
		2,882,323	2,985,137
Incremental depreciation:			
-Opening balance		(286,718)	(202,658)
-Transferred to accumulated losses in respect of incremental depreciation charge during the year - net of tax		(51,294)	(54,639)
-Related deferred tax liability		(27,620)	(29,421)
Accumulated incremental depreciation		(365,632)	(286,718)
As on December 31		2,516,691	2,698,419
Less: Related deferred tax liability:			
-Opening balance		(556,582)	(588,418)
-Deferred tax on revaluation during the year		-	2,415
-Deferred tax related to surplus transferred from non banking asset during the year		(2,052)	-
-Deferred tax on surplus realized during the year		17,654	-
-Deferred tax recorded during the year		27,620	29,421
-Closing balance	13	(513,360)	(556,582)
		2,003,331	2,141,837
<b>24.2 Surplus on revaluation of non - banking assets acquired in satisfaction of claims - net of tax</b>			
As on January 01		653,031	-
-Surplus on revaluation realized during the year		(7,592)	-
-Surplus on building transferred to operating fixed assets during the year		(5,864)	-
-Surplus on revaluation during the year		351,813	653,031
		991,388	653,031
Incremental depreciation:			
-Opening balance		(3,866)	-
-Transferred to accumulated losses in respect of incremental depreciation charge during the year - net of tax		(2,346)	(2,513)
-Related deferred tax liability		(1,263)	(1,353)
Accumulated incremental depreciation		(7,475)	(3,866)
As on December 31		983,913	649,165
Less: Related deferred tax liability:			
-Opening balance		(25,712)	-
-Deferred tax on revaluation during the year		(25,066)	(27,065)
-Deferred tax related to surplus transferred to operating fixed assets during the year		2,052	-
-Deferred tax on surplus realized during the year		320	-
-Deferred tax recorded during the year		1,263	1,353
-Closing balance	13	(47,143)	(25,712)
		936,770	623,453

	Note	2017 Rupees in '000'	2016
<b>24.3 Surplus/ (Deficit) on revaluation of available for sale securities - net of tax</b>			
Federal government securities		38,284	1,065,254
Quoted securities		(138,245)	219,248
Term finance certificates		17,654	10,303
		(82,307)	1,294,805
Less: Related deferred tax asset / (liability)	13	28,808	(453,182)
		(53,499)	841,623

## 25. CONTINGENCIES AND COMMITMENTS

### 25.1 Direct credit substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:

	2017 Rupees in '000'	2016
- Government	120,367	-
- Financial institutions	-	-
- Others	8,069,727	2,209,896
	8,190,094	2,209,896

### 25.2 Transaction-related contingent liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:

	2017 Rupees in '000'	2016
- Government	556,507	601,271
- Financial institutions	5,446,540	8,564,597
- Others	40,457,849	23,878,852
	46,460,896	33,044,720

### 25.3 Trade-related contingent liabilities

These include letters of credit issued in favour of:

- Government	13,791,214	6,719,311
- Financial institutions	-	-
- Others	31,686,608	20,163,620
	45,477,822	26,882,931



#### 25.4 Income tax related contingency

For the tax years 2010, 2011 & 2012 Income Tax Department has amended the assessment orders on the issues of separate taxation of dividend income against which the Bank had filed appeals before the Commissioner Inland Revenue Appeals (CIR(A)). CIR(A) provided relief to the Bank on issue of separate taxation of dividend income. Now, the tax department has filed appeal against the decision of CIR(A) with the Appellate Tribunal Inland Revenue (ATIR). The expected tax liability in respect of aforesaid tax years amounts to Rs. 162,772 thousand. The management of the Bank, as per the opinion of its tax consultant, is confident that the decision for the aforementioned tax years will be decided in Bank's favour.

	2017	2016
	Rupees in '000'	
<b>25.5 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	28,621,792	29,750,928

The amounts involved in the claims filed against the Bank are yet to be adjudicated by the concerned Courts as the same have been filed as outburst to our recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the Courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

#### 25.6 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	2017	2016
	Rupees in '000'	
<b>25.7 Commitments in respect of forward exchange contracts</b>		
Purchase	10,067,323	9,594,731
Sale	7,846,230	6,997,174
	17,913,553	16,591,905

<b>25.8 Commitments for the acquisition of operating fixed assets</b>	225,051	27,095
---	---------	--------

#### 26. MARK-UP/RETURN/INTEREST EARNED

a) On loans and advances to:		
i) Customers	20,288,957	16,946,204
ii) Financial institutions	121,571	-
b) On investments in:		
i) Available for sale securities	11,735,761	10,701,296
ii) Held for trading securities	1,454,106	651,692
ii) Held to maturity securities	30,083	997,206
c) On deposits with financial institutions	83,659	48,948
d) On securities purchased under resale agreements	281,488	177,791
e) On certificates of investment	-	22,837
f) On placements	432,172	128,514
g) Bai - Muajjal with SBP	23,147	-
	34,450,944	29,674,488

	2017	2016
	Rupees in '000'	
<b>27. MARK-UP/RETURN/INTEREST EXPENSED</b>		
Deposits	17,075,282	15,412,039
Securities sold under repurchase agreements	201,374	1,842,455
Mark-up on subordinated loan from GoPb	125,000	126,945
Mark-up on privately placed term finance certificates	178,642	4,408
Call borrowings	1,297,018	44,307
	18,877,316	17,430,154
<b>28. GAIN ON SALE AND REDEMPTION OF SECURITIES - NET</b>		
Federal government securities :		
Market treasury bills	3,104	39,844
Pakistan investment bonds	1,290,699	2,343,237
Shares - listed	21,141	62,733
Shares - unlisted	-	52,350
Term finance certificates	-	27,408
Mutual funds	1,211	-
	1,316,155	2,525,572
<b>29. OTHER INCOME</b>		
Rent on lockers and bank property	60,064	33,689
Net profit on sale of property and equipment	1,789	16,785
Net profit on sale of non banking assets acquired in satisfaction of claims	12,157	11,636
Service charges	348,608	269,889
Loan processing and arrangement charges	559,124	762,182
Online transaction charges	15,600	12,825
ATM transaction charges	340,705	223,703
SMS Banking charges	96,539	56,180
Cheque return charges	12,747	12,482
Compensation received on tax refund	233,940	158,014
Late payment charges	68,990	10,707
Miscellaneous earnings	98,653	90,217
	1,848,916	1,658,309



	Note	2017 Rupees in '000'	2016
<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		5,101,929	4,339,523
Contribution to defined contribution plans		160,722	121,397
Provision for gratuity	37.1.1	107,608	78,615
Provision for compensated absences	37.1.3	9,860	(136,542)
Non-executive directors' fees	38	3,960	3,625
Taxes, insurance, electricity, etc.		422,088	388,343
Legal and professional charges		75,506	75,999
Communications		140,074	136,376
Repairs and maintenance		256,622	193,653
Rent for bank premises	30.1	762,670	692,562
Stationery and printing		143,540	126,549
Advertisement and publicity		118,284	70,703
Auditors' remuneration	30.2	9,555	9,555
Depreciation on property and equipment	12.2	788,194	693,261
Depreciation on non banking assets acquired in satisfaction of claims		86,535	105,601
Depreciation on ijarah assets under IFAS - 2		339,052	80,077
Amortization on intangible assets	12.3	26,197	23,395
Traveling		119,056	110,914
Fuel expenses		235,304	189,503
Cash remittance charges		146,320	131,809
Entertainment expenses		81,201	73,408
Bank charges		101,509	89,706
Online connectivity charges		235,647	179,080
Fuel for generator		90,338	103,768
Commission and brokerage		89,329	94,375
Branch license fee		24,738	16,100
ATM charges		127,477	123,959
CNIC verification/ ECIB charges		34,302	25,955
Software & license renewal charges		47,522	26,794
Staff training		8,861	9,778
Miscellaneous expenses		195,062	168,160
		10,089,062	8,346,001

### 30.1 Operating lease

Operating lease rentals are charged in profit and loss account on a time proportion basis over the term of lease agreements.

	2017 Rupees in '000'	2016
<b>30.2 Auditors' remuneration</b>		
Audit fee	2,500	2,500
Special certifications, half yearly review and others	6,205	6,205
Out-of-pocket expenses	850	850
	9,555	9,555



	Note	2017 Rupees in '000'	2016
<b>31. OTHER CHARGES</b>			
Penalties imposed by SBP		43,003	33,699
<b>32. TAXATION</b>			
<b>For the year</b>			
Current		2,269,087	960,820
Deferred		(3,872,485)	1,608,548
		(1,603,398)	2,569,368
<b>Prior years</b>			
Current		80,213	364,259
Deferred		147,298	257,960
		227,511	622,219
		(1,375,887)	3,191,587
<b>32.1 Relationship between tax expense and accounting profit</b>			
Accounting (loss) / profit for the year		(4,697,942)	8,049,941
Tax on income @ 35%		(1,644,280)	2,817,479
Tax effect of permanent differences		15,051	11,795
Tax effect of super tax		253,668	364,259
Others		(326)	(1,946)
Tax charge for the year		(1,375,887)	3,191,587
<b>33. BASIC EARNINGS PER SHARE</b>			
Profit for the year - Rupees in thousand		(3,322,055)	4,858,354
Weighted average ordinary shares - Number		2,053,175,436	1,555,113,165
Basic earnings per share - after tax - Rupees		(1.62)	3.12
<b>34. DILUTED EARNINGS PER SHARE</b>			
There is no dilution effect on basic earnings per share.			
<b>35. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	7	42,477,950	35,756,024
Balance with other banks	8	6,077,383	3,765,867
Call money lendings	9	4,803,323	-
Overdrawn nostro accounts	17.2	(58,688)	(84,810)
		53,299,968	39,437,081



	2017	2016
	Number	
<b>36. STAFF STRENGTH</b>		
Permanent	3,914	3,598
Temporary/on contractual basis	3,157	2,349
Daily wagers	300	450
Bank's own staff strength at the end of the year	7,371	6,397
Outsourced	1,309	991
<b>Total Staff Strength</b>	<b>8,680</b>	<b>7,388</b>

### 37. EMPLOYEE BENEFITS

#### 37.1 Defined benefit plans

##### 37.1.1 Gratuity

The Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the scheme are payable on retirement which is equal to one month's last drawn basic salary for each year of eligible service or part thereof, with effect from January 01, 2008, subject to minimum of five years of service. The Bank makes annual provision in these unconsolidated financial statements for its liabilities on the basis of actuarial valuation.

##### Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2017 using the "Projected Unit Credit Method". The principal assumptions used in the valuation were as follows:

	2017	2016
Discount rate	8.25%	8.00%
Expected rate of eligible salary increase in future years	7.25%	7.00%
Interest income for the year	8.25%	8.00%
Average expected remaining working life (years)	9	7

	2017	2016
	Rupees in '000'	
<b>Reconciliation of payable to defined benefit plan</b>		
Present value of defined benefit obligation	777,084	599,144
Fair value of plan assets	(563,526)	(477,283)
Benefit payments payable	20,283	21,374
	<b>233,841</b>	<b>143,235</b>
<b>Movement in payable to defined benefit plan</b>		
Opening balance	143,235	48,017
Charge for the year	107,608	78,615
Remeasurement chargeable in other comprehensive income	126,233	64,620
Contributions made by the Bank during the year	(143,235)	(48,017)
<b>Closing balance</b>	<b>233,841</b>	<b>143,235</b>

	2017	2016
	Rupees in '000'	
<b>Changes in present value of defined benefit obligations</b>		
Opening balance	599,144	457,730
Current service cost	103,545	78,265
Interest cost	45,534	38,670
Benefits due but not paid during the year	(10,092)	(11,365)
Benefit paid	(49,851)	(44,761)
Actuarial loss	88,804	80,605
	777,084	599,144
<b>Changes in fair value of plan assets</b>		
Opening balance	477,283	426,280
Interest income for the year	41,471	38,320
Contributions made	143,235	48,017
Benefits paid	(61,035)	(49,036)
Actuarial (loss) / gain	(37,428)	13,702
	563,526	477,283
<b>Charge for defined benefit plan</b>		
Current service cost	103,545	78,265
Interest cost	45,534	38,670
Interest income for the year	(41,471)	(38,320)
	107,608	78,615

During the next year, the Bank expects to contribute Rs. 124,310 thousand (2016: Rs. 91,420 thousand) to the defined benefit plan.

	2017	2016
	Rupees in '000'	
<b>Actual return on plan assets</b>	4,043	52,022
<b>Composition of fair value of plan assets</b>		
First Punjab Modaraba certificates	23,861	50,718
Cash at bank	539,665	426,565
	563,526	477,283

### Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations. The increase / (decrease) in the present value of defined benefit obligations as a result of change in discount rate and salary growth is summarized below:



	2017	2016
	Rupees in '000'	
Increase in discount rate by 1%	697,803	551,312
Decrease in discount rate by 1%	868,303	653,907
Increase in expected future increment in salary by 1%	868,303	653,907
Decrease in expected future increment in salary by 1%	696,414	550,469

**37.1.2** Reconciliation of net liability recognized for gratuity for the five years are as follows:

	2017	2016	2015	2014	2013
	Rupees in '000'				
Present value of defined benefit obligation	777,084	599,144	457,730	420,106	343,541
Fair value of plan assets	(563,526)	(477,283)	(426,280)	(358,518)	(283,186)
Benefit payments payable	20,283	21,374	16,567	14,802	11,115
	233,841	143,235	48,017	76,390	71,470
Actuarial gains / (losses) on obligation	(88,804)	(80,605)	44,927	10,766	7,969
Actuarial gains / (losses) on assets	(37,428)	13,702	(15,577)	(8,253)	422

### 37.1.3 Compensated absences

The Bank makes annual provision in these unconsolidated financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The employees of the Bank are entitled to take the leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days basic salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days are ignored.

#### Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2017. The principal assumptions used in the valuation were as follows:

	2017	2016
Discount rate	8.25%	8.00%
Expected rate of eligible salary increase in future years	7.25%	7.00%
Average number of leaves accumulated per annum by the employees (days)	17	17

	2017	2016
	Rupees in '000'	
<b>Present value of defined benefit obligation</b>	93,523	91,181
<b>Movement in payable to defined benefit plan</b>		
Opening balance	91,181	228,742
Charge for the year	9,860	(136,542)
Benefit paid	(7,518)	(1,019)
Closing balance	93,523	91,181

	2017	2016
	Rupees in '000'	
<b>Charge for defined benefit plan</b>		
Current service cost	4,483	5,594
Interest cost	6,994	20,541
Actuarial gain recognized	(1,617)	(162,677)
	9,860	(136,542)

### Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit plan. The increase / (decrease) in the present value of defined benefit plan as a result of change in discount rate and salary growth is summarized below:

	2017	2016
	Rupees in '000'	
Increase in discount rate by 1%	87,234	81,931
Decrease in discount rate by 1%	100,879	102,039
Increase in expected future increment in salary by 1%	100,879	102,039
Decrease in expected future increment in salary by 1%	87,124	81,770

**37.1.4** Reconciliation of net liability recognized for compensated absences for the five years is as follows:

	2017	2016	2015	2014	2013
	Rupees in '000'				
Opening net liability	91,181	228,742	223,672	209,961	193,464
Net charge for the year	2,342	(137,561)	5,070	13,711	16,497
	93,523	91,181	228,742	223,672	209,961
Actuarial gain on obligation	1,617	162,677	29,003	33,037	23,689

## 38. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in these unconsolidated financial statements for remuneration, including benefits to the Chairman, President/Chief Executive Officer, Directors and Executives of the Bank was as follows:

	Chairman		President / Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016	2017	2016
	Rupees in '000'							
Fees	475*	250*	-	-	3,485*	3,375*	-	-
Managerial remuneration	-	-	62,723	48,887	-	-	1,056,540	749,843
Bonus	-	-	34,501	27,059	-	-	298,277	203,410
Rent and house maintenance	-	-	4,838	3,771	-	-	409,799	289,256
Utilities	14	111	4,359	3,397	-	-	103,032	73,684
Medical	298	456	-	4	-	-	102,690	71,630
Other allowances	693	1,357	9,126	2,860	-	-	143,615	214,961
	1,480	2,174	115,547	85,978	3,485	3,375	2,113,953	1,602,784
Number of persons	1	2	1	1	10	9	1,101	818





\* This represents fee paid to non-executive directors for attending the Board and its committees meetings.

Chairman, President/Chief Executive Officer and certain executives are provided with free use of the Bank's maintained cars.

In addition to the above, contribution to defined contribution and benefit plans have been made in accordance with the Bank's policy. Further, executives are entitled to certain additional benefits in accordance with the Bank's policy.

Executive means officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

### 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in subsidiary, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

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

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

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

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

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

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

	2017				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Rupees in '000'</b>					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value :</b>					
Government securities	235,804,178	-	235,810,323	-	235,810,323
Ordinary shares / certificates of listed companies and modarabas	1,258,030	1,258,029	-	-	1,258,029
Ordinary shares of unlisted company	15,990	-	-	15,990	15,990
Preference shares of listed companies	-	-	-	-	-
Listed term finance certificates	1,331,224	-	1,331,224	-	1,331,224
Subsidiary company	33,747	-	-	33,747	33,747
<b>Non Financial assets measured at fair value :</b>					
Operating fixed assets (land & building)	5,356,732	-	5,356,732	-	5,356,732
Non banking assets acquired in satisfaction of claims	8,044,187	-	8,044,187	-	8,044,187
<b>Financial assets not measured at fair value:</b>					
Cash and balances with treasury banks	42,477,950	-	-	-	-
Balances with other banks	6,077,383	-	-	-	-
Lendings to financial institutions	24,570,850	-	-	-	-
Investments:					
Government securities	252,578	-	-	-	-
Unlisted term finance certificates	6,211,152	-	-	-	-
Advances - net	295,751,721	-	-	-	-
Other assets	7,228,547	-	-	-	-
	634,414,269	1,258,029	250,542,466	49,737	251,850,232
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	233,841		233,841		233,841
Provision for employees compensated absences	93,523		93,523		93,523
<b>Financial liabilities not measured at fair value:</b>					
Bills payable	3,365,325	-	-	-	-
Borrowings	38,949,362	-	-	-	-
Deposits and other accounts	556,281,156	-	-	-	-
Sub-ordinated loan	4,499,000	-	-	-	-
Other liabilities	16,720,448	-	-	-	-
	619,815,291	-	-	-	-
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	10,273,009	-	10,273,009	-	10,273,009
Forward sale of foreign exchange contracts	7,952,649	-	7,952,649	-	7,952,649



	2016				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value :</b>					
Government securities	193,281,455	-	193,281,455	-	193,281,455
Ordinary shares / certificates of listed companies and modarabas	1,136,049	1,136,049	-	-	1,136,049
Ordinary shares of unlisted company	13,051	-	-	13,051	13,051
Preference shares of listed companies	-	-	-	-	-
Listed term finance certificates	1,186,232	-	1,186,232	-	1,186,232
Subsidiary company	27,459	-	-	27,459	27,459
<b>Non Financial assets measured at fair value :</b>					
Operating fixed assets (land & building)	5,115,995	-	5,115,995	-	5,115,995
Non banking assets acquired in satisfaction of claims	8,337,295	-	8,337,295	-	8,337,295
<b>Financial assets not measured at fair value:</b>					
Cash and balances with treasury banks	35,756,024	-	-	-	-
Balances with other banks	3,765,867	-	-	-	-
Lendings to financial institutions	11,562,133	-	-	-	-
Investments:					
Government securities	254,267	-	-	-	-
Unlisted term finance certificates	6,015,763	-	-	-	-
Sale of sukuk to GOP on Bai-Muajjal basis	-	-	-	-	-
Advances - net	262,067,924	-	-	-	-
Other assets	7,033,642	-	-	-	-
	535,553,156	1,136,049	207,920,977	40,510	209,097,536
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	91,181	-	91,181	-	91,181
Provision for employees compensated absences	62,183	-	62,183	-	62,183
<b>Financial liabilities not measured at fair value:</b>					
Bills payable	4,183,480	-	-	-	-
Borrowings	39,829,134	-	-	-	-
Deposits and other accounts	453,219,740	-	-	-	-
Sub-ordinated loan	4,500,000	-	-	-	-
Other liabilities	15,627,279	-	-	-	-
	517,359,633	-	-	-	-
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	9,533,165	-	9,533,165	-	9,533,165
Forward sale of foreign exchange contracts	6,931,885	-	6,931,885	-	6,931,885

#### 40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
Rupees in '000						
<b>2017</b>						
Total income	15,674,244	4,720,610	17,907,737	631,010	108,617	39,042,218
Total expenses	1,610,353	3,791,447	38,338,360	-	-	43,740,160
Inter segment (cost) / revenue transfer	(7,114,130)	992,464	6,121,666	-	-	-
Income taxes	-	-	-	-	-	(1,375,887)
Net income / (loss)	6,949,761	1,921,627	(14,308,957)	631,010	108,617	(3,322,055)
Segment assets (gross)	315,310,037	48,040,922	323,223,191	631,010	-	686,574,150
Segment non performing loans / investments	3,145,348	1,877,200	49,073,791	-	-	54,096,339
Segment specific provision required	3,145,348	2,017,165	43,966,528	-	-	49,129,041
Segment liabilities	36,730,029	84,193,746	498,891,516	-	-	619,815,291
Segment return on net assets (ROA) (%)	6.96%	11.64%	8.15%			
Segment cost of funds (%)	5.50%	6.00%	5.74%			
<b>2016</b>						
Total income	15,402,926	4,544,097	14,447,716	490,413	83,766	34,968,918
Total expenses	2,038,440	3,748,461	21,132,076	-	-	26,918,977
Inter segment (cost) / revenue transfer	(6,024,670)	911,120	5,113,550	-	-	-
Income taxes	-	-	-	-	-	3,191,587
Net income / (loss)	7,339,816	1,706,756	(1,570,810)	490,413	83,766	4,858,354
Segment assets (gross)	251,460,477	48,490,004	271,095,157	-	-	571,045,638
Segment non performing loans / investments	3,115,470	2,209,022	52,744,531	-	-	58,069,023
Segment specific provision required	3,068,083	1,668,986	29,793,974	-	-	34,531,043
Segment liabilities	30,687,355	77,503,469	409,168,809	-	-	517,359,633
Segment return on net assets (ROA) (%)	8.49%	11.35%	8.67%			
Segment cost of funds (%)	6.09%	6.25%	6.01%			



## 41. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders / members. The Bank in the normal course of business carries out transactions with various related parties on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. Amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in Note 11.8 and Note 38 respectively. In addition key management personnel are paid terminal and short-term terminal benefits.

	2017				2016			
	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others	Key management personnel	Subsidiary company and managed modaraba	Employee funds	Others
	Rupees in '000				Rupees in '000			
<b>Advances</b>								
Opening balance	114,850	1,078,614	-	-	117,456	855,445	-	-
Loans granted during the year	148,720	850,263	-	-	38,064	932,466	-	-
Repayments received during the year	(81,441)	(729,830)	-	-	(40,670)	(709,297)	-	-
Closing balance	182,129	1,199,047	-	-	114,850	1,078,614	-	-
<b>Deposits</b>								
Opening balance	28,730	56,238	2,459,349	51,488	18,544	52,651	2,317,942	262,770
Placements made during the year	516,407	1,143,576	633,557	22,813,261	305,191	1,157,283	455,520	1,324,912
Withdrawals during the year	(520,723)	(1,101,616)	(322,378)	(22,608,689)	(295,005)	(1,153,696)	(314,113)	(1,536,194)
Closing balance	24,414	98,198	2,770,528	256,060	28,730	56,238	2,459,349	51,488
<b>Investment - at cost</b>								
	-	164,945	-	-	-	164,945	-	-
<b>Placements</b>								
	-	400,000	-	-	-	300,000	-	-
<b>Transactions during the year :</b>								
Mark-up/return earned	7,539	90,978	-	-	6,798	71,735	-	-
Mark-up/interest expensed	578	-	147,814	4,832	497	-	136,089	2,325
Reversal of provision - investments	-	(6,288)	-	-	-	-	-	-
Reversal of provision - advances	-	(213,603)	-	-	-	-	-	-
Contribution to employees funds	-	-	131,458	-	-	-	94,920	-
Sale of building	-	-	-	73,537	-	-	-	-
Net profit on sale of property and equipment	-	-	-	6,505	-	-	-	-

**41.1** Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current year are not reflected as part of the closing balance. The same are accounted for through movement presented above.

**41.2** The GoPb holds controlling interest (57.47% shareholding) in the Bank and therefore entities which are owned and / or controlled by the GoPb, or where the GoPb may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transaction with Government- related entities. Such transactions include lending to, deposits from and provision of other banking services to Government-related entities.

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to GoPb and its related entities amounted to Rs. 44,641,720 thousand (2016: Rs. 40,923,548 thousand), Rs. 289,679,475 thousand (2016: Rs. 212,000,928 thousand) and Rs. 25,792,141 thousand (2016: Rs. 11,471,482 thousand) respectively. Further, during the year, the Bank has incurred markup expense of Rs. 125,000 thousand (2016: Rs. 126,945 thousand) on subordinated loan of Rs. 2,000,000 thousand received from GoPb in year 2014.



## 42. CAPITAL ADEQUACY

### 42.1 Scope of application

The Bank is the only entity in the Group to which Basel framework is applicable. The subsidiaries of the Bank are included in the consolidated financial statements.

### 42.2 Capital adequacy

The Basel Framework for a capital adequacy is applicable to the Bank both at the consolidated level (including the subsidiary) and on a stand alone basis. The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future business developments. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratio compares the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

In addition, the SBP requires that the paid up capital of locally incorporated banks should be raised to Rs. 10 billion by December 31, 2013 in a phased manner. The paid-up capital requirement (net of losses) as at December 31, 2017 is Rs.10.0 billion. The paid-up capital (net of losses) of the Bank amounts to Rs. 23,630,485 thousand (2016 : Rs. 24,247,585 thousand).

The SBP requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 11.275% of their risk weighted assets. The Bank's capital adequacy ratio as at December 31, 2017 under Basel III is 9.73%.

The capital adequacy ratio of the Bank was subject to Basel III capital adequacy guidelines stipulated by the SBP through its circular BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis.

Phase-in arrangement and full implementation of the minimum capital requirements:

Sr. No.	Ratio	Year end						As of
		2013	2014	2015	2016	2017	2018	December
1	CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier-1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	CCB (consisting of CET1 only)	0.00%	0.00%	0.25%	0.65%	1.275%	1.90%	2.50%
6	Total capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%

The SBP's regulatory capital as managed by the Bank is analyzed into following tiers:

- Tier I capital (CET1), which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and accumulated losses.
- Additional Tier I capital (ADT-I), which includes perpetual non-cumulative preference shares and its premium after all regulatory adjustments applicable on ADT-I.



- Tier II capital, which includes subordinated debt / instruments and its premium, general reserve for loan losses (up to a maximum of 1.25% of CRWA), net of tax revaluation reserves of fixed assets and investments, exchange translation reserves after all regulatory adjustments applicable on Tier-2.
- Tier III capital, which includes short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying Tier II and Tier III capital cannot exceed the Tier I capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 % of total risk weighted assets. Sub-ordinated debts cannot exceed 50 % of Tier I capital. Further tier III capital cannot exceed 250 % of Tier I capital.

The Bank calculates capital requirement as per regulatory framework, using the following approaches:

Credit risk	Standardized Approach
Market risk	Standardized Approach
Operational risk	Basic Indicator Approach

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank.

	Note	2017 Rupees in '000'	2016
<b>42.3 Capital adequacy return</b>			
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
1 Fully paid-up capital / capital deposited with SBP		26,436,924	15,551,132
2 Balance in share premium account and share deposit money		2,215,040	7,037,882
3 Reserve for issue of bonus shares		-	-
4 Discount on issue of shares		(263,158)	(263,158)
5 General / Statutory reserves		1,262,791	1,262,791
6 Gain / (Losses) on derivatives held as Cash Flow Hedge		-	-
7 (Accumulated losses) / unappropriated profit		(2,806,439)	658,938
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		-	-
9 <b>CET 1 before Regulatory Adjustments</b>		26,845,158	24,247,585
10 Total regulatory adjustments applied to CET1	42.3.1	6,770,002	2,564,269
11 <b>Common Equity Tier 1</b>		20,075,156	21,683,316
<b>Additional Tier 1 (AT 1) Capital</b>			
12 Qualifying Additional Tier-1 capital instruments plus any related share premium		-	-
13 of which: Classified as equity		-	-
14 of which: Classified as liabilities		-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		-	-
16 of which: instrument issued by subsidiaries subject to phase out		-	-
17 <b>AT1 before regulatory adjustments</b>		-	-
18 Total regulatory adjustment applied to AT1 capital	42.3.2	-	-
19 Additional Tier 1 capital after regulatory adjustments		-	-
20 <b>Additional Tier 1 capital recognized for capital adequacy</b>		-	-

	Note	2017 Rupees in '000'	2016
21	<b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	20,075,156	21,683,316
	<b>Tier 2 Capital</b>		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	3,699,000	4,100,000
23	Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel III rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit risk weighted assets	425,283	390,971
27	Revaluation reserves (net of taxes)	1,681,730	2,163,009
28	of which: Revaluation reserves on fixed assets	1,727,873	1,552,832
29	of which: Unrealized gains / losses on AFS	(46,143)	610,177
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed / Other Reserves (if any)	-	-
32	<b>T2 before regulatory adjustments</b>	5,806,013	6,653,980
33	Total regulatory adjustment applied to T2 capital	42.3.3 210,336	-
34	Tier 2 capital (T2) after regulatory adjustments	-	-
35	Tier 2 capital recognized for capital adequacy	-	-
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	4,219	6,865
37	<b>Total Tier 2 capital admissible for capital adequacy</b>	5,591,458	6,647,115
38	<b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	25,666,614	28,330,431
39	<b>Total Risk Weighted Assets (RWA)</b>	42.6 263,805,172	230,695,761
	<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40	<b>CET1 to total RWA</b>	7.61%	9.40%
41	<b>Tier-1 capital to total RWA</b>	7.61%	9.40%
42	<b>Total capital to total RWA</b>	9.73%	12.28%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.275%	6.65%
44	of which: capital conservation buffer requirement	1.275%	0.65%
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	0.33%	2.75%
	<b>National minimum capital requirements prescribed by SBP</b>		
48	CET1 minimum ratio	6.00%	6.00%
49	Tier 1 minimum ratio	7.50%	7.50%
50	Total capital minimum ratio	11.275%	10.65%



2017

2016

		Rupees in '000'		
		Amount	Amount subject to Pre-Basel III treatment	
<b>Regulatory Adjustments and Additional Information</b>				
<b>42.3.1 Common Equity Tier 1 capital: Regulatory adjustments</b>				
1	Goodwill (net of related deferred tax liability)	585,770	-	394,417
2	All other intangibles (net of any associated deferred tax liability)	43,392	-	42,220
3	Shortfall in provisions against classified assets	-	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-
5	Defined-benefit pension fund net assets	-	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	55,281	-	67,797
7	Cash flow hedge reserve	-	-	-
8	Investment in own shares/ CET1 instruments	-	-	-
9	Securitization gain on sale	-	-	-
10	Capital shortfall of regulated subsidiaries	-	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	6,081,340	8,108,452	2,052,970
15	Amount exceeding 15% threshold	-	-	-
16	of which: significant investments in the common stocks of financial entities	-	-	-
17	of which: deferred tax assets arising from temporary differences	-	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20	Any other deduction specified by SBP (mention details)	-	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	4,219	-	6,865
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	6,770,002	-	2,564,269
<b>42.3.2 Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>				
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-
24	Investment in own AT1 capital instruments	-	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-	-

2017

2016

		Rupees in '000'	
		Amount	Amount subject to Pre-Basel III treatment
<b>42.3.3 Tier 2 Capital: regulatory adjustments</b>			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	4,219	6,865
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	210,336	-
33	Investment in own Tier 2 capital instrument	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	214,555	6,865
<b>42.3.4 Additional Information</b>			
Risk weighted assets subject to pre-Basel III treatment			
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	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	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)			
38	Non-significant investments in the capital of other financial entities		
39	Significant investments in the common stock of financial entities		
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	4,427,286
Applicable caps on the inclusion of provisions in Tier 2			
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-





	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	2017	2017
	Rupees in '000'	
<b>42.4 Capital structure reconciliation</b>		
<b>42.4.1 Step 1</b>		
Cash and balances with treasury banks	42,477,950	42,477,950
Balances with other banks	6,077,383	6,077,383
Lendings to financial institutions	24,570,850	24,570,850
Investments - net	242,506,452	242,506,452
Advances - net	295,751,721	295,751,721
Operating fixed assets	8,518,887	8,518,887
Deferred tax assets - net	10,724,523	10,724,523
Other assets - net	18,919,285	18,919,285
<b>Total assets</b>	<b>649,547,051</b>	<b>649,547,051</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	3,365,325	3,365,325
Borrowings	38,949,362	38,949,362
Deposits and other accounts	556,281,156	556,281,156
Sub-ordinated loan	4,499,000	4,499,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	-	-
Other liabilities	16,720,448	16,720,448
<b>Total liabilities</b>	<b>619,815,291</b>	<b>619,815,291</b>
Share capital	26,436,924	26,436,924
Reserves	3,214,673	3,214,673
Accumulated loss	(2,806,439)	(2,806,439)
Minority Interest	-	-
Surplus on revaluation of assets - net of tax	2,886,602	2,886,602
<b>Total equity</b>	<b>29,731,760</b>	<b>29,731,760</b>
<b>Total liabilities &amp; equity</b>	<b>649,547,051</b>	<b>649,547,051</b>

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2017	2017	
	Rupees in '000'		
<b>42.4.2 Step 2</b>			
<b>Assets</b>			
Cash and balances with treasury banks	42,477,950	42,477,950	
Balances with other banks	6,077,383	6,077,383	
Lending to financial institutions	24,570,850	24,570,850	
Investments	242,506,452	242,506,452	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	-	-	a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>	55,281	55,281	d
<i>of which: others (mention details)</i>	-	-	e
Advances	295,751,721	295,751,721	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	425,283	425,283	g
Fixed Assets	8,518,887	8,518,887	
Deferred Tax Assets	10,724,523	10,724,523	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	10,724,523	10,724,523	i
Other assets	18,919,285	18,919,285	
<i>of which: Goodwill</i>	585,770	585,770	j
<i>of which: Intangibles</i>	43,392	43,392	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
<b>Total assets</b>	<b>649,547,051</b>	<b>649,547,051</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	3,365,325	3,365,325	
Borrowings	38,949,362	38,949,362	
Deposits and other accounts	556,281,156	556,281,156	
Sub-ordinated loans	4,499,000	4,499,000	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	3,699,000	3,699,000	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	-	-	r
Other liabilities	16,720,448	16,720,448	
<b>Total liabilities</b>	<b>619,815,291</b>	<b>619,815,291</b>	



	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2017	2017	
Rupees in '000'			
Share capital	26,436,924	26,436,924	
<i>of which: amount eligible for CET1</i>	26,436,924	26,436,924	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	3,214,673	3,214,673	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	3,214,673	3,214,673	u
<i>of which: portion eligible for inclusion in Tier 2</i>			v
Accumulated loss	(2,806,439)	(2,806,439)	w
Minority Interest			
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	2,886,602	2,886,602	
<i>of which: Revaluation reserves on Fixed Assets</i>	2,003,331	2,003,331	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	(53,499)	(53,499)	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
<b>Total liabilities &amp; Equity</b>	<b>649,547,051</b>	<b>649,547,051</b>	

#### 42.4.3 Step 3

##### Common Equity Tier 1 capital (CET1): Instruments and reserves

1	Fully paid-up capital/ capital deposited with SBP	26,436,924	
2	Balance in share premium account, share deposit money and discount on issue of shares	1,951,882	(s)
3	Reserve for issue of bonus shares		
4	General / Statutory reserves	1,262,791	
5	Gain / (Losses) on derivatives held as Cash Flow Hedge		(u)
6	Accumulated loss	(2,806,439)	(w)
7	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	<b>CET 1 before Regulatory Adjustments</b>	<b>26,845,158</b>	
	<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9	Goodwill (net of related deferred tax liability)	585,770	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	43,392	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{{(h) - (r)} * x%
13	Defined-benefit pension fund net assets		{{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	55,281	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares / CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)

	Component of regulatory capital reported by bank	Source based on reference number from step2	
	2017	2017	
	Rupees in '000'		
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	6,081,340	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	4,219	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	-	
31	<b>Common Equity Tier 1</b>	20,075,156	
	<b>Additional Tier 1 (AT 1) Capital</b>		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	<b>AT1 before regulatory adjustments</b>		
	<b>Additional Tier 1 Capital: regulatory adjustments</b>		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	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	4,219	



	Component of regulatory capital reported by bank	Source based on reference number from step2
	2017	2017
	Rupees in '000'	
44	-	
45	-	
46	-	
47	4,219	
48	20,075,156	
	<b>Tier 2 Capital</b>	
49	3,699,000	
50	-	(n)
51	-	(z)
52	-	
53	425,283	(g)
54	1,681,730	
55	1,727,873	portion of (aa)
56	(46,143)	
57	-	(v)
58	-	
59	5,806,013	
	<b>Tier 2 Capital: regulatory adjustments</b>	
60	4,219	
61	210,336	
62	-	
63	-	(ae)
64	-	(af)
65	-	
66	-	
67	-	
68	-	
69	5,591,458	
70	25,666,614	



## 42.5 Main features template of regulatory capital instruments

Sr. No.	Main Features	Common Shares	Sub-ordinated Loan - Government	Sub-ordinated Loan - Privately place term finance certificates
1	Issuer	The Bank of Punjab	The Bank of Punjab	The Bank of Punjab
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)	BOP	BOP	BOP-PPTFCs
3	Governing law(s) of the instrument	Capital Market Law	Relevant rules and regulations	Relevant rules and regulations
	<b>Regulatory treatment</b>			
4	Transitional Basel III rules	Common equity Tier 1	Tier 2 Capital Instruments	Tier 2 Capital Instruments
5	Post-transitional Basel III rules	Common equity Tier 1	Tier 2 Capital Instruments	Tier 2 Capital Instruments
6	Eligible at solo/ group/ group & solo	Standalone and group	Standalone and group	Standalone and group
7	Instrument type	Common shares	Debt	Debt
8	<b>Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)</b>	26,436,924	1,200,000	2,499,000
9	<b>Par value of instrument</b>	PKR 10	Not applicable	PKR 100,000
10	<b>Accounting classification</b>	Shareholder equity	Sub-ordinated Loan	Privately Placed Term Finance Certificates
11	<b>Original date of issuance</b>	1990	2014	2016
12	<b>Perpetual or dated</b>	Perpetual	Dated	Dated
13	Original maturity date	No maturity	07 years from date of disbursement	10 years from date of disbursement
14	<b>Issuer call subject to prior supervisory approval</b>	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	After 5 years	After 5 years
16	Subsequent call dates, if applicable	Not applicable	Not applicable	Not applicable
	<b>Coupons / dividends</b>			
17	Fixed or floating dividend/ coupon	Not applicable	Floating	Floating
18	Coupon rate and any related index/ benchmark	Not applicable	Average SBP discount rate	6 month ask side KIBOR plus 100 bps
19	Existence of a dividend / coupon stopper	No	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Not applicable	No	No
23	<b>Convertible or non-convertible</b>	Non-convertible	May be converted subject to consent of parties and necessary regulatory approvals.	May be converted on discretion of SBP upon occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines.
24	If convertible, conversion trigger (s)	Not applicable	At the option of issuer after 05 years	Upon occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines.
25	If convertible, fully or partially	Not applicable	Fully	Fully or partially
26	If convertible, conversion rate	Not applicable	Rs. 15 per share	Market value of shares at the date of trigger of PONV as declared by the SBP.
27	If convertible, mandatory or optional conversion	Not applicable	Optional	Optional
28	If convertible, specify instrument type convertible into	Not applicable	Ordinary shares	Ordinary shares
29	If convertible, specify issuer of instrument it converts into	Not applicable	BOP common shares	BOP common shares
30	<b>Write-down feature</b>	Not applicable	Yes	Yes
31	If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
35	<b>Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)</b>	Not applicable	Ranked inferior to all other debts of the Bank including deposits	Ranked inferior to all other debts of the Bank including deposits
36	<b>Non-compliant transitioned features</b>	No	No	No
37	<b>If yes, specify non-compliant features</b>	Not applicable	Not applicable	Not applicable



## 42.6 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2017	2016	2017	2016
<b>Rupees in '000</b>				
<b>Credit Risk</b>				
<b>On-Balance sheet</b>				
<u>Portfolios subject to standardized approach (Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	7,660	6,621	67,941	66,205
Public sector entities	326,473	312,263	2,895,544	3,122,633
Banks	704,005	379,368	6,243,950	3,793,677
Corporate	13,232,470	10,992,332	117,361,153	109,923,320
Retail	4,141,488	2,784,929	36,731,598	27,849,288
Residential mortgages	86,944	68,531	771,121	685,305
Past due loans	643,828	795,801	5,710,222	7,958,009
Deferred tax assets	965,962	798,876	8,567,292	7,988,759
Operating fixed assets	889,566	725,604	7,889,722	7,256,044
Significant investment (250%) Punjab Modaraba Services	7,134	3,432	63,275	34,322
Other assets	2,133,149	1,814,726	18,919,285	18,147,262
	23,138,679	18,682,483	205,221,103	186,824,824
<b>Off-Balance sheet</b>				
Non-market related:				
Financial guarantees, acceptances, performance related commitments, trade related etc.	2,809,949	1,511,836	24,921,942	15,118,364
Market related:				
Foreign Exchange contracts/ derivatives etc.	11,754	7,031	104,252	70,313
	2,821,703	1,518,867	25,026,194	15,188,677
<b>Equity Exposure Risk in the Banking Book</b>				
Under simple risk weight method				
Listed, Unlisted	78,353	69,643	694,927	696,426
Under Internal models approach				
	78,353	69,643	694,927	696,426
<b>Market Risk</b>				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	36,923	54,732	461,533	684,150
Equity position risk	192,440	179,981	2,405,500	2,249,763
Foreign Exchange risk	22,748	10,894	284,350	136,175
	252,111	245,607	3,151,383	3,070,088
<u>Capital Requirement for portfolios subject to Basic Indicator Approach</u>				
<b>Operational Risk</b>				
Capital Requirement for operational risks	2,356,925	1,993,260	29,711,565	24,915,746
<b>Total</b>	<b>28,647,771</b>	<b>22,509,860</b>	<b>263,805,172</b>	<b>230,695,761</b>

Based on minimum capital requirement of 11.275%, the capital required on total risk weighted assets of the Bank is Rs. 29,744,033 thousand.

