

Annual Report

2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

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

Mr. Qaiser Javed
Non-Executive Director

Dr. Nadeem Inayat
Non-Executive Director

Mr. Manzoor Ahmed
Non-Executive Director / NIT Nominee

Mr. Kamal A. Chinoy
Independent Director

Justice (R) Sarmad Jalal Osmany
Independent Director

Syed Ahmed Iqbal Ashraf
Independent Director

Mr. Mushtaq Malik
Independent Director

Syed M. Husaini
President & Chief Executive - Executive Director

BOARD COMMITTEES

AUDIT

Syed Ahmed Iqbal Ashraf - Chairman

Mr. Qaiser Javed

Dr. Nadeem Inayat

Mr. Manzoor Ahmed

HUMAN RESOURCE & REMUNERATION

Lt Gen Shafqaat Ahmed, HI (M) (Retd) - Chairman

Dr. Nadeem Inayat

Syed Ahmed Iqbal Ashraf

Mr. Mushtaq Malik

RISK MANAGEMENT

Mr. Manzoor Ahmed - Chairman

Mr. Qaiser Javed

Justice (Retd) Sarmad Jalal Osmany

Syed M. Husaini

SHARIAH BOARD

Mufti Muhammad Zahid - Chairman

Mufti Ismatullah - Member

Dr. Muhammad Tahir Mansoori - Resident Shariah Board Member

AUDITORS

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

LEGAL ADVISORS

M/s RIAA, Barker Gillette

Advocates & Corporate Counsellors

COMPANY SECRETARY

Mr. Umar Shahzad

REGISTERED OFFICE

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

Rawalpindi - 46000, Pakistan

Tel: (92 51) 8092624

UAN: (92 51) 111 000 787

Fax: (92 51) 2857448

Email: ir@askaribank.com.pk

REGISTRAR & SHARE TRANSFER OFFICE

Central Depository Company of Pakistan Limited

Mezzanine Floor, South Tower, LSE Plaza

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

Tel: Customer Support Services (Toll Free)

0800-CDCPL (23275)

Tel: (92-42) 36362061-66

Fax: (92 42) 36300072

Email: info@cdcpak.com

Website: www.cdcpakistan.com

ENTITY RATINGS

Long Term: AA+

Short Term: A1+

By PACRA

WEBSITE

www.akbl.com.pk

SOCIAL MEDIA

 /askaribankpakistan

 /askari_bank

NOTICE OF THE 26TH ANNUAL GENERAL MEETING

Notice is hereby given that the 26th Annual General Meeting of the shareholders of Askari Bank Limited (the “Bank”) will be held on Friday, March 30, 2018 at 10:30 am at Pearl Continental Hotel, Rawalpindi to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 25th Annual General Meeting held on March 31, 2017.
2. To receive, consider and adopt the financial statements of the Bank for the year ended December 31, 2017 together with the Directors’ and Auditors’ Reports thereon.
3. To appoint statutory auditors of the Bank for the year ending December 31, 2018 and to fix their remuneration. The present auditors M/s A. F. Ferguson & Co., Chartered Accountants, being eligible, have offered themselves for re-appointment.
4. To approve the interim cash dividend @ 10% i.e., Re. 1 per share already declared and paid to the shareholders of the Bank for the year ended December 31, 2017.

SPECIAL BUSINESS

5. INCREASE IN AUTHORIZED SHARE CAPITAL

To consider and, if thought fit, to approve an increase in Authorized Share Capital of the Bank and to pass the following resolution as special resolution with or without amendments:

“**RESOLVED** that the authorized share capital of the Company be and is hereby increased from PKR 16,000,000,000/- (Pak Rupees Sixteen Billion) divided into 1,600,000,000 (One billion six hundred million) ordinary shares of PKR 10/- (Pak Rupees ten) each to 20,000,000,000/- (Pak Rupees Twenty Billion) divided into 2,000,000,000 (Two billion) ordinary shares of PKR 10/- (Pak Rupees ten) each and that the Clause V of the Memorandum of Association and Article 4 of the Articles of Association of the Bank be and are hereby amended accordingly and read as follows:

CLAUSE V OF THE MEMORANDUM OF ASSOCIATION:

The Authorized Capital of the Company is PKR 20,000,000,000/- (Pak Rupees Twenty Billion) divided into 2,000,000,000 ordinary shares of PKR 10/- (Pak Rupees ten) each. The Company shall have the power to increase, reduce or reorganize the capital of the Company and divide its shares in the capital for time being into several classes consisting ordinary shares in accordance with the provisions of the Companies Act, 2017.

ARTICLE 4 OF THE ARTICLES OF ASSOCIATION:

The Authorized Capital of the Company is PKR 20,000,000,000/- (Pak Rupees Twenty Billion) divided into 2,000,000,000 ordinary shares of PKR 10/- (Pak Rupees ten) each with power to the Company from time to time to increase, reduce or reorganize the said capital and divide the shares in the capital for the time being into several classes in accordance with the provisions of the Companies Act, 2017.

FURTHER RESOLVED that the President & Chief Executive and Company Secretary of the Bank be and are hereby authorized to either singly or jointly, take all steps necessary, ancillary and incidental for registering and amending the Memorandum and Articles of Association of the Bank, including but not limited to filing of all the requisite statutory forms and all other documents as may be required to be filed with the Companies Registration Office, Securities and Exchange Commission of Pakistan and the State Bank of Pakistan, executing all such certificates, applications, notices, reports, letters and any other document or instrument including any amendments or substitutions to any of the foregoing as may be required in respect of the amendment in the Memorandum and Articles of Association.”

6. CONVERSION OF TFCS INTO ORDINARY SHARES OF THE BANK UPON THE OCCURRENCE OF A CONVERSION EVENT IN RESPECT OF TFC-V AND TFC ADT 1

Given the features of the below mentioned TFC-V and TFC ADT-1, upon the occurrence of a conversion event, it is proposed that the maximum number of shares to be issued for the purposes of the same be capped at 330,723,328 (three hundred thirty million seven hundred twenty three thousand three hundred twenty eight) additional ordinary shares being issued and in this respect the following special resolutions with or without amendments are being proposed:

NOTICE OF THE 26TH ANNUAL GENERAL MEETING

6A 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 – TFC V

“RESOLVED that with respect to the Term Finance Certificate Issue (“TFC V”) of Askari Bank Limited (“Bank”) in the amount of PKR 4,000,000,000/- (Pak Rupees Four Billion) pursuant to the terms of the Trust Deed dated September 24, 2014 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, in the event SBP exercises its option to convert TFC V issue 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 Section 83(1)(b) of the Companies Act, 2017 (“Additional Shares – TFC V”).

FURTHER RESOLVED that the issuance of such Additional Shares – TFC V 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 50,659,789 (fifty million six hundred fifty nine thousand seven hundred eighty nine) 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 Section 83(1)(b) of the Companies Act, 2017.

FURTHER RESOLVED that the President & Chief Executive of the Bank, singly, or any two executives of the Bank nominated by him, acting jointly, be and is hereby 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.

6B. CONVERSION OF TFCS INTO ORDINARY SHARES OF THE BANK UPON THE OCCURRENCE OF A CONVERSION EVENT– TFC ADT 1

“RESOLVED that with respect to the proposed Additional Tier I Capital intended to be raised by Askari Bank Limited (“Bank”) in the amount of up to PKR 6,000,000,000/- (Pak Rupees Six Billion) in the form of Term Finance Certificate (“TFC ADT1”) as approved by the Board of Directors in their meeting held on December 8, 2017 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, in the event (i) all or part of the TFC ADT1 are subject to a mandatory conversion into common shares at the discretion of SBP in case of the Bank’s inability to exercise the lock-in clause, or (ii) all or part of the TFC ADT1 are subject to a mandatory conversion into common shares at the discretion of SBP in case of the Bank’s inability to exercise the non-cumulative feature in respect of the TFC ADT1, or (iii) all or part of the TFCs are converted into common shares upon the declaration by the SBP of the occurrence of a Point of Non-Viability event; or (iv) all or part of the TFCs are converted into common shares by the Bank upon the occurrence of a Pre-specified Trigger Event (collectively the “Conversion Events”), such ordinary shares shall be issued other than by way of rights in accordance with Section 83(1)(b) of the Companies Act, 2017 (“Additional Shares – TFC ADT1”).

FURTHER RESOLVED that the issuance of such Additional Shares – TFC ADT1 shall be based on the market value of the shares of the Bank prevailing at the relevant time and shall be subject to a cap of 280,063,539 (two hundred eighty million sixty three thousand five hundred thirty nine) additional ordinary shares in aggregate 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 Section 83(1)(b) of the Companies Act, 2017.

FURTHER RESOLVED that the President & Chief Executive, and / or GH-CIBG of the Bank, or their delegates, be and hereby, singly authorized to take all steps, necessary, ancillary and incidental to the above and are further authorized to sign execute and deliver all necessary documents, agreements and letters on behalf of the Bank, as may be deemed appropriate and as may be required for the purposes above mentioned.”

7. To consider and if thought fit, to approve the alteration in Articles of Association of the Bank by inserting new Articles for the purpose of E-voting / postal ballot and to pass the following resolutions as special resolutions with or without amendments:

“RESOLVED that, subject to obtaining requisite approvals, Articles of Association of the Bank be and are hereby altered in the following manner:

- a. After the existing Article 77, the following new Articles 77(a) be inserted:

“The Company shall comply with the mandatory e-voting / postal ballot requirements under the provisions of SECP’s Regulations issued on e-voting / postal ballot (including any statutory modification thereof), as amended from time to time and in the case of e-voting, both members and non-members can be appointed as proxy. The members opting for e-voting will be required to communicate their intention to opt for e-voting and demand of poll for resolutions through an instrument of e-voting to the Company according to SECP’s regulations. The Company will arrange for e-voting if the Company receives demand for poll from such number of members as prescribed in SECP’s regulations.”

- b. After the existing Article 90, the following new Article 90(a) be inserted:

“An instrument of proxy in relation to e-voting shall be in the following form:

I/We, _____ of _____ being a member of Askari Bank Limited, holder of _____ Shares(s) as per Register Folio No. _____ hereby opt for e-voting through Intermediary and hereby consent the appointment of Execution Officer _____ as proxy and will exercise e-voting as per SECP’s Regulations and hereby demand for poll for resolutions.

My secured e-mail address is _____ please send login details, password and electronic signature through e-mail.”

Signature of member

Signed in the presence of:

Signature of witness # 1 _____ Signature of witness # 2 _____
Name of witness # 1 _____ Name of witness # 2 _____
CNIC # of witness # 1 _____ CNIC # of witness # 2 _____

The proxy e-voting form shall be required to be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.”