### Capital Adequacy Ratios

	2017 Required	2017 Actual	2016 Required	2016 Actual
CET1 to total RWA	6.00%	7.61%	6.00%	9.40%
Tier-1 capital to total RWA	7.50%	7.61%	7.50%	9.40%
Total capital to total RWA	11.275%	9.73%	10.65%	12.28%

### 43. RISK MANAGEMENT

The principal risks associated with the Banking business are credit risk, market risk, liquidity risk and operational risk.

#### 43.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Bank manages its exposure to credit risk by pursuing credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The Bank's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Bank will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the SBR.

#### 43.1.1 Segments by class of business

	Advances (gross)						Deposits						Contingencies and commitments					
	2017		2016		2017		2016		2017		2016		2017		2016			
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent		
Agribusiness	7,813,340	2.29	6,360,779	2.16	17,295,577	3.11	16,493,266	3.64	-	-	-	-	7,389,714	7.38	5,427,975	-		
Textile and spinning	64,072,450	18.75	54,939,692	18.69	1,368,974	0.25	1,952,192	0.43	10,785,353	10.77	10,785,353	10.77	10,785,353	10.77	3,603,448	8.74		
Cement	7,877,789	2.31	5,586,579	1.90	441,338	0.08	296,165	0.07	68,207	0.07	68,207	0.07	111,716	0.11	111,716	0.18		
Sugar	13,827,944	4.05	11,048,102	3.76	809,942	0.15	1,548,917	0.34	5,446,540	5.44	5,446,540	5.44	8,564,597	8.56	8,564,597	13.78		
Financial	1,886,328	0.55	1,783,769	0.61	5,797,622	1.04	6,011,551	1.33	13,227,494	13.21	13,227,494	13.21	11,666,409	11.66	11,666,409	18.78		
Construction and real estate	8,317,498	2.43	7,535,880	2.56	20,602,135	3.70	18,061,095	3.99	12,550,590	12.53	12,550,590	12.53	1,548,827	1.55	1,548,827	2.49		
Oil and gas	2,723,181	0.80	3,241,442	1.10	844,972	0.15	913,994	0.20	662,221	0.66	662,221	0.66	1,089,538	1.09	1,089,538	1.75		
Auto and allied	2,261,017	0.66	2,180,653	0.74	41,697	0.01	80,733	0.02	1,985,632	1.98	1,985,632	1.98	1,118,824	1.12	1,118,824	1.80		
Food and allied	7,739,087	2.26	8,402,084	2.86	1,170,591	0.21	1,873,713	0.41	1,461,022	1.46	1,461,022	1.46	1,769,987	1.77	1,769,987	2.85		
Chemical and pharmaceuticals	6,975,205	2.04	6,535,561	2.22	914,893	0.16	1,110,533	0.25	472,197	0.47	472,197	0.47	710,507	0.71	710,507	1.14		
Fertilizers	4,411,851	1.29	4,125,651	1.40	606,913	0.11	283,267	0.06	3,399,690	3.40	3,399,690	3.40	2,836,728	2.84	2,836,728	4.57		
Cable, electrical and engineering	9,428,415	2.76	9,373,073	3.19	2,664,145	0.48	1,950,722	0.43	6,933,616	6.92	6,933,616	6.92	3,669,559	3.67	3,669,559	5.91		
Production and transmission of energy	15,517,124	4.54	10,388,024	3.53	959,918	0.17	817,200	0.18	448,101	0.45	448,101	0.45	1,106,458	1.11	1,106,458	1.78		
Transport, storage and communication	5,548,182	1.62	5,563,632	1.89	1,813,302	0.33	2,688,920	0.59	13,756,622	13.74	13,756,622	13.74	6,087,100	6.09	6,087,100	9.80		
Government :																		
- Public sector enterprises	53,424,285	15.63	45,782,278	15.58	13,107,285	2.36	20,113,322	4.44	14,468,088	14.45	14,468,088	14.45	7,320,582	7.32	7,320,582	11.78		
- Federal and Provincial Governments	31,378,957	9.18	29,189,829	9.93	305,160,214	54.86	226,398,222	49.95	2,354,308	2.35	2,354,308	2.35	2,074,095	2.07	2,074,095	3.34		
Individuals	40,807,906	11.94	42,121,947	14.33	146,200,955	26.28	124,444,139	27.46	209,806	0.21	209,806	0.21	205,532	0.21	205,532	0.33		
Trading and commerce	28,606,921	8.37	18,640,932	6.34	7,662,159	1.38	6,136,436	1.35	4,509,611	4.51	4,509,611	4.51	3,225,665	3.23	3,225,665	5.18		
Services	11,632,946	3.40	8,521,957	2.90	12,902,258	2.32	12,053,284	2.66	100,128,812	100.00	100,128,812	100.00	62,137,547	62.14	62,137,547	100.00		
Others	17,484,989	5.13	12,599,991	4.31	15,916,286	2.85	9,992,069	2.20	100,128,812	100.00	100,128,812	100.00	62,137,547	62.14	62,137,547	100.00		
	341,735,415	100.00	293,921,855	100.00	556,281,156	100.00	453,219,740	100.00	100,128,812	100.00	100,128,812	100.00	62,137,547	62.14	62,137,547	100.00		

### 43.1.2 Segment by sector

	2017					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public Sector / Government	84,803,242	24.82	318,267,479	57.21	28,224,710	28.19
Private	256,932,173	75.18	238,013,677	42.79	71,904,102	71.81
	341,735,415	100.00	556,281,156	100.00	100,128,812	100.00

### 43.1.3 Details of non-performing advances and specific provisions by class of business segment

	2017		2016	
	Classified advances	Rupees in '000 Specific provision held	Classified advances	Specific provision held
Agribusiness	1,093,133	980,709	1,485,793	1,055,562
Textile and ginning	25,166,034	21,515,377	25,228,696	13,378,356
Cement	1,423,102	1,098,962	1,547,291	1,129,044
Sugar	1,168,346	1,168,346	1,805,281	1,181,462
Financial	360,889	360,889	1,394,009	39,328
Construction and real estate	1,715,512	1,598,666	2,088,907	1,787,691
Oil and gas	220,294	220,294	80,252	76,671
Auto and allied	1,999,227	1,999,227	1,998,230	1,540,329
Food and allied	2,765,718	2,427,574	3,505,840	2,115,173
Chemical and pharmaceuticals	155,751	107,872	123,695	86,122
Fertilizers	86,174	81,074	87,966	67,662
Cable, electrical and engineering	1,998,806	1,992,999	2,044,754	166,339
Production and transmission of energy	1,549,640	1,549,640	1,548,271	509,495
Transport, storage and communication	243,674	160,552	260,327	151,903
Government:				
- Public sector enterprises	-	-	-	-
- Federal and Provincial Governments	-	-	-	-
Individuals	681,997	516,196	564,768	442,707
Trading and commerce	6,600,885	6,269,901	6,951,959	4,381,365
Services	1,150,730	1,081,338	1,722,082	1,583,620
Others	2,571,080	2,428,795	2,515,432	1,770,131
	50,950,992	45,558,411	54,953,553	31,462,960

### 43.1.4 Details of non-performing advances and specific provisions by sector

Public Sector / Government	-	-	-	-
Private	50,950,992	45,558,411	54,953,553	31,462,960
	50,950,992	45,558,411	54,953,553	31,462,960

### 43.1.5 Geographical segment analysis

A geographical segment analysis has not been presented since the Bank's operations are restricted to Pakistan only.

### 43.1.6 Credit risk - general disclosures

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

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company– Vital Information Systems), Fitch Moody's and Standard & Poor's . Credit rating data for advances is obtained from recognized ECAIs and then mapped to SBP's rating grades.

#### Type of exposures & ECAIs used

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

#### Mapping to SBP rating grades

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

#### Long term ratings grades mapping

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

#### Short term rating grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others





## Credit exposures subject to standardized approach

Exposures	Rating	2017			2016		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000							
Corporate	1	14,901,614	(6,422,459)	8,479,155	11,015,824	(5,945,511)	5,070,313
	2	32,477,218	(553,644)	31,923,574	13,199,705	(9,662)	13,190,043
	3,4	1,343,893	(600)	1,343,293	1,105,922	-	1,105,922
	5,6	-	-	-	-	-	-
	Unrated-1	44,064,831	(14,382,719)	29,682,112	38,895,144	-	38,895,144
	Unrated-2	63,567,013	(2,309,411)	61,257,602	56,902,534	(4,313,151)	52,589,383
Bank	1	35,587,834	(5,148,215)	30,439,619	22,049,175	(3,198,867)	18,850,308
	2,3	-	-	-	-	-	-
	4,5	807,143	(495,090)	312,053	47,230	-	47,230
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
	Public sector enterprises in Pakistan	1	13,633,719	-	13,633,719	12,344,847	-
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	39,837,010	(39,499,409)	337,601	33,497,807	(32,190,480)	1,307,327
Sovereigns and on Government of Pakistan or Provisional Government or SBP or Cash	0	267,521,999	(31,007,716)	236,514,283	225,095,437	(25,850,593)	199,244,844
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	-	-	-	-	-	-
	4,5	67,941	-	67,941	66,205	-	66,205
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Listed equity investments	100%	670,942	-	670,942	676,849	-	676,849
Un-listed equity Investments	150%	15,990	-	15,990	13,051	-	13,051
Non performing loans	150%	949,788	-	949,788	16,326,203	(13,764,101)	2,562,102
	100%	4,128,288	-	4,128,288	6,917,707	(2,817,336)	4,100,371
	50%	314,506	-	314,506	246,683	(217,711)	28,972
Mortgage	35%	2,203,203	-	2,203,203	1,958,013	-	1,958,013
Retail	75%	55,904,433	(6,928,970)	48,975,463	48,465,400	(11,333,016)	37,132,384
Fixed assets	100%	7,889,722	-	7,889,722	7,256,044	-	7,256,044
Deferred tax assets	100%	2,027,114	-	2,027,114	2,052,969	-	2,052,969
Deferred tax assets	250%	2,616,071	-	2,616,071	2,374,316	-	2,374,316
Significant assets	250%	25,310	-	25,310	13,729	-	13,729
Others	100%	18,919,285	-	18,919,285	18,147,262	-	18,147,262
<b>Total</b>		<b>609,474,867</b>	<b>(106,748,233)</b>	<b>502,726,634</b>	<b>518,668,056</b>	<b>(99,640,428)</b>	<b>419,027,628</b>

### 43.1.7 Credit risk: Disclosures with respect to credit risk mitigation for standardized approach

The Bank has adopted comprehensive approach of credit risk mitigation for banking book. Under this approach cash, lien on deposits, government securities, and eligible securities etc. are consolidated as eligible collateral. Where the Bank's exposure to an obligor is secured by eligible collaterals, the Bank reduces its exposure for the calculation of the capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

#### 43.1.7.1 Credit risk: Disclosures for portfolio subject to the standardized approach

No credit risk mitigation benefit is taken in the trading book. For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of risk weighted assets.

### 43.1.7.2 Equity position risk in the banking book

The Bank takes proprietary equity positions for both short term and long term trading purposes. As of December 31, 2017 the composition of equity investments, is as follows:

	Held for trading	Available for sale	Total
	Rs. In '000'		
Ordinary shares (listed) - net of impairment held	-	1,258,029	1,258,029
Ordinary shares (un-listed) - net of impairment held	-	49,737	49,737
Preference shares - net of impairment held	-	-	-
<b>Total</b>	<b>-</b>	<b>1,307,766</b>	<b>1,307,766</b>

The Bank classify its equity investment portfolio in accordance with the directives of the SBP as follows:

- Investments - Held for trading
- Investments – Available for Sale
- Investments in subsidiaries

### 43.1.8 Leverage Ratio

The State Bank of Pakistan (SBP) through its BPRD Circular No. 06 of 2013 has issued instructions regarding implementation of parallel run of leverage ratio reporting and its components from December 31, 2013 to December 31, 2017. During this period the final calibration, and any further adjustments to the definition, will be completed, with a view to set the leverage ratio as a separate capital standard on December 31, 2018.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Leverage Ratio} = \text{Tier 1 capital (after related deductions)} / \text{Total Exposure}$$

As at December 31, 2017 the Bank's Leverage ratio stood at 2.57% against the minimum requirement of 3% (2016: 3.0%).

	2017	2016
	Rupees in '000'	
Cash and balances with treasury banks	42,477,950	35,756,024
Balances with other banks	6,077,383	3,765,867
Lendings to financial institutions	24,570,850	11,562,133
Investments - net	242,446,951	199,667,330
Advances - net	295,751,721	262,067,925
Operating fixed assets	7,889,722	7,256,044
Deferred tax assets - net	4,643,185	4,427,285
Financial Derivatives (A.1)	17,467,707	14,865,947
Other assets - net	18,919,285	18,147,262
	<b>660,244,754</b>	<b>557,515,817</b>



	2017	2016
	Rupees in '000'	
<b>A.1 Derivatives (On Balance sheet)</b>		
Interest Rate	-	-
Equity	-	-
Foreign Exchange and Gold	17,467,707	14,865,947
Precious Metal (except gold)	-	-
Commodities	-	-
Credit Derivatives (protection bought & sold)	-	-
Any other derivatives	-	-
<b>B. Off-Balance Sheet Items excluding derivatives</b>		
Direct Credit Substitutes	17,385,609	6,929,834
Performance-related Contingent Liabilities (i.e. Guarantees)	37,265,382	28,316,171
Trade-related Contingent Liabilities (i.e. Letter of Credits)	45,477,822	26,886,223
Lending of securities or posting of securities as collaterals	-	-
Undrawn committed facilities (which are not cancellable)	16,297,428	22,596,486
Unconditionally cancellable commitments	4,536,303	4,432,773
Commitments in respect of operating leases	-	-
Commitments for the acquisition of operating fixed assets	225,051	27,095
	121,187,595	89,188,582
<b>C. Commitments in respect of Derivatives - Off Balance Sheet Items</b> (Derivatives having negative fair value are also included)		
Interest Rate	-	-
Equity	-	-
Foreign Exchange & gold	211,803	57,130
Precious Metals (except gold)	-	-
Commodities	-	-
Credit Derivatives (protection sold and bought)	-	-
Other derivatives	-	-
<b>Total Derivatives (C)</b>	211,803	57,130
Tier-1 Capital	20,075,156	21,683,316
Total Exposures (sum of A,B and C)	781,644,152	646,761,529
<b>Leverage Ratio</b>	2.57%	3.35%

#### 43.2 Market risk

Market risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices.

The Bank is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Equity Capital Markets. Market risk exposure also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes bank to interest rate risk, foreign exchange risk and equity price risk.

The Bank's market risk management structure consists of Board Risk Management Committee, ALCO, Market Risk Management Committee and independent Enterprise Risk Management unit (ERM). Market risk is an independent risk management function that works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. ERM unit seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency in reporting the Bank's market risk profile to the senior management, the Board of Directors and the SBP.

### 43.2.1 Interest rate risk management

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Bank is exposed to yield/interest rate risk for its investing and/or financing activities where any major fluctuation in the market interest rate/yield can affect both the value of the financial instrument as well as the profitability of the Bank. To minimize this risk the Bank's Assets and Liabilities Committee (ALCO) keeps a constant watch on the interest rate scenario in the country and on regular intervals reviews pricing mechanism for assets and liabilities of the Bank.

#### 43.2.1.1 Mismatch of interest rate sensitive assets and liabilities

Effective yield / interest rate	Exposed to Yield / Interest risk										Non-interest bearing financial instruments	
	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Above 10 years		
	Rupees in '000											
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	42,477,950	1,263,173	-	-	-	-	-	-	-	-	-	41,214,777
Balances with other banks	6,077,383	2,898,448	-	-	-	-	-	-	-	-	-	3,178,935
Lending to financial institutions	24,570,850	18,933,850	4,430,000	1,207,000	-	-	-	-	-	-	-	-
Investments - net	242,506,452	75,128,102	120,801,222	11,325,724	23,324,838	7,369,916	3,177,477	-	-	-	-	1,379,173
Advances - net	295,751,721	33,502,426	262,236,393	-	-	-	-	-	-	-	-	12,902
Other assets	7,228,547	-	-	-	-	-	-	-	-	-	-	7,228,547
	618,612,903	131,725,999	387,467,615	12,532,724	23,324,838	7,369,916	3,177,477	-	-	-	-	53,014,334
<b>Liabilities</b>												
Bills payable	3,365,325	-	-	-	-	-	-	-	-	-	-	3,365,325
Borrowings	38,949,362	11,131,411	9,437,704	3,965,933	9,682,363	422,422	177,673	1,869,223	2,203,945	-	-	58,688
Deposits and other accounts	556,281,156	25,305,219	268,593,079	36,340,529	63,921,725	1,575,114	2,054,050	361,500	-	-	-	158,129,940
Sub-ordinated loan	4,499,000	-	-	4,499,000	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,658,265	-	-	-	-	-	-	-	-	-	-	16,658,265
	619,753,108	36,436,630	278,030,783	44,805,462	73,604,088	1,997,536	2,231,723	2,230,723	2,203,945	-	-	178,212,218
<b>On-balance sheet gap</b>	(1,140,205)	95,289,369	109,436,832	(32,272,738)	(50,279,250)	5,372,380	945,754	(2,230,723)	(2,203,945)	-	-	(125,197,884)
<b>Off-balance sheet financial instruments</b>												
<b>Forward foreign exchange contracts</b>												
- purchase	10,067,323	6,559,703	2,863,486	564,366	79,768	-	-	-	-	-	-	-
- sale	7,846,230	7,647,094	12,781	186,355	-	-	-	-	-	-	-	-
Off-balance sheet gap	2,221,093	(1,087,391)	2,850,705	378,011	79,768	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>		94,201,978	112,287,537	(31,894,727)	(50,199,482)	5,372,380	945,754	(2,230,723)	(2,203,945)	-	-	(125,197,884)
<b>Cumulative yield/interest risk sensitivity gap</b>		94,201,978	206,489,515	174,594,788	124,395,306	129,767,686	130,713,440	128,482,717	126,278,772	126,278,772	126,278,772	1,080,888



### 43.2.2 Foreign exchange risk management

The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and nostro balances are managed within the statutory limits, as fixed by the SBP. Counter parties limits are also fixed to limit risk concentration.

			2017	
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
			Rupees in '000	
Pakistan Rupee	645,882,163	612,465,281	(2,221,093)	31,195,789
United States Dollar	2,762,879	4,778,853	668,696	(1,347,278)
Great Britain Pound	516,096	1,255,465	723,049	(16,320)
Japanese Yen	10,810	922	-	9,888
Euro	272,382	1,314,550	868,434	(173,734)
Others	102,721	220	(39,086)	63,415
	649,547,051	619,815,291	-	29,731,760

### 43.2.3 Equity position risk

Equity position risk arises from exposure to securities that represent an ownership interest in a company in the form of ordinary shares or other equity-linked instruments. The instruments held by the Bank that would lead to this exposure include, but are not limited to, the following:

- Shares of listed and unlisted companies
- Preference shares falling on equity criteria
- Equity-based mutual funds

These investments are carried at fair market value with regular revaluations. The Bank prefers to hold long-term exposures for securities held in 'available for sale' category to avoid seasonal or cyclical downfalls in the prices of such securities.

## 43.3 Liquidity risk

**43.3.1** Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Bank's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk. The Bank manages its liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business prepositions and pricing of assets and liabilities of the Bank are given significant importance.



### 43.3.2 Maturities of assets and liabilities - based on expected maturities

2017

	Total	Rupees in '000												
		Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years				
<b>Assets</b>														
Cash and balances with treasury banks	42,477,950	42,477,950	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	6,077,383	6,077,383	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	24,570,850	18,933,850	4,430,000	1,207,000	-	-	-	-	-	-	-	-	-	-
Investments - net	242,506,452	74,524,068	120,268,132	7,463,301	23,719,155	3,601,194	2,291,296	2,620,585	2,291,296	2,620,585	2,620,585	2,620,585	2,620,585	2,620,585
Advances - net	295,751,721	33,502,426	42,801,969	38,482,634	34,386,206	26,257,572	32,269,331	68,345,026	32,269,331	68,345,026	68,345,026	68,345,026	68,345,026	68,345,026
Operating fixed assets	8,518,887	49,210	98,420	147,630	295,260	590,520	1,181,040	2,952,600	1,181,040	2,952,600	2,952,600	2,952,600	2,952,600	2,952,600
Deferred tax assets - net	10,724,523	-	-	-	11,318,629	-	-	-	-	-	-	-	-	-
Other assets	18,919,285	6,366,735	160,599	1,073,322	11,318,629	-	-	-	-	-	-	-	-	-
	649,547,051	181,931,622	167,759,120	48,373,887	69,719,250	23,633,049	46,466,190	73,918,211	46,466,190	73,918,211	73,918,211	73,918,211	73,918,211	73,918,211
<b>Liabilities</b>														
Bills payable	3,365,325	3,365,325	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	38,949,362	11,190,099	9,437,704	3,965,933	9,682,363	177,673	1,869,223	2,203,945	1,869,223	2,203,945	2,203,945	2,203,945	2,203,945	2,203,945
Deposits and other accounts	556,281,156	111,258,873	76,890,452	74,945,571	103,498,968	39,160,670	37,837,898	36,819,001	39,160,670	37,837,898	36,819,001	36,819,001	36,819,001	36,819,001
Sub-ordinated loan	4,499,000	-	-	500	500	1,000	1,996,000	2,500,000	1,000	1,996,000	2,500,000	2,500,000	2,500,000	2,500,000
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,720,448	6,335,913	42,755	215,410	595,800	5,494,101	3,183,900	-	5,494,101	3,183,900	-	-	-	-
	619,815,291	132,150,210	86,370,911	79,127,414	113,777,631	44,833,444	44,887,021	41,522,946	44,833,444	44,887,021	41,522,946	41,522,946	41,522,946	41,522,946
<b>Net assets</b>	29,731,760	49,781,412	81,388,209	(30,753,527)	(44,058,381)	(14,384,158)	1,579,169	32,395,265	(14,384,158)	1,579,169	32,395,265	32,395,265	32,395,265	(29,522,565)
Share capital	26,436,924	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	3,214,673	-	-	-	-	-	-	-	-	-	-	-	-	-
Share deposit money	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated losses	(2,806,439)	-	-	-	-	-	-	-	-	-	-	-	-	-
	26,845,158	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	2,886,602	-	-	-	-	-	-	-	-	-	-	-	-	-
	29,731,760	-	-	-	-	-	-	-	-	-	-	-	-	-

**43.3.3** Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.



### 43.3.4 Maturities of assets and liabilities - based on contractual maturities

2017

	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	42,477,950	42,477,950	-	-	-	-	-	-	-	-
Balances with other banks	6,077,383	6,077,383	-	-	-	-	-	-	-	-
Lendings to financial institutions	24,570,850	18,933,850	4,430,000	1,207,000	-	-	-	-	-	-
Investments - net	242,506,452	74,524,068	120,268,132	7,463,301	23,719,155	8,018,721	3,601,194	2,291,296	2,620,585	-
Advances - net	295,751,721	33,502,426	42,801,969	38,482,634	34,386,206	15,023,808	26,257,572	32,269,331	68,345,026	4,682,749
Operating fixed assets	8,518,887	49,210	98,420	147,630	295,260	590,520	590,520	1,181,040	2,952,600	2,613,687
Deferred tax assets - net	10,724,523	-	-	-	-	-	-	10,724,523	-	-
Other assets	18,919,285	6,366,735	160,599	1,073,322	11,318,629	-	-	-	-	-
	649,547,051	181,931,622	167,759,120	48,373,887	69,719,250	23,633,049	30,449,286	46,466,190	73,918,211	7,296,436
<b>Liabilities</b>										
Bills payable	3,365,325	3,365,325	-	-	-	-	-	-	-	-
Borrowings	38,949,362	11,190,099	9,437,704	3,965,933	9,682,363	422,422	177,673	1,869,223	2,203,945	-
Deposits and other accounts	556,281,156	424,220,383	21,661,949	38,126,570	66,679,967	2,231,721	2,341,669	1,018,897	-	-
Sub-ordinated loan	4,499,000	-	-	500	500	1,000	1,000	1,996,000	2,500,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,720,448	6,335,913	42,755	215,410	595,800	852,569	5,494,101	3,183,900	-	-
	619,815,291	445,111,720	31,142,408	42,308,413	76,958,630	3,507,712	8,014,443	8,068,020	4,703,945	-
<b>Net assets</b>	29,731,760	(263,180,098)	136,616,712	6,065,474	(7,239,380)	20,125,337	22,434,843	38,398,170	69,214,266	7,296,436
Share capital	26,436,924									
Reserves	3,214,673									
Share deposit money	-									
Accumulated losses	(2,806,439)									
	26,845,158									
Surplus on revaluation of assets - net of tax	2,886,602									
	29,731,760									

### 43.3.5 Liquidity Coverage Ratio

	TOTAL UNWEIGHTED <sup>a</sup> VALUE (average)	TOTAL WEIGHTED <sup>b</sup> VALUE (average)
Rupees in '000		
<b>High Quality Liquid Ratios HQLA</b>		
1		285,713,249
	<b>Cash outflows</b>	
2		
		-
2.1		-
2.2	78,265,000	7,826,500
3		
3.1	-	-
3.2	488,508,387	184,796,787
3.3	-	-
4	-	-
5		
5.1	-	-
5.2	-	-
5.3	81,164,491	25,142,179
6	9,403,375	9,403,375
7	100,128,812	4,596,936
8		231,765,777
	<b>Cash inflows</b>	
9	9,121,680	-
10	16,751,213	8,375,607
11	9,288,598	9,288,598
12		17,664,205
	<b>Total adjusted value</b>	
21		285,713,249
22		214,101,572
23		133.45%

a Unweighted values are calculated as outstanding balances maturing or callable within 30 days ( for inflows and outflows)

b Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates ( for inflows and outflows)

c Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on level 2B and level 2 assets for HQLA and cap on inflows)



### 43.3.6 Net Stable Funding Ratio

ASF Item	Unweighted value by residual maturity				LRIX
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	Weighted value
	Rupees in '000'				
1 Capital:					
2 Regulatory capital	26,845,159	-	-	-	26,845,159
3 Other capital instruments	-	500	500	4,498,000	3,699,000
4 Retail deposits and deposit from small business customers:					
5 Stable deposits	-	-	-	-	-
6 Less stable deposits	-	138,798,000	6,224,000	1,179,000	130,519,800
7 Wholesale funding:					
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	-	285,423,000	120,243,000	4,414,000	205,040,000
10 Other liabilities:					
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in other categories	-	-	-	-	-
	2,886,602	34,553,254	10,278,381	14,203,390	17,135,635
<b>13 Total ASF</b>					<b>383,239,594</b>
<b>RSF item</b>					
14 Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	-
15 Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16 Performing loans and securities:					
17 Performing loans to financial institutions secured by Level 1 HQLA	-	9,510,527	-	-	951,053
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	14,293,323	-	-	2,143,998
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:					
20 With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	235,556,115	200,222,698
21 Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	55,228,308	35,898,400
22 Other assets:					
23 Physical traded commodities, including gold	-	-	-	-	-
24 Assets posted as initial margin for derivative contracts	-	-	-	-	-
25 NSFR derivative assets	-	-	-	-	-
26 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
27 All other assets not included in the above categories	-	259,385,839	35,420,955	40,151,985	57,156,126
28 Off-balance sheet items	-	-	-	91,938,718	4,596,936
<b>29 Total RSF</b>					<b>300,969,211</b>
<b>30 Net Stable Funding Ratio (%)</b>					<b>127.34%</b>

#### 43.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Bank has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.

#### 44. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue on April 25, 2018 by the Board of Directors of the Bank.

#### 45. GENERAL

45.1 These unconsolidated financial statements have been prepared in accordance with the revised forms of annual financial statements of commercial banks issued by SBP vide BSD Circular No. 04 dated 17 February 2006 and other circulars issued from time to time.

45.2 Figures have been rounded off to the nearest thousand rupees.

45.3 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However no significant reclassification has been made..

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

\_\_\_\_\_  
President

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director





The Bank has started Islamic banking operations in the year 2013. As at close of the December 31, 2017, The Bank is operating 64 Islamic banking branches and 02 sub Islamic banking branches (2016: 48 Islamic banking branches and 02 sub Islamic banking branches).

## Statement of Financial Position

As at December 31, 2017

	Note	2017 Rupees in '000'	2016
<b>ASSETS</b>			
Cash and balances with treasury banks		2,543,172	2,302,273
Balances with other banks		2,219,672	1,755,658
Due from financial institutions		9,857,000	5,100,000
Investments		7,628,201	5,512,287
Islamic financing and related services - net	A-I.1	11,773,847	8,936,749
Operating fixed assets		288,794	272,007
Deferred tax assets		-	-
Other assets		530,863	251,092
<b>TOTAL ASSETS</b>		<b>34,841,549</b>	<b>24,130,066</b>
<b>LIABILITIES</b>			
Bills payable		188,315	227,700
Due to financial institutions		-	-
Deposit and other accounts			
- Current accounts		8,215,697	6,126,472
- Saving accounts		23,955,632	14,680,150
- Term deposits		726,746	813,678
- Others		51,248	225,814
- Deposits from financial institutions - remunerative		62,186	-
- Deposits from financial institutions - non-remunerative		55	-
Due to head office		-	684,727
Other liabilities		169,405	62,053
		33,369,284	22,820,594
<b>NET ASSETS</b>		<b>1,472,265</b>	<b>1,309,472</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,000,000	1,000,000
Reserves		1,959	-
Unappropriated profit		420,873	230,200
		1,422,832	1,230,200
Surplus on revaluation of assets		49,433	79,272
		1,472,265	1,309,472
Remuneration to shariah advisor / board		4,684	5,144
<b>CHARITY FUND</b>			
Opening balance		533	1,871
Additions during the year		1,125	533
Payments / utilization during the year		(533)	(1,871)
Closing balance		1,125	533

# Islamic Banking Business

## Profit and Loss Account

For the year ended December 31, 2017

Annexure I

	Note	2017 Rupees in '000'	2016
<b>ASSETS</b>			
<b>Profit/return earned on financing, investment and placements</b>		1,916,612	1,117,781
<b>Return on deposits and other dues expensed</b>		695,716	385,966
<b>Net spread earned</b>		1,220,896	731,815
Provision against non-performing advances	A-I.4	62,497	-
Provision against consumer financings		-	-
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		62,497	-
Income after provisions		1,158,399	731,815
<b>Other Income</b>			
Fee, commission and brokerage income		27,701	29,751
Dividend income		-	-
Income / (loss) from dealing in foreign currencies		222	99
Gain on sale and redemption of securities		-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading		-	-
Other income		33,317	23,541
Total other income		61,240	53,391
		1,219,639	785,206
<b>Other expenses</b>			
Administrative expenses		1,028,966	664,521
Other provisions/write offs/reversals		-	-
Other charges		-	114
Total other expenses		1,028,966	664,635
Extra ordinary / unusual items		190,673	120,571
		-	-
<b>Profit before taxation</b>		190,673	120,571



# Islamic Banking Business

Annexure I

## Cash Flow Statement

For the year ended December 31, 2017

	2017	2016
	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	190,673	120,571
Less: Dividend income	-	-
	190,673	120,571
Adjustments for:		
Depreciation / amortization - own assets	75,578	70,547
Depreciation on ijarah assets under IFAS - 2	339,052	80,077
Amortization of premium on Government securities	17,592	2,732
Provision against non-performing islamic financing & related services - net	62,497	-
	494,719	153,356
	685,392	273,927
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	(4,757,000)	(4,600,000)
Advances - net	(3,238,647)	(4,469,264)
Others assets - net	(279,771)	185,384
	(8,275,418)	(8,883,880)
Increase / (Decrease) in operating liabilities:		
Bills Payable	(39,385)	181,167
Deposits and other accounts	11,165,450	9,536,272
Other liabilities	(575,416)	(34,318)
	10,550,649	9,683,121
	2,960,623	1,073,168
Income tax paid	-	-
<b>Net cash flow from operating activities</b>	2,960,623	1,073,168
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(2,163,345)	179,240
Investments in operating fixed assets	(92,365)	(113,744)
<b>Net cash (used in) / flow from investing activities</b>	(2,255,710)	65,496
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in Islamic banking fund	-	500,000
<b>Net cash flow from financing activities</b>	-	500,000
<b>Net increase in cash and cash equivalents</b>	704,913	1,638,664
Cash and cash equivalents at beginning of the year	4,057,931	2,419,267
Cash and cash equivalents at end of the year	4,762,844	4,057,931

	2017 Rupees in '000'	2016
<b>A-I.1 Islamic financing and related assets - net</b>		
Against murabaha	1,010,989	1,009,083
Against diminishing musharaka	5,235,730	4,618,083
Against ijarah	790,358	517,073
Against istisna	2,662,770	1,141,510
Against running musharaka	2,074,000	1,651,000
	11,773,847	8,936,749
<b>A-I.1.1 Islamic mode of financing</b>		
Financings/Investments/Receivables	8,247,023	7,299,500
Advances	2,668,324	1,319,639
Assets/Inventories	858,500	317,610
	11,773,847	8,936,749
<b>A-I.1.2 Against murabaha</b>		
Financings/Investments/Receivables	733,826	921,119
Advances	277,163	74,964
Assets/Inventories	-	13,000
	1,010,989	1,009,083
<b>A-I.1.3 Diminishing musharaka</b>		
Financings/Investments/Receivables	4,239,307	4,119,672
Advances	996,423	498,411
Assets/Inventories	-	-
	5,235,730	4,618,083
<b>A-I.1.4 Against ijarah</b>		
Financings/Investments/Receivables	729,570	497,009
Advances	60,788	20,064
Assets/Inventories	-	-
	790,358	517,073
<b>A-I.1.5 Against istisna</b>		
Financings/Investments/Receivables	470,320	110,700
Advances	1,333,950	726,200
Assets/Inventories	858,500	304,610
	2,662,770	1,141,510
<b>A-I.1.6 Against running musharaka</b>		
Financings/Investments/Receivables	2,074,000	1,651,000
Advances	-	-
Assets/Inventories	-	-
	2,074,000	1,651,000

**A-1.2** BOP TAQWA Islamic Banking Division is maintaining following pools for profit declaration and distribution.

- i) General Pool
- ii) Special Pool-I
- iii) Special Pool-II
- iv) Special Pool-III
- v) Special Pool-IV
- vi) Special Pool-V
- vii) Special Pool-VI
- viii) Special Pool-VII (PER)

### **A-1.21 General Pool**

The General Pool comprises of depositors' funds, Bank's equity inclusive of Current deposits and Mudaraba Placements from BOP Head Office. The Bank acts as Fund Manager (Mudarib) and invests the funds in Shariah Compliant modes of Financings, Investments and Placements (remunerative assets). The profit of the Pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of period concerned.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

#### **a) Weightages for distribution of profit in general pool**

Profit is calculated on the basis of daily product balance in Mudaraba based depositors' accounts and paid as per pre defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

#### **b) Identification and allocation of pool related income & expenses**

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

#### **c) Parameters associated with risk and rewards**

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

### **A-1.22 Special Pools**

The Special Pools comprise of depositors' funds, Bank's equity inclusive of Current deposits and Mudaraba Placements from BOP Head Office. The Bank acts as Fund Manager (Mudarib) and invests the funds in Shariah Compliant modes of Financings, Investments and Placements

(remunerative assets). The profit of the Pools is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of concerned period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-TAQWA as Mudarib.

#### a) Weightages for distribution of profit in special pools

Profit is calculated on daily product basis and paid as per pre defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

#### b) Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

#### c) Parameters associated with risk and rewards

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

#### A-I.3 Avenues / Sectors of economy / business where Mudaraba based deposits have been deployed:

	2017	2016
	Rupees in '000'	
Federal and provincial governments	1,774,000	1,651,000
Due from SBP - Bai Muajjal	790,146	-
Ijara sukuk	5,005,000	2,860,400
Transport, storage, logistics and communication	832,961	406,023
Manufacturing and Trading of food items	300,000	293,338
Manufacture of pesticides and other agro-chemical product	51,410	64,491
Power Generation	6,695,604	5,711,736
Manufacture of paper, paperboard and products thereof	243,166	284,045
Consumer Car Ijarah	37,439	14,082
Textile Composite / Other	674,621	216,528
Cement & Allied	944,286	805,789
Iron & Steel Industry	650,000	482,310
Rubber / Plastic Products etc.	199,920	199,200
Others	13,316,438	8,263,865
	31,514,991	21,252,807





#### A-I.4 Charging expenses

The direct expenses are being charged to the pool, while indirect expenses including the establishment cost is being borne by BOP IBD as Mudarib. The direct expenses to be charged to the pool may include cost of sales of inventories, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc.

##### Provisions

	2017	2016
	Rupees in '000'	
Murabaha	8,341	-
Ijarah	54,156	-
	62,497	-

#### A-I.5 Mudarib share (in amount and percentage of distributable income):

	2017		2016	
	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %
Rabbul Mal	635,586	55%	398,226	58%
Mudarib	522,763	45%	283,763	42%
<b>Distributable income</b>	<b>1,158,349</b>	<b>100%</b>	<b>681,989</b>	<b>100%</b>

#### A-I.6 Amount & percentage of mudarib share transferred to depositors through Hiba:

	2017	2016
	Rupees in '000'	
Mudarib share	522,763	283,763
Hiba	48,410	18,139
<b>Hiba percentage of mudarib share</b>	<b>9.26%</b>	<b>6.39%</b>

This is not a special Hiba as such. This Hiba has been distributed across the board to all the investment account holders.

##### Profit rate earned vs. profit rate distributed to the depositors during the year:

	2017	2016
Profit rate earned	5.81%	6.67%
Profit rates distributed to depositors	2.63%	3.00%

## 1 Ordinary shares / certificates of listed companies and modarabas

Name of company/modaraba	Number of shares		Cost		Market Value		Rating	
	2017	2016	2017	2016	2017	2016	2017	2016
			Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	(where available)	(where available)
<b>Available for sale:</b>								
(Colony) Sarhad Textile Mills Limited	70,500	70,500	16	16	-	-	-	-
Accord Textile Mills Limited	98,000	98,000	59	59	-	-	-	-
Agritech Limited	9,010,917	9,010,917	315,381	315,381	43,883	114,258	-	-
Al-Abid Silk Mills Limited	8,000	8,000	291	291	40	112	-	-
Allied Bank Limited	1,999,500	1,999,500	219,945	219,945	169,917	238,360	AA+,A1+	AA+,A1+
Amazai Textile Mills Limited	4,500	4,500	2	2	-	-	-	-
Asim Textile Mills Limited	9,000	9,000	24	24	126	81	-	-
Askari Bank Limited	2,123,000	25,000	41,398	480	40,995	624	AA+,A1+	AA+,A1+
Baluchistan Particle Board Limited	77,500	77,500	85	85	310	-	-	-
Burshane LPG (Pakistan) Limited	70,000	137,500	3,398	6,675	2,730	9,280	-	-
Daclabhoj Construction Technology Limited	15,000	15,000	26	26	-	-	-	-
Data Textile Limited	50,000	50,000	14	14	25	25	-	-
Dawood Hercules Fertilizer Limited	-	86,400	-	12,573	-	12,470	-	-
English Leasing Limited	151,339	151,339	168	168	-	-	-	-
Engro Corporation Limited	-	45,000	-	13,936	-	14,224	AA,A1+	AA,A1+
Engro Fertilizer Limited	2,756,000	720,000	176,045	56,811	186,636	48,946	AA-A1+	AA-,A1+
Fateh Industries Limited	4,900	4,900	29	29	-	-	-	-
Fateh Textile Mills Limited	4,975	4,975	1,741	1,741	-	-	-	-
Fauji Fertilizer Bin Gasim Limited	452,500	450,000	23,455	24,221	16,082	23,044	-	-
Fauji Fertilizer Company Limited	2,055,500	800,000	213,481	98,123	162,611	83,496	AA,A1+	AA,A1+
Fauji Cement Company Limited	715,000	-	21,367	-	17,882	-	-	-
Globe Textile Mills Limited	14,500	14,500	239	239	-	-	-	-
Gulistan Spinning Mills Limited	277,500	277,500	2,067	2,067	389	389	-	-
Gulistan Textile Mills Limited	470,000	470,000	11,537	11,537	-	-	-	-
Habib Metropolitan Bank Limited	1,781,500	1,349,000	57,352	43,372	61,462	49,913	AA+,A1+	AA+,A1+
Hajira Textile Mills Limited	90,000	90,000	57	57	-	-	-	-
Hakim Textile Mills Limited	55,500	55,500	49	49	-	-	-	-
Hashmi Can Company Limited	34,500	34,500	-	207	-	-	-	-
Ittefaq Textile Mills Limited	35,500	35,500	34	34	-	-	-	-
J. A. Textile Mills Limited	434	434	1	2	1	2	-	-
Javed Omer Vohra And Company Limited	361,097	361,097	2,820	2,820	-	-	-	-

Number of shares	Name of company/modaraba	Cost		Market Value		(where available)	
		2017	2016	2017	2016	2017	2016
		Rupees in '000		Rupees in '000			
34,700	Kaytex (Saleem Denim Industries Limited)	35	35	-	-	-	-
1,175,000	Kot Addu Power Company Limited	97,912	63,539	63,333	59,100	AA+,A1+	AA+,A1+
4,837	Leiner Pak Gelatine Limited	121	121	-	-	-	-
63,000	Medi Glass Limited	43	43	-	-	-	-
20,500	Moonlite (Pak) Limited	211	211	-	-	-	-
193,000	National Bank Of Pakistan Limited	13,882	10,682	9,372	10,709	AAA,A1+	AAA,A1+
2,874,000	Nishat Chunian Power Limited	141,908	65,841	94,583	66,576	-	-
2,490,500	Nishat Power Limited	129,184	77,587	84,677	89,117	A+,A1	A+,A1
675,000	Pak Elektron Limited	48,902	29,540	32,056	28,512	A+,A1	A+,A1
12,500	Pak Ghee Industries Limited	2	2	-	-	-	-
26	Pakistan Services Limited	3	3	26	23	-	-
4,368,500	Pakistan Telecommunication Company Limited	67,319	430	57,009	430	-	-
300	Pakistan Tobacco Company Limited	33	33	644	430	-	-
35,000	Service Industries Textile Limited	26	26	553	-	-	-
500	Service Fabrics Limited	-	-	2	6	-	-
74,900	Shahpur Textile Mills Limited	22	22	13	13	-	-
102,400	Shahtaj Sugar Mills Limited	8,090	10,076	14,963	21,110	-	-
134,700	Siemens (Pakistan) Engineering Company Limited	181,728	191,102	126,434	200,380	-	-
23,500	Siftaq International Limited	24	24	-	-	-	-
94,300	Sunshine Cloth Limited	29	29	-	-	-	-
301,500	Taj Textile Mills Limited	139	139	-	-	-	-
500	Trust Modaraba	6	6	2	3	-	BBB-A-3
4,761,056	Zephyr Textiles Limited	43,240	44,889	71,273	64,418	-	-
		1,823,940	1,305,364	1,258,029	1,136,051		

Note: Shares of companies with cost of Rs. Nil (2016: Nil) or having delisted status, have not been presented.

## 2 Preference shares of listed companies

Number of shares	Name of company	Cost		Market Value		Rating	
		2017	2016	2017	2016	2017	2016
2017	2016	Rupees in '000		Rupees in '000		( where available)	
<b>Listed companies</b>							
1,545,397	Azgard Nine Limited	15,454	15,454	-	-	-	-
32,499,661	Agritech Limited*	324,997	324,997	-	-	-	-
		340,451	340,451	-	-	-	-
<b>Unlisted company</b>							
7,140,614	Al-Arabia Sugar Mills Limited	71,406	-	71,406	-	-	-
		411,857	340,451	71,406	71,406	-	-



Other particulars of preference shares are as follows:

Particulars	Nominal value per share	Profit rate per annum	Profit payment	Redemption terms
Azgard Nine Limited	10	Fixed dividend at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.	Annually	50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.
Agritech Limited	10	Fixed dividend of 11.00 % per annum on annual basis by the company on a cumulative basis.	Annually	The company will have the option to redeem the preference shares in full or in part with in ninety days after the expiry of the each anniversary of the completion date by giving at least thirty days notice. Preference shares can be converted in to ordinary shares from the fifth anniversary of the completion date.
Al-Arabia Sugar Mills Limited	10	Not Applicable	Annually	Four Consecutive annual installments, the first such installment shall fall due at the complete redemption of Facility 1. (i-e 31.12.2026)

### 3 Ordinary shares of unlisted company

Number of shares	Name of company	Cost		Break up Value		Rating	
		2017	2016	2017	2016	(where available)	2017
		Rupees in '000		Rupees in '000			
2,000,000	Al Baraka Bank (Pakistan) Limited (Chief Executive Officer: Shafqaat Ahmed)	25,000	25,000	1 5,990	13,051	A,A-1	A,A-1

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

#### 4 Listed term finance certificates

Annexure II

Number of certificates	Nominal value per certificate	Name of company/modaraba	Cost		Market Value		Rating (where available)	
			2017	2016	2017	2016	2017	2016
			Rupees in '000		Rupees in '000			
60,000	5	Askari Bank Limited - 5th issue	299,640	299,760	300,339	305,306	AA	AA-
2,500	10	Byco Oil Pakistan Limited	250,000	-	250,000	-	AAA	-
7,369	5	Azgard Nine Limited (TFC - II)	10,362	10,362	-	-	-	-
14,200	5	Bank Al- Falah Limited	71,307	71,474	72,568	73,338	AA	AA-
106,575	5	Fatima Fertilizer Limited	426,300	532,875	438,023	532,875	AA-	AA-
5,500	5	Jahangir Siddiqui & Company	11,875	17,500	11,922	17,510	AA+	AA+
50,000	5	NIB Bank Limited	249,650	249,750	253,533	252,586	AAA	A+
1,000	5	Summit Bank Limited	4,798	4,570	4,838	4,617	-	A-(SO)
5,000	5	World Call Telecom Limited	6,986	6,986	-	-	-	-
			1,330,918	1,193,277	1,331,223	1,186,232		

#### Other particulars of Listed TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Askari Bank Limited - 5th issue	6 months KIBOR + 1.20%	Semi-annually	Eighteen semi annual installments of Rs. 60,000 and remaining principal in two semi annual installments.
Byco Oil Pakistan Limited	3 months KIBOR + 1.05%	Quarterly	Twelve Quarterly installments of Rs.20,833,333/- from 27TH month after disbursement.
Azgard Nine Limited (TFC - II)	6 months KIBOR + 1.25 %	Semi-annually	In nine unequal semi-annual installments starting from September 20, 2013 and ending on September 20, 2017.
Bank Al-Falah Limited	6 months KIBOR + 1.25%	Semi-annually	Fifteen semi annual installments of Rs.14,200 and remaining principal in one semi annual installment.
Fatima Fertilizer Company Limited	6 months KIBOR + 1.10%	Semi-annually	10 equal semi annual installments from the date of first disbursement.
Jahangir Siddiqui & Company Limited	6 months KIBOR + 1.75%	Semi-annually	TFC has a tenor of six years i-e 2007-2013 with a call option exercisable by the company any time after one year on a coupon date by giving 30 days notice at a premium of 1.00% on the outstanding face value.
MCB Bank Limited (formally NIB Bank Limited)	6 months KIBOR + 1.15 % without any floor or cap.	Semi-annually	15 equal semi annual installments of 0.02% of the first 90 months followed by remaining 99.70% on maturity at the end of the 96th month.
Summit Bank Limited	6 months KIBOR + 3.25%	Semi-annually	Thirteen semi annual installments of Rs.1,154 and remaining principal in one semi annual installment.
World Call Telecom Limited	6 months KIBOR + 1.60%	Semi-annually	Principal repayments on April 07, 2015; and October 07, 2015.





## 5 Unlisted term finance certificates

## Annexure II

Number of certificate	Nominal value per certificate	Name of company	Cost		Carrying Value		Rating	
			2017	2016	2017	2016	2017	2016
	Rupees in '000		Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	(where available)	
293,000	293,000	Agritech Limited - PPTFC	1,430,767	1,430,767	-	-	-	-
2,000	2,000	Agritech Limited - PPTFC V	7,465	7,465	-	-	-	-
8,516	8,516	Agritech Limited - Sukuk	38,449	38,449	-	-	-	-
7,000	7,000	Agritech Limited - TFC I	9,569	9,569	-	-	-	-
4,903	4,903	Agritech Limited - TFC III	31,429	31,429	-	-	-	-
75,820	75,820	Al-Arabia Sugar Mills Limited	317,811	379,099	317,811	379,099	-	-
7,000	7,000	Al-Zarmin Leasing Corporation Limited	7,500	7,500	-	-	-	-
32,000	32,000	Arzoo Textile Mills Limited	160,000	160,000	-	-	-	-
37,249	37,249	Azgard Nine Limited PPTFC-VI	182,140	182,140	-	-	-	-
106,000	106,000	Azgard Nine Limited TFC-IV	229,798	229,798	-	-	-	-
-	10,000	Bank Alfalah Limited	-	33,247	-	33,247	-	AA-
-	2,000	Bank Al-Falah-Fixed	-	7,756	-	7,756	-	AA-
8,000	8,000	Dewan Cement Limited (Pre IPO Investment)	20,000	20,000	-	-	-	-
80,000	80,000	Eden Housing (Sukuk)	47,387	47,387	-	47,387	-	-
-	40,000	Independent Media Corporation	-	70,000	-	70,000	-	BBB-
26,000	26,000	Neelum Jhelum Hydropower Limited	2,600,000	2,600,000	2,600,000	2,600,000	AAA	AAA
18,000	18,000	New Allied Electronics Industries (Pvt) Limited	17,798	17,798	-	-	-	-
192,000	192,000	New Allied Electronics Industries (Pvt) Limited-Sukuk	10,065	10,065	-	-	-	-
-	50,000	Pak Elektron Limited - PPTFC	-	142,856	-	142,856	-	-
106,000	106,000	Pak Elektron Limited - Sukuk (2nd Issue)	189,493	288,868	189,493	288,868	A+	A+
-	-	Pak Elektron Limited	283,793	-	283,793	-	A+	-
14,874	14,874	Pakistan International Airlines (PIA)	46,444	60,377	46,444	60,377	-	-
300	300	Pakistan Mobile Communication Limited	-	-	-	-	-	-
15,000	15,000	Security Leasing -Sukuk (1st Issue)	15,014	15,014	-	-	-	-
10,000	10,000	Security Leasing -Sukuk (2nd Issue)	11,892	11,893	-	-	-	-
-	-	Silk Bank Limited	250,000	-	250,000	-	A-	-
-	-	U Microfinance Limited	132,909	-	132,909	-	-	-
60,000	60,000	Wapda Hydroelectric (Neelum Jhelum)	171,429	214,286	171,428	214,286	AAA	AAA
			6,211,152	6,015,763	3,991,878	3,843,876		

## Other particulars of unlisted TFCs are as follows:

## Annexure II

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Agritech Limited - PPTFC	6 months KIBOR + 1.75 %	Semi-annually	In 13 unequal semi annual installments starting from July 14, 2013 and ending on July 14, 2019.
Agritech Limited - PPTFC V	11 % per annum	Semi-annually	A bullet repayment of principal at the maturity of PPTFCs which is due on January 01, 2017.
Agritech Limited - Sukuk	6 months KIBOR + 2.00 % without any floor or cap	Semi-annually	The principal redemption of these certificates is structured to be in 15 unequal semi annual installments. First two installments were just token payments due on July 31, 2010 and August 31, 2010 which have been paid, remaining installments are starting from August 06, 2013 and ending on August 06, 2019.
Agritech Limited - TFC I	6 month KIBOR + 1.75%	Semi-annually	In 13 unequal installments starting from November 29, 2013 and ending on November 29, 2019.
Agritech Limited - TFC III	3 months KIBOR + 3.25%	Quarterly	In 26 unequal installments starting from September 01, 2013 and ending on December 01, 2019.
Al-Arabia Sugar Mills Limited	6 months KIBOR + 0.2 % p.a.	Semi-annually	Bi Annual installments depending upon GP Margin (Max annual 219.740M & Min annual 100M) with a grace period of 18 months from Dec.31,2016. If GP Margin is < 3.59% Inst. Amount PKR 50M and If GP Margin is > 3.59% Inst. Amount PKR 109.870M.
Al-Zamin Leasing Corporation Limited	Floating cut-off yield of last successful SBP auction of 5-year PIBs+200 bps.Floor 12% & Cap 15.75%	Semi-annually	Principal to be redeemed in 10 equal semi-annual installments commencing from the 6th month of issue date. Callable anytime in full after 18th month of issue.
Arzoo Textile Mills Limited	6 months KIBOR + 2.00 % for the first two year and 6 months KIBOR + 175 bps for the remaining period without any floor or cap	Quarterly	In ten equal semi-annual installments starting from 18th month from the draw down date.
Azgard Nine Limited PPFTC VI	Nil	Nil	In seven unequal semi annual installments starting from March 31, 2014 and ending on March 31, 2017.
Azgard Nine Limited TFC-IV	6 months KIBOR + 1.25 %	Semi-annually	In nine semi annual installments starting from December 04, 2013 and ending on December 04, 2017.
Bank Al-Falah Limited	6 months KIBOR + 2.50 %with a Floor of 7.00% . and Cap of 20.00%	Semi-annually	0.56% of principal in the first 84th month and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from the issue date.



Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Bank Al-Falah- Fixed	Floating rate of return at Base Rate (6 months KIBOR)+2.50% p.a.	Semi-annually	3-equal semi annual installments commencing 84th month after the issue date.
Dewan Cement Limited (Pre IPO Investment)	6 months KIBOR + 2 % p.a.	Semi-annually	9- equal semi annual installments starting from the twenty fourth month of the issue.
Eden Housing (Sukuk)	6 months KIBOR + 300 bps with a Floor of 12.00% and Cap of 20.00%	Semi-annually	Not less than 8 consecutive semiannual units, the first such unit falling due not later than 18th months from last drawdown.
Independent Media Corporation	3 months KIBOR +3.00 %	Quarterly	Principal to be repaid in 20 quarterly installments starting from 05-11-2013.
Neelam Jhelum Hydropower Limited	6 months KIBOR + 1.13 % p.a.	Semi-annually	Equal semi annual installments starting from the 30th month of the issue.
New Allied Electronics Industries (Pvt) Limited	3 months Kibor + 2.20 % with floor of 7% and Cap of 20%	Semi-annually	Maturity date is November 01 , 2012.
New Allied Electronics Industries (Pvt) Limited Sukuk	3 months Kibor + 2.20 %	Semi-annually	Based on diminishing musharaka mechanism with maturity in December 2012.
Pak Elektron Limited - PPTFC	3 months KIBOR (ask) + 3.00 % without any floor or cap	Semi-annually	In quarterly installments with first installment due on 30 June 2013.
Pak Elektron Limited - Sukuk (2nd Issue)	3 months KIBOR (ask) + 1.00 % with a Floor of 8.00% and Cap of 16.00%	Quarterly	In quarterly installments with first installment due on 30 June 2013.
Pak Elektron Limited - PPTFC	3 months KIBOR (ask) + 3.00 % without any floor or cap	Semi-annually	In quarterly installments with first installment due on 30 June 2013.
Pakistan International Airlines (PIA)	SBP discount rate + 0.50 % with a Floor of 8.00% and Cap of 12.50%	Semi-annually	15.2% of principal in the first 48th month and remaining principal in six equal semi-annual installments of 14.13% each starting from 54th month from the issue date.
Pakistan Mobile Communication Limited	6 months KIBOR + 2.85 %	Semi-annually	0.02% of principal redeemed semi-annually in the first 48 months and remaining amount in 6 semi annual installments.

Security Leasing - Sukuk (2nd issue)	Nil	Nil	Semi-annually	Up to eight equal semi-annual installment starting from 18th month from first drawdown date.
Security Leasing - Sukuk (1st Issue)	Nil	Nil	Semi-annually	In eight equal semi-annual installments starting from 18th month.
Silk Bank Limited	Floating rate of return at base rate (6 month Kibor) +1.85% p.a.		Semi-annually	The instrument will be structured to redeem 0.14% of the issue amount during the first 7 years and remaining 99.86% in last two equal semi annual installments of 49.93% each
U Microfinance Limited	7.49% per annum		NIL	Maturity date is 18.09.2018
Wapda Hydroelectric (Neelum Jhelum)	6 months KIBOR +1.00 %		Semi-annually	Principal to be repaid in 14 equal semi annual installments starting from 27-03-2015.

## 6 Subsidiary - Punjab Modaraba Services (Private) Limited

16,495,500 (2016: 16,495,500) ordinary shares of Rs. 10 each (Holding: 100% (2016: 100%)). Break up value of investment based on latest audited financial statements is Rs. 1.63 per share (2016: Rs. 7.43).

## 7 Federal government securities

	Cost		Market Value	
	2017 Rupees in '000	2016 Rupees in '000	2017 Rupees in '000	2016 Rupees in '000
<b>Held for trading:</b>				
Market treasury bills	32,310,448	23,298,833	32,310,161	23,297,657
<b>Available for sale:</b>				
Market treasury bills	163,438,629	90,811,084	163,439,292	90,815,050
Pakistan investment bonds	34,733,700	75,221,988	34,774,346	76,256,460
Government of Pakistan ijara sukuk bonds	5,031,226	2,885,472	5,028,201	2,912,287
	203,203,555	168,918,544	203,241,839	169,983,797
	235,514,003	192,217,377	235,552,000	193,281,454



**Annexure III**

**STATEMENT SHOWING WRITTEN - OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2017**

S. No.	Name and address of the borrower	Name of individuals/partners/directors with CNIC No.	Father's/husband's name	Outstanding liabilities at beginning of year			Principal written off	Interest /mark-up written-off	Other financial relief provided	Total
				Principal	Interest/mark-up	Others				
<b>Rs in '000</b>										
1	<b>Asad Ali Khan</b> 7-H/A gulberg II Lahore	Asad Ali Khan (35202-2500129-1)	Khan Qurban Ali Khan	-	48,186	-	48,186	-	40,992	40,992
2	<b>Jeez Textiles (Pvt) Limited</b> 9 K.M. Sargotha Road Samana Pul, Faisalabad	Asad Majeed (33100-0960341-5) Nazli Asad (33100-2400903-0) Ahsan Majeed (33100-9266595-7)	Sheikh Abdul Majeed Asad Majeed Asad Majeed Sheikh	59,828	89,015	-	148,843	-	30,739	30,739
3	<b>Al Macca Agri Corporation</b> Main Wali Qureshain K.L.P Road, R.Y.khan	Makhdoom Afkar ul Hassan (31303-2399377-1) Arshad Ali Tahir (31301-3513097-9) Arsha Afkar (31303-7782373-6) Qudsia Malik (66302-3088074-8)*	Makhdoom Fazal Hussain Abdul Aziz Makhdoom Afkar ul Hassan Waqar Ahmed Qureshi**	2,257	18,993	-	21,250	-	10,604	10,604
4	<b>Sky Traders</b> 14 Brandreth Road Lahore	Sheikh Muhammad Irfan (35202-7579041-3)	Sheikh Muhammad Atzal	3,575	17,388	-	20,963	-	8,668	8,668
5	<b>Hamid &amp; Co Cotton Ginning and Pressing</b> Office Millat Road Muhammad Lohar Market Fehim Yar Khan	Abdul Hameed (31303-1691927-7) Muhammad Hanif (31303-3312344-3) Muhammad Amin (31303-5510340-7)*	Nawab Ali Nawab Ali Nawab Ali	9,231	12,917	-	22,148	-	6,315	6,315
6	<b>Brig Muhammad Qaiser Khan Tareen</b> House # 15 J.A architect Society Lahore Cantt. District Lahore.	Muhammad Qaiser Khan Tareen (36302-7589879-3)	Zahoor Ahmed Khan Tareen	4,044	9,065	-	13,109	-	4,331	4,331
7	<b>Imperial Carpets</b> 19- Abbot Road Lahore	Muhammad Farouk Khan (35201-1494833-9) Muhammad Kaleem Khan (35202-8918522-1) Muhammad Javed Khan (35201-8885722-1) Muhammad Umar Khan (35200-1505678-7) Mahmood Rafiq (35201-0452548-9)*	Muhammad Ayub Khan Muhammad Ayub Khan Muhammad Ayub Khan Muhammad Ayub Khan Muhammad Rafiq**	12,133	14,995	-	27,128	-	3,986	3,986
8	<b>Farooq Glass House</b> Opposite New Khan Terminal Main Bund Road Lahore	Muhammad Nawaz (65202-6023993-1)	Muhammad Ramzan	-	21,592	-	21,592	-	3,742	3,742
9	<b>Kissan Brothers Kasur</b> Dogar House Mohalla Ahatta Dogran Near Railway Station Kasur	Muhammad Ali dogar (35102-4102504-1)	Sardar Muhammad Hussain	10,319	12,231	-	22,550	-	3,170	3,170
10	<b>Raziq &amp; Co</b> P-426-A Ghulam Muhammad Abad Faisalabad	Usman Khalid (33100-1612501-7)	Abdul Razzaq	3,046	8,101	-	11,147	-	2,942	2,942
11	<b>Al Falah International Agro Chemicals</b> 106-C Khayaban-e-Sanwar D.G.khan*	Liaqat Ali Khan Iqbal(42000-9563675-3) Rehmat Ali (32102-7307482-1) Qudrat Ullah (32102-1028834-5)**	Ghulam Hussain Khan Laghari Ghulam Hussain Rehmat Ullah	1,792	8,173	-	9,965	-	2,939	2,939
12	<b>Arora Sports</b> Faird Town Painsur Road Factory Jamshed CH Gujranwala	Jamshed Ahmed Chaudhary (34101-5530555-9)	Chaudhary Muhammad Sharif	3,638	5,288	-	8,926	-	2,397	2,397

Annexure III

S. No.	Name and address of the borrower	Name of individuals/partners/directors with CNIC No.	Fathers/husband's name	Outstanding liabilities at beginning of year				Principal written off	Interest /mark-up written-off	Other financial relief provided	Total	
				Principal	Interest/mark-up	Others						Total
<b>Rs in '000</b>												
13	<b>Prime Eva Classic</b> New stadium Road Vehari Road Multan	Sheikh Anwar Saeed (36302-1933873-9)	Sheikh Muhammad Saeed	7,257	7,587	-	14,844	-	2,126	-	2,126	
14	<b>Maqsood Saifur Cotton &amp; Oil Industries</b> Quetta Road D G Khan	Muhammad Yaqoob (32102-1882561-3) Hussain Bakhsh (32102-2092215-5) Ghulam Akbar (32102-5714101-7)	Ameer Bakhsh Amir Bakhsh Ameer Bakhsh	3,126	4,107	-	7,233	-	1,972	-	1,972	
15	<b>Humayoun Brothers</b> Village Jura Tehsil Wazir Abad	Zahid Hammed (34104-1686119-3)	Hameed Ullah	2,379	3,953	-	6,332	-	1,555	-	1,555	
16	<b>Muhammad Ashraf</b> Shop -01-163-C Sultan Ahmed Road Rehman Pura Lahore	Muhammad Ashraf (35202-7292473-3)	Bashir Ahmed	1,582	2,339	-	3,921	-	1,381	-	1,381	
17	<b>Nabeel Cotton Factory</b> Multan Road Burewala	Muhammad Aslam (36601-8016844-7) Muhammad Akram Saqib (321-52-288265) Muhammad Anwar (36601-0489703-7)*	Jan Muhammad Mian Jan Muhammad Jan Muhammad (Late)	1,293	5,972	-	7,265	1,293	-	-	1,293	
18	<b>Baloch Auto</b> Haleem Plaza 67 Lytton Road Lahore	Malik Muhammad Ashfaq Baloch (35202-8952611-1)	Faqir Muhammad Baloch	1,998	1,677	-	3,675	-	995	-	995	
19	<b>Naeem &amp; Co</b> Qadria Colony Stt. Fazal Roads Grain Markete Gaggio Mandi	Naeem Athar (36601-1621497-7)	Muhammad Saddiq Athar (late)	868	2,185	-	3,053	-	837	-	837	
20	<b>Abid Medical &amp; General Store</b> Bhond Pura Chowk 116 Temple Road Lahore	Muhammad Akhtar Yousafi (35201-3813297-9)	Muhammad Sarwar Kamboh	1,344	1,622	-	2,966	-	794	-	794	
21	<b>Sunrise Enterprises</b> 76-Riwaz Garden Lahore	Malik Muhammad Aslam (35202-2772252-3)	Malik Muhammad Iqbal	2,125	2,616	-	4,741	-	590	-	590	
22	<b>Hameed Brothers</b> House # 201 - B Shah Rukn e Alam Multan	Chaudhary Abdul Hameed (36302-0703374-7) Chaudhary Shakeel Ahmed (36302-5404844-9)	Chaudhary Niaz Din Chaudhary Niaz Din	-	1,295	-	1,295	-	560	-	560	
23	<b>Chaudhary Stainless Steel</b> Street Thatharan Wali kasera Bazar Gujranwala	Ch. Amin-Ahsan (34101-7457281-3)	Ch. Abdul Wahid Gondal	514	2,534	-	3,048	-	524	-	524	
24	<b>Rana Alamgir Ajmal Commission Shop</b> Acda Sukh Pur Tehsil Depalpur Distt. Okara Depalpur	Rana Muhammad Ajmal (35301-9471281-9)	Niaz Ahmed	951	1,116	-	2,067	-	506	-	506	
25	<b>Muhammad Ilyas</b> Choohe Wala Dak Khana Phimnah Sara Tehsil Noshera Virka District Gujranwala	MUHAMMAD ILLYAAS (34103-9681333-1)	Muhammad Hussain	547	918	-	1,465	547	-	-	547	
26	<b>Abdur Rafique Khan</b> 13-2-Asad Jan Road Cantt Lahore	Abdur Rafique Khan (35202-9601809-3)	Abdur Rashid Khan	-	28,400	-	28,400	-	28,400	-	28,400	
<b>Total</b>				133,847	332,265	-	466,112	1,840	161,065	-	162,905	





Annexure IV

Detail of disposal of property and equipment:

Particulars	Cost / Revalued amount	Book value	Sale price	Profit / (Loss)	Mode of disposal	Particulars of purchasers
	Rupees in '000					
<b>Land &amp; Building :</b>						
Wahdat Road, Lahore	21,632	21,632	27,500	5,868	Auction	Mr. Umer Farooq
296 Upper Mall Lahore	73,537	72,159	78,664	6,505	Negotiation	Education Department GOPb
Grand Hotel Davis Road Lahore	61,312	49,830	32,000	(17,830)	Negotiation	Mr. Basharat Umer & Mr. Shahid Amin
<b>Vehicles :</b>						
Coure	529	-	430	430	Auction	Mr. Wajid Zahoor
Honda City	1,389	-	1,135	1,135	Auction	Mr. Shafiqat Ali Akbar
Honda City	1,532	-	1,290	1,290	Auction	Mr. Javed Iqbal
Honda Civic	2,093	-	1,505	1,505	Auction	Mr. Danish Ahmad
Suzuki Cultus	830	-	630	630	Auction	Mr. Shafiqat Ali
Suzuki Cultus	798	-	630	630	Auction	Mr. Abdul Rashid
Suzuki Mehran	678	245	630	385	Insurance Claim	Insurance Claim
Suzuki Mehran	673	-	505	505	Auction	Mr. Wasim Shaukat
Suzuki Pick Up	512	-	425	425	Auction	Mr. Wajid Zahoor
Toyata Land Cruiser	22,800	-	-	-	As per Policy	Mr. Naeemuddin Khan - President / CEO
Toyata Parado	8,500	472	472	-	As per Policy	Mr. Khalid Tirmizey- Deputy CEO
	196,815	144,338	145,816	1,478		
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000						
	50,505	3,930	4,241	311		
<b>2017</b>	247,320	148,268	150,057	1,789		
2016	62,949	6,104	22,889	16,785		





# Consolidated Financial Statements

for the year ended December 31, 2017  
(The Bank of Punjab & Its Subsidiaries)





## Independent Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of The Bank of Punjab (the Bank) and its subsidiary companies (together referred to as 'Group') as at 31 December 2017 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 (here-in-after referred to as the 'consolidated financial statements'), for the year then ended. We have also expressed separate opinion on the Unconsolidated financial statements of the Bank. The financial statements of subsidiary companies First Punjab Modaraba and Punjab Capital Securities (Private) Limited have been reviewed while financial statements of Punjab Modaraba Services (Private) Limited have been audited by other firms of chartered accountants, whose reports have been furnished to us. Our opinion, in so far as it relates to the amounts included for such subsidiary companies, is based solely on the reports of such other auditors. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these 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 of Punjab and its subsidiary companies as at 31 December 2017 and the results of its operations for the year then ended.

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another firm of chartered accountants whose audit report dated 29 March 2017 expressed an unmodified opinion with an emphasis of matter paragraph in respect of relaxation granted by the SBP from provision against certain advances.

Chartered Accountants

Audit Engagement Partner:  
Farooq Hameed

Date: 25 April 2018

Lahore

# Consolidated Statement of Financial Position

As at December 31, 2017

	Note	2017 Rupees in '000'	Restated 2016
<b>ASSETS</b>			
Cash and balances with treasury banks	7	42,478,209	35,756,160
Balances with other banks	8	6,116,297	3,765,870
Lendings to financial institutions	9	24,170,850	11,262,133
Investments - net	10	242,487,965	199,724,840
Advances - net	11	295,841,425	262,189,551
Operating fixed assets	12	8,533,033	7,702,711
Deferred tax assets - net	13	10,786,284	6,533,689
Other assets - net	14	19,295,379	18,511,830
		649,709,442	545,446,784
<b>LIABILITIES</b>			
Bills payable	16	3,365,325	4,183,480
Borrowings	17	38,949,362	39,829,134
Deposits and other accounts	18	556,191,873	453,174,322
Sub-ordinated loans	19	4,499,000	4,500,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities	20	16,864,004	15,791,861
		619,869,564	517,478,797
<b>NET ASSETS</b>		29,839,878	27,967,987
<b>REPRESENTED BY</b>			
Share capital	21	26,436,924	15,551,132
Reserves	22	3,296,781	1,117,439
Share deposit money	23	-	7,000,000
(Accumulated loss) / unappropriated profit		(3,034,749)	541,108
		26,698,956	24,209,679
Non-controlling interest		254,320	151,395
		26,953,276	24,361,074
Surplus on revaluation of assets - net of tax	24	2,886,602	3,606,913
		29,839,878	27,967,987
<b>CONTINGENCIES AND COMMITMENTS</b>	25		

The annexed notes from 1 to 45 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director





# Consolidated Profit and Loss Account

For the year ended December 31, 2017

	Note	2017 Rupees in '000'	Restated 2016
Mark-up / return / interest earned	26	34,532,045	29,744,865
Mark-up / return / interest expensed	27	18,877,323	17,430,154
Net mark-up / interest income		15,654,722	12,314,711
Provision against non-performing loans and advances - net	11.5.1	14,131,478	917,631
Provision for diminution in the value of investments - net	10.3	91,645	102,632
Bad debts written off directly	11.6	-	-
		14,223,123	1,020,263
Net mark-up / interest income after provisions		1,431,599	11,294,448
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		1,227,035	974,703
Dividend income		91,361	61,774
Income from dealing in foreign currencies		109,173	75,248
Gain on sale and redemption of securities - net	28	1,316,155	2,525,572
Unrealized loss on revaluation of investments classified as held for trading	10.7	80	(1,176)
Other income	29	1,859,912	1,665,095
Total non-markup / interest income		4,603,716	5,301,216
		6,035,315	16,595,664
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	30	10,174,996	8,410,589
Provision against other assets	14.4	513,461	569,923
Reversal of provision against off balance sheet obligations	20.1	-	(485,668)
Other charges	31	43,003	33,699
Total non-markup / interest expenses		10,731,460	8,528,543
		(4,696,145)	8,067,121
Extra ordinary / unusual items		-	-
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		(4,696,145)	8,067,121
Taxation - Current year		2,274,233	965,558
- Prior years		227,511	622,219
- Deferred		(3,880,813)	1,596,420
	32	(1,379,069)	3,184,197
<b>(LOSS) / PROFIT AFTER TAXATION</b>		(3,317,076)	4,882,924
<b>(LOSS) / PROFIT ATTRIBUTABLE TO:</b>			
Equity holders of the parent		(3,383,805)	4,820,994
Non-controlling interest		(66,729)	(61,930)
		(3,317,076)	4,759,064
	Note	2017 Rupees	2016
<b>Basic (loss)/earnings per share attributable to equity holders of the parent</b>	33	(1.65)	3.10
<b>Diluted (loss)/earnings per share attributable to equity holders of the parent - Rupees</b>	34	(1.65)	3.10

The annexed notes from 1 to 45 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017

	Note	2017 Rupees in '000'	Restated 2016
<b>(Loss) / Profit after taxation for the year</b>		(3,317,076)	4,882,924
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>			
Remeasurement loss on defined benefit obligations - net of tax	37.1.1	(82,051)	(64,620)
<b>Other comprehensive (loss) / income transferred to equity</b>		(3,399,127)	4,818,304
<b>Items that may be reclassified to profit and loss in subsequent periods:</b>			
Change in surplus on revaluation of investments - net of tax		(895,122)	(385,309)
<b>Total comprehensive (loss) / income for the year</b>		(4,294,249)	4,432,995
<b>Total comprehensive (loss) / income for the year, attributable to:</b>			
Equity holders of the parent		(4,227,520)	4,494,925
Non-controlling interest		(66,729)	(61,930)
		(4,294,249)	4,432,995

The annexed notes from 1 to 45 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director



# Consolidated Cash Flow Statement

For the year ended December 31, 2017

	Note	2017 Rupees in '000'	Restated 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation		(4,696,145)	8,067,121
Less: Dividend income		(91,361)	(61,774)
		(4,787,506)	8,005,347
Adjustments for:			
Depreciation on property and equipment	12.2	789,323	693,591
Depreciation on non banking assets acquired in satisfaction of claims	30	86,535	105,601
Depreciation / impairment on ijarah assets under IFAS - 2	30	377,544	115,610
Amortization on intangible assets	12.3	26,197	23,395
Amortization of premium on debt securities - net		856,114	708,843
Unrealized loss on revaluation of investments classified as held for trading	10.7	(80)	1,176
Provision against non-performing loans and advances - net	11.5.1	14,131,478	917,631
Provision for diminution in the value of investments - net	10.3	91,645	102,632
Provision for employees compensated absences	37.1.3	9,860	(136,542)
Provision for gratuity	37.1.1	107,608	78,615
Provision against other assets	14.4	513,461	569,923
Reversal of provision against off balance sheet obligations	20.1	-	(485,668)
Net profit on sale of property and equipment	29	(2,403)	(16,800)
Net profit on sale of non-banking assets acquired in satisfaction of claims	29	(12,157)	(11,636)
Gain on sale and redemption of securities - net	28	(1,316,155)	(2,525,572)
		15,658,970	140,799
		10,871,464	8,146,146
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		(8,105,394)	(5,248,871)
Net investments in held for trading securities		(9,013,514)	(23,263,387)
Advances - net		(48,160,896)	(43,875,111)
Others assets - net		(730,256)	7,008,934
		(66,010,060)	(65,378,435)
Increase / (Decrease) in operating liabilities:			
Bills Payable		(818,155)	2,296,048
Borrowings		(853,650)	(15,417,446)
Deposits and other accounts		103,017,551	78,235,858
Other liabilities		828,443	590,684
		102,174,189	65,705,144
		47,035,593	8,472,855
Income tax paid		(3,011,311)	(1,710,455)
<b>Net cash flow from operating activities</b>		44,024,282	6,762,400
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		(34,822,071)	(14,315,418)
Net investments in held to maturity securities		63,822	15,000,000
Dividends received		80,236	79,323
Investments in operating fixed assets		(1,696,195)	(1,436,150)
Sale proceeds of property and equipment disposed-off		150,678	38,598
Sale proceeds of non-banking assets disposed-off		280,750	190,852
<b>Net cash used in investing activities</b>		(35,942,780)	(442,795)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Repayment) / Issuance of sub-ordinated loans		(1,000)	2,500,000
Issue of right shares at premium during the year		6,062,950	-
Dividend paid to non controlling interests		(10,350)	(10,350)
Right shares issue cost		(231,181)	-
<b>Net cash flow from financing activities</b>		5,820,419	2,489,650
<b>Net increase in cash and cash equivalents</b>		13,901,921	8,809,255
Cash and cash equivalents at beginning of the year		39,437,220	30,627,965
Cash and cash equivalents at end of the year	35	53,339,141	39,437,220

The annexed notes from 1 to 45 and Annexures - I to IV form an integral part of these consolidated financial statements.