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

By Order of the Board



Umar Shahzad
Company Secretary

Rawalpindi
March 06, 2018

NOTICE OF THE 26TH ANNUAL GENERAL MEETING

NOTES

1. The statement under section 134 (3) of the Companies Act, 2017 [the Act] setting forth all material facts concerning the special business to be transacted at the meeting is annexed.
2. The Share Transfer books of the Bank will remain closed from March 22, 2018 to March 30, 2018 (both days inclusive). Transfers received at the Bank's Share Registrar Department, Central Depository Company of Pakistan Limited, Mezzanine Floor, South Tower, LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore the Registrar and Share Transfer Office of the Bank at the close of the business hours on March 21, 2018 will be treated in time.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan [GoP] or SBP or corporate entity may appoint a person who is not a member.
4. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity (other than GoP and SBP), its common seal should be affixed on the instrument.
5. The instrument appointing a proxy, together with attested copy of Power of Attorney or Board Resolution, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 4th Floor, NPT Building, F-8 Markaz, Islamabad not less than 48 hours before the time of holding the meeting.
6. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
7. Copy of the CNIC or passport of the beneficial owners shall be furnished with the proxy form. The proxy shall produce his / her original CNIC or original passport at the time of attending the meeting.
8. In case of individual shareholder, original Computerized National Identity Card (CNIC) or original passport while for the CDC account holder or sub-account holder and or the person whose securities are in group account and their registration details are uploaded as per the regulations, his / her authentication would be made by showing his / her Original CNIC or original passport along with participant(s) ID Number and their account numbers. In case of GoP / SBP / corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.
9. The Government of Pakistan through the Finance Act, 2017 has made certain amendments in terms of Section 150 of the Income Tax Ordinance, 2001 whereby the rates are enhanced for deduction of withholding tax on the amount of dividend paid by the companies/banks. These rates are as follows:

a) For filers of income tax returns	15.00 %
b) For non-filers of income tax returns	20.00 %

And to enable the Bank to make tax deductions on the amount of cash dividend @ 15.00 % instead of 20.00% all shareholders, whose names are not entered into the Active Tax payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend (as and when declared) will be deducted @ 20.00% instead of 15%.

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

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

The required information must reach our Share Registrar by March 21, 2018 otherwise it will be assumed that the shares are equally held.

SPECIAL NOTES TO THE SHAREHOLDERS

10. SUBMISSION OF COPIES OF CNIC (MANDATORY)

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

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

11. PAYMENT OF CASH DIVIDEND ELECTRONICALLY (E-DIVIDEND)

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

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

12. TRANSMISSION OF AUDITED FINANCIAL STATEMENTS & NOTICES TO MEMBERS THROUGH EMAIL (OPTIONAL)

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

NOTICE OF THE 26TH ANNUAL GENERAL MEETING

The Bank has placed the audited financial statements for the year ended December 31, 2017 along with Auditors and Directors' reports thereon on its website; www.akbl.com.pk.

13. CONSENT FOR VIDEO CONFERENCE FACILITY

In compliance of Circular No. 10 dated May 21, 2014 of SECP read with section 134(1)(b) of the Companies Act 2017, shareholders of the Bank are informed that they can avail video conference facility in Karachi and Lahore. In this regard please fill the following form and submit the same with the Company Secretary, Askari Bank Limited, 4th Floor, NPT Building, F-8 Markaz, Islamabad at least ten (10) days before holding of general meeting. If the Bank receives consent from members holding in aggregate ten percent (10%) or more shareholding residing at a geographical location, to participate in the meeting through video conference at least ten (10) days prior to the date of meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city. The Bank will intimate members regarding venue of Video Conference Facility at least five (5) days before the date of general meeting along with complete information necessary to enable them to access such facility.

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

Signature of Member

14. CHANGE OF ADDRESS / PARTICULARS

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

15. ZAKAT DECLARATION (CZ-50)

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

16. UNCLAIMED / UNPAID DIVIDEND AND SHARE CERTIFICATES

In compliance of Section 244 of the Companies Act 2017, a Final Notice was given by the Bank on January 26, 2018 that the shares of Askari Bank Limited/dividends declared by Askari Bank Limited; details whereof are appearing on the Bank's website www.akbl.com.pk have remained unclaimed or unpaid for a period of three years from the date these have become due and payable. In case no claim is received within the 90 days of above referred Final Notice, the Bank shall proceed to deposit the unclaimed/unpaid amount with the Federal Government pursuant to the provisions of sub-section (2) of section 244 of the Companies Act 2017.

STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017

The statement sets out the material facts pertaining to the special business to be transacted at the 26th Annual General Meeting of the Bank to be held on Friday, March 30, 2018.

**SPECIAL BUSINESS ITEM NO. 5 OF THE NOTICE
AMENDMENT IN THE MEMORANDUM & ARTICLES OF ASSOCIATION**

The Board of Directors have approved and recommended the amendments in the clauses for increase in the Bank's authorized share capital by amending the Memorandum & Articles of Association.

The State Bank of Pakistan (SBP) has also given its no objection for the amendment in the Memorandum of Association regarding the increase in authorized capital.

SPECIAL BUSINESS ITEM NO. 6A OF THE NOTICE

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 – TFC V

On September 30, 2014, Askari Bank Limited ("Bank") successfully issued the Fifth TFC Issue of PKR 4,000,000,000/- (Pak Rupees Four Billion only) ("TFC V") 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 road map to increase the minimum CAR up to 12.5% in a phased manner by December 31, 2019. Post issuance of the TFC V, the CAR of the Bank increased to 12.9% as at September 30, 2014 from the previous CAR of 10.74% in June 2014.

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.

NOTICE OF THE 26TH ANNUAL GENERAL MEETING

- 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 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 (in advance) for the issuance of such additional shares, which additional shares shall be issued based on the market value of the shares of the Bank on the date of trigger of PONV as declared by SBP and shall be subject to a cap of cap of 50,659,789 (fifty million six hundred fifty nine thousand seven hundred eighty nine) 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 s. 83(1)(b) of the Companies Act, 2017.

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

Name of the persons to whom shares will be issued	The shares will be issued to the TFC Holders (at that time)in accordance with the directions of SBP at the time of trigger of PONV.
Price at which the proposed shares will be issued	The shares shall be at the market value of the shares of the Bank on the date of trigger of PONV as declared by SBP
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
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 Bank. The issue of shares other than by way of rights is subject to approval from the Securities and Exchange Commission of Pakistan.