Chief Financial Officer

President

Chairman

Director

Director

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

	Attributable to equity holders of the Bank							Total
	Capital reserves			Revenue reserve				
	Share capital	Discount on issue of shares	Statutory reserve	Share premium	Share deposit money	(Accumulated loss) unappropriated profit	Non-controlling interest	
	<b>R u p e s i n '000'</b>							
<b>Balance as at January 01, 2016</b>	15,551,132	(263,158)	2,291,119	37,882	7,000,000	(5,220,853)	-	19,396,122
Effect of rectification of error as stated in note-1	-	-	77,768	-	-	(77,737)	99,815	99,846
<b>Balance as at January 01, 2016 - restated</b>	15,551,132	(263,158)	2,368,887	37,882	7,000,000	(5,298,590)	99,815	19,495,968
Profit after taxation for the year ended December 31, 2016	-	-	-	-	-	4,820,994	61,930	4,882,924
Other comprehensive income	-	-	-	-	-	(64,620)	-	(64,620)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	4,756,374	61,930	4,818,304
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated losses) - net of tax	-	-	-	-	-	54,639	-	54,639
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated losses) on disposal	-	-	-	-	-	2,513	-	2,513
Transfer to unappropriated profit / (accumulated losses)	-	-	(2,000,000)	-	-	2,000,000	-	-
Final dividend for the year ended June 30, 2016 at Rs. 0.5 per certificate by subsidiary	-	-	-	-	-	-	(10,350)	(10,350)
Transfer to statutory reserve	-	-	973,828	-	-	(973,828)	-	-
<b>Balance as at December 31, 2016 - restated</b>	15,551,132	(263,158)	1,342,715	37,882	7,000,000	541,108	151,395	24,361,074
<b>Balance as at January 01, 2017</b>	15,551,132	(263,158)	1,262,791	37,882	7,000,000	663,927	-	24,252,574
Effect of rectification of error as stated in note-5	-	-	79,924	-	-	(122,819)	151,395	108,500
<b>Balance as at January 01, 2017 - restated</b>	15,551,132	(263,158)	1,342,715	37,882	7,000,000	541,108	151,395	24,361,074
Loss after taxation for the year ended December 31, 2017	-	-	-	-	-	(3,383,805)	66,729	(3,317,076)
Other comprehensive loss	-	-	-	-	-	(82,051)	-	(82,051)
Total comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(3,465,856)	66,729	(3,399,127)
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated loss) - net of tax	-	-	-	-	-	51,294	-	51,294
Transfer from surplus on revaluation of fixed assets to unappropriated profit / (accumulated loss) on disposal	-	-	-	-	-	108,678	-	108,678
Transfer from surplus on revaluation of non banking assets to unappropriated profit / (accumulated loss) on disposal	-	-	-	-	-	7,592	-	7,592
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	2,346	-	2,346
Final dividend for the year ended June 30, 2017 at Rs. 0.5 per certificate by subsidiary	-	-	-	-	-	-	(10,350)	(10,350)
Share deposit money received	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	2,184	-	-	(2,184)	-	-
Transfer to Non-controlling interest on acquisition	-	-	-	-	-	(46,546)	46,546	-
<b>Transactions with owners, recorded directly in equity:</b>								
Issuance of right shares at premium during the year	10,885,792	-	-	2,177,158	(7,000,000)	(231,181)	-	6,062,950
Right shares issue cost	-	-	-	-	-	-	-	(231,181)
<b>Balance as at December 31, 2017</b>	10,885,792	-	-	2,177,158	(7,000,000)	(231,181)	-	5,831,769
	26,436,924	(263,158)	1,344,899	2,215,040	-	(3,034,749)	254,320	26,963,276

The annexed notes from 1 to 45 and Annexures - I to IV form an integral part of these consolidated financial statements.

**Chief Financial Officer**

**President**

**Chairman**

**Director**

**Director**



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

## 1. STATUS AND NATURE OF BUSINESS

- 1.1 The Bank of Punjab Group (“the Group”) comprises of The Bank of Punjab (“the Bank”) (“BOP”) (“the Holding Company”), Punjab Modaraba Service (Private) Limited (“PMSL”) (the Management Company), First Punjab Modaraba (“FPM”) (“the Modaraba”), Punjab Capital Securities (Private) Limited (“PCSL”) (100% owned by First Punjab Modaraba). For the purpose of these financial statements, The Bank of Punjab and consolidated subsidiaries are referred to as the Group.

The Group consists of:

### Holding Company

The Bank of Punjab

### Subsidiary Companies

	% age of holding-2017	% age of holding-2016
Punjab Management Service (Private) Limited	100.00%	100.00%
First Punjab Modaraba	39.16%	39.16%
Punjab Capital Securities (Private) Limited	39.16%	-

The subsidiary company of the Group, Punjab Modaraba Service (Private) Limited exercises control over First Punjab Modaraba, as its management company and also has a direct economic interest in it. Further, Punjab Capital Securities (Private) Limited is a 100% subsidiary of FPM. The Group has consolidated the financial statements of the modaraba and PCSL as the ultimate holding company. The Group is principally engaged in commercial banking, modaraba management, leasing, brokerage, etc. Brief profile of the holding company and subsidiaries is as follows:

### Holding Company

The Holding Company was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 536 branches including 06 sub branches and 64 islamic banking branches (2016: 453 branches including 03 sub branch and 48 islamic banking branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Pakistan Stock Exchange. The majority shares of the Bank are held by Government of the Punjab (GoPb).

### Punjab Modaraba Service (Private) Limited

Punjab Modaraba Services (Private) Limited (the management Company) was incorporated in Pakistan on October 19, 1991 under the Companies Ordinance, 1984 as a private limited company. It is wholly owned by The Bank of Punjab and is primarily engaged in the business of floating and managing Modarabas.

PMSL has accumulated losses of Rs.38.378 million as at December 31, 2017. Further, the Company’s current liabilities exceeded its current assets by Rs. 39.125 million. These losses are mainly due to drying up of revenue streams. The management fee and dividend from First Punjab Modaraba (the Managed Modaraba) (FPM) are the main sources of the revenue of the Company. The financial statements of PMSL, however, have been prepared under the going concern assumption due to following reasons:

- The Managed Modaraba has earned profit and declared dividend consecutively in last few years and has been revived in almost all spheres.
- With continued support of the Bank of Punjab (the Holding Company), the Modaraba is expected to show better performance going forward yielding returns for the Company.

### First Punjab Modaraba

First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab), a company incorporated in Pakistan. The registered office of the Modaraba is situated at 4th floor, Mega Tower Main Boulevard Gulberg, Lahore. The Modaraba commenced its operations on 23 December 1992. The Modaraba is listed on Pakistan Stock Exchange.

### Punjab Capital Securities (Private) Limited

The Punjab Capital Securities (Private) Limited (“the Company”) is registered under the Companies Ordinance, 1984 as company limited by shares from the 29th day of November 2016. The Company is mainly engaged in business of brokerage services, portfolio management and consultancy services. The registered office of the company is situated at Room No 319, 3rd Floor, LSE Building, Lahore. The Company is wholly-owned subsidiary of First Punjab Modaraba.


- 1.2** As on December 31, 2017, the Bank stands compliant with the provisioning requirement under SBP’s Prudential Regulations after charging provision of Rs. 12,109,685 thousand required against certain exposures previously not subjected to provisioning criteria in view of the relaxation granted by SBP on the basis of two LOCs issued by the GOPb as explained below. Had this additional provision of Rs. 12,109,685 thousand not been charged in the current year, the financial results would have been as follows:

	Rupees in ‘000’
Profit before tax	7,413,540
Profit after tax	4,554,219
Earnings per share (Rs.)	2.19
Advances-net	307,951,110
Deferred tax asset-net	6,547,894
Total assets	657,580,737
Un-appropriated profits	3,898,929
Net assets	37,711,173
CAR (%)	14.04%

Under the arrangements agreed between GOPb, SBP and the Bank, the GOPb vide two LOCs has undertaken to inject necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum aggregate amount of Rs. 14,150,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending December 31, 2018 if the Bank fails to make provision of Rs. 21,770,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning. In addition, in terms of aforesaid LOCs, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.







As on December 31, 2017, paid-up capital (net of losses) amounted to Rs. 23,630,485 thousand and the Bank stands compliant with SBP's minimum capital requirement of Rs. 10,000,000 thousand. However, the Bank's Capital Adequacy Ratio (CAR) is less than the applicable requirements as disclosed in note 42.3. The Management has prepared a capital management plan, including issuance of Tier-II capital, for compliance with minimum prescribed level of CAR till June 30, 2018. Accordingly, the SBP, on the basis of capital management plan, has granted the Bank relaxation from the applicable CAR till June 30, 2018.

Subsequent to year ended December 31, 2017, the Bank, in pursuance of achieving the capital management plan, has successfully raised Rs. 4,300,000 thousand as Tier-II capital through issuance of rated and unlisted privately placed term finance certificates. Further, keeping in view the targeted growth and projections for the next year, the Management is confident to meet applicable requirements of CAR by June 30, 2018.

### 1.3 Basis of Consolidation

Subsidiaries are all entities over which the Bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Holding Company controls another entity. The Bank also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Bank's voting rights relative to the size and dispersion of holdings of other shareholders give the Company the power to govern the financial and operating policies, etc.

The Group Financial Statements include the Financial Statements of the Bank and its subsidiaries.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases. The financial statements of subsidiaries have been consolidated on line by line basis. All significant inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

The Bank applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Bank recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. The Financial Statements of the Bank and its subsidiaries are prepared upto the same reporting date using consistent accounting policies.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income statement.

Any contingent consideration to be transferred by the Bank is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.



Goodwill, if any, is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in income statement. After initial recognition, is measured at carrying value i.e. cost at the date of acquisition less any accumulated impairment.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Bank ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Bank had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

#### **1.4 Non-controlling interest**

The Group applies a policy of treating transactions with non- controlling interests as transaction with parties external to the Group. Disposals of non-controlling interests results in gain and losses for the Group that are recorded in the profit and loss account.

### **2. BASIS OF PREPARATION**

**2.1** These financial statements are the consolidated financial statements of the Group in which investment in subsidiaries is accounted for on the basis of acquisition method. Standalone financial statements of the bank and its subsidiaries are prepared separately.

**2.2** In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks from their customers and immediate resale to them at appropriate marked-up price on 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 facility actually utilized and the appropriate portion of mark-up thereon.

**2.3** The financial results of Islamic Banking business have been consolidated in these consolidated financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking business are disclosed in Annexure-I to these consolidated financial statements.

### **3. STATEMENT OF COMPLIANCE**

**3.1** These consolidated financial statements have been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance 1984 (repealed – note 3.1.1) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and Islamic Financial Accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the provisions of the Companies Ordinance 1984 (repealed – note



3.1.1). Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 (repealed – note 3.1.1) differ with the requirements of these standards, the requirements of the said directives, the Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 (repealed – note 3.1.1) take precedence.

- 3.1.1** The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. However, as allowed by the SECP vide its Circular No. 23 dated October 04, 2017, these consolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 3.2** SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, “Financial Instruments: Recognition and Measurement” and International Accounting Standard (IAS) 40, “Investment Property” for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 “Financial Instruments: Disclosures” has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements.
- 3.3** IFRS 8, ‘Operating Segments’ is effective for the Bank’s accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, ‘Revised Forms of Annual Financial Statements’, effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by the SBP.
- 3.4** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard - 3 for Profit & Loss Sharing on Deposits (IFAS 3) issued by the Institute of Chartered Accountants of Pakistan and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in these consolidated financial statements of the Bank.

#### **4. BASIS OF MEASUREMENT**

These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of freehold land and buildings on freehold land, revaluation of non-banking assets acquired in satisfaction of claims, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

These consolidated financial statements are presented in Pak Rupees, which is the Group’s functional and presentation currency.

#### **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank’s accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group’s consolidated financial statements or where judgment was exercised in the application of accounting policies are as follows:



### 5.1 Classification of investments

In classifying investments as “held for trading” the Group has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as “held to maturity” the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

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

### 5.2 Provision against non-performing advances and debt securities classified as investments

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations issued by the SBP, the management also applies the subjective criteria of classification and, accordingly, the classification of advances and debt securities is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision.

### 5.3 Impairment of available for sale investments

The Group considers that available for sale equity investments are impaired when there has been a significant and prolonged decline in the fair value below its cost. Other factors will also need to be considered before deciding the permanent impairment of investment. This determination of what is significant and prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the statement of financial position date, the management has determined an impairment loss on available for sale securities and held to maturity securities as disclosed in note 10.3.1.

### 5.4 Depreciation, amortization and revaluation of operating fixed assets

Estimates of useful life of operating fixed assets are based on management’s best estimate. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Further, the Group estimates the revalued amount of freehold land and buildings on freehold land on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

### 5.5 Income taxes

In making estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Group’s view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

### 5.6 Staff retirement benefits

The amount of provision for gratuity and compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality,



expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

#### **5.7 Non banking assets acquired in satisfaction of claims**

The Bank estimates the revalued amounts of non banking assets acquired in satisfaction of claims on a regular basis. The estimates are based on expected legal enforceability, ease of realization and valuations carried out by an independent valuation expert under the market conditions.

### **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **6.1 Cash and cash equivalents**

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lending's less over drawn nostro accounts and other overdrawn bank accounts.

#### **6.2 Revenue recognition**

Revenue is recognized to the extent that the economic benefits will flow to the Group and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized:

##### **6.2.1 Mark-up / return / interest income**

Mark-up / return / interest on advances and return on investments are recognized in profit and loss account on an accrual basis, except mark-up on non-performing advances which is recognized when received.

##### **6.2.2 Dividend income**

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

##### **6.2.3 Lease finance income**

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of 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 periods so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

##### **6.2.4 Fees and commission income**

Commission income is recognized on time proportion basis.

#### **6.3 Advances including net investment in finance lease**

Advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.



Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value.

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

## 6.4 Investments

Investments other than those categorized as held for trading are initially recognized at fair value which includes transaction costs associated with the investments. Investments classified as held for trading are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

All regular way purchase / sale of investment are recognized on the trade date, i.e., the date the Group commits to purchase / sell the investments. Regular way purchase or sale of investment requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Investments are classified as follows:

- Held for trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to profit and loss account.
- Held to maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.
- Available for sale – These are investments, other than those in associates, which do not fall under the held for trading or held to maturity categories. These are carried at market value with the surplus / (deficit) on revaluation taken to ‘Surplus / (deficit) on revaluation of assets shown below equity, except available for sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills and Pakistan Investment Bonds) which are stated at cost less provision for diminution in value of investments, if any.

Provision for diminution in the value of investments is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP’s Prudential Regulations.

Premium or discount on debt securities classified as available for sale and held to maturity securities are amortized using the effective yield method.

On de-recognition or impairment in quoted available for sale securities the cumulative gain or loss previously reported as “Surplus / (Deficit) on revaluation of assets” below equity is included in the profit and loss account for the period.

Gain and loss on disposal of investments are dealt with through the profit and loss account in the year in which they arise.





## 6.5 Lending to / borrowing from financial institutions

The Group enters into transactions of repo and reverse repo at contracted rates for a specified period of time. These are recorded as under:

### 6.5.1 Sale under repurchase obligations

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and repurchase price is accrued using effective yield method and recorded as interest expense over the term of the related repo agreement.

### 6.5.2 Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

## 6.6 Operating fixed assets and depreciation

### 6.6.1 Owned

Property and equipment, other than freehold land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Freehold land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 12.2 to these consolidated financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus / (Deficit) arising on revaluation of freehold land and buildings on freehold land is credited to the "Surplus / (Deficit) on Revaluation of Assets" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

Gains and losses on sale of operating fixed assets are included in profit and loss account currently.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.



## 6.6.2 Leased

Property and equipment subject to finance lease are accounted for by recording the assets and the related liabilities. These are stated at fair value or present value of minimum lease payments whichever is lower at the inception of the lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. The property and equipment acquired under finance leasing contracts is depreciated over the useful life of the assets as per rates given in note 12.2 to these consolidated financial statements.

## 6.6.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method as per the rates given in note 12.3 to these consolidated financial statements. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

## 6.6.4 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). These are transferred to specific assets as and when assets are available for use.

## 6.7 Taxation

### 6.7.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### 6.7.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of operating fixed assets and available for sale securities which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS)12, 'Income Taxes'.



## 6.8 Assets acquired in satisfaction of claims

Non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation except land which is carried at revalued amount. Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of non-banking assets is credited to the 'surplus on revaluation of 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 not capitalized.

## 6.9 Employee retirement and other benefits

### 6.9.1 Defined contribution plan – Provident fund

The Bank operates an approved provident fund scheme, covering all permanent employees. Contributions are made monthly by the Bank and the employees at the rate of 8.33% of basic salary. Contributions by the Bank are charged to profit and loss account.

### 6.9.2 Defined benefit plan - Gratuity scheme

The Bank operates an approved funded gratuity scheme for all its permanent employees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are charged or credited to other comprehensive income in the year in which they occur.

### 6.9.3 Defined benefit plan - Employees' compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. Actuarial gains and losses are charged to income in the year in which they occur.

## 6.10 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the exchange rates prevailing at the statement of financial position date except assets and liabilities for which there are forward contracts which are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

## 6.11 Provisions

Provisions are recorded when the Group has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

## 6.12 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations are made when the Group has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.



### 6.13 Dividend distribution and appropriations

Dividend distributions and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

### 6.14 Impairment

The carrying amounts of assets (other than deferred tax assets) are reviewed for impairment at each statement of financial position date whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

### 6.15 Earnings per share

The Group presents earnings per share (EPS) for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares (if any).

### 6.16 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the equity.

### 6.17 Financial instruments

#### 6.17.1 Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and Group balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial institutions, deposits and other payables. The particular recognition criteria adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

#### 6.17.2 Offsetting

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

### 6.18 Segment reporting

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



### 6.18.1 Business segments

#### Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, and brokerage debt.

#### Retail banking

It includes retail lending and deposits, banking services, private lending and deposits, trust and estates investment advice, merchant / commercial and private labels and retail.

#### Commercial banking

Commercial banking includes project finance, real estate finance, export finance, trade finance, lending, guarantees, bills of exchange and deposits.

#### Payment and settlement

It includes payments and collections, funds transfer, clearing and settlement.

#### Agency service

It includes depository receipts, securities lending (customers), issuer and paying agents.

#### Retail brokerage

It includes business of stock brokerage, investment counselling and fund placements.

### 6.18.2 Geographical segments

The Group operates only in Pakistan.

### 6.19 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2017

During the year, certain amendments to standards, interpretations and improvement to accounting standards became effective; however, the amendments, interpretations and improvements did not have any material effect on the consolidated financial statements of the Group.

### 6.20 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. The Group considers that the following standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements provided that such changes do not conflict with the format of financial statements prescribed by the SBP for banks.



Standard or Interpretations		Effective date (accounting periods beginning on or after)
IFRS 2	Share Based Payments– Clarification of the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 3	Business Combinations (amendments)	January 01, 2018
IFRS 9	Financial Instruments: Amendments related to Classification and Measurement (The Bank is currently awaiting instructions from SBP, as applicability of IAS 39 was deferred by SBP till further instructions)	January 01, 2018
IFRS 15	Revenue from contracts	January 01, 2018
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2018
IFRS 16	Leases	January 01, 2019
IAS 12	Income Taxes (amendments)	July 01, 2018
IAS 28	Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2018

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition. The standard introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

### 6.21 Retrospective restatement

During the year, the management has also consolidated its subsidiaries First Punjab Modaraba (FPM) and Punjab Capital Securities (Private) Limited (PCSL), in addition to Punjab Modaraba Services (Private) Limited (PMSL). Previously only Punjab Modaraba Services (Private) Limited was being consolidated.

First Punjab Modaraba and Punjab Capital Services (Private) Limited have been accounted for as subsidiaries in the preparation of consolidated financial statements of the Group, considering the requirements of local regulations and applicable financial reporting standards. PMSL being the management company has control over FPM, is exposed / have rights to variable return from its involvement with FPM and has the ability to affect the amount of return from FPM. This has been adjusted retrospectively as per the requirements of IAS-8 “Accounting Policies, Changes in Accounting Estimates and Errors”. Since, this retrospective restatement does not have a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period, therefore third consolidated statement of financial position as at the beginning of the preceding period has not been presented.





The effect of correction of errors on consolidated financial statements is summarized below:

	<b>Effect on 2015 Rupees in '000'</b>
Increase in balances with other banks	110
Decrease in lendings to financial institutions	(100,000)
Decrease in investments – net	(53,896)
Increase in advances - net	58,989
Increase in operating fixed assets	9,766
Increase in deferred tax assets - net	41,305
Increase in other assets – net	345,565
Decrease in borrowings	57,389
Decrease in deposits and other accounts	19,126
Increase in other liabilities	(278,508)
Increase in reserves	(77,768)
Decrease in (Accumulated loss) / unappropriated profit	77,737
Increase in non-controlling interest	(99,815)

The effect of restatement on consolidated statement of financial position of prior year is summarized below:

	<b>Effect on 2016 Rupees in '000'</b>
Increase in Cash and balances with treasury banks	136
Increase in Balances with other banks	3
Decrease in Lendings to financial institutions	(300,000)
Decrease in Investments – net	(59,513)
Increase in Advances – net	164,420
Increase in Operating fixed assets	10,036
Increase in Deferred tax assets – net	53,433
Increase in Other assets – net	358,963
Decrease in Deposits and other accounts	45,418
Increase in Other liabilities	(164,396)
Increase in Reserves	(79,924)
Decrease in (Accumulated loss) / unappropriated profit	122,819
Increase in Non-controlling interest	(151,395)

The effect of restatement on consolidated statement of comprehensive income of prior year is summarized below:

	<b>Effect on 2016 Rupees in '000'</b>
Increase in mark-up / return / interest earned	73,400
Decrease in provision against non-performing loans and advances - net	(4,605)
Increase in provision for diminution in the value of investments - net	5,616
Decrease in fee, commission and brokerage income	(1,716)
Decrease in dividend income	(6,660)
Increase in other income	6,811
Increase in administrative expenses	60,060
Increase in current taxation for the year	3,888
Increase in current taxation for prior year	257,960
Decrease in deferred taxation for the year	(270,088)
Increase in profit attributable to non-controlling interest	61,930

	Note	2017 Rupees in '000'	Restated 2016
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand:			
- Local currency	7.1	7,722,070	5,945,249
- Foreign currencies		989,859	774,935
		8,711,929	6,720,184
With State Bank of Pakistan (SBP) in:			
- Local currency current account	7.2	21,547,541	17,403,162
- Foreign currency deposit account:	7.3		
- Non remunerative		427,867	382,831
- Remunerative	7.4	1,263,173	1,228,107
		23,238,581	19,014,100
With National Bank of Pakistan in:			
- Local currency current account		10,527,699	10,021,876
- Local currency deposit account		-	-
		10,527,699	10,021,876
		42,478,209	35,756,160

**7.1** This includes National Prize Bonds of Rs. 43,256 thousand (2016: Rs. 34,312 thousand).

**7.2** This represents current account maintained with the SBP under the requirements of section 22 "Cash Reserve Requirement" of the Banking Companies Ordinance, 1962.

**7.3** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

**7.4** This carries mark-up at the rate ranging from 0.23% to 0.37% per annum (2016: 0.00%) as announced by SBP on monthly basis.

	Note	2017 Rupees in '000'	Restated 2016
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan:			
- On current accounts		2,941,485	1,665,144
- On deposit accounts	8.1	2,371,040	1,610,987
		5,312,525	3,276,131
Outside Pakistan:			
- On current accounts		276,364	244,762
- On deposit accounts	8.2	527,408	244,977
		803,772	489,739
		6,116,297	3,765,870

**8.1** These carry mark-up at rates ranging from 2.40% to 5.55% per annum (2016: 1.75% to 4.75% per annum).

**8.2** These carry mark-up at rates ranging from 0.77% to 1.17% per annum (2016: 0.05% to 0.41% per annum).



	Note	2017 Rupees in '000'	Restated 2016
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	9.2	4,803,323	-
Reverse repurchase agreement lendings	9.3	9,510,527	6,162,133
Placements	9.4	9,090,000	5,100,000
Bai - Muajjal with SBP	9.5	767,000	-
		24,170,850	11,262,133
<b>9.1 Particulars of lendings</b>			
In local currency		24,170,850	11,562,133
In foreign currency		-	-
		24,170,850	11,562,133

9.2 These carry profit at the rate of 5.80% per annum (2016: Nil) with maturities upto January 03, 2018.

**9.3 Securities held as collateral against lendings to financial institutions**

	2017			2016 (Restated)		
	Rupees in '000'					
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Market treasury bills	8,650,527	-	8,650,527	3,302,133	-	3,302,133
Pakistan investment bonds	860,000	-	860,000	2,860,000	-	2,860,000
	9,510,527	-	9,510,527	6,162,133	-	6,162,133

Market value of securities held as collateral as at December 31, 2017 amounted to Rs. 9,526,431 thousand (2016: Rs. 6,225,139 thousand). These carry mark-up at rates ranging from 5.90% to 6.25% per annum (2016: 5.90% to 6.25% per annum) with maturities upto February 15, 2018.

9.4 These carry profit at rates ranging from 5.60% to 6.25% per annum (2016: 4.85% to 6.25% per annum) with maturities upto April 02, 2018.

9.5 These carry profit rates ranging from 5.65% to 5.75% per annum (2016: Nil) with maturities upto June 21, 2018.

**10. INVESTMENTS - NET**

	Note	2017			2016 (Restated)		
		Rupees in '000'					
	Note	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
<b>10.1 Investments by types</b>							
<b>Held for trading securities:</b>							
Market treasury bills	10.4 & Annex II - 7	32,310,448	-	32,310,448	23,298,833	-	23,298,833
<b>Available for sale securities:</b>							
Market treasury bills	10.4 & Annex II - 6	142,725,994	20,712,635	163,438,629	80,885,259	9,925,825	90,811,084
Pakistan investment bonds	10.4 & Annex II - 6	34,733,700	-	34,733,700	59,242,027	15,979,961	75,221,988
Ordinary shares / certificates of listed companies and modarabas	Annex II - 1	1,823,940	-	1,823,940	1,305,364	-	1,305,364
Preference shares of listed companies	Annex II - 2	340,451	-	340,451	340,451	-	340,451
Preference shares of unlisted companies	Annex II - 2	71,406	-	71,406	-	-	-
Ordinary shares of unlisted company	Annex II - 3	39,892	-	39,892	34,352	-	34,352
Government of Pakistan ijarah sukuk	Annex II - 6	5,031,226	-	5,031,226	2,885,472	-	2,885,472
Listed term finance certificates	Annex II - 4	1,330,918	-	1,330,918	1,193,277	-	1,193,277
Unlisted term finance certificates / sukuks	Annex II - 5	6,211,152	-	6,211,152	6,015,763	-	6,015,763
		192,308,679	20,712,635	213,021,314	151,901,965	25,905,786	177,807,751

	Note	2017			2016 (Restated)		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
<b>Rupees in '000'</b>							
<b>Held to maturity securities:</b>							
Pakistan investment bonds	10.5	252,178	-	252,178	253,867	-	253,867
WAPDA bonds	10.5	400	-	400	400	-	400
		252,578	-	252,578	254,267	-	254,267
<b>Total investments at cost</b>		224,871,705	20,712,635	245,584,340	175,455,065	25,905,786	201,360,851
Provision for diminution in the value of investments - net	10.3	(3,014,148)	-	(3,014,148)	(2,930,597)	-	(2,930,597)
<b>Investments - net of provision</b>		221,857,557	20,712,635	242,570,192	172,524,468	25,905,786	198,430,254
(Deficit) / Surplus on revaluation of available for sale securities	24.3	(82,728)	421	(82,307)	1,265,905	29,857	1,295,762
Deficit on revaluation of held for trading securities	10.7	80	-	80	(1,176)	-	(1,176)
<b>Total investments at carrying value</b>		221,774,909	20,713,056	242,487,965	173,789,197	25,935,643	199,724,840
<b>10.2 Investments by segments:</b>							
<b>Federal government securities:</b>							
Market treasury bills	10.4 & Annexure II - 6	175,036,442	20,712,635	195,749,077	104,184,092	9,925,825	114,109,917
Pakistan investment bonds	10.4 & Annexure II - 6	34,985,878	-	34,985,878	59,495,894	15,979,961	75,475,855
Government of Pakistan ijarah sukuk	Annexure II - 6	5,031,226	-	5,031,226	2,885,472	-	2,885,472
<b>Ordinary shares/certificates:</b>							
Listed companies and modarabas	Annex II - 1	1,823,940	-	1,823,940	1,305,364	-	1,305,364
Unlisted company	Annex II - 3	39,892	-	39,892	34,352	-	34,352
<b>Preference shares:</b>							
Listed companies	Annex II - 2	340,451	-	340,451	340,451	-	340,451
Unlisted companies	Annex II - 2	71,406	-	71,406	-	-	-
<b>Term finance certificates and bonds:</b>							
Listed term finance certificates	Annex II - 4	1,330,918	-	1,330,918	1,193,277	-	1,193,277
Unlisted term finance certificates / sukuk	Annex II - 5	6,211,152	-	6,211,152	6,015,763	-	6,015,763
WAPDA bonds		400	-	400	400	-	400
<b>Total investments at cost</b>		224,871,705	20,712,635	245,584,340	175,455,065	25,905,786	201,360,851
Provision for diminution in the value of investments - net	10.3	(3,014,148)	-	(3,014,148)	(2,930,597)	-	(2,930,597)
<b>Investments - net of provision</b>		221,857,557	20,712,635	242,570,192	172,524,468	25,905,786	198,430,254
(Deficit) / Surplus on revaluation of available for sale securities	24.3	(82,728)	421	(82,307)	1,265,905	29,857	1,295,762
Deficit on revaluation of held for trading securities	10.7	80	-	80	(1,176)	-	(1,176)
<b>Total investments at carrying value</b>		221,774,909	20,713,056	242,487,965	173,789,197	25,935,643	199,724,840



	Note	2017 Rupees in '000'	Restated 2016
<b>10.3 Provision for diminution in the value of investments - net</b>			
Opening balance		2,930,597	2,911,454
Charge for the year		94,584	102,632
Reversal during the year		(2,939)	-
		91,645	102,632
Reversal on disposal		3,022,242 (8,094)	3,014,086 (83,489)
Closing balance	10.3.1	3,014,148	2,930,597

#### 10.3.1 Particulars of provision in respect of type and segment

##### Available for sale securities:

Ordinary shares of listed companies	427,664	388,561
Preference shares	340,451	340,451
Ordinary shares of unlisted company	9,010	11,949
Term finance certificates - listed	17,348	17,348
Term finance certificates - unlisted	2,219,275	2,171,888
	3,013,748	2,930,197

##### Held to maturity securities:

WAPDA bonds	400	400
	3,014,148	2,930,597

**10.4** Market treasury bills and Pakistan investment bonds are eligible for re-discounting with SBP.

**10.5** Market value of held to maturity investments amounted to Rs. 258,323 thousand (2016: Rs. 263,326 thousand).

**10.6** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

#### 10.7 Unrealized loss on revaluation of investments classified as held for trading

	2017 Rupees in '000'	Restated 2016
Market treasury bills	(80)	(1,176)

	Note	2017 Rupees in '000'	Restated 2016
<b>11. ADVANCES - NET</b>			
Loans, cash credits, running finances etc.			
- In Pakistan		278,600,994	237,883,716
- Outside Pakistan		-	-
		278,600,994	237,883,716
Net book value of assets in ijarah under IFAS 2 - In Pakistan	11.2	997,822	723,365
Islamic financing and related assets		11,225,299	8,631,409
Net investment in finance lease			
- In Pakistan	11.3	35,158,851	39,519,683
- Outside Pakistan		-	-
		35,158,851	39,519,683
Bills discounted and purchased (excluding market treasury bills)			
- Payable in Pakistan		14,560,960	6,043,018
- Payable outside Pakistan		1,534,316	1,495,896
		16,095,276	7,538,914
Advances - (gross)	11.1	342,078,242	294,297,087
Less: Provision for non-performing advances			
- Specific	11.4 & 11.5.1	(45,811,534)	(31,716,565)
- General	11.5.1	(425,283)	(390,971)
		(46,236,817)	(32,107,536)
Advances - net of provision		295,841,425	262,189,551
<b>11.1 Particulars of advances (gross)</b>			
<b>11.1.1 In local currency</b>			
In local currency		341,898,025	293,692,609
In foreign currencies		180,217	604,478
		342,078,242	294,297,087
<b>11.1.2 Short-term advances upto one year</b>			
Short-term advances upto one year		150,852,312	121,076,648
Long-term advances for over one year		191,225,930	173,220,439
		342,078,242	294,297,087

## 11.2 Net book value of assets in Ijarah under IFAS 2 - In Pakistan

	2017				2016 (Restated)			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000'				Rupees in '000'			
Assets acquired under ijarah	183,552	1,974,684	-	2,158,236	-	1,911,083	-	1,911,083
Less: Accumulated depreciation on ijarah	103,480	1,025,226	-	1,128,706	-	1,155,491	-	1,155,491
Less: Accumulated impairment on ijarah	-	31,708	-	31,708	-	32,227	-	32,227
Net investment in ijarah	80,072	917,750	-	997,822	-	723,365	-	723,365





	2017				2016 (Restated)			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000'				Rupees in '000'			

### 11.3 Net investment in finance lease

Lease rentals receivable	3,131,032	24,046,645	-	27,177,677	3,035,757	27,770,600	-	30,806,357
Add: Guaranteed residual value	847,727	9,436,103	-	10,283,830	1,613,625	9,089,196	-	10,702,821
Minimum lease payments	3,978,759	33,482,748	-	37,461,507	4,649,382	36,859,796	-	41,509,178
Less: Finance charge for future periods	880,126	1,422,530	-	2,302,656	827,763	1,161,732	-	1,989,495
Present value of minimum lease payments	3,098,633	32,060,218	-	35,158,851	3,821,619	35,698,064	-	39,519,683

11.4 Advances include Rs. 52,342,875 thousand (2016: Rs. 56,225,286 thousand) which have been placed under non-performing status as detailed below :

Category of classification	2017								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	
Other Assets Especially Mentioned	81,533	-	81,533	2,895	-	2,895	2,895	-	2,895
Substandard	285,447	-	285,447	54,330	-	54,330	54,330	-	54,330
Doubtful	8,932,577	-	8,932,577	3,799,750	-	3,799,750	3,799,750	-	3,799,750
Loss	43,043,318	-	43,043,318	41,954,559	-	41,954,559	41,954,559	-	41,954,559
	52,342,875	-	52,342,875	45,811,534	-	45,811,534	45,811,534	-	45,811,534

Category of classification	2016 (Restated)								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	
Other Assets Especially Mentioned	337,806	-	337,806	2,042	-	2,042	2,042	-	2,042
Substandard	1,585,906	-	1,585,906	80,564	-	80,564	80,564	-	80,564
Doubtful	8,722,053	-	8,722,053	3,862,752	-	3,862,752	3,862,752	-	3,862,752
Loss	45,579,521	-	45,579,521	27,771,207	-	27,771,207	27,771,207	-	27,771,207
	56,225,286	-	56,225,286	31,716,565	-	31,716,565	31,716,565	-	31,716,565

11.4.1 During the year, the bank has charged provision of Rs. 12,323,289 (thousand) against exposures previously covered under LOCs issued by GoPb as explained in Note 1.2.

## 11.5 Particulars of provisions against non-performing loans and advances

	Note	2017			2016 (Restated)		
		Specific	General	Total	Specific	General	Total
<b>Rupees in '000'</b>							
<b>11.5.1</b> Opening balance		31,716,565	390,971	32,107,536	30,854,798	346,493	31,201,291
Charge for the year		17,194,540	34,312	17,228,852	4,375,441	76,344	4,451,785
Reversals for the year		(3,097,374)	-	(3,097,374)	(3,502,288)	(31,866)	(3,534,154)
Amounts written off	11.6	14,097,166 (2,197)	34,312 -	14,131,478 (2,197)	873,153 (11,386)	44,478 -	917,631 (11,386)
Closing balance		45,811,534	425,283	46,236,817	31,716,565	390,971	32,107,536
<b>11.5.2</b> In local currency		45,811,534	425,283	46,236,817	31,716,565	390,971	32,107,536
In foreign currencies		-	-	-	-	-	-
		45,811,534	425,283	46,236,817	31,716,565	390,971	32,107,536

**11.5.3** General provision represents provision against consumer financing portfolio as required by Prudential Regulations issued by the SBP.

**11.5.4** The Bank has availed the benefit for forced sale value (FSV) of collateral against non-performing advances as allowed vide BSD Circular No. 1 dated October 21, 2011. This has resulted in decrease in provision against non-performing advances by Rs. 1,380,448 thousand (2016: Rs. 1,424,208 thousand). The FSV benefit availed is not available for cash or stock dividend.

	Note	2017 Rupees in '000'	2016
<b>11.6 Particulars of write offs:</b>			
<b>11.6.1</b> Against provisions	11.5.1	2,197	11,386
Directly charged to profit and loss account		-	-
		2,197	11,386
<b>11.6.2</b> Write Offs of Rs. 500,000 and above	11.7	1,840	327
Write Offs of below Rs. 500,000		357	11,059
		2,197	11,386

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2017 is given in Annexure-III.



## 11.8 Particulars of loans and advances to executives, subsidiary & associated companies, etc.

	Note	2017 Rupees in '000'	Restated 2016
Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons:			
Balance at beginning of year		2,327,121	1,991,152
Loans granted during the year		1,195,313	885,202
Repayments received during the year		(625,464)	(549,233)
Balance at end of year	11.8.1	2,896,970	2,327,121

**11.8.1** These represent staff loans given to executives and officers in accordance with their terms of employment and advances given under consumer finance schemes of the Bank.

	Note	2017 Rupees in '000'	Restated 2016
<b>12. OPERATING FIXED ASSETS</b>			
Capital work in progress	12.1	854,907	882,744
Property and equipment	12.2	7,625,734	6,768,747
Intangible assets	12.3	52,392	51,220
		8,533,033	7,702,711

### 12.1 Capital work in progress

Civil works		236,840	99,150
Hardware - Core Banking System		-	356,002
Hardware - Others		31,997	32,875
Software - Core Banking System		529,095	379,275
Software - Others		56,975	15,442
		854,907	882,744

## 12.2 Property and equipment

2017

	COST / REVALUED AMOUNT				DEPRECIATION				Rate of depreciation %			
	Opening balance as at January 01, 2017	Additions	(Deletions)	Revaluation adjustment	Closing balance as at December 31, 2017	Opening balance as at January 01, 2017	Charge for the year	(Deletions)		Revaluation adjustment	Closing balance as at December 31, 2017	Book value as at December 31, 2017
	Rupees in '000'				Rupees in '000'					Rupees in '000'		
Free hold land	2,020,827	269,908	(81,352)	-	2,209,383	-	-	-	-	-	2,209,383	-
Buildings on free hold land	3,095,168	275,643	(75,127)	-	3,295,684	-	161,193	(12,858)	-	148,335	3,147,349	5
Furniture, fixture and office equipment	4,017,221	1,230,546	(50,092)	-	5,197,675	2,525,342	539,493	(46,163)	-	3,018,672	2,179,003	10-33.33
Vehicles	342,524	18,488	(42,264)	-	318,748	181,651	88,637	(41,539)	-	228,749	89,999	33.33
	9,475,740	1,794,585	(248,835)	-	11,021,490	2,706,993	789,323	(100,560)	-	3,395,756	7,625,734	

2016 (Restated)

	COST / REVALUED AMOUNT				DEPRECIATION				Rate of depreciation %			
	Opening balance as at January 01, 2016	Additions	(Deletions) / Transfer	Revaluation adjustment	Closing balance as at December 31, 2016	Opening balance as at January 01, 2016	Charge for the year	(Deletions) / Transfer		Revaluation adjustment	Closing balance as at December 31, 2016	Book value as at December 31, 2016
	Rupees in '000'				Rupees in '000'					Rupees in '000'		
Free hold land	1,355,098	477,058	42,419	146,252	2,020,827	-	-	-	-	-	2,020,827	-
Buildings on free hold land	2,973,911	459,844	(42,419)	(296,168)	3,095,168	147,063	142,205	-	(289,268)	-	3,095,168	5
Furniture, fixture and office equipment	3,399,899	656,957	(39,635)	-	4,017,221	2,091,152	467,765	(33,575)	-	2,525,342	1,491,879	10-33.33
Vehicles	283,256	83,456	(24,188)	-	342,524	122,142	83,621	(24,112)	-	181,651	160,873	33.33
	8,012,164	1,677,315	(63,823)	(149,916)	9,475,740	2,360,357	693,591	(57,687)	(289,268)	2,706,993	6,768,747	



### 12.2.1 Details of Disposal of property and equipment:

The information relating to disposal of property and equipment required to be disclosed as part of the financial statements by the SBP is given in Annexure - IV and is an integral part of these consolidated financial statements.

**12.2.2** Freehold land and buildings on freehold land were revalued on December 31, 2016 by PBA approved independent valuer, on the basis of fair market value. This valuation resulted in surplus Rs. 1,049,848 thousand (2016: 1,108,184 thousand) and Rs. 1,466,843 thousand (2016: 1,590,235 thousand) in respect of freehold land and buildings on freehold land respectively. Detailed particulars are as follows:

	Revalued Amount Rupees in '000'
Free hold land	2,209,383
Buildings on free hold land	3,147,349

**12.2.3** Had the free hold land and buildings on freehold land not been revalued, their carrying amounts would have been as follows:

	2017 Rupees in '000'	Restated 2016
Freehold land	1,159,535	912,643
Buildings on freehold land	1,680,506	1,504,933

**12.2.4** The gross carrying amount (cost) of fully depreciated assets that are still in use is Rs. 367,355 thousand (2016: Rs. 345,346 thousand).

### 12.3 Intangible assets

	2017							
	COST			AMORTIZATION / IMPAIRMENT				
	Opening balance as at January 01, 2017	Additions	Closing balance as at December 31, 2017	Opening balance as at January 01, 2017	Amortization for the year	Closing balance as at December 31, 2017	Book value as at December 31, 2017	Rate of amortization %
				Rupees	in	'000'		
Softwares	86,133	27,369	113,502	43,913	26,197	70,110	43,392	33.33
*Room at LSE Financial Services Limited	35,649	-	35,649	26,649	-	26,649	9,000	-
	121,782	27,369	149,151	70,562	26,197	96,759	52,392	
				Rupees	in	'000'		
	2016 (Restated)							
	COST			AMORTIZATION / IMPAIRMENT				
	Opening balance as at January 01, 2016	Additions	Closing balance as at December 31, 2016	Opening balance as at January 01, 2016	Amortization for the year	Closing balance as at December 31, 2016	Book value as at December 31, 2016	Rate of amortization %
Softwares	71,451	14,682	86,133	20,518	23,395	43,913	42,220	33.33
*Room at LSE Financial Services Limited	35,649	-	35,649	26,649	-	26,649	9,000	-
	107,100	14,682	121,782	47,167	23,395	70,562	51,220	

**12.3.1** The gross carrying amount (cost) of fully depreciated intangible assets that are still in use is Rs. 15,179 thousand (2016: Rs. 11,384 thousand).

**12.3.2\*** These intangible have indefinite useful life.

	Note	2017 Rupees in '000'	Restated 2016
<b>13. DEFERRED TAX ASSETS - NET</b>			
<b>Taxable temporary differences:</b>			
-Surplus on revaluation of operating fixed assets	24.1	(513,360)	(556,582)
-Surplus on revaluation of non banking assets	24.2	(47,143)	(25,712)
-Accelerated tax depreciation		(313,847)	(225,104)
-Surplus on available for sale securities		(110)	(453,182)
<b>Deductible temporary differences:</b>			
-Deficit on available for sale securities	24.3	28,808	-
- Post retirement employee benefits		44,182	-
-Loan loss provision		11,525,114	7,740,836
-Business loss - Parent		-	-
-Business loss - Subsidiaries		62,640	53,433
		10,786,284	6,533,689

The management believes that sufficient taxable profits would be available in future against which the deferred tax will be realised.

### 13.1 Reconciliation of deferred tax

	Restated								
	Balance as at January 01, 2016	Prior years adjustment	Recognized in profit and loss account	Recognized in equity other / comprehensive income	Balance as at December 31, 2016	Prior years adjustment	Recognized in profit and loss account	Recognized in equity other / comprehensive income	Balance as at December 31, 2017
Rupees in '000'									
<b>Taxable temporary differences:</b>									
-Surplus on revaluation of operating fixed assets	(588,418)	-	29,421	2,415	(556,582)	-	27,620	15,602	(513,360)
-Surplus on revaluation of non banking assets	-	-	1,353	(27,065)	(25,712)	-	1,263	(22,694)	(47,143)
-Accelerated tax depreciation	(212,391)	-	(12,713)	-	(225,104)	-	(88,743)	-	(313,847)
-Surplus on available for sale securities	(660,655)	-	-	207,473	(453,182)	-	(110)	453,182	(110)
<b>Deductible temporary differences:</b>									
-Deficit on available for sale securities	-	-	-	-	-	-	-	28,808	28,808
- Post retirement employee benefits	-	-	-	-	-	-	-	44,182	44,182
-Loan loss provision	8,597,319	-	(856,483)	-	7,740,836	(147,298)	3,931,576	-	11,525,114
-Business loss - Parent	770,126	257,960	(1,028,086)	-	-	-	-	-	-
-Business loss - Subsidiaries	48,144	-	5,289	-	53,433	-	9,207	-	62,640
	7,954,125	257,960	(1,861,219)	182,823	6,533,689	(147,298)	3,880,813	519,080	10,786,284





	Note	2017 Rupees in '000'	Restated 2016
<b>14. OTHER ASSETS - NET</b>			
Income/mark-up accrued in local currency		6,488,329	6,721,427
Profit paid in advance on pehlay munafa scheme		21,007	29,695
Advance, deposits, advance rent and other prepayments		763,721	578,148
Advance taxation (payments less provisions)		2,812,366	2,155,600
Non-banking assets acquired in satisfaction of claims 14.1 & 14.2		9,005,461	9,086,418
Branch adjustment account		227,183	-
Stock of stationery		84,023	42,684
Suspense account		5,318	5,921
Zakat recoverable from NITL	14.3	36,790	36,790
Unrealized gain on revaluation of foreign bills purchased		76,844	11,996
Unrealized gain on revaluation of forward contracts		99,266	3,723
Fraud and forgeries		104,441	24,307
Others		922,983	654,099
		20,647,732	19,350,808
Less provision against:			
Advance deposits, advance rent and other prepayments		(39,884)	(35,723)
Non-banking assets acquired in satisfaction of claims		(961,274)	(749,123)
Zakat recoverable from NITL		(36,790)	(36,790)
Fraud and forgeries		(63,232)	(17,342)
Legal expenses recoverable		(251,173)	-
	14.4	(1,352,353)	(838,978)
Other assets - net of provision		19,295,379	18,511,830

**14.1 Detail of properties sold during the year 2017 is summarised below:**

	2017 Rupees in '000'		
	Carrying value	Sale proceeds	Gain
Commercial Shops IT Tower, Hali Road, Lahore	12,198	13,750	1,552
Land at Bahawalpur Road, Multan	189,395	200,000	10,605
Commercial plots LAKE City, Lahore	67,000	67,000	-
	268,593	280,750	12,157
2016	179,216	190,852	11,636

**14.2** These include assets acquired under buyback arrangements and assets which are in the process of sale and are stated at revalued amounts based on desktop valuations carried out by independent valuer as on December 31, 2017. The carrying and revalued amounts have been determined based on prudence, expected legal enforceability, ease of realization and current market conditions etc. These also include an asset acquired under sub-lease arrangements where the rights of the Bank, being bonafide purchaser of the lease land, are protected by decision of the court of law. In view of prevailing circumstances and based on the legal opinion, the Bank continues to report the same as non-banking asset.

**14.3** This represents zakat deducted on dividends by NITL. The Bank has filed suit against NITL for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Bank's claim against NITL at the court of law, the claim amount has been fully provided for.

	Note	2017 Rupees in '000'	Restated 2016
<b>14.4 Provision against other assets</b>			
Opening balance		838,978	270,380
Charge for the year		513,461	575,763
Reversal during the year		-	(5,840)
		513,461	569,923
Amount written off		(86)	(1,325)
Closing balance		1,352,353	838,978
<b>15. CONTINGENT ASSETS</b>			
Contingent assets		Nil	Nil
<b>16. BILLS PAYABLE</b>			
In Pakistan		3,365,325	4,183,480
Outside Pakistan		-	-
		3,365,325	4,183,480
<b>17. BORROWINGS</b>			
In Pakistan		38,890,674	39,744,324
Outside Pakistan		58,688	84,810
	17.1	38,949,362	39,829,134
<b>17.1 Particulars of borrowings with respect to currencies</b>			
In local currency		38,890,674	39,744,324
In foreign currencies		58,688	84,810
		38,949,362	39,829,134
<b>17.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from SBP against:			
-Export refinance (ERF)	17.2.1	12,089,724	10,282,058
-Long term financing facility (LTFF)	17.2.2	4,991,566	3,163,460
-Finance facility for storage of agricultural produce (FFSAP)	17.2.3	15,954	12,834
-Finance facility for renewable energy performance platform (REPP)	17.2.4	241,746	-
Repurchase agreement borrowings	17.2.5	994,298	15,879,035
Call borrowings	17.2.6	19,558,533	9,911,835
		37,891,821	39,249,222
<b>Unsecured</b>			
Call borrowings		998,853	495,102
Overdrawn nostro accounts		58,688	84,810
		38,949,362	39,829,134



- 17.2.1** These are secured against the Bank's cash and security balances held with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 1.00% to 2.00% per annum (2016: 1.00% to 2.50% per annum) with maturities upto October 28, 2018.
- 17.2.2** This amount is due to the SBP and has been obtained for providing long term finance to customers. As per the agreements with the SBP, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 1.00% to 9.70% per annum (2016: 2.00% to 9.70% per annum) with maturities upto September 27, 2027.
- 17.2.3** These represent borrowings from the SBP under scheme of financing facility for storage of agricultural produce. Mark-up on these borrowings is payable quarterly at rates ranging from 2.00% to 3.50% per annum (2016: 3.50% per annum) with maturities upto April 20, 2018.
- 17.2.4** These represent borrowings from the SBP under scheme of financing facility renewable energy performance platform. Mark-up on these borrowings is payable quarterly at rate of 2.00% per annum (2016: Nil) with maturities upto March 28, 2018.
- 17.2.5** These are secured against market treasury bills and Pakistan investment bonds and carry mark-up at rate of 5.86% per annum (2016: 5.89% to 5.90% per annum) maturing on January 05, 2018. The carrying value of securities given as collateral against these securities is given in note 10.1.
- 17.2.6** These represent secured interbank borrowings, carrying markup rates ranging from 5.75% to 5.83% per annum (2016: 5.77% to 5.80% per annum) maturing on various dates, latest by September 21, 2018.

	Note	2017 Rupees in '000'	Restated 2016
<b>18. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		157,236,983	129,533,881
Savings deposits		238,185,040	193,296,088
Current accounts - non-remunerative		139,425,390	117,933,033
Sundry deposits, margin accounts, etc.		15,546,838	6,399,769
		550,394,251	447,162,771
<b>Financial institutions</b>			
Remunerative deposits		3,038,191	4,722,171
Non-remunerative deposits		2,759,431	1,289,380
		5,797,622	6,011,551
		556,191,873	453,174,322
<b>18.1 Particulars of deposits</b>			
In local currency		548,900,551	445,526,467
In foreign currencies		7,291,322	7,647,855
		556,191,873	453,174,322
<b>19. SUB-ORDINATED LOANS</b>			
Loan from the GoPb			
Privately Placed Term Finance Certificates	19.1	2,000,000	2,000,000
	19.2	2,499,000	2,500,000
		4,499,000	4,500,000

## 19.1 Loan from the GoPb

The GoPb has extended loan of Rs. 2,000,000 thousand to support capital structure of the Bank for the purpose of the regulatory capital requirement. The loan is unsecured and sub-ordinated to all other indebtedness including deposits. The salient features of the loan are as follows:

Tenor:	07 Years.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Average SBP discount rate. (Average shall be calculated on daily basis).
Conversion option:	May be converted, subject to consent of the parties and necessary regulatory approvals, after a period of five years into ordinary shares at the rate of Rs. 15 per share.
Repayment:	Bullet repayment after lapse of 07 years.
Call / Put option:	Callable after a period of 05 years. However no put option is available to GoPb.

## 19.2 Privately Placed Term Finance Certificates

BOP has issued rated, unsecured & subordinated term finance certificates under section 120 of the Companies Ordinance, 1984, in a set of twenty (20) scrips, corresponding to the redemption dates of the TFC and representing the TFC Holders entitlement to the redemption amount on the each such redemption date; and registered book entry securities in accordance with the CDC regulations, as outlined by SBP under BPRD Circular No. 06 dated August 15, 2013; with each TFC having a face value of PKR 100,000 or multiples thereof.

Issue amount:	Rupees 2.5 billion.
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Floating rate of return at base rate plus 100 bps p.a. (Base rate will be the average rate 'Ask side of the six month Karachi Inter Bank Offered Rate set at 1 (one business) day prior to the redemption date for the redemption amount payable on the immediately following redemption date).
Repayment:	The TFC has been structured to redeem 0.02% of the issue amount semi-annually in the first 09 years after the issue and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Call / Put option:	Callable after a period of 05 years. However no put option is available to the investors.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss Absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.



	Note	2017 Rupees in '000'	Restated 2016
<b>20. OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable in local currency		4,982,702	3,519,975
Mark-up/ return/ interest payable in foreign currencies		30,599	33,766
Mark-up payable on privately placed term finance certificates		4,443	4,408
Sundry creditors and accrued expenses		641,857	580,481
Unclaimed dividends		2,636	2,644
Branch adjustment account		-	285,061
Payable to gratuity fund	37.1.1	233,841	143,235
Provision for employees compensated absences	37.1.3	93,523	91,181
Provision against off - balance sheet obligations	20.1	62,183	62,183
Lease key money		10,283,830	10,702,821
Others		528,390	366,106
		16,864,004	15,791,861
<b>20.1 Provision against off-balance sheet obligations</b>			
Opening balance		62,183	547,851
Charge for the year		-	-
Reversal during the year		-	(485,668)
		-	(485,668)
Closing balance		62,183	62,183

The above provision has been made against letters of guarantee issued by the Bank.

## 21. SHARE CAPITAL

### 21.1 Authorized Capital

2017 Number	2016 Number		2017 Rupees in '000'	2016
5,000,000,000	5,000,000,000	Ordinary / Preference shares of Rs. 10 each	50,000,000	50,000,000

The authorized capital of the Bank is fifty thousand million rupees divided into five thousand million ordinary or preference shares of ten rupees each.

### 21.2 Issued, subscribed and paid up share capital

2017 Number	2016 Number	Ordinary shares	2017 Rupees in '000'	2016
<b>Opening Balance</b>				
519,333,340	519,333,340	Ordinary shares of Rs. 10 each paid in cash	5,193,333	5,193,333
526,315,789	526,315,789	Ordinary shares of Rs. 10 issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<b>Movement during the year</b>				
1,088,579,215	-	Issuance of right shares during the year	10,885,792	-
<b>Closing balance</b>				
1,607,912,555	519,333,340	Ordinary shares of Rs. 10 each paid in cash	16,079,125	5,193,333
526,315,789	526,315,789	Ordinary shares of Rs. 10 issued at discount	5,263,158	5,263,158
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
2,643,692,380	1,555,113,165		26,436,924	15,551,132

**21.3** GoPb held 57.47% shares in the Bank as at December 31, 2017 (2016: 57.47%). Further, during the year the Bank has issued 1,088,579,215 (70%) right shares at a price of Rs. 12.00 per share including premium of Rs. 2.00 per share.

	Note	2017 Rupees in '000'	Restated 2016
<b>22. RESERVES</b>			
Statutory reserve	22.1 & 22.2	1,344,899	1,342,715
Share premium reserve		2,215,040	37,882
Discount on issue of shares		(263,158)	(263,158)
		3,296,781	1,117,439

**22.1** In accordance with the Banking Companies Ordinance, 1962, the Bank is required to transfer twenty percent of its profits each year to statutory reserve fund until the amount in such fund equals to the paid up share capital of the Bank. Further, Modarabas are also required by Securities and Exchange Commission of Pakistan to transfer a reserve of not less than 20% and not more than 50% of its profits after tax in such a manner that the reserves equal 100% of the paid up capital. Thereafter a sum not less than 5% of the profit after tax is to be set aside.

	Note	2017 Rupees in '000'	Restated 2016
<b>22.2 Reconciliation of statutory reserve</b>			
Opening balance		1,342,715	2,368,887
Created during the year	22.2.1	2,184	973,828
Transfer to unappropriated profit / (accumulated loss)	22.2.2	-	(2,000,000)
Closing balance		1,344,899	1,342,715

**22.2.1** This represents amount transferred by modaraba from unappropriated profit / (accumulated loss) to statutory reserves.

**22.2.2** During the year, the Bank has transferred Nil (2016: Rs. 2,000,000 thousand) from statutory reserve to unappropriated profit / (accumulated loss) as approved by the Board of Directors of the Bank.

	Note	2017 Rupees in '000'	2016
<b>23. SHARE DEPOSIT MONEY</b>			
Share deposit money - II		7,000,000	7,000,000
Utilized against issuance of right shares during the year		(7,000,000)	-
		-	7,000,000

	Note	2017 Rupees in '000'	2016
<b>24. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
<b>Surplus / (Deficit) on revaluation of :</b>			
Operating fixed assets	24.1	2,003,331	2,141,837
Non banking assets acquired in satisfaction of claims	24.2	936,770	623,453
Available for sale securities - net of tax	24.3	(53,499)	841,623
		2,886,602	3,606,913





	Note	2017 Rupees in '000'	2016
<b>24.1 Surplus on revaluation of operating fixed assets - net of tax</b>			
As on January 01		2,985,137	2,845,785
-Surplus on revaluation realized during the year		(108,678)	-
-Surplus on building transferred from non banking assets during the year		5,864	-
-Surplus on revaluation during the year		-	139,352
		2,882,323	2,985,137
Incremental depreciation:			
-Opening balance		(286,718)	(202,658)
-Transferred to accumulated losses in respect of incremental depreciation charge during the year - net of tax		(51,294)	(54,639)
-Related deferred tax liability		(27,620)	(29,421)
Accumulated incremental depreciation		(365,632)	(286,718)
As on December 31		2,516,691	2,698,419
Less: Related deferred tax liability:			
-Opening balance		(556,582)	(588,418)
-Deferred tax on revaluation during the year		-	2,415
-Deferred tax related to surplus transferred from non banking asset during the year		(2,052)	-
-Deferred tax on surplus realized during the year		17,654	-
-Deferred tax recorded during the year		27,620	29,421
-Closing balance	13	(513,360)	(556,582)
		2,003,331	2,141,837
<b>24.2 Surplus on revaluation of non - banking assets acquired in satisfaction of claims - net of tax</b>			
As on January 01		653,031	-
-Surplus on revaluation realized during the year		(7,592)	-
-Surplus on building transferred to operating fixed assets during the year		(5,864)	-
-Surplus on revaluation during the year		351,813	653,031
		991,388	653,031
Incremental depreciation:			
-Opening balance		(3,866)	-
-Transferred to accumulated losses in respect of incremental depreciation charge during the year - net of tax		(2,346)	(2,513)
-Related deferred tax liability		(1,263)	(1,353)
Accumulated incremental depreciation		(7,475)	(3,866)
As on December 31		983,913	649,165
Less: Related deferred tax liability:			
-Opening balance		(25,712)	-
-Deferred tax on revaluation during the year		(25,066)	(27,065)
-Deferred tax related to surplus transferred to operating fixed assets during the year		2,052	-
-Deferred tax on surplus realized during the year		320	-
-Deferred tax recorded during the year		1,263	1,353
-Closing balance	13	(47,143)	(25,712)
		936,770	623,453

	Note	2017 Rupees in '000'	2016
<b>24.3 Surplus/ (Deficit) on revaluation of available for sale securities - net of tax</b>			
Federal government securities		38,284	1,065,254
Quoted securities		(138,245)	219,248
Term finance certificates		17,654	10,303
		(82,307)	1,294,805
Less: Related deferred tax asset / (liability)	13	28,808	(453,182)
		(53,499)	841,623

## 25. CONTINGENCIES AND COMMITMENTS

### 25.1 Direct credit substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:

	2017 Rupees in '000'	2016
- Government	120,367	-
- Financial institutions	-	-
- Others	8,069,727	2,209,896
	8,190,094	2,209,896

### 25.2 Transaction-related contingent liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit approved but not disbursed related to particular transactions issued in favour of:

	2017 Rupees in '000'	2016
- Government	556,507	601,271
- Financial institutions	5,446,540	8,564,597
- Others	40,457,849	23,878,852
	46,460,896	33,044,720

### 25.3 Trade-related contingent liabilities

These include letters of credit issued in favour of:

- Government	13,791,214	6,719,311
- Financial institutions	-	-
- Others	31,686,608	20,163,620
	45,477,822	26,882,931

### 25.4 Income tax related contingency

For the tax years 2010, 2011 & 2012 Income Tax Department has amended the assessment orders on the issues of separate taxation of dividend income against which the Bank had filed appeals before the Commissioner Inland Revenue Appeals (CIR(A)). CIR(A) provided relief to the Bank on issue of separate taxation of dividend income. Now, the tax department has filed appeal against the decision of CIR(A) with the Appellate Tribunal Inland Revenue (ATIR). The expected tax liability in respect of aforesaid tax years amounts to Rs. 162,772 thousand. The management of the Bank, as per the opinion of its tax consultant, is confident that the decision for the aforementioned tax years will be decided in Bank's favour.



	2017 Rupees in '000'	Restated 2016
<b>25.5 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	28,621,942	29,751,078

The amounts involved in the claims filed against the Bank are yet to be adjudicated by the concerned Courts as the same have been filed as outburst to our recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the Courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

#### 25.6 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	2017 Rupees in '000'	2016
<b>25.7 Commitments in respect of forward exchange contracts</b>		
Purchase	10,067,323	9,594,731
Sale	7,846,230	6,997,174
	17,913,553	16,591,905

<b>25.8 Commitments for the acquisition of operating fixed assets</b>	225,051	27,095
---	---------	--------

**25.9** Musharika commitments approved but not disbursed as on balance sheet date amount to Rs. 58,686 (thousand) (2016: 82,264 (thousand)).

	2017 Rupees in '000'	Restated 2016
<b>26. MARK-UP/RETURN/INTEREST EARNED</b>		
a) On loans and advances to:		
i) Customers	20,392,633	17,026,565
ii) Financial institutions	121,571	-
b) On investments in:		
i) Available for sale securities	11,735,761	10,701,296
ii) Held for trading securities	1,454,106	651,692
ii) Held to maturity securities	30,083	997,206
c) On deposits with financial institutions	83,659	48,948
d) On securities purchased under resale agreements	281,488	177,791
e) On certificates of investment	-	22,837
f) On placements	409,597	118,530
g) Bai - Muajjal with SBP	23,147	-
	34,532,045	29,744,865

	2017	Restated 2016
	Rupees in '000'	
<b>27. MARK-UP/RETURN/INTEREST EXPENSED</b>		
Deposits	17,075,289	15,412,039
Securities sold under repurchase agreements	201,374	1,842,455
Mark-up on subordinated loan from GoPb	125,000	126,945
Mark-up on privately placed term finance certificates	178,642	4,408
Call borrowings	1,297,018	44,307
	18,877,323	17,430,154

<b>28. GAIN ON SALE AND REDEMPTION OF SECURITIES - NET</b>		
Federal government securities:		
Market treasury bills	3,104	39,844
Pakistan investment bonds	1,290,699	2,343,237
Shares - listed	21,141	62,733
Shares - unlisted	-	52,350
Term finance certificates	-	27,408
Mutual funds	1,211	-
	1,316,155	2,525,572

	2017	Restated 2016
	Rupees in '000'	
<b>29. OTHER INCOME</b>		
Rent on lockers and bank property	60,064	33,689
Net profit on sale of property and equipment	2,403	16,800
Net profit on sale of non banking assets acquired in satisfaction of claims	12,157	11,636
Service charges	348,392	269,669
Loan processing and arrangement charges	559,124	762,182
Online transaction charges	15,600	12,825
ATM transaction charges	340,705	223,703
SMS Banking charges	96,539	56,180
Cheque return charges	12,747	12,482
Compensation received on tax refund	233,940	158,014
Late payment charges	68,990	10,707
Miscellaneous earnings	109,251	97,208
	1,859,912	1,665,095



	Note	2017 Rupees in '000'	Restated 2016
<b>30. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		5,133,335	4,360,801
Contribution to defined contribution plans		160,910	121,397
Provision for gratuity	37.1.1	107,608	78,615
Provision for compensated absences	37.1.3	9,860	(136,542)
Non-executive directors' fees	38	4,160	3,825
Taxes, insurance, electricity, etc.		424,676	390,345
Legal and professional charges		79,518	77,688
Communications		140,647	136,868
Repairs and maintenance		258,162	194,194
Rent for bank premises	30.1	762,670	692,562
Stationery and printing		144,524	126,935
Advertisement and publicity		120,384	70,822
Auditors' remuneration	30.2	9,555	9,555
Depreciation on property and equipment	12.2	789,323	693,591
Depreciation on non banking assets acquired in satisfaction of claims		86,535	105,601
Depreciation / impairment on ijarah assets under IFAS - 2		377,544	115,610
Amortization on intangible assets	12.3	26,197	23,395
Traveling		119,263	111,106
Fuel expenses		235,928	189,503
Cash remittance charges		146,320	131,809
Entertainment expenses		81,623	73,706
Bank charges		101,509	89,706
Online connectivity charges		235,647	179,080
Fuel for generator		90,338	103,768
Commission and brokerage		89,329	94,375
Branch license fee		24,738	16,100
ATM charges		127,477	123,959
CNIC verification/ ECIB charges		34,302	25,955
Software & license renewal charges		47,522	26,794
Staff training		8,861	9,778
Miscellaneous expenses		196,531	169,688
		10,174,996	8,410,589

### 30.1 Operating lease

Operating lease rentals are charged in profit and loss account on a time proportion basis over the term of lease agreements.

	2017 Rupees in '000'	Restated 2016
<b>30.2 Auditors' remuneration</b>		
Audit fee	2,500	2,500
Special certifications, half yearly review and others	6,205	6,205
Out-of-pocket expenses	850	850
	9,555	9,555

	Note	2017 Rupees in '000'	Restated 2016
<b>31. OTHER CHARGES</b>			
Penalties imposed by SBP		43,003	33,699
<b>32. TAXATION</b>			
<b>For the year</b>			
Current		2,274,233	965,558
Deferred		(3,880,813)	1,596,420
		(1,606,580)	2,561,978
<b>Prior years</b>			
Current		374,809	364,259
Deferred		(147,298)	257,960
		227,511	622,219
		(1,379,069)	3,184,197
<b>32.1 Relationship between tax expense and accounting profit</b>			
Accounting profit for the year		(4,696,145)	8,067,121
Tax on income @ 35%		(1,643,651)	2,823,492
Tax effect of permanent differences		15,051	11,795
Tax effect of super tax		253,668	364,259
Others		(4,137)	(15,349)
Tax charge for the year		(1,379,069)	3,184,197
<b>33. BASIC EARNINGS PER SHARE</b>			
(Loss) / profit for the year attributable to the equity holders of the parent - Rupees in thousand		(3,383,918)	4,820,994
Weighted average ordinary shares - Number		2,053,175,436	1,555,113,165
Basic (loss) / earnings per share attributable to the equity holders of the parent - Rupees		(1.65)	3.10
<b>34. DILUTED EARNINGS PER SHARE</b>			
There is no dilution effect on basic earnings per share.			
<b>35. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	7	42,478,209	35,756,160
Balance with other banks	8	6,116,297	3,765,870
Call money lendings	9	4,803,323	-
Overdrawn nostro accounts	17.2	(58,688)	(84,810)
		53,339,141	39,437,220





	2017	Restated 2016
	Number	
<b>36. STAFF STRENGTH</b>		
Permanent	3,919	3,599
Temporary/on contractual basis	3,157	2,349
Daily wagers	300	450
Bank's own staff strength at the end of the year	7,376	6,398
Outsourced	1,309	991
<b>Total Staff Strength</b>	<b>8,685</b>	<b>7,389</b>

### 37. EMPLOYEE BENEFITS

#### 37.1 Defined benefit plans

##### 37.1.1 Gratuity

The Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the scheme are payable on retirement which is equal to one month's last drawn basic salary for each year of eligible service or part thereof, with effect from January 01, 2008, subject to minimum of five years of service. The Bank makes annual provision in these unconsolidated financial statements for its liabilities on the basis of actuarial valuation.

##### Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2017 using the "Projected Unit Credit Method". The principal assumptions used in the valuation were as follows:

	2017	2016
Discount rate	8.25%	8.00%
Expected rate of eligible salary increase in future years	7.25%	7.00%
Interest income for the year	8.25%	8.00%
Average expected remaining working life (years)	9	7

	2017	2016
	Rupees in '000'	
<b>Reconciliation of payable to defined benefit plan</b>		
Present value of defined benefit obligation	777,084	599,144
Fair value of plan assets	(563,526)	(477,283)
Benefit payments payable	20,283	21,374
	<b>233,841</b>	<b>143,235</b>
<b>Movement in payable to defined benefit plan</b>		
Opening balance	143,235	48,017
Charge for the year	107,608	78,615
Remeasurement chargeable in other comprehensive income	126,233	64,620
Contributions made by the Bank during the year	(143,235)	(48,017)
<b>Closing balance</b>	<b>233,841</b>	<b>143,235</b>

	2017	2016
	Rupees in '000'	
<b>Changes in present value of defined benefit obligations</b>		
Opening balance	599,144	457,730
Current service cost	103,545	78,265
Interest cost	45,534	38,670
Benefits due but not paid during the year	(10,092)	(11,365)
Benefit paid	(49,851)	(44,761)
Actuarial loss	88,804	80,605
	777,084	599,144
<b>Changes in fair value of plan assets</b>		
Opening balance	477,283	426,280
Interest income for the year	41,471	38,320
Contributions made	143,235	48,017
Benefits paid	(61,035)	(49,036)
Actuarial (loss) / gain	(37,428)	13,702
	563,526	477,283
<b>Charge for defined benefit plan</b>		
Current service cost	103,545	78,265
Interest cost	45,534	38,670
Interest income for the year	(41,471)	(38,320)
	107,608	78,615

During the next year, the Bank expects to contribute Rs. 124,310 thousand (2016: Rs. 91,420 thousand) to the defined benefit plan.

	2017	2016
	Rupees in '000'	
<b>Actual return on plan assets</b>	4,043	52,022
<b>Composition of fair value of plan assets</b>		
First Punjab Modaraba certificates	23,861	50,718
Cash at bank	539,665	426,565
	563,526	477,283

### Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations. The increase / (decrease) in the present value of defined benefit obligations as a result of change in discount rate and salary growth is summarized below:



	2017	2016
	Rupees in '000'	
Increase in discount rate by 1%	697,803	551,312
Decrease in discount rate by 1%	868,303	653,907
Increase in expected future increment in salary by 1%	868,303	653,907
Decrease in expected future increment in salary by 1%	696,414	550,469

**37.1.2** Reconciliation of net liability recognized for gratuity for the five years are as follows:

	2017	2016	2015	2014	2013
	Rupees in '000'				
Present value of defined benefit obligation	777,084	599,144	457,730	420,106	343,541
Fair value of plan assets	(563,526)	(477,283)	(426,280)	(358,518)	(283,186)
Benefit payments payable	20,283	21,374	16,567	14,802	11,115
	233,841	143,235	48,017	76,390	71,470
Actuarial gains / (losses) on obligation	(88,804)	(80,605)	44,927	10,766	7,969
Actuarial gains / (losses) on assets	(37,428)	13,702	(15,577)	(8,253)	422

### 37.1.3 Compensated absences

The Bank makes annual provision in these consolidated financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The employees of the Bank are entitled to take the leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days basic salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days are ignored.

#### Principal actuarial assumptions

The most recent valuation was carried out at December 31, 2017. The principal assumptions used in the valuation were as follows:

	2017	2016
Discount rate	8.25%	8.00%
Expected rate of eligible salary increase in future years	7.25%	7.00%
Average number of leaves accumulated per annum by the employees (days)	17	17

	2017	2016
	Rupees in '000'	
<b>Present value of defined benefit obligation</b>	93,523	91,181
<b>Movement in payable to defined benefit plan</b>		
Opening balance	91,181	228,742
Charge for the year	9,860	(136,542)
Benefit paid	(7,518)	(1,019)
Closing balance	93,523	91,181

	2017	2016
	Rupees in '000'	
<b>Charge for defined benefit plan</b>		
Current service cost	4,483	5,594
Interest cost	6,994	20,541
Actuarial gain recognized	(1,617)	(162,677)
	9,860	(136,542)

### Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit plan. The increase / (decrease) in the present value of defined benefit plan as a result of change in discount rate and salary growth is summarized below:

	2017	2016
	Rupees in '000'	
Increase in discount rate by 1%	87,234	81,931
Decrease in discount rate by 1%	100,879	102,039
Increase in expected future increment in salary by 1%	100,879	102,039
Decrease in expected future increment in salary by 1%	87,124	81,770

**37.1.4** Reconciliation of net liability recognized for compensated absences for the five years is as follows:

	2017	2016	2015	2014	2013
	Rupees in '000'				
Opening net liability	91,181	228,742	223,672	209,961	193,464
Net charge for the year	2,342	(137,561)	5,070	13,711	16,497
	93,523	91,181	228,742	223,672	209,961
Actuarial gain on obligation	1,617	162,677	29,003	33,037	23,689

## 38. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in these consolidated financial statements for remuneration, including benefits to the Chairman, President/Chief Executive Officer, Directors and Executives of the Bank was as follows:

	Chairman		President / Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016	2017	2016
	Rupees in '000'							
Fees	475*	250*	-	-	3,485*	3,375*	-	-
Managerial remuneration	-	-	62,723	48,887	-	-	1,056,540	749,843
Bonus	-	-	34,501	27,059	-	-	298,277	203,410
Rent and house maintenance	-	-	4,838	3,771	-	-	409,799	289,256
Utilities	14	111	4,359	3,397	-	-	103,032	73,684
Medical	298	456	-	4	-	-	102,690	71,630
Other allowances	693	1,357	9,126	2,860	-	-	143,615	214,961
	1,480	2,174	115,547	85,978	3,485	3,375	2,113,953	1,602,784
Number of persons	1	2	1	1	10	9	1,101	818



\* This represents fee paid to non-executive directors for attending the Board and its committees meetings.

Chairman, President/Chief Executive Officer and certain executives are provided with free use of the Bank's maintained cars.

In addition to the above, contribution to defined contribution and benefit plans have been made in accordance with the Bank's policy. Further, executives are entitled to certain additional benefits in accordance with the Bank's policy.

Executive means officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

### 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

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

#### 39.1 The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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

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



	2017				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Rupees in '000'</b>					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value:</b>					
Government securities	235,804,178	-	235,810,323	-	235,810,323
Ordinary shares / certificates of listed companies and modarabas	1,258,031	1,395,516	-	-	1,395,516
Ordinary shares of unlisted company	30,882	-	-	20,012	20,012
Listed term finance certificates	1,331,224	-	1,331,224	-	1,331,224
<b>Non Financial assets measured at fair value:</b>					
Operating fixed assets (land & building)	5,356,732	-	5,356,732	-	5,356,732
Non banking assets acquired in satisfaction of claims	8,044,187	-	8,044,187	-	8,044,187
<b>Financial assets not measured at fair value:</b>					
Cash and balances with treasury banks	42,478,209	-	-	-	-
Balances with other banks	6,116,297	-	-	-	-
Lendings to financial institutions	24,170,850	-	-	-	-
Investments:					
Government securities	252,578	-	-	-	-
Unlisted term finance certificates	6,211,152	-	-	-	-
Advances - net	295,841,425	-	-	-	-
Other assets	7,604,641	-	-	-	-
	634,500,386	1,395,516	250,542,466	20,012	251,957,994
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	233,841	-	233,841	-	233,841
Provision for employees compensated absences	93,523	-	93,523	-	93,523
<b>Financial liabilities not measured at fair value:</b>					
Bills payable	3,365,325	-	-	-	-
Borrowings	38,949,362	-	-	-	-
Deposits and other accounts	556,191,873	-	-	-	-
Sub-ordinated loan	4,499,000	-	-	-	-
Other liabilities	16,864,004	-	-	-	-
	619,869,564	-	-	-	-
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	10,273,009	-	10,273,009	-	10,273,009
Forward sale of foreign exchange contracts	7,952,649	-	7,952,649	-	7,952,649





	2016 (Restated)				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value :</b>					
Government securities	193,281,455	-	193,281,455	-	193,281,455
Ordinary shares / certificates of listed companies and modarabas	1,136,049	1,136,049	-	-	1,136,049
Ordinary shares of unlisted company	23,360	-	-	23,359	23,359
Listed term finance certificates	1,186,232	-	1,186,232	-	1,186,232
<b>Non Financial assets measured at fair value :</b>					
Operating fixed assets (land & building)	5,115,995	-	5,115,995	-	5,115,995
Non banking assets acquired in satisfaction of claims	8,337,295	-	8,337,295	-	8,337,295
<b>Financial assets not measured at fair value:</b>					
Cash and balances with treasury banks	35,756,160	-	-	-	-
Balances with other banks	3,765,870	-	-	-	-
Lendings to financial institutions	11,562,133	-	-	-	-
Investments:					
Government securities	254,267	-	-	-	-
Unlisted term finance certificates	6,015,763	-	-	-	-
Sale of sukuk to GOP on Bai-Muajjal basis	-	-	-	-	-
Advances - net	262,189,551	-	-	-	-
Other assets	18,511,830	-	-	-	-
	547,135,960	1,136,049	207,920,977	23,359	209,080,385
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	91,181	-	91,181	-	91,181
Provision for employees compensated absences	62,183	-	62,183	-	62,183
<b>Financial liabilities not measured at fair value:</b>					
Bills payable	4,183,480	-	-	-	-
Borrowings	39,829,134	-	-	-	-
Deposits and other accounts	453,174,322	-	-	-	-
Sub-ordinated loan	4,500,000	-	-	-	-
Other liabilities	15,791,861	-	-	-	-
	517,478,797	-	-	-	-
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	9,533,165	-	9,533,165	-	9,533,165
Forward sale of foreign exchange contracts	6,931,885	-	6,931,885	-	6,931,885

#### 40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Retail Brokerage	Total
Rupees in '000							
<b>2017</b>							
Total income	15,674,244	4,720,610	17,999,811	631,010	108,617	1,469	39,135,761
Total expenses	1,610,353	3,791,447	38,421,462	-	-	8,641	43,831,903
Inter segment (cost) / revenue transfer	(7,114,130)	992,464	6,121,666	-	-	-	-
Income taxes	-	-	-	-	-	-	(1,378,956)
Net income / (loss)	6,949,761	1,921,627	(14,299,985)	631,010	108,617	(7,172)	(3,317,186)
Segment assets (gross)	315,310,037	48,040,922	323,414,253	-	-	31,125	686,796,337
Segment non performing loans / investments	3,145,348	1,877,200	50,334,475	-	-	-	55,357,023
Segment specific provision required	3,145,348	2,017,165	44,088,449	-	-	-	49,250,962
Segment liabilities	36,730,029	84,193,746	498,938,354	-	-	7,435	619,869,564
Segment return on net assets (ROA) (%)	6.96%	11.64%	8.24%				
Segment cost of funds (%)	5.50%	6.00%	5.76%				
<b>2016 - Restated</b>							
Total income	15,402,926	4,544,097	14,524,879	490,413	83,766	-	35,046,081
Total expenses	2,038,440	3,748,461	21,192,059	-	-	-	26,978,960
Inter segment (cost) / revenue transfer	(6,024,670)	911,120	5,113,550	-	-	-	-
Income taxes	-	-	-	-	-	-	3,184,197
Net income / (loss)	7,339,816	1,706,756	(1,553,630)	490,413	83,766	-	4,882,924
Segment assets (gross)	251,460,477	48,490,004	194,775,755	-	-	-	494,726,236
Segment non performing loans / investments	3,115,470	2,209,022	54,840,246	-	-	-	60,164,738
Segment specific provision required	3,068,083	1,668,986	29,254,952	-	-	-	33,992,021
Segment liabilities	30,687,355	77,503,469	341,414,490	-	-	-	449,605,314
Segment return on net assets (ROA) (%)	8.49%	11.35%	8.76%				
Segment cost of funds (%)	6.09%	6.25%	6.03%				



#### 41. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders / members. The Group in the normal course of business carries out transactions with various related parties on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. Amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in Note 11.8 and Note 38 respectively. In addition key management personnel are paid terminal and short-term terminal benefits.