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

SPECIAL BUSINESS ITEM NO. 6B OF THE NOTICE

CONVERSION OF TFCS INTO ORDINARY SHARES OF THE BANK UPON THE OCCURRENCE OF A CONVERSION EVENT— TFC ADT 1

On December 8, 2017 the Board of Directors of Askari Bank Limited ("Bank") resolved to raise Additional Tier 1 Capital through issuance of redeemable capital under s. 66 of the Companies Act, 2017, in the form of term finance certificates ("TFC ADT1") up to the extent of PKR 6,000,000,000/- (Pak Rupees Six Billion) (the "TFC ADT1 Issue"), to eligible investors in terms of BPRD Circular Number 08 dated June 27, 2006 and as updated vide BPRD Circular Number 06 of August 15, 2013 (as amended from time to time), read with all relevant rules, regulations, circulars and approvals of State Bank of Pakistan ("SBP"), upon such terms and conditions as may be deemed appropriate by the authorized representatives of the Bank. The TFC ADT1 Issue is intended to be raised to comply with the State Bank of Pakistan's ("SBP") regulation to maintain the minimum Capital Adequacy Ratio and to support on going business operations of the Bank ("CAR").

SBP through BSD Circular No. 7 dated April 15, 2009 had directed all banks to achieve and maintain the minimum CAR of 10% by December 2013. SBP vide its Circular No. 6 of Banking Policy and Regulation Department ("BPRD") dated August 15, 2013 ("Basel III Circular"), covering Basel III reforms, gave a road map to increase the minimum CAR up to 12.5% in a phased manner by December 31, 2019. Post issuance of the TFC ADT 1, the CAR of the Bank will increase to 14.28% as compared to the previous CAR of 12.07% as of December 2017.

As per the requirements of Basel III under the aforementioned Basel III Circular, the terms and conditions of the TFC ADT 1 must have a provision of "loss absorbency" for it to be qualified as a Additional Tier 1 Capital instrument.

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

"A-5-2 Loss Absorption of Additional Tier-1 Instruments at a Pre-specified Trigger:

- i. The additional Tier-1 capital instruments (classified as other than equity at issuance) must have loss absorption clause whereby these instruments will be permanently converted to common shares when the bank's CET1 ratio falls to or below 6.625% of RWA (i.e. minimum CET1 of 6.0% plus 25% of capital conservation buffer of 2.5% (0.625%)). Moreover, the bank should immediately notify SBP upon reaching the trigger point.
- ii. A bank will have full discretion to determine the amount of Additional Tier-1 instruments to be converted into common shares subject to following conditions:

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- a. Where a bank's CET1 reaches the loss absorption trigger point, the aggregate amount of Additional Tier-1 capital to be converted must at least be the amount sufficient to immediately return the CET1 ratio to above 6.625% of total RWA (if possible).
- b. The converted amount should not exceed the amount needed to bring the CET1 ratio to 8.5% of RWA (i.e. minimum CET1 of 6.0% plus capital conservation buffer of 2.5%).
- iii. The contractual terms and conditions of Additional Tier-1 instruments must also include a clause requiring full and permanent conversion of the instrument into common shares at the point of non-viability (mentioned below in Section A-5-3).
- iv. The conversion method will describe and follow the order (hierarchy of claims) in which they will absorb losses in liquidation/ gone concern basis. These terms must be clearly stated in the offer documents.
- v. In case, conversion of Additional Tier-1 capital instrument is not possible following the trigger event, the amount of the instrument must be written off in the accounts resulting in increase in CET1 of the bank.
- vi. Where the additional Tier-1 capital instrument includes write-off provisions, the mechanism must state:
 - a. The claim of the instrument on liquidation of the issuer is reduced to (or below) the value of the written-off instrument.
 - b. The amount of the instrument to be paid in case of a call is reduced by the written-off amount of the instrument.
 - c. The distributions (dividends/ profit) payable on the instrument must be permanently reduced. “

“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.”

In addition to the above conversion conditions, it is expected that SBP will also require conversion of the TFC ADT 1 in the following events:

- (a) Where all or part of the TFC ADT 1 are subject to a mandatory conversion into common shares at the discretion of SBP in case of the Issuer’s inability to exercise the lock-in clause as follows:

LOCK-IN CLAUSE

In compliance with the lock-in requirement provided under the Basel III Circular, neither profit nor principal can be paid in respect of the TFC ADT 1 Issue, if such payment will result in a shortfall in the Bank’s minimum capital requirement or capital adequacy ratio or results in an increase in any existing shortfall in minimum capital requirement or capital adequacy ratio. It being clarified that the profit rate for such period shall effectively be 0% (i.e. no profit). Any inability to exercise the lock-in clause will subject the TFC ADT 1 to mandatory conversion into common shares, or their write-off, at the discretion of the SBP.

- (b) Where all or part of the TFC ADT 1 are subject to a mandatory conversion into common shares at the discretion of SBP in case of the Issuer’s inability to exercise the non-cumulative feature (as specified in Condition 28A hereof);

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NON-CUMULATIVE FEATURE

In compliance with the requirements as provided under the Basel III Circular, any unpaid profit will be non-cumulative. Any inability to exercise the non-cumulative feature will subject the TFC ADT 1 to mandatory conversion of the TFC ADT1 into common shares or their write-off, at the discretion of the SBP.

In light of the above contemplated conversion events, the Bank is required to obtain all approvals (in advance) for the issuance of such additional shares, which additional shares shall be issued based on the market value of the shares of the Bank (as at the relevant time) and shall be subject to a cap of 280,063,539 (two hundred eighty million sixty three thousand five hundred thirty nine) additional ordinary shares being issued in aggregate, or such other number as may be agreed to in consultation with SBP. It may further be noted that issuance of such additional shares shall further be subject to approval of the Securities and Exchange Commission of Pakistan in accordance with section 83(1)(b) of the Companies Act, 2017.

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

Name of the persons to whom shares will be issued	The shares will be issued to the TFC ADT1 holders (at that time)
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 relevant date
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 ADT1 amount (in whole or part) into shares of the Bank
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 ADT 1 Issue shall contain the details regarding such conversion
Justification as to why proposed shares are to be issued otherwise than rights and not as rights shares	This is in accordance with the requirements of SBP vide its Circular No. 6 of Banking Policy and Regulation Department ("BPRD") dated August 15, 2013
Justification, with details of the latest available market price and break-up value per share, if such price differs from par value	Not Applicable

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

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

SPECIAL BUSINESS ITEM NO. 7 OF THE NOTICE

E-VOTING / POSTAL BALLOT:

Securities and Exchange Commission of Pakistan (SECP) has issued Companies (E-Voting) Regulation 2016 on January 22, 2016 vide S.R.O. No. 43(l)/2016. These regulations shall be applicable to general meeting of listed companies to be held on or after December 31, 2017 for providing voting right to members through electronic means managed by the authorized intermediaries. SECP has also issued draft Companies (Postal Ballot) Regulations, 2017 to provide right of vote to shareholders through postal ballot. The Board of directors of the Bank has recommended the alteration in the Articles of Association of the Bank by inserting new Articles 77(a) and 90(a) therein which will give the members option to be part of the decision making in the general meeting of the Bank through electronic means / postal ballot. Accordingly it has been proposed to pass the resolution as a special resolution for alteration in the Articles of Association of the Bank as specified in the notice of the meeting.

INTEREST OF THE DIRECTORS AND THEIR RELATIVES

The Directors of the bank and their relatives have no interest in the proposed amendments in the Memorandum and Articles of Association of the Bank except to the extent of the proposed amendments in the Clause of Authorized Capital of Memorandum of Association and Articles relating to Authorized Capital and e-voting / postal ballot.

INSPECTION OF DOCUMENTS

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

SIX YEARS' STATISTICS

Rupees in million

December 31	2012	2013	2014	2015	2016	2017
Assets						
Advances - net	143,727	163,557	170,496	199,931	235,164	258,693
Investments	145,378	165,863	217,214	268,021	295,846	314,957
Cash, short term funds and statutory deposits with SBP	39,619	37,666	29,626	38,794	55,250	49,683
Operating fixed assets	8,841	8,567	8,299	9,230	11,020	10,729
Assets held for sale	-	-	54	-	262	81
Other assets	15,491	19,174	21,392	19,891	21,597	22,566
Total Assets	353,056	394,827	447,083	535,867	619,139	656,708
Non-performing loans	26,518	33,120	31,376	31,484	28,535	26,753
Provisions for non-performing loans	19,128	28,614	28,169	28,482	26,959	25,647
Liabilities						
Deposits	306,937	335,241	387,587	433,172	472,811	525,808
Refinance borrowings from SBP	7,775	8,953	7,954	10,327	12,891	16,839
Sub-ordinated loans	6,987	3,994	7,993	4,997	4,995	4,993
Other liabilities	11,668	27,911	19,841	60,518	95,866	76,632
Total liabilities	333,367	376,099	423,375	509,014	586,562	624,273
Shareholders' funds						
Share capital	8,131	12,603	12,603	12,603	12,603	12,603
Reserves	9,546	4,030	6,686	9,209	12,755	14,798
Surplus on revaluation of assets	2,011	2,096	4,418	5,041	7,219	5,035
Total shareholders' funds	19,688	18,729	23,707	26,853	32,577	32,435
Profitability						
Interest income	32,402	27,961	34,604	36,592	35,512	36,267
Interest expenditure	22,974	19,363	22,711	21,690	20,497	20,072
Net interest income	9,428	8,597	11,893	14,902	15,016	16,195
(Reversal) / provision and impairment against non-performing assets	2,688	11,103	322	879	(659)	(1,205)
Fee, commission and brokerage income	1,153	1,169	1,435	1,732	2,156	2,707
Other income	2,964	2,429	3,882	4,958	4,951	3,549
Operating expenses	9,128	9,533	11,107	12,281	14,304	15,164
Profit / (loss) before taxation	1,730	(8,441)	5,781	8,432	8,477	8,492
Taxation	475	2,961	1,766	3,388	3,256	3,224
Profit / (loss) after taxation	1,255	(5,480)	4,015	5,043	5,221	5,268
Operating profit	4,418	2,663	6,103	9,311	7,818	7,287
Total income	36,519	31,559	39,921	43,283	42,619	42,523
Total expenditure	34,790	39,999	34,140	34,850	34,142	34,031
Cash flows						
Operating activities	10,939	22,906	36,639	67,461	42,479	26,131
Investing activities	(10,047)	(21,638)	(47,918)	(51,636)	(30,476)	(23,277)
Financing activities	(4)	1,479	2,752	(5,481)	(1,563)	(3,115)
Changes in cash & cash equivalents	896	2,864	(8,537)	10,355	10,433	(231)
Cash & cash equivalents at beginning of the year	32,403	33,299	36,163	27,626	37,981	48,414
Cash & cash equivalents at end of the year	33,299	36,163	27,626	37,981	48,414	48,183
Business transacted (Rupees in billion)						
Imports	143	196	177	200	279	358
Exports	98	111	140	144	124	155
Guarantees	70	82	64	78	132	137