	2017			2016 (Restated)		
	Key management personnel	Employee funds	Others	Key management personnel	Employee funds	Others
	Rupees in '000			Rupees in '000		
<b>Advances</b>						
Opening balance	121,393	-	-	129,294	-	-
Loans granted during the year	150,219	-	-	38,064	-	-
Repayments received during the year	(81,976)	-	-	(45,965)	-	-
Closing balance	189,636	-	-	121,393	-	-
<b>Deposits</b>						
Opening balance	28,730	2,459,349	51,488	18,544	2,317,942	262,770
Placements made during the year	516,407	633,557	22,813,261	305,191	455,520	1,324,912
Withdrawals during the year	(520,723)	(322,378)	(22,608,689)	(295,005)	(314,113)	(1,536,194)
Closing balance	24,414	2,770,528	256,060	28,730	2,459,349	51,488
<b>Placements</b>	-	-	-	-	-	-
<b>Sale of building</b>	-	-	73,537	-	-	-
<b>Transactions during the year :</b>						
Mark-up/return earned	7,539	-	-	6,798	-	-
Mark-up/interest expensed	578	147,814	4,832	497	136,089	2,325
Contribution to employees funds	-	131,458	-	-	94,920	-
Net profit on sale of property and equipment	-	-	6,505	-	-	-

**41.1** Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current year are not reflected as part of the closing balance. The same are accounted for through movement presented above.

**41.2** The GoPb holds controlling interest (57.47% shareholding) in the Bank and therefore entities which are owned and / or controlled by the GoPb, or where the GoPb may exercise significant influence, are related parties of the Bank.

The Group in the ordinary course of business enters into transaction with Government- related entities. Such transactions include lending to, deposits from and provision of other banking services to Government-related entities.

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to GoPb and its related entities amounted to Rs. 44,641,720 thousand (2016: Rs. 40,923,548 thousand), Rs. 289,679,475 thousand (2016: Rs. 212,000,928 thousand) and Rs. 25,792,141 thousand (2016: Rs. 11,471,482 thousand) respectively. Further, during the year, the Bank has incurred markup expense of Rs. 125,000 thousand (2016: Rs. 126,945 thousand) on subordinated loan of Rs. 2,000,000 thousand received from GoPb in year 2014.

## 42. CAPITAL ADEQUACY

### 42.1 Scope of application

The Basel-III Framework is applicable to the bank both at the consolidated level (comprising of wholly/partially owned subsidiaries & associates) and on a stand alone basis. Subsidiaries are included while calculating Consolidated Capital Adequacy for the Bank using full consolidation method.

### 42.2 Capital adequacy

The Basel Framework for a capital adequacy is applicable to the Bank both at the consolidated level (including the subsidiary) and on a stand alone basis. The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future business developments. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratio compares the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

In addition, the SBP requires that the paid up capital of locally incorporated banks should be raised to Rs. 10 billion by December 31, 2013 in a phased manner. The paid-up capital requirement (net of losses) as at December 31, 2017 is Rs.10.0 billion. The paid-up capital (net of losses) of the Bank amounts to Rs. 23,402,062 (2016 : Rs. 16,092,240 thousand).

The SBP requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 11.275% of their risk weighted assets. The Bank's capital adequacy ratio as at December 31, 2017 under Basel III is 9.67%.

The capital adequacy ratio of the Bank was subject to Basel III capital adequacy guidelines stipulated by the SBP through its circular BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis.

Phase-in arrangement and full implementation of the minimum capital requirements:

Sr. No.	Ratio	Year end						As of December
		2013	2014	2015	2016	2017	2018	2019
1	CET1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier-1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	CCB (consisting of CET1 only)	0.00%	0.00%	0.25%	0.65%	1.275%	1.90%	2.50%
6	Total capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%

The SBP's regulatory capital as managed by the Bank is analyzed into following tiers:

- Tier I capital (CET1), which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and accumulated losses.
- Additional Tier I capital (ADT-I), which includes perpetual non-cumulative preference shares and its premium after all regulatory adjustments applicable on ADT-I.



- Tier II capital, which includes subordinated debt / instruments and its premium, general reserve for loan losses (up to a maximum of 1.25% of CRWA), net of tax revaluation reserves of fixed assets and investments, exchange translation reserves after all regulatory adjustments applicable on Tier-2.
- Tier III capital, which includes short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying Tier II and Tier III capital cannot exceed the Tier I capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 % of total risk weighted assets. Sub-ordinated debts cannot exceed 50 % of Tier I capital. Further tier III capital cannot exceed 250 % of Tier I capital.

The Bank calculates capital requirement as per regulatory framework, using the following approaches:

Credit risk	Standardized Approach
Market risk	Standardized Approach
Operational risk	Basic Indicator Approach

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank.

	Note	2017 Rupees in '000'	Restated 2016
<b>42.3 Capital adequacy return</b>			
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
1 Fully paid-up capital / capital deposited with SBP		26,436,924	15,551,132
2 Balance in share premium account and share deposit money		2,215,040	7,037,882
3 Reserve for issue of bonus shares		-	-
4 Discount on issue of shares		(263,158)	(263,158)
5 General / Statutory reserves		1,344,899	1,342,715
6 Gain / (Losses) on derivatives held as Cash Flow Hedge		-	-
7 (Accumulated losses) / unappropriated profit		(3,034,749)	541,108
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		67,546	109,949
9 <b>CET 1 before Regulatory Adjustments</b>		26,766,502	24,319,628
10 Total regulatory adjustments applied to CET1	42.3.1	6,832,647	2,595,137
11 <b>Common Equity Tier 1</b>		19,933,855	21,724,491
<b>Additional Tier 1 (AT 1) Capital</b>			
12 Qualifying Additional Tier-1 capital instruments plus any related share premium		-	-
13 of which: Classified as equity		-	-
14 of which: Classified as liabilities		-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		734	1,139
16 of which: instrument issued by subsidiaries subject to phase out		-	-
17 <b>AT1 before regulatory adjustments</b>		-	-
18 Total regulatory adjustment applied to AT1 capital	42.3.2	-	-
19 Additional Tier 1 capital after regulatory adjustments		-	-
20 <b>Additional Tier 1 capital recognized for capital adequacy</b>		734	1,139

	Note	2017 Rupees in '000'	Restated 2016
21	<b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	19,934,589	21,725,630
	<b>Tier 2 Capital</b>		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	3,699,000	4,100,000
23	Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel III rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	1,224	1,898
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit risk weighted assets	425,283	390,971
27	Revaluation reserves (net of taxes)	1,681,730	2,163,009
28	of which: Revaluation reserves on fixed assets	1,727,873	1,552,832
29	of which: Unrealized gains / losses on AFS	(46,143)	610,177
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed / Other Reserves (if any)	-	-
32	<b>T2 before regulatory adjustments</b>	5,807,237	6,655,878
33	Total regulatory adjustment applied to T2 capital	42.3.3 210,336	-
34	Tier 2 capital (T2) after regulatory adjustments	-	-
35	Tier 2 capital recognized for capital adequacy	-	-
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	<b>Total Tier 2 capital admissible for capital adequacy</b>	5,596,901	6,655,878
38	<b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	25,531,490	28,381,508
39	<b>Total Risk Weighted Assets (RWA)</b>	42.6 263,966,483	230,945,295
	<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40	<b>CET1 to total RWA</b>	7.55%	9.41%
41	<b>Tier-1 capital to total RWA</b>	7.55%	9.41%
42	<b>Total capital to total RWA</b>	9.67%	12.29%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.275%	6.65%
44	of which: capital conservation buffer requirement	1.275%	0.65%
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	0.28%	2.76%
	<b>National minimum capital requirements prescribed by SBP</b>		
48	<b>CET1 minimum ratio</b>	6.00%	6.00%
49	<b>Tier 1 minimum ratio</b>	7.50%	7.50%
50	<b>Total capital minimum ratio</b>	11.275%	10.65%





Restated  
2016

2017

Rupees in '000'

	Amount	Amount subject to Pre-Basel III treatment	
<b>Regulatory Adjustments and Additional Information</b>			
<b>42.3.1 Common Equity Tier 1 capital: Regulatory adjustments</b>			
1	Goodwill (net of related deferred tax liability)	586,070	-
2	All other intangibles (net of any associated deferred tax liability)	52,392	-
3	Shortfall in provisions against classified assets	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
5	Defined-benefit pension fund net assets	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	55,281	-
7	Cash flow hedge reserve	-	-
8	Investment in own shares/ CET1 instruments	-	-
9	Securitization gain on sale	-	-
10	Capital shortfall of regulated subsidiaries	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	6,138,904	8,185,205
15	Amount exceeding 15% threshold	-	-
16	of which: significant investments in the common stocks of financial entities	-	-
17	of which: deferred tax assets arising from temporary differences	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-
20	Any other deduction specified by SBP (mention details)	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	6,832,647	2,595,137
<b>42.3.2 Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-
24	Investment in own AT1 capital instruments	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-

2017

Restated  
2016

		Rupees in '000'		
		Amount	Amount subject to Pre-Basel III treatment	
<b>42.3.3 Tier 2 Capital: regulatory adjustments</b>				
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	210,336	-	-
33	Investment in own Tier 2 capital instrument	-	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope -z of regulatory consolidation	-	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	210,336	-	-
<b>42.3.4 Additional Information</b>				
Risk weighted assets subject to pre-Basel III treatment				
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)			
(i)	of which: deferred tax assets	-	-	-
(ii)	of which: Defined-benefit pension fund net assets			
(iii)	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	-	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-	-
Amounts below the thresholds for deduction (before risk weighting)				
38	Non-significant investments in the capital of other financial entities			
39	Significant investments in the common stock of financial entities			
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-
Applicable caps on the inclusion of provisions in Tier 2				
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-



	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	2017	2017
	Rupees in '000'	
<b>42.4 Capital structure reconciliation</b>		
<b>42.4.1 Step 1</b>		
Cash and balances with treasury banks	42,478,209	42,478,209
Balances with other banks	6,116,297	6,116,297
Lendings to financial institutions	24,170,850	24,170,850
Investments - net	242,487,965	242,487,965
Advances - net	295,841,425	295,841,425
Operating fixed assets	8,533,033	8,533,033
Deferred tax assets - net	10,786,284	10,786,284
Other assets - net	19,295,379	19,295,379
<b>Total assets</b>	<b>649,709,442</b>	<b>649,709,442</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	3,365,325	3,365,325
Borrowings	38,949,362	38,949,362
Deposits and other accounts	556,191,873	556,191,873
Sub-ordinated loan	4,499,000	4,499,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	-	-
Other liabilities	16,864,004	16,864,004
<b>Total liabilities</b>	<b>619,869,564</b>	<b>619,869,564</b>
Share capital	26,436,924	26,436,924
Reserves	3,296,781	3,296,781
Accumulated loss	(3,034,749)	(3,034,749)
Minority Interest	254,320	254,320
Surplus on revaluation of assets - net of tax	2,886,602	2,886,602
<b>Total equity</b>	<b>29,839,878</b>	<b>29,839,878</b>
<b>Total liabilities &amp; equity</b>	<b>649,709,442</b>	<b>649,709,442</b>



	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2017	2017	
	Rupees in '000'		
<b>42.4.2 Step 2</b>			
<b>Assets</b>			
Cash and balances with treasury banks	42,478,209	42,478,209	
Balances with other banks	6,116,297	6,116,297	
Lending to financial institutions	24,170,850	24,170,850	
Investments	242,487,965	242,487,965	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	-	-	a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>	55,281	55,281	d
<i>of which: others (mention details)</i>	-	-	e
Advances	295,841,425	295,841,425	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	425,283	425,283	g
Fixed Assets	8,533,033	8,533,033	
Deferred Tax Assets	10,786,284	10,786,284	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	10,786,284	10,786,284	i
Other assets	19,295,379	19,295,379	
<i>of which: Goodwill</i>	586,070	586,070	j
<i>of which: Intangibles</i>	52,392	52,392	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
<b>Total assets</b>	<b>649,709,442</b>	<b>649,709,442</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	3,365,325	3,365,325	
Borrowings	38,949,362	38,949,362	
Deposits and other accounts	556,191,873	556,191,873	
Sub-ordinated loans	4,499,000	4,499,000	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	3,699,000	3,699,000	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	-	-	r
Other liabilities	16,864,004	16,864,004	
<b>Total liabilities</b>	<b>619,869,564</b>	<b>619,869,564</b>	



	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2017	2017	
Rupees in '000'			
Share capital	26,436,924	26,436,924	
<i>of which: amount eligible for CET1</i>	26,436,924	26,436,924	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	3,296,781	3,296,781	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	3,296,781	3,296,781	u
<i>of which: portion eligible for inclusion in Tier 2</i>			v
Accumulated loss	(3,034,749)	(3,034,749)	w
Minority Interest			
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	2,886,602	2,886,602	
<i>of which: Revaluation reserves on Fixed Assets</i>	2,003,331	2,003,331	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	(53,499)	(53,499)	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
<b>Total liabilities &amp; Equity</b>	<b>649,455,122</b>	<b>649,455,122</b>	

#### 42.4.3 Step 3

##### Common Equity Tier 1 capital (CET1): Instruments and reserves

1	Fully paid-up capital/ capital deposited with SBP	26,436,924	
2	Balance in share premium account, share deposit money and discount on issue of shares	1,951,882	(s)
3	Reserve for issue of bonus shares		
4	General / Statutory reserves	1,344,899	(u)
5	Gain / (Losses) on derivatives held as Cash Flow Hedge		
6	Accumulated loss	(3,034,749)	(w)
7	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	67,546	(x)
8	CET 1 before Regulatory Adjustments	26,766,502	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	586,070	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	52,392	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13	Defined-benefit pension fund net assets		{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	55,281	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares / CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)

	Component of regulatory capital reported by bank	Source based on reference number from step2	
	2017	2017	
	Rupees in '000'		
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	6,138,904	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	-	
31	<b>Common Equity Tier 1</b>	19,933,855	
	<b>Additional Tier 1 (AT 1) Capital</b>		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	734	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	<b>AT1 before regulatory adjustments</b>		
	<b>Additional Tier 1 Capital: regulatory adjustments</b>		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	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	-	





	Component of regulatory capital reported by bank	Source based on reference number from step2
	2017	2017
	Rupees in '000'	
44	-	
45	-	
46	-	
47	-	
48	19,934,589	
	<b>Tier 2 Capital</b>	
49	3,699,000	
50	-	(n)
51	1,224	(z)
52	-	
53	425,283	(g)
54	1,681,730	
55	1,727,873	portion of (aa)
56	(46,143)	
57	-	(v)
58	-	
59	5,807,237	
	<b>Tier 2 Capital: regulatory adjustments</b>	
60	-	
61	210,336	
62	-	
63	-	(ae)
64	-	(af)
65	-	
66	-	
67	-	
68	-	
69	5,596,901	
70	25,531,490	

## 42.5 Main features template of regulatory capital instruments

Sr. No.	Main Features	Common Shares	Sub-ordinated Loan - Government	Sub-ordinated Loan - Privately place term finance certificates
1	Issuer	The Bank of Punjab	The Bank of Punjab	The Bank of Punjab
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)	BOP	BOP	BOP-PPTFCs
3	Governing law(s) of the instrument	Capital Market Law	Relevant rules and regulations	Relevant rules and regulations
4	<b>Regulatory treatment</b>			
5	Transitional Basel III rules	Common equity Tier 1	Tier 2 Capital Instruments	Tier 2 Capital Instruments
6	Post-transitional Basel III rules	Common equity Tier 1	Tier 2 Capital Instruments	Tier 2 Capital Instruments
7	Eligible at solo/ group/ group & solo	Standalone and group	Standalone and group	Standalone and group
8	Instrument type	Common shares	Debt	Debt
9	<b>Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)</b>	26,436,924	1,200,000	2,499,000
10	<b>Par value of instrument</b>	PKR 10	Not applicable	PKR 100,000
11	<b>Accounting classification</b>	Shareholder equity	Sub-ordinated Loan	Privately Placed Term Finance Certificates
12	<b>Original date of issuance</b>	1990	2014	2016
13	<b>Perpetual or dated</b>	Perpetual	Dated	Dated
14	Original maturity date	No maturity	07 years from date of disbursement	10 years from date of disbursement
15	<b>Issuer call subject to prior supervisory approval</b>	No	Yes	Yes
16	Optional call date, contingent call dates and redemption amount	Not applicable	After 5 years	After 5 years
17	Subsequent call dates, if applicable	Not applicable	Not applicable	Not applicable
18	<b>Coupons / dividends</b>			
19	Fixed or floating dividend/ coupon	Not applicable	Floating	Floating
20	Coupon rate and any related index/ benchmark	Not applicable	Average SBP discount rate	6 month ask side KIBOR plus 100 bps
21	Existence of a dividend / coupon stopper	No	Yes	Yes
22	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory	Mandatory
23	Existence of step up or other incentive to redeem	No	No	No
24	Noncumulative or cumulative	Not applicable	No	No
25	<b>Convertible or non-convertible</b>	Non-convertible	May be converted subject to consent of parties and necessary regulatory approvals.	May be converted on discretion of SBP upon occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines.
26	If convertible, conversion trigger (s)	Not applicable	At the option of issuer after 05 years	Upon occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines.
27	If convertible, fully or partially	Not applicable	Fully	Fully or partially
28	If convertible, conversion rate	Not applicable	Rs. 15 per share	Market value of shares at the date of trigger of PONV as declared by the SBP.
29	If convertible, mandatory or optional conversion	Not applicable	Optional	Optional
30	If convertible, specify instrument type convertible into	Not applicable	Ordinary shares	Ordinary shares
31	If convertible, specify issuer of instrument it converts into	Not applicable	BOP common shares	BOP common shares
32	<b>Write-down feature</b>			
33	If write-down, write-down trigger(s)	Not applicable	Yes	Yes
34	If write-down, full or partial	Not applicable	Not applicable	Not applicable
35	If write-down, permanent or temporary	Not applicable	Permanent	Permanent
36	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
37	<b>Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)</b>	Not applicable	Ranked inferior to all other debts of the Bank including deposits	Ranked inferior to all other debts of the Bank including deposits
38	<b>Non-compliant transitioned features</b>	No	No	No
39	<b>If yes, specify non-compliant features</b>	Not applicable	Not applicable	Not applicable



## 42.6 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2017	Restated 2016	2017	Restated 2016
<b>Rupees in '000</b>				
<b>Credit Risk</b>				
<b>On-Balance sheet</b>				
<u>Portfolios subject to standardized approach (Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	7,660	7,051	67,941	66,205
Public sector entities	326,473	332,560	2,895,544	3,122,633
Banks	704,883	404,027	6,251,733	3,793,677
Corporate	13,200,043	11,687,837	117,073,550	109,744,953
Retail	4,141,488	2,965,949	36,731,598	27,849,288
Residential mortgages	86,944	72,985	771,121	685,305
Past due loans	643,828	847,528	5,710,222	7,958,009
Deferred tax assets	963,758	852,834	8,548,991	8,007,835
Operating fixed assets	890,113	773,805	7,894,571	7,265,774
Significant investment (250%) Punjab Modaraba Services	-	-	-	-
Other assets	2,175,554	1,971,529	19,295,379	18,512,009
	23,140,744	19,916,105	205,240,650	187,005,688
<b>Off-Balance sheet</b>				
Non-market related:				
Financial guarantees, acceptances, performance related commitments, trade related etc.	2,809,949	1,610,106	24,921,942	15,118,364
Market related:				
Foreign Exchange contracts/ derivatives etc.	11,754	7,488	104,252	70,313
	2,821,703	1,617,594	25,026,194	15,188,677
<b>Equity Exposure Risk in the Banking Book</b>				
Under simple risk weight method				
Listed, Unlisted	78,353	74,169	694,927	696,426
Under Internal models approach				
	78,353	74,169	694,927	696,426
<b>Market Risk</b>				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	36,923	54,732	461,533	684,150
Equity position risk	194,881	181,631	2,436,022	2,270,388
Foreign Exchange risk	22,748	10,894	284,350	136,175
	254,552	247,257	3,181,905	3,090,713
<u>Capital Requirement for portfolios subject to Basic Indicator Approach</u>				
<b>Operational Risk</b>				
<u>Capital Requirement for operational risks</u>	2,376,925	1,997,103	29,822,807	24,963,791
<b>Total</b>	<b>28,672,277</b>	<b>23,852,228</b>	<b>263,966,483</b>	<b>230,945,295</b>

Based on minimum capital requirement of 11.275%, the capital required on total risk weighted assets of the Bank is Rs. 29,762,221 thousands.

<b>Capital Adequacy Ratios</b>	<b>2017 Required</b>	<b>2017 Actual</b>	2016 Required	2016 Actual
CET1 to total RWA	6.00%	7.55%	6.00%	9.40%
Tier-1 capital to total RWA	7.50%	7.55%	7.50%	9.40%
Total capital to total RWA	11.275%	9.67%	10.65%	12.28%

#### 43. RISK MANAGEMENT

The principal risks associated with the Banking business are credit risk, market risk, liquidity risk and operational risk.

##### 43.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Group manages its exposure to credit risk by pursuing credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The Group's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Group will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the SBP.

##### 43.1.1 Segments by class of business

	Advances (gross)				Deposits				Contingencies and commitments			
	2017		2016 (Restated)		2017		2016 (Restated)		2017		2016 (Restated)	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agribusiness	7,813,340	2.28	6,360,779	2.16	17,295,577	3.11	16,493,266	3.64	-	-	-	-
Textile and ginning	64,182,392	18.76	55,042,817	18.70	1,368,974	0.25	1,952,192	0.43	7,389,714	7.38	5,427,975	8.72
Cement	7,877,789	2.30	5,586,579	1.90	441,338	0.08	296,165	0.07	10,785,353	10.77	3,603,448	5.79
Sugar	13,867,876	4.05	11,117,793	3.78	809,942	0.15	1,548,917	0.34	68,207	0.07	111,716	0.18
Financial	1,886,328	0.55	1,783,769	0.61	5,797,622	1.04	6,011,551	1.33	5,446,540	5.44	8,564,597	13.77
Construction and real estate	8,317,498	2.43	7,535,880	2.56	20,602,135	3.70	18,061,095	3.99	13,227,494	13.20	11,666,409	18.75
Oil and gas	2,788,975	0.82	3,297,578	1.12	844,972	0.15	913,994	0.20	12,550,590	12.53	1,548,827	2.49
Auto and allied	2,261,017	0.66	2,180,653	0.74	41,697	0.01	80,733	0.02	662,221	0.66	1,089,538	1.75
Food and allied	7,754,045	2.27	8,418,517	2.86	1,170,591	0.21	1,873,713	0.41	1,985,632	1.98	1,118,824	1.80
Chemical and pharmaceuticals	7,024,258	2.05	6,625,295	2.25	914,893	0.16	1,110,533	0.25	1,461,022	1.46	1,769,987	2.84
Fertilizers	4,411,851	1.29	4,125,651	1.40	606,913	0.11	283,267	0.06	472,197	0.47	710,507	1.14
Cable, electrical and engineering	9,499,811	2.78	9,457,588	3.21	2,664,145	0.48	1,950,722	0.43	3,399,690	3.39	2,836,728	4.56
Production and transmission of energy	15,517,124	4.54	10,388,024	3.53	959,918	0.17	817,200	0.18	6,933,616	6.92	3,669,559	5.90
Transport, storage and communication	5,990,987	1.75	5,904,528	2.01	1,813,302	0.33	2,688,920	0.59	448,101	0.45	1,106,458	1.78
Government :												
- Public sector enterprises	53,424,285	15.62	45,782,278	15.56	13,107,265	2.36	20,113,322	4.44	13,756,622	13.73	6,087,100	9.78
- Federal and Provincial Governments	31,378,957	9.17	29,189,829	9.92	305,160,214	54.87	226,398,222	49.96	14,468,088	14.44	7,320,582	11.77
Individuals	41,147,729	12.03	42,462,956	14.43	146,200,955	26.29	124,444,139	27.46	-	-	-	-
Trading and commerce	28,606,921	8.36	18,640,932	6.33	7,662,159	1.38	6,136,436	1.35	2,354,308	2.35	2,074,095	3.33
Services	11,632,946	3.40	8,521,957	2.90	12,902,258	2.32	12,053,284	2.66	209,806	0.21	205,532	0.33
Others	16,694,113	4.89	11,873,704	4.03	15,827,003	2.83	9,946,651	2.19	4,568,297	4.55	3,307,929	5.32
	342,078,242	100.00	294,297,087	100.00	556,191,873	100.00	453,174,322	100.00	100,187,498	100.00	62,219,811	100.00

### 43.1.2 Segment by sector

	2017					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public Sector / Government	84,803,242	24.79	318,267,479	57.22	28,224,710	28.17
Private	257,275,000	75.21	237,924,394	42.78	71,962,788	71.83
	342,078,242	100.00	556,191,873	100.00	100,187,498	100.00

### 43.1.3 Details of non-performing advances and specific provisions by class of business segment

	2017		2016 (Restated)	
	Classified advances	Rupees in '000 Specific provision held	Classified advances	Specific provision held
Agribusiness	1,093,133	980,709	1,485,793	1,055,562
Textile and ginning	25,166,034	21,515,377	25,228,696	13,378,356
Cement	1,423,102	1,098,962	1,547,291	1,129,044
Sugar	1,168,346	1,168,346	1,805,281	1,181,462
Financial	360,889	360,889	1,394,009	39,328
Construction and real estate	1,715,512	1,598,666	2,088,907	1,787,691
Oil and gas	220,294	220,294	80,252	76,671
Auto and allied	1,999,227	1,999,227	1,998,230	1,540,329
Food and allied	2,765,718	2,427,574	3,505,840	2,115,173
Chemical and pharmaceuticals	155,751	107,872	123,695	86,122
Fertilizers	86,174	81,074	87,966	67,662
Cable, electrical and engineering	1,998,806	1,992,999	2,044,754	166,339
Production and transmission of energy	1,549,640	1,549,640	1,548,271	509,495
Transport, storage and communication	243,674	160,552	260,327	151,903
Government:				
- Public sector enterprises	-	-	-	-
- Federal and Provincial Governments	-	-	-	-
Individuals	681,997	516,196	564,768	442,707
Trading and commerce	6,600,885	6,269,901	6,951,959	4,381,365
Services	1,150,730	1,081,338	1,722,082	1,583,620
Others	3,962,963	2,681,918	3,787,165	2,023,736
	52,342,875	45,811,534	56,225,286	31,716,565

### 43.1.4 Details of non-performing advances and specific provisions by sector

Public Sector / Government	-	-	-	-
Private	52,342,875	45,811,534	56,225,286	31,716,565
	52,342,875	45,811,534	56,225,286	31,716,565

### 43.1.5 Geographical segment analysis

A geographical segment analysis has not been presented since the Group's operations are restricted to Pakistan only.

### 43.1.6 Credit risk - general disclosures

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

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company– Vital Information Systems), Fitch Moody's and Standard & Poor's . Credit rating data for advances is obtained from recognized ECAIs and then mapped to SBP's rating grades.

#### Type of exposures & ECAIs used

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

#### Mapping to SBP rating grades

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

#### Long term ratings grades mapping

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

#### Short term rating grades mapping

SBP rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others





## Credit exposures subject to standardized approach

Exposures	Rating	2017			2016 (Restated)		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Rupees in '000							
Corporate	1	14,901,614	(6,422,459)	8,479,155	11,015,824	(5,945,511)	5,070,313
	2	32,431,841	(553,644)	31,878,197	13,199,705	(9,662)	13,190,043
	3,4	1,343,893	(600)	1,343,293	1,105,922	-	1,105,922
	5,6	-	-	-	-	-	-
	Unrated-1	44,064,831	(14,382,719)	29,682,112	38,895,144	-	38,895,144
	Unrated-2	63,302,099	(2,309,411)	60,992,688	56,724,167	(4,313,151)	52,411,016
Bank	1	35,626,748	(5,148,215)	30,478,533	22,049,178	(3,198,867)	18,850,311
	2,3	-	-	-	-	-	-
	4,5	807,143	(495,090)	312,053	47,230	-	47,230
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
	Public sector enterprises in Pakistan	1	13,633,719	-	13,633,719	12,344,847	-
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	39,837,010	(39,499,409)	337,601	33,497,807	(32,190,480)	1,307,327
Sovereigns and on Government of Pakistan or Provisional Government or SBP or Cash	0	267,522,258	(31,007,716)	236,514,542	225,095,573	(25,850,593)	199,244,980
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	-	-	-	-	-	-
	4,5	67,941	-	67,941	66,205	-	66,205
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Listed equity investments	100%	670,942	-	670,942	676,849	-	676,849
Un-listed equity Investments	150%	15,990	-	15,990	13,051	-	13,051
Non performing loans	150%	949,788	-	949,788	16,326,203	(13,764,101)	2,562,102
	100%	4,128,288	-	4,128,288	6,917,707	(2,817,336)	4,100,371
	50%	314,506	-	314,506	246,683	(217,711)	28,972
Mortgage	35%	2,203,203	-	2,203,203	1,958,013	-	1,958,013
Retail	75%	55,904,433	(6,928,970)	48,975,463	48,465,400	(11,333,016)	37,132,384
Fixed assets	100%	7,894,571	-	7,894,571	7,265,774	-	7,265,774
Deferred tax assets	100%	2,046,300	-	2,046,300	2,081,597	-	2,081,597
Deferred tax assets	250%	2,601,076	-	2,601,076	2,370,495	-	2,370,495
Significant assets	250%	-	-	-	-	-	-
Others	100%	19,295,379	-	19,295,379	18,511,830	-	18,511,830
<b>Total</b>		<b>609,563,573</b>	<b>(106,748,233)</b>	<b>502,815,340</b>	<b>518,875,204</b>	<b>(99,640,428)</b>	<b>419,234,776</b>

### 43.1.7 Credit risk: Disclosures with respect to credit risk mitigation for standardized approach

The Bank has adopted comprehensive approach of credit risk mitigation for banking book. Under this approach cash, lien on deposits, government securities, and eligible securities etc. are consolidated as eligible collateral. Where the Bank's exposure to an obligor is secured by eligible collaterals, the Bank reduces its exposure for the calculation of the capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

#### 43.1.7.1 Credit risk: Disclosures for portfolio subject to the standardized approach

No credit risk mitigation benefit is taken in the trading book. For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of risk weighted assets.

### 43.1.7.2 Equity position risk in the banking book

The Bank takes proprietary equity positions for both short term and long term trading purposes. As of December 31, 2017 the composition of equity investments, is as follows:

	Held for trading	Available for sale	Total
	Rs. In '000'		
Ordinary shares (listed) - net of impairment held	-	1,258,029	1,258,029
Ordinary shares (un-listed) - net of impairment held	-	39,892	39,892
Preference shares - net of impairment held	-	-	-
<b>Total</b>	<b>-</b>	<b>1,297,921</b>	<b>1,297,921</b>

The Bank classify its equity investment portfolio in accordance with the directives of the SBP as follows:

- Investments - Held for trading
- Investments – Available for Sale
- Investments in subsidiaries

### 43.1.8 Leverage Ratio

The State Bank of Pakistan (SBP) through its BPRD Circular No. 06 of 2013 has issued instructions regarding implementation of parallel run of leverage ratio reporting and its components from December 31, 2013 to December 31, 2017. During this period the final calibration, and any further adjustments to the definition, will be completed, with a view to set the leverage ratio as a separate capital standard on December 31, 2018.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Leverage Ratio} = \text{Tier 1 capital (after related deductions)} / \text{Total Exposure}$$

As at December 31, 2017 the Bank's Leverage ratio stood at 2.55% which is well above the minimum requirement of 3% (2016: 3.0%).

	2017	Restated 2016
	Rupees in '000'	
Cash and balances with treasury banks	42,478,209	35,756,160
Balances with other banks	6,116,297	3,765,870
Lendings to financial institutions	24,170,850	11,262,133
Investments - net	242,222,348	199,657,043
Advances - net	295,841,428	262,189,551
Operating fixed assets	7,894,571	7,265,774
Deferred tax assets - net	4,647,377	4,452,737
Financial Derivatives (A.1)	17,467,707	14,865,947
Other assets - net	19,295,379	18,511,830
	<b>660,134,166</b>	<b>557,727,045</b>



	2017	Restated 2016
	Rupees in '000'	
<b>A.1 Derivatives (On Balance sheet)</b>		
Interest Rate	-	-
Equity	-	-
Foreign Exchange and Gold	17,467,707	14,865,947
Precious Metal (except gold)	-	-
Commodities	-	-
Credit Derivatives (protection bought & sold)	-	-
Any other derivatives	-	-
<b>B. Off-Balance Sheet Items excluding derivatives</b>		
Direct Credit Substitutes	17,385,609	6,929,834
Performance-related Contingent Liabilities (i.e. Guarantees)	37,265,382	28,316,171
Trade-related Contingent Liabilities (i.e. Letter of Credits)	45,477,822	26,886,223
Lending of securities or posting of securities as collaterals	-	-
Undrawn committed facilities (which are not cancellable)	16,297,428	22,596,486
Unconditionally cancellable commitments	4,536,303	4,432,773
Commitments in respect of operating leases	-	-
Commitments for the acquisition of operating fixed assets	225,051	27,095
	121,187,595	89,188,582
<b>C. Commitments in respect of Derivatives - Off Balance Sheet Items</b> (Derivatives having negative fair value are also included)		
Interest Rate	-	-
Equity	-	-
Foreign Exchange & gold	211,803	57,130
Precious Metals (except gold)	-	-
Commodities	-	-
Credit Derivatives (protection sold and bought)	-	-
Other derivatives	-	-
<b>Total Derivatives (C)</b>	211,803	57,130
Tier-1 Capital	19,933,855	21,724,491
Total Exposures (sum of A,B and C)	781,533,564	646,972,757
<b>Leverage Ratio</b>	2.55%	3.36%

#### 43.2 Market risk

Market risk is the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices.

The Group is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Equity Capital Markets. Market risk exposure also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes bank to interest rate risk, foreign exchange risk and equity price risk.

The Group's market risk management structure consists of Board Risk Management Committee, ALCO, Market Risk Management Committee and independent Enterprise Risk Management unit (ERM). Market risk is an independent risk management function that works in close partnership with the business segments to identify and monitor market risks throughout the Group and to define market risk policies and procedures. ERM unit seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency in reporting the Group's market risk profile to the senior management, the Board of Directors and the SBP.

### 43.2.1 Interest rate risk management

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to yield/interest rate risk for its investing and/or financing activities where any major fluctuation in the market interest rate/yield can affect both the value of the financial instrument as well as the profitability of the Bank. To minimize this risk the Group's Assets and Liabilities Committee (ALCO) keeps a constant watch on the interest rate scenario in the country and on regular intervals reviews pricing mechanism for assets and liabilities of the Group.

#### 43.2.1.1 Mismatch of interest rate sensitive assets and liabilities

Effective yield / interest rate	Exposed to Yield / Interest risk										Non-interest bearing financial instruments	
	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Above 10 years		
	Rupees in '000											
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	42,478,209	1,263,173	-	-	-	-	-	-	-	-	-	41,215,036
Balances with other banks	6,116,297	2,898,448	-	-	-	-	-	-	-	-	-	3,217,849
Lending to financial institutions	24,170,850	18,933,850	4,030,000	1,207,000	-	-	-	-	-	-	-	-
Investments - net	242,487,965	75,128,102	120,801,222	11,325,724	23,324,838	7,369,916	3,177,477	-	-	-	-	1,360,686
Advances - net	295,841,428	33,502,426	262,326,100	-	-	-	-	-	-	-	-	12,902
Other assets	7,604,641	-	-	-	-	-	-	-	-	-	-	7,604,641
	618,699,390	131,725,999	387,157,322	12,532,724	23,324,838	7,369,916	3,177,477	-	-	-	-	53,411,114
<b>Liabilities</b>												
Bills payable	3,365,325	-	-	-	-	-	-	-	-	-	-	3,365,325
Borrowings	38,949,362	11,131,411	9,437,704	3,965,933	9,682,363	422,422	177,673	1,869,223	2,203,945	-	-	58,688
Deposits and other accounts	556,191,873	25,284,546	268,593,079	36,340,529	63,921,725	1,575,114	2,054,050	361,500	-	-	-	158,061,330
Sub-ordinated loan	4,499,000	-	-	4,499,000	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,801,821	-	-	-	-	-	-	-	-	-	-	16,801,821
	619,807,381	36,415,957	278,030,783	44,805,462	73,604,088	1,997,536	2,231,723	2,230,723	2,203,945	-	-	178,287,164
<b>On-balance sheet gap</b>	(1,107,991)	95,310,042	109,126,539	(32,272,738)	(50,279,250)	5,372,380	945,754	(2,230,723)	(2,203,945)	-	-	(124,876,050)
<b>Off-balance sheet financial instruments</b>												
Forward foreign exchange contracts - purchase	10,067,323	6,559,703	2,863,486	564,366	79,768	-	-	-	-	-	-	-
- sale	7,846,230	7,647,094	12,781	186,355	-	-	-	-	-	-	-	-
Off-balance sheet gap	2,221,093	(1,087,391)	2,850,705	378,011	79,768	-	-	-	-	-	-	-
<b>Total yield / interest risk sensitivity gap</b>		94,222,651	111,977,244	(31,894,727)	(50,199,482)	5,372,380	945,754	(2,230,723)	(2,203,945)	-	-	(124,876,050)
<b>Cumulative yield/interest risk sensitivity gap</b>		94,222,651	206,199,895	174,305,168	124,105,686	129,478,066	130,423,820	128,193,097	125,989,152	125,989,152	125,989,152	1,113,102



### 43.2.2 Foreign exchange risk management

The Group's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The Group manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and nostro balances are managed within the statutory limits, as fixed by the SBP. Counter parties limits are also fixed to limit risk concentration.

			2017	
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
			Rupees in '000	
Pakistan Rupee	646,044,554	612,519,554	(2,221,093)	31,303,907
United States Dollar	2,762,879	4,778,853	668,696	(1,347,278)
Great Britain Pound	516,096	1,255,465	723,049	(16,320)
Japanese Yen	10,810	922	-	9,888
Euro	272,382	1,314,550	868,434	(173,734)
Others	102,721	220	(39,086)	63,415
	649,709,442	619,869,564	-	29,839,878

### 43.2.3 Equity position risk

Equity position risk arises from exposure to securities that represent an ownership interest in a company in the form of ordinary shares or other equity-linked instruments. The instruments held by the Group that would lead to this exposure include, but are not limited to, the following:

- Shares of listed and unlisted companies
- Preference shares falling on equity criteria
- Equity-based mutual funds

These investments are carried at fair market value with regular revaluations. The Group prefers to hold long-term exposures for securities held in 'available for sale' category to avoid seasonal or cyclical downturns in the prices of such securities.

## 43.3 Liquidity risk

**43.3.1** Liquidity risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Group's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk. The Group manages its liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business prepositions and pricing of assets and liabilities of the Group are given significant importance.