December 31	2012	2013	2014	2015	2016	Percentage 2017
Profitability Ratios						
Profit / (loss) before tax	5.34	(30.19)	16.71	23.04	23.87	23.41
Gross yield on average earning assets	10.74	8.67	9.25	7.90	6.71	6.42
Return on average assets (RoA)	0.36	(1.47)	0.95	1.03	0.90	0.83
Gross spread	29.10	30.75	34.37	40.72	42.28	44.66
Cost to income (CIR)	67.39	78.17	64.54	56.88	64.66	67.54
Return on average shareholders equity (RoE)	7.34	(31.94)	22.35	24.54	22.14	19.97
Return on average capital employed	5.21	(24.20)	16.76	18.65	18.27	16.79
Liquidity Ratios						
Advance to deposits (CDR)	46.83	48.79	43.99	46.16	49.74	49.20
Current	1.99	1.91	1.79	1.62	1.38	1.59
Cash to current liabilities	0.26	0.23	0.17	0.19	0.20	0.21
Investment / market Ratios						
Price earning (PE) - times	11.18	(2.37)	7.23	5.44	6.03	4.62
Price to book - times	0.04	0.04	0.07	0.05	0.05	0.04
Dividend yield	-	-	8.67	10.35	6.01	5.18
Dividend payout - times	-	-	0.63	0.56	0.36	0.24
Cash dividends:						
Interim	-	-	10.00	10.00	-	10.00
Final*	-	-	10.00	12.50	15.00	-
Earnings per share (EPS)** - Rupees	1.54	(5.90)	3.19	4.00	4.14	4.18
Market value per share - year end - Rupees	17.22	14.00	23.07	21.74	24.95	19.31
Market value per share - high - Rupees	17.75	19.69	23.14	25.54	25.61	28.03
Market value per share - low - Rupees	17.05	10.76	13.37	16.26	17.50	17.75
Capital Structure Ratios						
Income / expense - times	1.05	0.79	1.17	1.24	1.25	1.25
Capital Adequacy (CAR)	11.81	10.39	13.03	12.51	12.50	12.09
Earning assets to total assets - gross	86.90	87.32	89.66	89.52	88.28	88.63
Weighted average cost of deposits	6.77	5.62	5.90	4.64	3.70	3.42
Net assets per share - Rupees	24.21	14.86	18.81	21.31	25.85	25.74
Operating fixed assets to average shareholders' funds	47.20	44.60	39.12	36.51	37.08	33.01
Other Information						(Number)
Number of employees (Regular)	4,272	4,411	5,581	6,133	6,428	6,591
Number of branches	261	281	321	424	501	516

*post balance sheet event

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors present the 26th Annual Report of Askari Bank Limited along with the audited unconsolidated and consolidated financial statements of the Bank and Auditors' reports thereon, for the year ended December 31, 2017.

ECONOMY

Pakistan's economy maintained an upward trend as the GDP growth touched a ten year high of 5.3 percent during fiscal 2017. The accommodative monetary policy stance, increase in development spending, growth in private sector credit, easing energy supply and continuing work on infrastructure and energy projects, and growth oriented policies were primarily instrumental in achieving the recent performance of the economy. Agriculture sector achieved its growth target mainly due to supportive policies and increased agriculture credit disbursements. The large-scale manufacturing growth picked up momentum and the year-on-year growth augurs well for further improvement. The average consumer price index inflation rose to 4.2 percent during fiscal year 2017. Increase in inflation was attributable to increase in domestic demand and temporary issues in the supply chain which led to higher food inflation. However, stable exchange rate and a decline in energy prices during fiscal 2017 helped contain inflation from further soaring up. One of the outcomes of an expanding economy was the surge in imports, which together with a decline in exports and remittances resulted in a widening of the current account deficit. While an increase in capital and raw material imports bodes well for the future productive capacity of the economy, the persistent increase in imports for consumption purposes remains a source of concern. These trends have led to increased reliance on external borrowings and pressure on foreign exchange reserves.

Looking ahead, the overall macroeconomic environment remains conducive to growth and with positive outlooks for real, industrial and agricultural sectors, the GDP growth target of 6.0 for fiscal 2018 appears attainable. Manufacturing sector is expected to benefit from higher development spending, ongoing investments in China-Pakistan-Economic-Corridor (CPEC) and related projects, improvement in security conditions and the trend of low cost of borrowing. Notwithstanding these reasonable gains on the economic and social front in the outgoing fiscal year, there remained some areas where results did not improve such as in the balance of payments and balance of trade reflecting pressure on the external front and expansionary fiscal policy measures. Pakistan's exports have been facing headwinds for a couple of years mostly due to weak global demand and lower commodity prices. The analysis of exports data suggests that for many product categories, Pakistan exported higher quantities; however, lower international prices yielded less than adequate foreign exchange receipts. Alongside, adequate growth in workers' remittances poses another challenge for fiscal 2018. Despite these challenges, the broad-based economic growth is expected to continue on the back of agricultural recovery, rebound in industrial activities and inflow of investment under CPEC. Along the CPEC route, new industrial zones should open opportunities for investment, particularly for small and medium sized auxiliary businesses.

PERFORMANCE AND RESULTS

Askari Bank delivered operating profit (before provisions and tax) of Rs.7.3 billion for the year 2017 compared to last year's Rs.7.8 billion, which included exceptional capital gains from PIBs. The profit after taxation is reported at Rs.5.3 billion for 2017, a 1 percent rise over Rs.5.2 billion from last year. Earnings per share for 2017 are at Rs. 4.18 compared to Rs. 4.14 for 2016. Excluding such capital gains, operating profit for 2017 is 26.2 percent higher than last year.

Askari Bank's balance sheet increased by 6.1 percent over December 2016 as the Bank added Rs.53 billion to its deposits base improving current and savings account (CASA) ratio to 84.5 percent spurred by a movement from fixed deposits to savings. Aggregate current and non-remunerative accounts grew by 15.0 percent to reach Rs.149 billion and the ratio of current accounts to total deposits also improved by 100 bps during the year under review.

Bank's aggregate loan portfolio grew by 8.5 percent during the year in an environment of low interest rates. Strong contribution to this growth was made by high yielding consumer segment along with corporate and commercial segments for lending to power and industrial sectors. The Bank will continue with a strategy of balanced growth of advances portfolio aided by a sound credit evaluation process, across all business segments and in all important economic sectors. With robust management of non-performing loans, non-performing loans (NPL) to gross advances ratio further improved by 150 bps to 9.4 percent while the provision coverage ratio also improved to 95.9 percent, amongst the highest in industry.

Aggregate net markup income increased by 8.6 percent during the year to Rs. 16.2 billion as the Bank was able to achieve a 8 bps increase in net interest margins despite the compression caused by lower interest rates, competition driven spread pressures and the impact of PIB maturities. Trade and transactions related revenues; contributed by fee, commission and brokerage and income from dealing in foreign currencies, increased by a notable 15.3 percent. The growth in fees income was contributed by investment banking, consumer finance, home remittance, processing fees and a new high for bancassurance sales. General banking charges along with trade income continued to form a significant portion of total fee income. Gain on sale of PIBs declined by a major 57.2 percent due to reducing stock of high yielding PIBs. Consequently, for 2017 the aggregate non-mark-up income declined by 13.2 percent.

During the year under review, growth in administrative expenses was contained at 6.2 percent as there was enhanced focus on cost initiatives for running the business in a cost conscious and efficient manner. Also during the year, the depreciation method for technology based computer equipment was changed to a more efficient straight line method to align with the accelerating technology obsolescence.

The super tax levy, introduced in 2015 was extended through Finance Act 2017 resulting in additional tax charge of Rs. 243 million, over and above the normal corporate tax for the year.

Askari Bank's technology platform continues to be strengthened and new products have been rolled out with the availability of internet banking and ATM services. The Bank has also taken steps to improve customer security at ATM vestibules and is also working towards achieving EMV compliance which will benefit customers by serving as an additional safeguard against the risks of frauds. An effective technology governance structure ensures digitization and innovation as the Bank recognizes that technology will continue to be a key strategic route for sustained profitability and leadership in the future where digital banking would see a rapid proliferation. The Bank's alternate delivery channels, particularly the rebranded PAYMAX branchless banking service during the year, augment our extensive brick and mortar channels and also reflect our technology centric strategic priority of driving banking in the digital space.

During the year under review, several initiatives were taken to improve the quality of sales in the area of Bancassurance product training, improving sales compliance and 100 percent customer call back on policies.

During 2017, Askari Bank celebrated its 25th anniversary and marked this memorable occasion through various initiatives.

APPROPRIATIONS

The Board of Directors recommends the following appropriations for the year ended December 31, 2017:

DIRECTORS' REPORT TO THE SHAREHOLDERS

Rs. in '000

2017		2016	Year Ended December 31	2017	2016
Consolidated			Unconsolidated		
5,121,863	5,228,775		Appropriations:		
			Profit after taxation (attributable to equity holders of the Bank)	5,267,887	5,220,635
(113,963)	(94,203)		Effect of recognition of actuarial losses	(113,996)	(92,302)
9,824	–		Transfer from surplus on revaluation	9,824	–
5,017,724	5,134,572		Profit available for appropriation	5,163,715	5,128,333
(1,260,260)	–		Interim cash dividend - 10 percent	(1,260,260)	–
(1,053,577)	(1,044,127)		Transfer to statutory reserve	(1,053,577)	(1,044,127)
2,703,887	4,090,445		Accumulated profit carried forward	2,849,878	4,084,206
			Earnings per share - Rupees	4.18	4.14

RATINGS

During the year, the Bank's entity ratings were maintained at 'AA+' by Pakistan Credit Rating Agency Limited (PACRA), recognizing continuous improvement in asset quality and effective management of spreads, amid low interest rate scenario, as key test drivers. The short term rating was maintained at 'A1+'.

BRANCH NETWORK

Our branch footprint comprises of 516 branches with the addition of 15 new branches opened during 2017. Through our network of 421 conventional branches (including 40 sub-branches), 94 Islamic branches (including 3 sub-branches) and a Wholesale Bank Branch in Kingdom of Bahrain, we reach our customers spread across the country and also through a fast growing alternative of 583 ATMs and a rapidly growing digital channel network which extends the Bank's reach beyond its branch network, to offer our valued customers the convenience and flexibility of banking from the comfort of their home or from anywhere in the world.

Askari Bank is the first bank to open a branch at Gawadar Port Authority demonstrating our commitment of serving the CPEC and related growth and development activities in the region. A representative office in Beijing, China supported by a dedicated China-desk in Islamabad serves as a one-window for facilitation of existing and future trade flows between the two countries. While broadening engagement with the Chinese financial institutions, the Bank is strongly positioned to capitalize on the CPEC related business opportunities which are considered as catalyst in boosting Pakistan's economic growth in years to come.

RISK MANAGEMENT

The risk management framework encompasses multi-tier management supervision, efficient systems and clearly articulated risk appetite, policies and procedures. The Bank continuously evaluates and evolves its risk architecture and governance framework in line with international best practices, new regulatory requirements and changes in its business needs and focus. The Bank aims to embed Basel related processes and methodologies in its risk practices. The security of Askari Bank's information and technology infrastructure is vital towards maintaining the integrity of banking processes, applications and to protect customers. Continuous efforts are made to strengthen the ability to prevent, detect and respond to cyber-attacks by improving governance and cyber-security controls as well as by educating staff through formal information security awareness programs.