### 43.3.2 Maturities of assets and liabilities - based on expected maturities

2017

	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
<b>Rupees in '000</b>										
<b>Assets</b>										
Cash and balances with treasury banks	42,478,209	42,478,209	-	-	-	-	-	-	-	-
Balances with other banks	6,116,297	6,116,297	-	-	-	-	-	-	-	-
Lendings to financial institutions	24,170,850	18,933,850	4,030,000	1,207,000	-	-	-	-	-	-
Investments - net	242,487,965	74,524,068	120,268,132	7,463,301	23,719,155	8,018,721	3,601,194	2,291,296	2,602,098	-
Advances - net	295,841,425	33,592,130	42,801,969	38,482,634	34,386,206	15,023,808	26,257,572	32,269,331	68,345,026	4,682,749
Operating fixed assets	8,533,033	49,210	98,420	147,630	295,260	590,520	590,520	1,181,040	2,952,600	2,627,833
Deferred tax assets - net	10,786,284	-	-	-	-	-	-	10,786,284	-	-
Other assets	19,295,379	6,365,053	160,599	1,073,322	11,318,629	-	-	377,776	-	-
	649,709,442	182,058,817	167,359,120	48,373,887	69,719,250	23,633,049	30,449,286	46,905,727	73,899,724	7,310,582
<b>Liabilities</b>										
Bills payable	3,365,325	3,365,325	-	-	-	-	-	-	-	-
Borrowings	38,949,362	11,190,099	9,437,704	3,965,933	9,682,363	422,422	177,673	1,869,223	2,203,945	-
Deposits and other accounts	556,191,873	111,169,590	76,890,452	74,945,571	103,498,968	39,050,722	39,160,670	37,837,898	36,819,001	36,819,001
Sub-ordinated loan	4,499,000	-	-	500	500	1,000	1,000	1,996,000	2,500,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,864,004	6,335,913	42,755	358,966	595,800	852,569	5,494,101	3,183,900	-	-
	619,869,564	132,060,927	86,370,911	79,270,970	113,777,631	40,326,713	44,833,444	44,887,021	41,522,946	36,819,001
<b>Net assets</b>	29,839,878	49,997,890	80,988,209	(30,897,083)	(44,058,381)	(16,693,664)	(14,384,158)	2,018,706	32,376,778	(29,508,419)
Share capital	26,436,924									
Reserves	3,296,781									
Share deposit money	-									
Accumulated losses	(3,034,749)									
Non-controlling interest	26,698,956									
	254,320									
Surplus on revaluation of assets - net of tax	26,953,276									
	2,886,602									
	29,839,878									

**43.3.3** Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.





### 43.3.4 Maturities of assets and liabilities - based on contractual maturities

2017

	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	42,478,209	42,478,209	-	-	-	-	-	-	-	-
Balances with other banks	6,116,297	6,116,297	-	-	-	-	-	-	-	-
Lendings to financial institutions	24,170,850	18,933,850	4,030,000	1,207,000	-	-	-	-	-	-
Investments - net	242,487,965	74,524,068	120,268,132	7,463,301	23,719,155	8,018,721	3,601,194	2,291,296	2,602,098	-
Advances - net	295,841,425	33,592,130	42,801,969	38,482,634	34,386,206	15,023,808	26,257,572	32,269,331	68,345,026	4,682,749
Operating fixed assets	8,533,033	49,210	98,420	147,630	295,260	590,520	590,520	1,181,040	2,952,600	2,627,833
Deferred tax assets - net	10,786,284	-	-	-	-	-	-	10,786,284	-	-
Other assets	19,295,379	6,365,053	160,599	1,073,322	11,318,629	-	-	377,776	-	-
	649,709,442	182,058,817	167,359,120	48,373,887	69,719,250	23,633,049	30,449,286	46,905,727	73,899,724	7,310,582
<b>Liabilities</b>										
Bills payable	3,365,325	3,365,325	-	-	-	-	-	-	-	-
Borrowings	38,949,362	11,190,099	9,437,704	3,965,933	9,682,363	422,422	177,673	1,869,223	2,203,945	-
Deposits and other accounts	556,191,873	424,131,100	21,661,949	38,126,570	66,679,967	2,231,721	2,341,669	1,018,897	-	-
Sub-ordinated loan	4,499,000	-	-	500	500	1,000	1,000	1,996,000	2,500,000	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,864,004	6,335,913	42,755	358,966	595,800	852,569	5,494,101	3,183,900	-	-
	619,869,564	445,022,437	31,142,408	42,451,969	76,958,630	3,507,712	8,014,443	8,068,020	4,703,945	-
<b>Net assets</b>	<b>29,839,878</b>	<b>(262,963,620)</b>	<b>136,216,712</b>	<b>5,921,918</b>	<b>(7,239,380)</b>	<b>20,125,337</b>	<b>22,434,843</b>	<b>38,837,707</b>	<b>69,195,779</b>	<b>7,310,582</b>
Share capital	26,436,924	-	-	-	-	-	-	-	-	-
Reserves	3,296,781	-	-	-	-	-	-	-	-	-
Share deposit money	-	-	-	-	-	-	-	-	-	-
Accumulated losses	(3,034,749)	-	-	-	-	-	-	-	-	-
Non-controlling interest	26,698,956	-	-	-	-	-	-	-	-	-
	254,320	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	26,953,276	-	-	-	-	-	-	-	-	-
	2,886,602	-	-	-	-	-	-	-	-	-
	29,839,878	-	-	-	-	-	-	-	-	-

### 43.3.5 Liquidity Coverage Ratio

	TOTAL UNWEIGHTED <sup>a</sup> VALUE (average)	TOTAL WEIGHTED <sup>b</sup> VALUE (average)
Rupees in '000		
<b>HIGH QUALITY LIQUID ASSETS</b>		
1	Total high quality liquid assets (HQLA) 285,713,249	
	<b>Cash outflows</b>	
2	Retail deposits and deposits from small business customers of which:	
2.1	Stable deposit	
2.2	78,265,000	7,826,500
3	Unsecured wholesale funding of which:	
3.1	-	-
3.2	488,508,387	184,796,787
3.3	-	-
4	Secured wholesale funding	
5	Additional requirements of which:	
5.1	Outflows related to derivative exposures and other collateral requirements	
5.2	-	-
5.3	81,164,491	25,142,179
6	9,403,375	9,403,375
7	100,128,812	4,596,936
8	<b>Total cash outflows</b> 231,765,777	
	<b>Cash inflows</b>	
9	9,121,680	-
10	16,751,213	8,375,607
11	9,288,598	9,288,598
12	<b>Total cash inflows</b> 17,664,205	
	<b>Total adjusted value</b>	
21	Total HQLA 285,713,249	
22	Total net cash out flows 214,101,572	
23	Liquidity coverage ratio 133.45%	

a Unweighted values are calculated as outstanding balances maturing or callable within 30 days ( for inflows and outflows)

b Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)

c Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on level 2B and level 2 assets for HQLA abd cap on inflows



### 43.3.6 Net Stable Funding Ratio

ASF Item	Unweighted value by residual maturity				LRIX
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	Weighted value
	Rupees in '000'				
1 Capital:					
2 Regulatory capital	26,845,159	-	-	-	26,845,159
3 Other capital instruments	-	500	500	4,498,000	3,699,000
4 Retail deposits and deposit from small business customers:					
5 Stable deposits	-	-	-	-	-
6 Less stable deposits	-	138,798,000	6,224,000	1,179,000	130,519,800
7 Wholesale funding:					
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	-	285,423,000	120,243,000	4,414,000	205,040,000
10 Other liabilities:					
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in other categories	-	-	-	-	-
	2,886,602	34,553,254	10,278,381	14,203,390	17,135,635
<b>13 Total ASF</b>					<b>383,239,594</b>
<b>RSF item</b>					
14 Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	-
15 Deposits held at other financial institutions for operational purposes	-	-	-	-	-
16 Performing loans and securities:					
17 Performing loans to financial institutions secured by Level 1 HQLA	-	9,510,527	-	-	951,053
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	14,293,323	-	-	2,143,998
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:					
20 With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	235,556,115	200,222,698
21 Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	55,228,308	35,898,400
22 Other assets:					
23 Physical traded commodities, including gold	-	-	-	-	-
24 Assets posted as initial margin for derivative contracts	-	-	-	-	-
25 NSFR derivative assets	-	-	-	-	-
26 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
27 All other assets not included in the above categories	-	259,385,839	35,420,955	40,151,985	57,156,126
28 Off-balance sheet items	-	-	-	91,938,718	4,596,936
<b>29 Total RSF</b>					<b>300,969,211</b>
<b>30 Net Stable Funding Ratio (%)</b>					<b>127%</b>

#### 43.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Group has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.

#### 44. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on April 25, 2018 by the Board of Directors of the Bank.

#### 45. GENERAL

- 45.1 These consolidated financial statements have been prepared in accordance with the revised forms of annual financial statements of commercial banks issued by SBP vide BSD Circular No. 04 dated 17 February 2006 and other circulars issued from time to time.
- 45.2 Figures have been rounded off to the nearest thousand rupees.
- 45.3 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However no significant reclassification has been made except for as disclosed in note 6.21.

---

Chief Financial Officer

---

President

---

Chairman

---

Director

---

Director



## ISLAMIC BANKING BUSINESS

The Bank has started Islamic banking operations in the year 2013. As at close of the December 31, 2017, The Bank is operating 64 Islamic banking branches and 02 sub Islamic banking branches (2016: 48 Islamic banking branches and 02 sub Islamic banking branches).

## Statement of Financial Position

As at December 31, 2017

	Note	2017 Rupees in '000'	2016
<b>ASSETS</b>			
Cash and balances with treasury banks		2,543,172	2,302,273
Balances with other banks		2,219,672	1,755,658
Due from financial institutions		9,857,000	5,100,000
Investments		7,628,201	5,512,287
Islamic financing and related services - net	A-I.1	11,773,847	8,936,749
Operating fixed assets		288,794	272,007
Deferred tax assets		-	-
Other assets		530,863	251,092
<b>TOTAL ASSETS</b>		<b>34,841,549</b>	<b>24,130,066</b>
<b>LIABILITIES</b>			
Bills payable		188,315	227,700
Due to financial institutions		-	-
Deposit and other accounts			
- Current accounts		8,215,697	6,126,472
- Saving accounts		23,955,632	14,680,150
- Term deposits		726,746	813,678
- Others		51,248	225,814
- Deposits from financial institutions - remunerative		62,186	-
- Deposits from financial institutions - non-remunerative		55	-
Due to head office		-	684,727
Other liabilities		169,405	62,053
		33,369,284	22,820,594
<b>NET ASSETS</b>		<b>1,472,265</b>	<b>1,309,472</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,000,000	1,000,000
Reserves		1,959	-
Unappropriated profit		420,873	230,200
		1,422,832	1,230,200
Surplus on revaluation of assets		49,433	79,272
		1,472,265	1,309,472
Remuneration to shariah advisor / board		4,684	5,144
<b>CHARITY FUND</b>			
Opening balance		533	1,871
Additions during the year		1,125	533
Payments / utilization during the year		(533)	(1,871)
Closing balance		1,125	533

# Islamic Banking Business

## Profit and Loss Account

For the year ended December 31, 2017

Annexure I

	Note	2017 Rupees in '000'	2016
<b>ASSETS</b>			
<b>Profit/return earned on financing, investment and placements</b>		1,916,612	1,117,781
<b>Return on deposits and other dues expensed</b>		695,716	385,966
<b>Net spread earned</b>		1,220,896	731,815
Provision against non-performing advances	A-I.4	62,497	-
Provision against consumer financings		-	-
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		62,497	-
Income after provisions		1,158,399	731,815
<b>Other Income</b>			
Fee, commission and brokerage income		27,701	29,751
Dividend income		-	-
Income / (loss) from dealing in foreign currencies		222	99
Gain on sale and redemption of securities		-	-
Unrealized (loss) / gain on revaluation of investments classified as held for trading		-	-
Other income		33,317	23,541
Total other income		61,240	53,391
		1,219,639	785,206
<b>Other expenses</b>			
Administrative expenses		1,028,966	664,521
Other provisions/write offs/reversals		-	-
Other charges		-	114
Total other expenses		1,028,966	664,635
Extra ordinary / unusual items		190,673	120,571
		-	-
<b>Profit before taxation</b>		190,673	120,571





# Islamic Banking Business

Annexure I

## Cash Flow Statement

For the year ended December 31, 2017

	2017	2016
	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	190,673	120,571
Less: Dividend income	-	-
	190,673	120,571
Adjustments for:		
Depreciation / amortization - own assets	75,578	70,547
Depreciation on ijarah assets under IFAS - 2	339,052	80,077
Amortization of premium on Government securities	17,592	2,732
Provision against non-performing islamic financing & related services - net	62,497	-
	494,719	153,356
	685,392	273,927
(Increase) / Decrease in operating assets:		
Lendings to financial institutions	(4,757,000)	(4,600,000)
Advances - net	(3,238,647)	(4,469,264)
Others assets - net	(279,771)	185,384
	(8,275,418)	(8,883,880)
Increase / (Decrease) in operating liabilities:		
Bills Payable	(39,385)	181,167
Deposits and other accounts	11,165,450	9,536,272
Other liabilities	(575,416)	(34,318)
	10,550,649	9,683,121
Income tax paid	2,960,623	1,073,168
	-	-
<b>Net cash flow from operating activities</b>	<b>2,960,623</b>	<b>1,073,168</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(2,163,345)	179,240
Investments in operating fixed assets	(92,365)	(113,744)
<b>Net cash (used in) / flow from investing activities</b>	<b>(2,255,710)</b>	<b>65,496</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in Islamic banking fund	-	500,000
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>500,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>704,913</b>	<b>1,638,664</b>
Cash and cash equivalents at beginning of the year	4,057,931	2,419,267
Cash and cash equivalents at end of the year	4,762,844	4,057,931

## Notes to the Annexure I

## Annexure I

	2017 Rupees in '000'	2016
<b>A-I.1 Islamic financing and related assets - net</b>		
Against murabaha	1,010,989	1,009,083
Against diminishing musharaka	5,235,730	4,618,083
Against ijarah	790,358	517,073
Against istisna	2,662,770	1,141,510
Against running musharaka	2,074,000	1,651,000
	11,773,847	8,936,749
<b>A-I.1.1 Islamic mode of financing</b>		
Financings/Investments/Receivables	8,247,023	7,299,500
Advances	2,668,324	1,319,639
Assets/Inventories	858,500	317,610
	11,773,847	8,936,749
<b>A-I.1.2 Against murabaha</b>		
Financings/Investments/Receivables	733,826	921,119
Advances	277,163	74,964
Assets/Inventories	-	13,000
	1,010,989	1,009,083
<b>A-I.1.3 Diminishing musharaka</b>		
Financings/Investments/Receivables	4,239,307	4,119,672
Advances	996,423	498,411
Assets/Inventories	-	-
	5,235,730	4,618,083
<b>A-I.1.4 Against ijarah</b>		
Financings/Investments/Receivables	729,570	497,009
Advances	60,788	20,064
Assets/Inventories	-	-
	790,358	517,073
<b>A-I.1.5 Against istisna</b>		
Financings/Investments/Receivables	470,320	110,700
Advances	1,333,950	726,200
Assets/Inventories	858,500	304,610
	2,662,770	1,141,510
<b>A-I.1.6 Against running musharaka</b>		
Financings/Investments/Receivables	2,074,000	1,651,000
Advances	-	-
Assets/Inventories	-	-
	2,074,000	1,651,000



**A-1.2** BOP TAQWA Islamic Banking Division is maintaining following pools for profit declaration and distribution.

- i) General Pool
- ii) Special Pool-I
- iii) Special Pool-II
- iv) Special Pool-III
- v) Special Pool-IV
- vi) Special Pool-V
- vii) Special Pool-VI
- viii) Special Pool-VII (PER)

#### **A-1.21 General Pool**

The General Pool comprises of depositors' funds, Bank's equity inclusive of Current deposits and Mudaraba Placements from BOP Head Office. The Bank acts as Fund Manager (Mudarib) and invests the funds in Shariah Compliant modes of Financings, Investments and Placements (remunerative assets). The profit of the Pool is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of period concerned.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

##### **a) Weightages for distribution of profit in general pool**

Profit is calculated on the basis of daily product balance in Mudaraba based depositors' accounts and paid as per pre defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

##### **b) Identification and allocation of pool related income & expenses**

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

##### **c) Parameters associated with risk and rewards**

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

#### **A-1.22 Special Pools**

The Special Pools comprise of depositors' funds, Bank's equity inclusive of Current deposits and Mudaraba Placements from BOP Head Office. The Bank acts as Fund Manager (Mudarib) and invests the funds in Shariah Compliant modes of Financings, Investments and Placements



(remunerative assets). The profit of the Pools is calculated on all the remunerative assets booked by the Bank and is shared amongst the members of the pool on pre-defined mechanism based on weightages announced before the commencement of concerned period.

The distributable profit of the pool is finalized after deduction of direct expenses only while indirect expenses including administrative and general expenses are borne by BOP-TAQWA as Mudarib.

#### a) Weightages for distribution of profit in special pools

Profit is calculated on daily product basis and paid as per pre defined weightages.

While considering weightages emphasis is given to the quantum, type and the period of risk assessed by following factors:

- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk

#### b) Identification and allocation of pool related income & expenses

The distributable profit of the pool is finalized by including direct income earned by income generating / remunerative assets and after deducting direct expenses of the period concerned, while indirect expenses including administrative and general expenses are borne by BOP-IBD as Mudarib.

#### c) Parameters associated with risk and rewards

Following are the consideration attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

#### A-I.3 Avenues / Sectors of economy / business where Mudaraba based deposits have been deployed:

	2017	2016
	Rupees in '000'	
Federal and provincial governments	1,774,000	1,651,000
Due from SBP - Bai Muajjal	790,146	-
Ijara sukuk	5,005,000	2,860,400
Transport, storage, logistics and communication	832,961	406,023
Manufacturing and Trading of food items	300,000	293,338
Manufacture of pesticides and other agro-chemical product	51,410	64,491
Power Generation	6,695,604	5,711,736
Manufacture of paper, paperboard and products thereof	243,166	284,045
Consumer Car Ijarah	37,439	14,082
Textile Composite / Other	674,621	216,528
Cement & Allied	944,286	805,789
Iron & Steel Industry	650,000	482,310
Rubber / Plastic Products etc.	199,920	199,200
Others	13,316,438	8,263,865
	31,514,991	21,252,807



## A-I.4 Charging expenses

The direct expenses are being charged to the pool, while indirect expenses including the establishment cost is being borne by BOP IBD as Mudarib. The direct expenses to be charged to the pool may include cost of sales of inventories, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc..

## Provisions

	2017	2016
	Rupees in '000'	
Murabaha	8,341	-
Ijarah	54,156	-
	62,497	-

## A-I.5 Mudarib share (in amount and percentage of distributable income):

	2017		2016	
	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %
Rabbul Mal	635,586	55%	398,226	58%
Mudarib	522,763	45%	283,763	42%
<b>Distributable income</b>	<b>1,158,349</b>	<b>100%</b>	<b>681,989</b>	<b>100%</b>

## A-I.6 Amount &amp; percentage of mudarib share transferred to depositors through Hiba:

	2017	2016
	Rupees in '000'	
Mudarib share	522,763	283,763
Hiba	48,410	18,139
<b>Hiba percentage of mudarib share</b>	<b>9.26%</b>	<b>6.39%</b>

This is not a special Hiba as such. This Hiba has been distributed across the board to all the investment account holders.

## Profit rate earned vs. profit rate distributed to the depositors during the year:

	2017	2016
Profit rate earned	5.81%	6.67%
Profit rates distributed to depositors	2.63%	3.00%

## 1 Ordinary shares / certificates of listed companies and modarabas

	Number of shares		Name of company/modaraba	Cost		Market Value		Rating	
	2017	2016		2017	2016	2017	2016	2017	2016
		Restated		Rupees in '000	Restated	Rupees in '000	Restated	Rupees in '000	Restated
<b>Available for sale:</b>									
	70,500	70,500	(Colony) Sarhad Textile Mills Limited	16	16	-	-	-	-
	98,000	98,000	Accord Textile Mills Limited	59	59	-	-	-	-
	9,010,917	9,010,917	Agritech Limited	315,381	315,381	43,883	114,258	-	-
	8,000	8,000	Al-Abid Silk Mills Limited	291	291	40	112	-	-
	1,999,500	1,999,500	Allied Bank Limited	219,945	219,945	169,917	238,360	AA+,A1+	AA+,A1+
	4,500	4,500	Amazai Textile Mills Limited	2	2	-	-	-	-
	9,000	9,000	Asim Textile Mills Limited	24	24	126	81	-	-
	2,123,000	25,000	Askari Bank Limited	41,398	480	40,995	624	AA+,A1+	AA+,A1+
	77,500	77,500	Baluchistan Particle Board Limited	85	85	310	-	-	-
	70,000	137,500	Burshane LPG (Pakistan) Limited	3,398	6,675	2,730	9,280	-	-
	15,000	15,000	Dadabhoj Construction Technology Limited	26	26	-	-	-	-
	50,000	50,000	Data Textile Limited	14	14	25	25	-	-
	-	86,400	Dawood Hercules Fertilizer Limited	-	12,573	-	12,470	-	-
	151,339	151,339	English Leasing Limited	168	168	-	-	-	-
	-	45,000	Engro Corporation Limited	-	13,936	-	14,224	AA,A1+	AA,A1+
	2,756,000	720,000	Engro Fertilizer Limited	176,045	56,811	186,636	48,946	AA-,A1+	AA-,A1+
	4,900	4,900	Fateh Industries Limited	29	29	-	-	-	-
	4,975	4,975	Fateh Textile Mills Limited	1,741	1,741	-	-	-	-
	452,500	450,000	Fauji Fertilizer Bin Gasim Limited	23,455	24,221	16,082	23,044	-	-
	2,055,500	800,000	Fauji Fertilizer Company Limited	213,481	98,123	162,611	83,496	AA,A1+	AA,A1+
	715,000	-	Fauji Cement Company Limited	21,367	-	17,882	-	-	-
	14,500	14,500	Globe Textile Mills Limited	239	239	-	-	-	-
	277,500	277,500	Gulistan Spinning Mills Limited	2,067	2,067	389	389	-	-
	470,000	470,000	Gulistan Textile Mills Limited	11,537	11,537	-	-	-	-
	1,781,500	1,349,000	Habib Metropolitan Bank Limited	57,352	43,372	61,462	49,913	AA+,A1+	AA+,A1+
	90,000	90,000	Hajra Textile Mills Limited	57	57	-	-	-	-
	55,500	55,500	Hakkim Textile Mills Limited	49	49	-	-	-	-
	-	34,500	Hashmi Can Company Limited	-	207	-	-	-	-
	35,500	35,500	Ittefaq Textile Mills Limited	34	34	-	-	-	-
	434	434	J. A. Textile Mills Limited	1	2	1	2	-	-





## Annexure II

Number of shares	2016	Name of company/modaraba	Cost		Market Value		Annexure II (where available)	
			2017	2016	2017	2016	2017	2016
	Restated		Rupees in '000		Rupees in '000		Restated	
361,097	361,097	Javed Omer Vohra And Company Limited	2,820	2,820	-	-	-	-
34,700	34,700	Kaytex (Saleem Denim Industries Limited)	35	35	-	-	-	-
1,175,000	750,000	Kot Addu Power Company Limited	97,912	63,539	63,333	59,100	AA+,A1+	AA+,A1+
4,837	4,837	Leiner Pak Gelatine Limited	121	121	-	-	-	-
63,000	63,000	Medi Glass Limited	43	43	-	-	-	-
20,500	20,500	Moonlite (Pak) Limited	211	211	-	-	-	-
193,000	143,000	National Bank Of Pakistan Limited	13,882	10,682	9,372	10,709	AAA,A1+	AAA,A1+
2,874,000	1,200,000	Nishat Chunian Power Limited	141,908	65,841	94,583	66,576	-	-
2,490,500	1,390,500	Nishat Power Limited	129,184	77,587	84,677	89,117	A+,A1	A+,A1
675,000	400,000	Pak Elektron Limited	48,902	29,540	32,056	28,512	A+,A1	A+,A1
12,500	12,500	Pak Ghee Industries Limited	2	2	-	-	-	-
26	26	Pakistan Services Limited	3	3	26	23	-	-
4,368,500	25,000	Pakistan Telecommunication Company Limited	67,319	430	57,009	430	-	-
300	300	Pakistan Tobacco Company Limited	33	33	644	430	-	-
35,000	35,000	Service Industries Textile Limited	26	26	553	-	-	-
500	500	Service Fabrics Limited	-	-	2	6	-	-
74,900	74,900	Shahpur Textile Mills Limited	22	22	13	13	-	-
102,400	127,546	Shahraj Sugar Mills Limited	8,090	10,076	14,963	21,110	-	-
134,700	141,650	Siemens (Pakistan) Engineering Company Limited	181,728	191,102	126,434	200,380	-	-
23,500	23,500	Sifftaq International Limited	24	24	-	-	-	-
94,300	94,300	Sunshine Cloth Limited	29	29	-	-	-	-
301,500	301,500	Taj Textile Mills Limited	139	139	-	-	-	-
500	500	Trust Modaraba	6	6	2	3	-	BBB-,A-3
4,761,056	4,936,056	Zephyr Textiles Limited	43,240	44,889	71,273	64,418	-	-
			1,823,940	1,305,364	1,258,029	1,136,051		

Note: Shares of companies with cost of Rs. Nil (2016: Nil) or having delisted status, have not been presented.

## 2 Preference shares of listed companies

	Number of shares		Name of company	Cost		Market Value		Rating	
	2017	2016		2017 Rupees in '000	2016 Rupees in '000	2017 Rupees in '000	2016	2017	2016
<b>Listed companies</b>									
1,545,397	1,545,397	Azgard Nine Limited	15,454	15,454	-	-	-	-	-
32,499,661	32,499,661	Agritech Limited*	324,997	324,997	-	-	-	-	-
<b>Unlisted company</b>									
7,140,614	-	Al-Arabia Sugar Mills Limited	340,451	340,451	-	-	-	-	-
			71,406	-	71,406	-	-	-	-
			411,857	340,451	71,406	71,406	-	-	-

\* Strategic Investment



Other particulars of preference shares are as follows:

Particulars	Nominal value per share	Profit rate per annum	Profit payment	Redemption terms
Azgard Nine Limited	10	Fixed dividend at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.	Annually	50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.
Agritech Limited	10	Fixed dividend of 11.00 % per annum on annual basis by the company on a cumulative basis.	Annually	The company will have the option to redeem the preference shares in full or in part with in ninety days after the expiry of the each anniversary of the completion date by giving at least thirty days notice. Preference shares can be converted in to ordinary shares from the fifth anniversary of the completion date.
Al-Arabia Sugar Mills Limited	10	Not Applicable	Annually	Four Consecutive annual installments, the first such installment shall fall due at the complete redemption of Facility 1.(i-e 31.12.2026)

### 3 Ordinary shares of unlisted company

Number of shares	Name of company	Cost		Break up Value		Rating	
		2017	2016	2017	2016	2017	2016
844,975 2,000,000	LSE Financial Services Al Baraka Bank (Pakistan) Limited (Chief Executive Officer: Shafoqaat Ahmed)	14,892	9,353	15,259	10,308	A, A1	A, A1
		39,892	34,353	31,249	23,359		

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

#### 4 Listed term finance certificates

Annexure II

Number of certificates	Nominal value per certificate	Name of company/modaraba	Cost		Market Value		Rating (where available)	
			2017	2016	2017	2016	2017	2016
			Rupees in '000		Rupees in '000			
60,000	5	Askari Bank Limited - 5th issue	299,640	299,760	300,339	305,306	AA	AA-
2,500	10	Byco Oil Pakistan Limited	250,000	-	250,000	-	AAA	-
7,369	5	Azgard Nine Limited (TFC - II)	10,362	10,362	-	-	-	-
14,200	5	Bank Al- Falah Limited	71,307	71,474	72,568	73,338	AA	AA-
106,575	5	Fatima Fertilizer Limited	426,300	532,875	438,023	532,875	AA-	AA-
5,500	5	Jahangir Siddiqui & Company	11,875	17,500	11,922	17,510	AA+	AA+
50,000	5	NIB Bank Limited	249,650	249,750	253,533	252,586	AAA	A+
1,000	5	Summit Bank Limited	4,798	4,570	4,838	4,617	-	A-(SO)
5,000	5	World Call Telecom Limited	6,986	6,986	-	-	-	-
			1,330,918	1,193,277	1,331,223	1,186,232		

#### Other particulars of Listed TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Askari Bank Limited - 5th issue	6 months KIBOR + 1.20%	Semi-annually	Eighteen semi annual installments of Rs. 60,000 and remaining principal in two semi annual installments.
Byco Oil Pakistan Limited	3 months KIBOR + 1.05%	Quarterly	Twelve Quarterly installments of Rs.20,833,333/- from 27TH month after disbursement.
Azgard Nine Limited (TFC - II)	6 months KIBOR + 1.25 %	Semi-annually	In nine unequal semi-annual installments starting from September 20, 2013 and ending on September 20, 2017.
Bank Al-Falah Limited	6 months KIBOR + 1.25%	Semi-annually	Fifteen semi annual installments of Rs.14,200 and remaining principal in one semi annual installment.
Fatima Fertilizer Company Limited	6 months KIBOR + 1.10%	Semi-annually	10 equal semi annual installments from the date of first disbursement.
Jahangir Siddiqui & Company Limited	6 months KIBOR + 1.75%	Semi-annually	TFC has a tenor of six years i.e 2007-2013 with a call option exercisable by the company any time after one year on a coupon date by giving 30 days notice at a premium of 1.00% on the outstanding face value.
MCB Bank Limited (formally NIB Bank Limited)	6 months KIBOR + 1.15 % without any floor or cap.	Semi-annually	15 equal semi annual installments of 0.02% of the first 90 months followed by remaining 99.70% on maturity at the end of the 96th month.
Summit Bank Limited	6 months KIBOR + 3.25%	Semi-annually	Thirteen semi annual installments of Rs.1,154 and remaining principal in one semi annual installment.
World Call Telecom Limited	6 months KIBOR + 1.60%	Semi-annually	Principal repayments on April 07, 2015; and October 07, 2015.



## 5 Unlisted term finance certificates

## Annexure II

Number of certificate	Nominal value per certificate	Name of company	Cost		Carrying Value		Rating	
			2017	2016	2017	2016	2017	2016
	Rupees in '000		Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000	(where available)	
293,000	293,000	Agriotech Limited - PPTFC	1,430,767	1,430,767	-	-	-	-
2,000	2,000	Agriotech Limited - PPTFC V	7,465	7,465	-	-	-	-
8,516	8,516	Agriotech Limited - Sukuk	38,449	38,449	-	-	-	-
7,000	7,000	Agriotech Limited - TFC I	9,569	9,569	-	-	-	-
4,903	4,903	Agriotech Limited - TFC III	31,429	31,429	-	-	-	-
75,820	75,820	Al-Arabia Sugar Mills Limited	317,811	379,099	317,811	379,099	-	-
7,000	7,000	Al-Zarmin Leasing Corporation Limited	7,500	7,500	-	-	-	-
32,000	32,000	Arzoo Textile Mills Limited	160,000	160,000	-	-	-	-
37,249	37,249	Azgard Nine Limited PPTFC-VI	182,140	182,140	-	-	-	-
106,000	106,000	Azgard Nine Limited TFC-IV	229,798	229,798	-	-	-	-
-	10,000	Bank Alfalah Limited	-	33,247	-	33,247	-	AA-
-	2,000	Bank Al-Falah-Fixed	-	7,756	-	7,756	-	AA-
8,000	8,000	Dewan Cement Limited (Pre IPO Investment)	20,000	20,000	-	-	-	-
80,000	80,000	Eden Housing (Sukuk)	47,387	47,387	-	47,387	-	-
-	40,000	Independent Media Corporation	-	70,000	-	70,000	-	BBB-
26,000	26,000	Neelum Jhelum Hydropower Limited	2,600,000	2,600,000	2,600,000	2,600,000	AAA	AAA
18,000	18,000	New Allied Electronics Industries (Pvt) Limited	17,798	17,798	-	-	-	-
192,000	192,000	New Allied Electronics Industries (Pvt) Limited-Sukuk	10,065	10,065	-	-	-	-
-	50,000	Pak Elektron Limited - PPTFC	-	142,856	-	142,856	-	-
106,000	106,000	Pak Elektron Limited - Sukuk (2nd Issue)	189,493	288,868	189,493	288,868	A+	A+
-	-	Pak Elektron Limited	283,793	-	283,793	-	A+	-
14,874	14,874	Pakistan International Airlines (PIA)	46,444	60,377	46,444	60,377	-	-
300	300	Pakistan Mobile Communication Limited	-	-	-	-	-	-
15,000	15,000	Security Leasing -Sukuk (1st Issue)	15,014	15,014	-	-	-	-
10,000	10,000	Security Leasing -Sukuk (2nd Issue)	11,892	11,893	-	-	-	-
-	-	Silk Bank Limited	250,000	-	250,000	-	A-	-
-	-	U Microfinance Limited	132,909	-	132,909	-	-	-
60,000	60,000	Wapda Hydroelectric (Neelum Jhelum)	171,429	214,286	171,428	214,286	AAA	AAA
			6,211,152	6,015,763	3,991,878	3,843,876		

## Other particulars of unlisted TFCs are as follows:

## Annexure II

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Agritech Limited - PPTFC	6 months KIBOR + 1.75 %	Semi-annually	In 13 unequal semi annual installments starting from July 14, 2013 and ending on July 14, 2019.
Agritech Limited - PPTFC V	11 % per annum	Semi-annually	A bullet repayment of principal at the maturity of PPFTFCs which is due on January 01, 2017.
Agritech Limited - Sukuk	6 months KIBOR + 2.00 % without any floor or cap	Semi-annually	The principal redemption of these certificates is structured to be in 15 unequal semi annual installments. First two installments were just token payments due on July 31, 2010 and August 31, 2010 which have been paid, remaining installments are starting from August 06, 2013 and ending on August 06, 2019.
Agritech Limited - TFC I	6 month KIBOR + 1.75%	Semi-annually	In 13 unequal installments starting from November 29, 2013 and ending on November 29, 2019.
Agritech Limited - TFC III	3 months KIBOR + 3.25%	Quarterly	In 26 unequal installments starting from September 01, 2013 and ending on December 01, 2019.
Al-Arabia Sugar Mills Limited	6 months KIBOR + 0.2 % p.a.	Semi-annually	Bi Annual installments depending upon GP Margin (Max annual 219.740M & Min annual 100M) with a grace period of 18 months from Dec.31,2016. If GP Margin is < 3.59% Inst. Amount PKR 50M and If GP Margin is > 3.59% Inst. Amount PKR 109.870M.
Al-Zamin Leasing Corporation Limited	Floating cut-off yield of last successful SBP auction of 5-year PIBs+200 bps.Floor 12% & Cap 15.75%	Semi-annually	Principal to be redeemed in 10 equal semi-annual installments commencing from the 6th month of issue date. Callable anytime in full after 18th month of issue.
Arzoo Textile Mills Limited	6 months KIBOR + 2.00 % for the first two year and 6 months KIBOR + 175 bps for the remaining period without any floor or cap	Quarterly	In ten equal semi-annual installments starting from 18th month from the draw down date.
Azgard Nine Limited PPFTC VI	Nil	Nil	In seven unequal semi annual installments starting from March 31, 2014 and ending on March 31, 2017.
Azgard Nine Limited TFC-IV	6 months KIBOR + 1.25 %	Semi-annually	In nine semi annual installments starting from December 04, 2013 and ending on December 04, 2017.
Bank Al-Falah Limited	6 months KIBOR + 2.50 %with a Floor of 7.00% . and Cap of 20.00%	Semi-annually	0.56% of principal in the first 84th month and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from the issue date.





Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Bank Al-Falah- Fixed	Floating rate of return at Base Rate (6 months KIBOR)+2.50% p.a.	Semi-annually	3-equal semi annual installments commencing 84th month after the issue date.
Dewan Cement Limited (Pre IPO Investment)	6 months KIBOR + 2 % p.a.	Semi-annually	9- equal semi annual installments starting from the twenty fourth month of the issue.
Eden Housing (Sukuk)	6 months KIBOR + 300 bps with a Floor of 12.00% and Cap of 20.00%	Semi-annually	Not less than 8 consecutive semiannual units, the first such unit falling due not later than 18th months from last drawdown.
Independent Media Corporation	3 months KIBOR +3.00 %	Quarterly	Principal to be repaid in 20 quarterly installments starting from 05-11-2013.
Neelam Jhelum Hydropower Limited	6 months KIBOR + 1.13 % p.a.	Semi-annually	Equal semi annual installments starting from the 30th month of the issue.
New Allied Electronics Industries (Pvt) Limited	3 months Kibor + 2.20 % with floor of 7% and Cap of 20%	Semi-annually	Maturity date is November 01 , 2012.
New Allied Electronics Industries (Pvt) Limited Sukuk	3 months Kibor + 2.20 %	Semi-annually	Based on diminishing musharaka mechanism with maturity in December 2012.
Pak Elektron Limited - PPTFC	3 months KIBOR (ask) + 3.00 % without any floor or cap	Semi-annually	In quarterly installments with first installment due on 30 June 2013.
Pak Elektron Limited - Sukuk (2nd Issue)	3 months KIBOR (ask) + 1.00 % with a Floor of 8.00% and Cap of 16.00%	Quarterly	In quarterly installments with first installment due on 30 June 2013.
Pak Elektron Limited - PPTFC	3 months KIBOR (ask) + 3.00 % without any floor or cap	Semi-annually	In quarterly installments with first installment due on 30 June 2013.
Pakistan International Airlines (PIA)	SBP discount rate + 0.50 % with a Floor of 8.00% and Cap of 12.50%	Semi-annually	15.2% of principal in the first 48th month and remaining principal in six equal semi-annual installments of 14.13% each starting from 54th month from the issue date.
Pakistan Mobile Communication Limited	6 months KIBOR + 2.85 %	Semi-annually	0.02% of principal redeemed semi-annually in the first 48 months and remaining amount in 6 semi annual installments.

Security Leasing - Sukuk (2nd issue)	Nil	Semi-annually	Up to eight equal semi-annual installment starting from 18th month from first drawdown date.
Security Leasing - Sukuk (1st Issue)	Nil	Semi-annually	In eight equal semi-annual installments starting from 18th month.
Silk Bank Limited	Floating rate of return at base rate (6 month Kibor) +1.85% p.a.	Semi-annually	The instrument will be structured to redeem 0.14% of the issue amount during the first 7 years and remaining 99.86% in last two equal semi annual installments of 49.93% each
U Microfinance Limited	7.49% per annum	NIL	Maturity date is 18.09.2018
Wapda Hydroelectric (Neelum Jhelum)	6 months KIBOR +1.00 %	Semi-annually	Principal to be repaid in 14 equal semi annual installments starting from 27-03-2015.

## 6 Federal government securities

	Cost		Market Value	
	2017 Rupees in '000	2016 Rupees in '000	2017 Rupees in '000	2016 Rupees in '000
<b>Held for trading:</b>				
Market treasury bills	32,310,448	23,298,833	32,310,161	23,297,657
<b>Available for sale:</b>				
Market treasury bills	163,438,629	90,811,084	163,439,292	90,815,050
Pakistan investment bonds	34,733,700	75,221,988	34,774,346	76,256,460
Government of Pakistan ijara sukuk bonds	5,031,226	2,885,472	5,028,201	2,912,287
	203,203,555	168,918,544	203,241,839	169,983,797
	235,514,003	192,217,377	235,552,000	193,281,454



**Annexure III**

**STATEMENT SHOWING WRITTEN - OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2017**

S. No.	Name and address of the borrower	Name of individuals/partners/directors with CNIC No.	Father's/husband's name	Outstanding liabilities at beginning of year			Principal written off	Interest /mark-up written-off	Other financial relief provided	Total
				Principal	Interest/mark-up	Others				
<b>Rs in '000</b>										
1	<b>Asad Ali Khan</b> 7-H/A gulberg II Lahore	Asad Ali Khan (35202-2500129-1)	Khan Qurban Ali Khan	-	48,186	-	48,186	40,992	-	40,992
2	<b>Jeez Textiles (Pvt) Limited</b> 9 K.M. Sargocha Road Samana Pul, Faisalabad	Asad Majeed (33100-0960341-5) Nazli Asad (33100-2400903-0) Ahsan Majeed (33100-9266595-7)	Sheikh Abdul Majeed Asad Majeed Asad Majeed Sheikh	59,828	89,015	-	148,843	30,739	-	30,739
3	<b>Al Macca Agri Corporation</b> Main Wali Qureshain K.L.P Road, R.Y.khan	Makhdoom Afkar ul Hassan (31303-2399377-1) Arshad Ali Tahir (31301-3513097-9) Arsha Afkar (31303-7782373-6) Qudsia Malik (66302-3088074-8)	Makhdoom Fazal Hussain Abdul Aziz Makhdoom Afkar ul Hassan Waqar Ahmed Qureshi	2,257	18,993	-	21,250	10,604	-	10,604
4	<b>Sky Traders</b> 14 Brandreth Road Lahore	Sheikh Muhammad Irfan (35202-7579041-3)	Sheikh Muhammad Atzal	3,575	17,388	-	20,963	8,668	-	8,668
5	<b>Hamid &amp; Co Cotton Ginning and Pressing</b> Office Millat Road Muhammad Lohar Market Fehim Yar Khan	Abdul Hameed (31303-1691927-7) Muhammad Hanif (31303-3312344-3) Muhammad Amin (31303-5510340-7)	Nawab Ali Nawab Ali Nawab Ali	9,231	12,917	-	22,148	6,315	-	6,315
6	<b>Brig Muhammad Qaiser Khan Tareen</b> House # 15 J.A architect Society Lahore Cantt. District Lahore.	Muhammad Qaiser Khan Tareen (36302-7589879-3)	Zahoor Ahmed Khan Tareen	4,044	9,065	-	13,109	4,331	-	4,331
7	<b>Imperial Carpets</b> 19- Abbot Road Lahore	Muhammad Farouk Khan (35201-1494833-9) Muhammad Kaleem Khan (35202-8818522-1) Muhammad Javed Khan (35201-8885722-1) Muhammad Umar Khan (35200-1505678-7) Mahmood Rafi (35201-0452548-9)	Muhammad Ayub Khan Muhammad Ayub Khan Muhammad Ayub Khan Muhammad Ayub Khan Muhammad Rafi	12,133	14,995	-	27,128	3,986	-	3,986
8	<b>Farooq Glass House</b> Opposite New Khan Terminal Main Bund Road Lahore	Muhammad Nawaz (65202-6023993-1)	Muhammad Ramzan	-	21,592	-	21,592	3,742	-	3,742
9	<b>Kissan Brothers Kasur</b> Dogar House Mohalla Ahatta Dogran Near Railway Station Kasur	Muhammad Ali dogar (35102-4102504-1)	Sardar Muhammad Hussain	10,319	12,231	-	22,550	3,170	-	3,170
10	<b>Raziq &amp; Co</b> P-426-A Ghulam Muhammad Abad Faisalabad	Usman Khalid (33100-1612501-7)	Abdul Razzaq	3,046	8,101	-	11,147	2,942	-	2,942
11	<b>Al Falah International Agro Chemicals</b> 106-C Khayaban-e-Sanwar D.G.khan	Liaqat Ali Khan Iqbal(42000-9563675-3) Rehmat Ali (32102-7307482-1) Qudrat Ullah (32102-1028834-5)	Ghulam Hussain Khan Laghari Ghulam Hussain Rehmat Ullah	1,792	8,173	-	9,965	2,939	-	2,939
12	<b>Arora Sports</b> Faird Town Painsur Road Factory Jamshed CH Gujranwala	Jamshed Ahmed Chaudhary (34101-5530555-9)	Chaudhary Muhammad Sharif	3,638	5,288	-	8,926	2,397	-	2,397

Annexure III

S. No.	Name and address of the borrower	Name of individuals/partners/directors with CNIC No.	Fathers/husband's name	Outstanding liabilities at beginning of year			Principal written off	Interest /mark-up written-off	Other financial relief provided	Total
				Principal	Interest/mark-up	Others				
<b>Rs in '000</b>										
13	<b>Prime Eva Classic</b> New stadium Road Vehari Road Multan	Sheikh Anwar Saeed (36302-1933873-9)	Sheikh Muhammad Saeed	7,257	7,587	-	14,844	-	2,126	2,126
14	<b>Maqsood Saeed Cotton &amp; Oil Industries</b> Quetta Road D G Khan	Muhammad Yaqoob (32102-1882561-3) Hussain Bakhsh (32102-2092215-5) Ghulam Akbar (32102-5714101-7)	Ameer Bakhsh Amir Bakhsh Ameer Bakhsh	3,126	4,107	-	7,233	-	1,972	1,972
15	<b>Humayoun Brothers</b> Village Jura Tehsil Wazir Abad	Zahid Hammed (34104-1686119-3)	Hameed Ullah	2,379	3,953	-	6,332	-	1,555	1,555
16	<b>Muhammad Ashraf</b> Shop -01-163-C Sultan Ahmed Road Rehman Pura Lahore	Muhammad Ashraf (35202-7292473-3)	Bashir Ahmed	1,582	2,339	-	3,921	-	1,381	1,381
17	<b>Nabeel Cotton Factory</b> Multan Road Burewala	Muhammad Aslam (36601-8016844-7) Muhammad Akram Saqib (321-52-288265) Muhammad Anwar (36601-0489703-7)	Jan Muhammad Mian Jan Muhammad Jan Muhammad (Late)	1,293	5,972	-	7,265	1,293	-	1,293
18	<b>Baloch Auto</b> Haleem Plaza 67 Lytton Road Lahore	Malik Muhammad Ashfaq Baloch (35202-8952611-1)	Faqir Muhammad Baloch	1,998	1,677	-	3,675	-	995	995
19	<b>Naeem &amp; Co</b> Qadria Colony Stt. Fazal Roods Grain Markete Gaggio Mandi	Naeem Athar (36601-1621497-7)	Muhammad Saddiq Athar (late)	868	2,185	-	3,053	-	837	837
20	<b>Abid Medical &amp; General Store</b> Bhond Pura Chowk 116 Temple Road Lahore	Muhammad Akhtar Yousafi (35201-3813297-9)	Muhammad Sarwar Kamboh	1,344	1,622	-	2,966	-	794	794
21	<b>Sunrise Enterprises</b> 76-Riwaz Garden Lahore	Malik Muhammad Aslam (35202-2772252-3)	Malik Muhammad Iqbal	2,125	2,616	-	4,741	-	590	590
22	<b>Hameed Brothers</b> House # 201 - B Shah Rukn e Alam Multan	Chaudhary Abdul Hameed (36302-0703374-7) Chaudhary Shakeel Ahmed (36302-5404844-9)	Chaudhary Niaz Din Chaudhary Niaz Din	-	1,295	-	1,295	-	560	560
23	<b>Chaudhary Stainless Steel</b> Street Thatharan Wali kasera Bazar Gujranwala	Ch. Amin-Ahsan (34101-7457281-3)	Ch. Abdul Wahid Gondal	514	2,534	-	3,048	-	524	524
24	<b>Rana Alamgir Ajmal Commission Shop</b> Acada Sukh Pur Tehsil Depalpur Distt. Okara Depalpur	Rana Muhammad Ajmal (35301-9471281-9)	Niaz Ahmed	951	1,116	-	2,067	-	506	506
25	<b>Muhammad Ilyas</b> Choohe Wala Dak Khana Phimnah Sara Tehsil Noshera Virka District Gujranwala	MUHAMMAD ILLYAAS (34103-9681333-1)	Muhammad Hussain	547	918	-	1,465	547	-	547
26	<b>Abdur Rafique Khan</b> 13-2-Asad Jan Road Cantt Lahore	Abdur Rafique Khan (35202-9601809-3)	Abdur Rashid Khan	-	28,400	-	28,400	-	28,400	28,400
<b>Total</b>				133,847	332,265	-	466,112	1,840	161,065	162,905



## Detail of disposal of property and equipment:

Particulars	Cost / Revalued amount	Book value	Sale price	Profit / (Loss)	Mode of disposal	Particulars of purchasers
			Rupees in '000			
<b>Land &amp; Building :</b>						
Wahdat Road, Lahore	21,632	21,632	27,500	5,868	Auction	Mr. Umer Farooq
296 Upper Mall Lahore	73,537	72,159	78,664	6,505	Negotiation	Education Department GOPb
Grand Hotel Davis Road Lahore	61,312	49,830	32,000	(17,830)	Negotiation	Mr. Basharat Umer & Mr. Shahid Amin
<b>Vehicles :</b>						
Coure	529	-	430	430	Auction	Mr. Wajid Zahoor
Honda City	1,389	-	1,135	1,135	Auction	Mr. Shafiqat Ali Akbar
Honda City	1,532	-	1,290	1,290	Auction	Mr. Javed Iqbal
Honda Civic	2,093	-	1,505	1,505	Auction	Mr. Danish Ahmad
Suzuki Cultus	830	-	630	630	Auction	Mr. Shafiqat Ali
Suzuki Cultus	798	-	630	630	Auction	Mr. Abdul Rashid
Suzuki Mehran	678	245	630	385	Insurance Claim	Insurance Claim
Suzuki Mehran	673	-	505	505	Auction	Mr. Wasim Shaukat
Suzuki Pick Up	512	-	425	425	Auction	Mr. Wajid Zahoor
Toyata Land Cruiser	22,800	-	-	-	As per Policy	Mr. Naeemuddin Khan - President / CEO
Toyata Parado	8,500	472	472	-	As per Policy	Mr. Khalid Tirmizey- Deputy CEO
	196,815	144,338	145,816	1,478		
Items having book value of less than						
Rs. 250,000 or cost of less than						
Rs. 1,000,000						
<b>2017</b>	248,835	148,275	150,678	2,403		
2016	62,949	6,104	22,889	16,785		

## Consumer Grievances Handling:

Complaints Management Unit of the Bank is working as per the guidelines given by State Bank of Pakistan to ensure resolution of customer's grievances within prescribed TAT. During the year 2017, the unit focused on reducing the turnaround time for complaints, along with stronger focus on customer engagement via more efficient communication with clients.

During the year 2017, total number of complaints received were 19,078. Below are the Complaint Types as per SBP CGHM and the average time TAT:

Product /service Area	Average Time taken to resolve a complaint
Personal Loan/overdraft/ Agri loans	7 Working Days
Auto Loan	9WD
House Loan	5WD
Account Maintenance	7WD
ATM/Debit Card	7WD
Over the counter issues	6WD
Remittance / Clearing (Inland)	7WD
e- banking	8WD
Home Remittances	9WD



# Pattern of Shareholding of Shares

As on December 31, 2017

No. of Shareholders			-----Shareholding-----			Total Shares Held			Percentage	
Physical	CDC	Total	From	To	Physical	CDC	Total			
1053	1186	2239	FROM	1	TO	100	38,248	45,742	83,990	0.0032
1523	2067	3590	FROM	101	TO	500	398,968	809,114	1,208,082	0.0457
635	1962	2597	FROM	501	TO	1000	471,113	1,814,320	2,285,433	0.0864
965	4601	5566	FROM	1001	TO	5000	2,048,329	13,190,879	15,239,208	0.5764
157	1705	1862	FROM	5001	TO	10000	1,074,048	13,600,369	14,674,417	0.5551
46	739	785	FROM	10001	TO	15000	555,071	9,636,623	10,191,694	0.3855
34	500	534	FROM	15001	TO	20000	600,445	9,197,450	9,797,895	0.3706
21	363	384	FROM	20001	TO	25000	455,992	8,394,000	8,849,992	0.3348
46	264	310	FROM	25001	TO	30000	1,206,834	7,482,668	8,689,502	0.3287
7	163	170	FROM	30001	TO	35000	223,398	5,378,166	5,601,564	0.2119
6	165	171	FROM	35001	TO	40000	225,558	6,367,309	6,592,867	0.2494
2	101	103	FROM	40001	TO	45000	84,016	4,368,235	4,452,251	0.1684
2	210	212	FROM	45001	TO	50000	97,708	10,376,816	10,474,524	0.3962
3	81	84	FROM	50001	TO	55000	155,395	4,287,374	4,442,769	0.1681
2	79	81	FROM	55001	TO	60000	113,377	4,645,066	4,758,443	0.1800
2	39	41	FROM	60001	TO	65000	122,497	2,455,855	2,578,352	0.0975
1	42	43	FROM	65001	TO	70000	65,923	2,885,899	2,951,822	0.1117
	50	50	FROM	70001	TO	75000		3,687,501	3,687,501	0.1395
1	41	42	FROM	75001	TO	80000	79,812	3,223,499	3,303,311	0.1250
	30	30	FROM	80001	TO	85000		2,492,906	2,492,906	0.0943
2	24	26	FROM	85001	TO	90000	178,674	2,124,441	2,303,115	0.0871
1	14	15	FROM	90001	TO	95000	91,457	1,296,657	1,388,114	0.0525
	124	124	FROM	95001	TO	100000		12,331,190	12,331,190	0.4664
	24	24	FROM	100001	TO	105000		2,469,152	2,469,152	0.0934
	25	25	FROM	105001	TO	110000		2,713,092	2,713,092	0.1026
1	23	24	FROM	110001	TO	115000	114,528	2,580,199	2,694,727	0.1019
	17	17	FROM	115001	TO	120000		2,021,002	2,021,002	0.0764
	13	13	FROM	120001	TO	125000		2,837,004	2,837,004	0.1073
1	5	6	FROM	125001	TO	130000	127,406	636,397	763,803	0.0289
	8	8	FROM	130001	TO	135000		1,070,000	1,070,000	0.0405
	14	14	FROM	135001	TO	140000		1,953,000	1,953,000	0.0739
	11	11	FROM	140001	TO	145000		1,573,535	1,573,535	0.0595
	32	32	FROM	145001	TO	150000		4,778,120	4,778,120	0.1807
	5	5	FROM	150001	TO	155000		764,182	764,182	0.0289
	12	12	FROM	155001	TO	160000		1,893,414	1,893,414	0.0716
	9	9	FROM	160001	TO	165000		1,469,381	1,469,381	0.0556
	6	6	FROM	165001	TO	170000		1,009,795	1,009,795	0.0382
	5	5	FROM	170001	TO	175000		874,000	874,000	0.0331
	7	7	FROM	175001	TO	180000		1,251,417	1,251,417	0.0473
	5	5	FROM	180001	TO	185000		913,866	913,866	0.0346
1	6	7	FROM	185001	TO	190000	189,640	1,134,000	1,323,640	0.0501
	3	3	FROM	190001	TO	195000		580,774	580,774	0.0220
	49	49	FROM	195001	TO	200000		9,792,337	9,792,337	0.3704
	10	10	FROM	200001	TO	205000		2,035,057	2,035,057	0.0770
	7	7	FROM	205001	TO	210000		1,449,780	1,449,780	0.0548
	7	7	FROM	210001	TO	215000		1,496,397	1,496,397	0.0566
	3	3	FROM	215001	TO	220000		655,500	655,500	0.0248
	7	7	FROM	220001	TO	225000		1,561,633	1,561,633	0.0591
	6	6	FROM	225001	TO	230000		1,370,368	1,370,368	0.0518
	3	3	FROM	230001	TO	235000		697,887	697,887	0.0264
	3	3	FROM	235001	TO	240000		710,059	710,059	0.0269
	2	2	FROM	240001	TO	245000		483,000	483,000	0.0183
	23	23	FROM	245001	TO	250000		3,244,321	3,244,321	0.1227
	1	1	FROM	255001	TO	260000		258,000	258,000	0.0098
	3	3	FROM	260001	TO	265000		788,000	788,000	0.0298
	6	6	FROM	265001	TO	270000		1,615,500	1,615,500	0.0611



No. of Shareholders			-----Shareholding-----			Total Shares Held			Percentage
Physical	CDC	Total	From	To	Physical	CDC	Total		
1	1		FROM	270001	TO	275000	272,000	272,000	0.0103
7	7		FROM	275001	TO	280000	1,952,000	1,952,000	0.0738
3	3		FROM	280001	TO	285000	850,468	850,468	0.0322
3	3		FROM	285001	TO	290000	860,091	860,091	0.0325
2	2		FROM	290001	TO	295000	590,000	590,000	0.0223
17	17		FROM	295001	TO	300000	5,100,000	5,100,000	0.1929
1	1		FROM	300001	TO	305000	304,500	304,500	0.0115
4	4		FROM	305001	TO	310000	1,230,500	1,230,500	0.0465
2	2		FROM	310001	TO	315000	626,164	626,164	0.0237
2	2		FROM	315001	TO	320000	636,022	636,022	0.0241
3	3		FROM	325001	TO	330000	970,241	970,241	0.0367
1	1		FROM	330001	TO	335000	329,769	329,769	0.0125
4	4		FROM	335001	TO	340000	1,333,500	1,333,500	0.0504
2	2		FROM	340001	TO	345000	679,000	679,000	0.0257
1	1		FROM	345001	TO	350000	340,074	340,074	0.0129
3	3		FROM	345001	TO	350000	1,050,000	1,050,000	0.0397
1	1		FROM	350001	TO	355000	353,697	353,697	0.0134
2	2		FROM	360001	TO	365000	728,216	728,216	0.0275
2	2		FROM	365001	TO	370000	738,000	738,000	0.0279
3	3		FROM	375001	TO	380000	1,134,000	1,134,000	0.0429
1	1		FROM	380001	TO	385000	380,500	380,500	0.0144
1	1		FROM	385001	TO	390000	388,000	388,000	0.0147
2	2		FROM	390001	TO	395000	786,776	786,776	0.0298
9	9		FROM	395001	TO	400000	3,600,000	3,600,000	0.1362
5	5		FROM	400001	TO	405000	2,004,521	2,004,521	0.0758
2	2		FROM	405001	TO	410000	819,053	819,053	0.0310
1	1		FROM	410001	TO	415000	410,300	410,300	0.0155
3	3		FROM	415001	TO	420000	1,251,167	1,251,167	0.0473
3	3		FROM	420001	TO	425000	1,275,000	1,275,000	0.0482
1	1		FROM	425001	TO	430000	426,000	426,000	0.0161
2	2		FROM	430001	TO	435000	870,000	870,000	0.0329
1	1		FROM	435001	TO	440000	438,000	438,000	0.0166
2	2		FROM	440001	TO	445000	888,000	888,000	0.0336
2	2		FROM	445001	TO	450000	895,500	895,500	0.0339
2	2		FROM	450001	TO	455000	906,755	906,755	0.0343
2	2		FROM	455001	TO	460000	915,500	915,500	0.0346
1	1		FROM	465001	TO	470000	467,500	467,500	0.0177
1	1		FROM	470001	TO	475000	475,000	475,000	0.0180
2	2		FROM	475001	TO	480000	959,500	959,500	0.0363
1	1		FROM	480001	TO	485000	482,000	482,000	0.0182
2	2		FROM	485001	TO	490000	975,399	975,399	0.0369
2	2		FROM	490001	TO	495000	983,500	983,500	0.0372
19	19		FROM	495001	TO	500000	9,500,000	9,500,000	0.3593
2	2		FROM	500001	TO	505000	1,005,440	1,005,440	0.0380
1	1		FROM	505001	TO	510000	508,500	508,500	0.0192
3	3		FROM	510001	TO	515000	1,536,051	1,536,051	0.0581
1	1		FROM	515001	TO	520000	516,000	516,000	0.0195
3	3		FROM	520001	TO	525000	1,574,000	1,574,000	0.0595
1	1		FROM	525001	TO	530000	526,000	526,000	0.0199
1	1		FROM	530001	TO	535000	535,000	535,000	0.0202
2	2		FROM	540001	TO	545000	1,088,000	1,088,000	0.0412
3	3		FROM	545001	TO	550000	1,647,000	1,647,000	0.0623
1	1		FROM	550001	TO	555000	555,000	555,000	0.0210
1	1		FROM	555001	TO	560000	558,000	558,000	0.0211
2	2		FROM	560001	TO	565000	1,124,493	1,124,493	0.0425
1	1		FROM	585001	TO	590000	587,500	587,500	0.0222
1	1		FROM	590001	TO	595000	590,500	590,500	0.0223



No. of Shareholders			-----Shareholding-----			Total Shares Held			Percentage
Physical	CDC	Total	From	To		Physical	CDC	Total	
6	6		FROM	595001	TO	600000	3,600,000	3,600,000	0.1362
1	1		FROM	600001	TO	605000	604,881	604,881	0.0229
1	1		FROM	605001	TO	610000	606,564	606,564	0.0229
1	1		FROM	610001	TO	615000	615,000	615,000	0.0233
2	2		FROM	620001	TO	625000	1,249,000	1,249,000	0.0472
1	1		FROM	640001	TO	645000	645,000	645,000	0.0244
1	1		FROM	650001	TO	655000	655,000	655,000	0.0248
1	1		FROM	655001	TO	660000	657,000	657,000	0.0249
2	2		FROM	665001	TO	670000	1,333,818	1,333,818	0.0505
1	1		FROM	685001	TO	690000	690,000	690,000	0.0261
1	1		FROM	690001	TO	695000	692,500	692,500	0.0262
3	3		FROM	695001	TO	700000	2,098,397	2,098,397	0.0794
2	2		FROM	725001	TO	730000	1,455,166	1,455,166	0.0550
1	1		FROM	735001	TO	740000	740,000	740,000	0.0280
1	1		FROM	745001	TO	750000	750,000	750,000	0.0284
1	1		FROM	755001	TO	760000	760,000	760,000	0.0287
4	4		FROM	760001	TO	765000	3,052,166	3,052,166	0.1155
1	1		FROM	765001	TO	770000	765,500	765,500	0.0290
1	1		FROM	770001	TO	775000	770,500	770,500	0.0291
1	1		FROM	780001	TO	785000	784,500	784,500	0.0297
7	7		FROM	795001	TO	800000	5,600,000	5,600,000	0.2118
1	1		FROM	805001	TO	810000	807,000	807,000	0.0305
2	2		FROM	815001	TO	820000	1,636,504	1,636,504	0.0619
1	1		FROM	835001	TO	840000	838,500	838,500	0.0317
1	1		FROM	845001	TO	850000	850,000	850,000	0.0322
1	1		FROM	875001	TO	880000	876,500	876,500	0.0332
3	3		FROM	895001	TO	900000	2,698,500	2,698,500	0.1021
1	1		FROM	935001	TO	940000	936,958	936,958	0.0354
1	1		FROM	940001	TO	945000	943,500	943,500	0.0357
1	1		FROM	945001	TO	950000	950,000	950,000	0.0359
7	7		FROM	995001	TO	1000000	7,000,000	7,000,000	0.2648
2	2		FROM	1000001	TO	1005000	2,003,827	2,003,827	0.0758
1	1		FROM	1020001	TO	1025000	1,021,062	1,021,062	0.0386
1	1		FROM	1045001	TO	1050000	1,048,512	1,048,512	0.0397
1	1		FROM	1050001	TO	1055000	1,054,000	1,054,000	0.0399
1	1		FROM	1055001	TO	1060000	1,055,500	1,055,500	0.0399
1	1		FROM	1060001	TO	1065000	1,062,500	1,062,500	0.0402
1	1		FROM	1065001	TO	1070000	1,070,000	1,070,000	0.0405
1	1		FROM	1070001	TO	1075000	1,072,500	1,072,500	0.0406
1	1		FROM	1075001	TO	1080000	1,079,500	1,079,500	0.0408
1	1		FROM	1085001	TO	1090000	1,088,357	1,088,357	0.0412
2	2		FROM	1095001	TO	1100000	2,199,776	2,199,776	0.0832
2	2		FROM	1120001	TO	1125000	2,247,500	2,247,500	0.0850
3	3		FROM	1125001	TO	1130000	3,383,631	3,383,631	0.1280
1	1		FROM	1130001	TO	1135000	1,132,605	1,132,605	0.0428
1	1		FROM	1165001	TO	1170000	1,169,500	1,169,500	0.0442
1	1		FROM	1215001	TO	1220000	1,217,000	1,217,000	0.0460
1	1		FROM	1225001	TO	1230000	1,230,000	1,230,000	0.0465
2	2		FROM	1275001	TO	1280000	2,558,012	2,558,012	0.0968
1	1		FROM	1290001	TO	1295000	1,292,000	1,292,000	0.0489
2	2		FROM	1300001	TO	1305000	2,604,500	2,604,500	0.0985
1	1		FROM	1315001	TO	1320000	1,319,000	1,319,000	0.0499
1	1		FROM	1335001	TO	1340000	1,337,000	1,337,000	0.0506
2	2		FROM	1350001	TO	1355000	2,708,632	2,708,632	0.1025
2	2		FROM	1425001	TO	1430000	2,855,350	2,855,350	0.1080

No. of Shareholders			-----Shareholding-----			Total Shares Held			Percentage
Physical	CDC	Total	From	To	Physical	CDC	Total		
1		1	FROM	1445001	TO	1450000	1,450,000	1,450,000	0.0548
1		1	FROM	1465001	TO	1470000	1,468,413	1,468,413	0.0555
1		1	FROM	1495001	TO	1500000	1,500,000	1,500,000	0.0567
1		1	FROM	1520001	TO	1525000	1,525,000	1,525,000	0.0577
1		1	FROM	1530001	TO	1535000	1,531,334	1,531,334	0.0579
1		1	FROM	1570001	TO	1575000	1,571,271	1,571,271	0.0594
1		1	FROM	1655001	TO	1660000	1,655,500	1,655,500	0.0626
1		1	FROM	1665001	TO	1670000	1,666,336	1,666,336	0.0630
1		1	FROM	1715001	TO	1720000	1,715,500	1,715,500	0.0649
1		1	FROM	1735001	TO	1740000	1,737,000	1,737,000	0.0657
1		1	FROM	1815001	TO	1820000	1,815,759	1,815,759	0.0687
1		1	FROM	1845001	TO	1850000	1,850,000	1,850,000	0.0700
1		1	FROM	1860001	TO	1865000	1,865,000	1,865,000	0.0705
1		1	FROM	1890001	TO	1895000	1,892,500	1,892,500	0.0716
1		1	FROM	1945001	TO	1950000	1,947,500	1,947,500	0.0737
1		1	FROM	1970001	TO	1975000	1,971,500	1,971,500	0.0746
1		1	FROM	1995001	TO	2000000	2,000,000	2,000,000	0.0757
1		1	FROM	2095001	TO	2100000	2,099,308	2,099,308	0.0794
2		2	FROM	2295001	TO	2300000	4,593,500	4,593,500	0.1738
1		1	FROM	2345001	TO	2350000	2,350,000	2,350,000	0.0889
1		1	FROM	2370001	TO	2375000	2,375,000	2,375,000	0.0898
1		1	FROM	2430001	TO	2435000	2,431,500	2,431,500	0.0920
1		1	FROM	2440001	TO	2445000	2,444,000	2,444,000	0.0924
1		1	FROM	2485001	TO	2490000	2,490,000	2,490,000	0.0942
1		1	FROM	2495001	TO	2500000	2,496,440	2,496,440	0.0944
1		1	FROM	2610001	TO	2615000	2,614,000	2,614,000	0.0989
1		1	FROM	2630001	TO	2635000	2,633,000	2,633,000	0.0996
1		1	FROM	2690001	TO	2695000	2,692,000	2,692,000	0.1018
1		1	FROM	2750001	TO	2755000	2,754,000	2,754,000	0.1042
1		1	FROM	2775001	TO	2780000	2,778,197	2,778,197	0.1051
1		1	FROM	2920001	TO	2925000	2,923,000	2,923,000	0.1106
1		1	FROM	2960001	TO	2965000	2,962,039	2,962,039	0.1120
1		1	FROM	2995001	TO	3000000	3,000,000	3,000,000	0.1135
1		1	FROM	3005001	TO	3010000	3,006,887	3,006,887	0.1137
1		1	FROM	3010001	TO	3015000	3,013,500	3,013,500	0.1140
1		1	FROM	3095001	TO	3100000	3,096,000	3,096,000	0.1171
1		1	FROM	3195001	TO	3200000	3,199,000	3,199,000	0.1210
1		1	FROM	3235001	TO	3240000	3,236,000	3,236,000	0.1224
1		1	FROM	3290001	TO	3295000	3,295,000	3,295,000	0.1246
1		1	FROM	3345001	TO	3350000	3,348,500	3,348,500	0.1267
2		2	FROM	3395001	TO	3400000	6,800,000	6,800,000	0.2572
1		1	FROM	3550001	TO	3555000	3,550,100	3,550,100	0.1343
1		1	FROM	4030001	TO	4035000	4,035,000	4,035,000	0.1526
1		1	FROM	4620001	TO	4625000	4,622,479	4,622,479	0.1748
1		1	FROM	4745001	TO	4750000	4,745,500	4,745,500	0.1795
1		1	FROM	4815001	TO	4820000	4,819,500	4,819,500	0.1823
1		1	FROM	4995001	TO	5000000	5,000,000	5,000,000	0.1891
1		1	FROM	5000001	TO	5005000	5,004,500	5,004,500	0.1893
1		1	FROM	5190001	TO	5195000	5,192,453	5,192,453	0.1964
1		1	FROM	5335001	TO	5340000	5,335,376	5,335,376	0.2018
1		1	FROM	5585001	TO	5590000	5,585,500	5,585,500	0.2113
1		1	FROM	6520001	TO	6525000	6,521,598	6,521,598	0.2467
1		1	FROM	6750001	TO	6755000	6,754,153	6,754,153	0.2555
1		1	FROM	8115001	TO	8120000	8,120,000	8,120,000	0.3071
1		1	FROM	8205001	TO	8210000	8,207,000	8,207,000	0.3104
1		1	FROM	8280001	TO	8285000	8,281,077	8,281,077	0.3132



No. of Shareholders			-----Shareholding-----				Total Shares Held			Percentage
Physical	CDC	Total	From		To	Physical	CDC	Total		
	1	1	FROM 8775001		TO 8780000		8,777,434	8,777,434	0.3320	
	1	1	FROM 8925001		TO 8930000		8,928,383	8,928,383	0.3377	
	1	1	FROM 9995001		TO 10000000		10,000,000	10,000,000	0.3783	
	1	1	FROM 10790001		TO 10795000		10,795,000	10,795,000	0.4083	
	1	1	FROM 11340001		TO 11345000		11,342,500	11,342,500	0.4290	
	1	1	FROM 13845001		TO 13850000		13,850,000	13,850,000	0.5239	
	1	1	FROM 14395001		TO 14400000		14,397,000	14,397,000	0.5446	
	1	1	FROM 14405001		TO 14410000		14,408,500	14,408,500	0.5450	
	1	1	FROM 14535001		TO 14540000		14,536,056	14,536,056	0.5498	
	1	1	FROM 16560001		TO 16565000		16,562,907	16,562,907	0.6265	
	1	1	FROM 19105001		TO 19110000		19,108,500	19,108,500	0.7228	
	1	1	FROM 19645001		TO 19650000		19,648,536	19,648,536	0.7432	
	1	1	FROM 24690001		TO 24695000		24,693,231	24,693,231	0.9340	
	2	2	FROM 24840001		TO 24845000		49,688,028	49,688,028	1.8795	
	1	1	FROM 42750001		TO 42755000		42,751,675	42,751,675	1.6171	
	1	1	FROM 70695001		TO 70700000		70,697,465	70,697,465	2.6742	
	1	1	FROM 117570001		TO 117575000		117,572,000	117,572,000	4.4473	
	1	1	FROM 124470001		TO 124475000		124,471,500	124,471,500	4.7082	
1		1	FROM 893765001		TO 893770000	1,519,404,845	-	1,519,404,845	57.4728	
4513	15233	19746				1,528,123,282	1,115,569,098	2,643,692,380	100.0000	

# Categories of Shareholders

As on December 31, 2017

Shareholder Category	No. of Shareholders			Total No. of Shares Held			%Age
	Physical	CDC	Total	Physical	CDC	Total	
DIRECTORS	1	2	3	2,504	17,995	20,499	0.0008%
PROVINCIAL GOVERNMENT	1	0	1	1,519,404,845	0	1,519,404,845	57.4728%
ASSOCIATED COMPANIES	0	0	0	0	0	0	0.0000%
FOREIGN FUNDS	29	14	43	63,134	56,289,539	56,352,673	2.1316%
INDIVIDUALS (FOREIGN)	0	13	13	0	310,715	310,715	0.0118%
INDIVIDUALS (LOCAL)	4,445	14,969	19,414	8,399,417	558,839,949	567,239,366	21.4563%
BANK/NBFI/FIN.INST./INSURANCE CO./MODARABAS MUTUAL FUNDS	19	40	59	95,496	208,736,593	208,832,089	7.8993%
LEASING COMPANIES	0	2	2	0	3,175	3,175	0.0001%
CHARITABLE TRUSTS	0	5	5	0	424,087	424,087	0.0160%
COOPERATIVE SOCIETIES	0	0	0	0	0	0	0.0000%
NIT	0	0	0	0	0	0	0.0000%
ICP	1	0	1	975	0	975	0.0000%
JOINT STOCK COMPANIES	17	174	191	156,911	211,935,734	212,092,645	8.0226%
OTHERS	0	14	14	0	79,011,311	79,011,311	2.9887%
<b>TOTAL</b>	<b>4,513</b>	<b>15,233</b>	<b>19,746</b>	<b>1,528,123,282</b>	<b>1,115,569,098</b>	<b>2,643,692,380</b>	<b>100.0000%</b>



# Catagories of Shareholding required under Code of Corporate Governance (CCG)

As on December 31, 2017

Sr. No.	Name	No. of Shares Held	Percentage
---------	------	--------------------	------------

## Associated Companies, Undertakings and Related Parties (Name Wise Detail):

-

-

## Mutual Funds (Name Wise Detail)

1	CDC - TRUSTEE AKD INDEX TRACKER FUND	220,659	0.0083%
2	CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	111,000	0.0042%
3	CDC - TRUSTEE ALFALAH GHP INCOME MULTIPLIER FUND - MT	96,500	0.0037%
4	CDC - TRUSTEE APF-EQUITY SUB FUND	550,000	0.0208%
5	CDC - TRUSTEE ATLAS INCOME FUND	21,500	0.0008%
6	CDC - TRUSTEE ATLAS STOCK MARKET FUND	8,120,000	0.3071%
7	CDC - TRUSTEE FAYSAL MTS FUND - MT	3,236,000	0.1224%
8	CDC - TRUSTEE FIRST HABIB INCOME FUND - MT	4,819,500	0.1823%
9	CDC - TRUSTEE MCB DCF INCOME FUND	8,500	0.0003%
10	CDC - TRUSTEE MCB DYNAMIC CAS FUND - MT	339,000	0.0128%
11	CDC - TRUSTEE NIT INCOME FUND - MT	784,500	0.0297%
12	CDC - TRUSTEE PAKISTAN INCOME ENHANCEMENT FUND - MT	1,655,500	0.0626%
13	CDC - TRUSTEE PAKISTAN INCOME FUND - MT	624,000	0.0236%
14	MC FSL TRUSTEE JS - INCOME FUND	77,500	0.0029%
15	MC FSL TRUSTEE JS - INCOME FUND - MT	1,947,500	0.0737%
16	MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND	55,000	0.0021%
17	MCBFSL TRUSTEE MCB PAKISTAN FREQUENT PAYOUT FUND - MT	2,000	0.0001%
18	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	117,500	0.0044%
19	TRUSTEE-BMA CHUNDRIGAR ROAD SAVINGS FUND	10,000	0.0004%

## Directors and their Spouse and Minor Children (Name Wise Detail):

1	MR. MOHAMMED AFZAAL BHATTI	2,504	0.0001%
2	MR. SAEED ANWAR (CDC)	3,000	0.0001%
3	KH. FAROOQ SAEED (CDC)	14,995	0.0006%

## Public Sector Companies & Corporations:

1,519,404,845

57.4728%

## Banks, Development Finance Institutions, Non Banking Finance

186,025,455

7.0366%

## Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:

## Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)

S. No.	Name	Holding	Percentage
1	GOVERNMENT OF THE PUNJAB	1,519,404,845	57.4728%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No	Name	Sale	Purchase	Right
1	KH. FAROOQ SAEED (CDC)	-	-	6174





# Form of Proxy

I/We \_\_\_\_\_  
(Name and Folio No./Participant Account No. & Sub-Account No.)

of \_\_\_\_\_  
(Place)

being a member(s) of THE BANK OF PUNJAB hereby appoint

\_\_\_\_\_

(Name and Folio No./Participant Account No. & Sub-Account No.)

of \_\_\_\_\_  
(Place)

another member of the Bank as my / our proxy to attend, speak and vote on my / our behalf at the 27<sup>th</sup> Annual General Meeting of the Bank to be held on Wednesday, 30<sup>th</sup> May, 2018 at 5:00 p.m. at CRIMSON EVENTS, 9-Civic Centre, Barkat Market, New Garden Town, Lahore (LDA Community Centre) and at any adjournment thereof.

Signed this \_\_\_\_\_ Day \_\_\_\_\_ 2018.

Signature of  
Member(s)

Five Rupees  
Revenue Stamp

## WITNESSES:

1. Signature: \_\_\_\_\_

2. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC or  
Passport No. \_\_\_\_\_

CNIC or  
Passport No. \_\_\_\_\_

## NOTE:

This form of proxy duly completed must be deposited at Corporate Affairs Department of the Bank at BOP Tower, 10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore by not less than 48 hours before the time fixed for the Meeting.



# پراکسی فارم

میں/ہم \_\_\_\_\_ ساکن \_\_\_\_\_  
برمطابق شیئرز رجسٹر فوئیو نمبر/ CDC اکاؤنٹ نمبر/ ذیلی اکاؤنٹ نمبر \_\_\_\_\_  
بحیثیت ممبردی بینک آف پنجاب محترم/ محترمہ \_\_\_\_\_  
فوئیو نمبر/ CDC اکاؤنٹ نمبر/ ذیلی اکاؤنٹ نمبر \_\_\_\_\_ کو اپنے/ اپنی ایما پر بطور مختار  
(پراکسی) مقرر کرتا/ کرتی کرتے ہوں/ ہیں تاکہ میری/ ہماری جگہ میری/ ہماری طرف سے بینک کے اجلاس عام جو مورخہ 30 مئی 2018ء  
بروز بدھ شام 5 بجے بمقام CRIMSON EVENTS، سوک سنٹر، برکت مارکیٹ، نیوگارڈن ٹاؤن، لاہور (LDA کمیونٹی سنٹر) میں  
مختار (پراکسی) شرکت کرے، بولے اور حق رائے دہی استعمال کرے۔

گواہ نمبر 1: \_\_\_\_\_ دستخط بتاریخ \_\_\_\_\_ 2018ء

دستخط:

نام:

پتہ:

شناختی کارڈ نمبر:

پانچ روپے

کار یونیوسٹمپ

دستخط بینک میں رجسٹرڈ نمونہ

سے مطابقت رکھنے چاہئیں

گواہ نمبر 2:

دستخط:

نام:

پتہ:

شناختی کارڈ نمبر:

نوٹ: باضابطہ طور پر پُر شدہ اور دستخط شدہ پراکسی فارم بینک کے رجسٹرڈ آفس واقع کارپوریٹ افیئرز ڈیپارٹمنٹ، BOP ٹاور، 10-B، بلاک E-2، مین بلیوارڈ، گلبرگ-3، لاہور کے رجسٹرڈ دفتر میں سالانہ اجلاس عام کے انعقاد سے 48 گھنٹے قبل لازمی طور پر موصول ہو جانی چاہیے۔





The Company Secretary

**THE BANK OF PUNJAB**

BOP Tower, 10-B, Block-E-II,  
Main Boulevard, Gulberg-III,  
Lahore.  
Ph: 35783700-10

AFFIX  
CORRECT  
POSTAGE





Head Office  
BOP Tower, 10-B block E/II,  
Main boulevard, Gulberg-III, Lahore  
UAN: 111-200-100  
[www.bop.com.pk](http://www.bop.com.pk)