The Board of Directors provides the strategic direction for effective risk management and ensures that a robust risk management framework remains in place. It is supported in this task by the Board Risk Management Committee (BRMC) to oversee and review the risk management function of the Bank. The BRMC reviews the Bank's overall risk appetite and makes necessary recommendations.

The Risk Management Division (RMD) is responsible for the effective implementation of the Bank's risk management framework. The division operates independent of the Bank's business units. Core units within RMD include credit risk review, portfolio monitoring and risk architecture, market risk, Basel implementation, operational risk and information security.

During 2017, the Bank successfully implemented liquidity risk reporting standards in compliance with recently introduced State Bank guidelines, in addition to formalizing an interest rate risk management framework. RMD performed a series of bank-wide risk control self-assessment (RCSAs) and automated the process of reporting key risk indicators and operational loss events.

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

The Bank remains adequately capitalised with a capital adequacy ratio reported at 12.1 percent at December 31, 2017.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Askari Bank endeavours to be a socially responsible organization with its vision of enabling people to advance with confidence and success and an aim to enriching lives. The Bank's CSR activities are based on efforts to integrate responsible practices, products and services into its core business activities. Our CSR initiatives work towards the welfare of the society at large and remains committed to contributing towards national and societal causes.

Understanding the positive impact of education, sports, health and social development towards the society, the bank continued to support various CSR initiatives in these areas. In our efforts to promote sports in Pakistan, Askari Bank has provided honorary employment to national hockey team player and their trainers.

Certain initiatives introduced earlier for the benefit of our underprivileged workforce were further expanded during the year. The free banking training program for children of employees in low income group continued successfully for the third consecutive year and has provided them an opportunity to pursue a career in the banking industry. Furthermore, special care initiative for the ailing children of Bank's deserving employees has seen many children with chronic deformities and life threatening illnesses being fully recovered.

SUBSIDIARY COMPANY

During the year under review, disposal of Askari Investment Management Limited (AIML) was successfully closed after completion of all legal and statutory requirements. The process for divestment of Askari Securities Limited (ASL) is targeted for completion within the ensuing year. Accordingly, 74 percent of Bank's investment in ASL representing 17 million ordinary shares of Rs. 10 each, have been classified as held for sale. Consolidated financial statements of the Bank and ASL for the year ended December 31, 2017 are included in this annual report.

DIRECTORS' REPORT TO THE SHAREHOLDERS

HUMAN RESOURCE

Askari Bank's commitment to human capital remains a key strategic priority as it stems from the belief that how our people think and feel about work directly correlates with customer satisfaction levels and that people bring out their best when they believe in the higher goals for the Bank. The top management of the Bank invests time and effort to drive a culture where our people feel valued, have a clear sense of belonging, know what is expected of them and are recognised and rewarded for their contributions. The talents, passion and commitment of our people, The Askari Family, has been the cornerstone of our sustained success in recent years. Human resource management during the year focused on optimal deployment of staff based on an analysis of skills and competencies by redeploying employees to more value creating activities across many organizational verticals and geographies of the Bank. A Board's Human Resource & Remuneration Committee periodically reviews and monitors the Bank's human resource strategy, aligning policies and overcoming challenges of strategic importance that directly affect AKBL's ability to hire, develop and retain the talent needed for it, to achieve its goals.

To build the talent pipeline across the organization, a number of initiatives were implemented to ensure the intake of high calibre individuals – at entry level for fresh graduates, as well as identification of successors and their development for middle and senior positions. The Human Resource Management System delivers a technology driven service model for human resource management with primary focus on identifying, nurturing and developing talent by providing career paths and learning opportunities. Our strong emphasis on training and development is reflected by 320 in-house / ex-house / e-learning courses and workshops in the diverse disciplines of both general banking and soft skills, where 3,283 staff members benefited.

CUSTOMER COMPLAINT MANAGEMENT

The Bank has in place a formal complaint management process and a centralised dedicated unit to manage and resolve customer complaints, headed by a senior customer experience officer. During the year under review, the process was further strengthened and complaint registration was made more convenient for customers to raise their issues. Additionally, different levels of escalation were defined to improve ownership and turnaround time. The scope of the Complaint Resolution Unit was expanded to include problem prevention as well as resolution. During 2017, 27,833 complaints were registered at various channels offered by the Bank and on average all complaints were resolved well within 4 days of registration.

CORPORATE GOVERNANCE

The requirements of Code of Corporate Governance as set out in the Pakistan Stock Exchange Limited Regulations in the rule book for the year ended December 31, 2017 have been fully adopted by Askari Bank and have been duly complied with. A statement to this effect is annexed in this annual report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- Key operating and financial data for the last six years, in a summarized form, is available on page 16 of this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of December 31, 2017, except as disclosed in annexed financial statements.
- Following is the fair value of investments as at December 31, 2017:
 - Provident Fund: Rs.3,781 million, based on un-audited financial statements (December 31, 2016: Rs. 3,769 million, based on audited financial statements)
 - Gratuity Fund: Rs.2,039 million, based on un-audited financial statements (December 31, 2016: Rs. 1,700 million, based on audited financial statements)
- During 2017, six meetings of the Board of Directors were held. Attendance by each existing Director was as follows:

		No of eligible meetings	Total number of meetings attended
1	Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar (Retd) (outgoing Chairman)	6	6
2	Lt Gen Shafqaat Ahmed, HI (M) (Retd)	6	3
3	Lt Gen Javed Iqbal, HI (M) (Retd)	4	4
4	Mr. Qaiser Javed	6	6
5	Dr. Nadeem Inayat	6	6
6	Mr. Manzoor Ahmed	6	5
7	Mr. Kamal A Chinoy	3	2
8	Justice (Retd) Sarmad Jalal Osmany	3	1
9	Syed Ahmed Iqbal Ashraf	3	3
10	Mr. Mushtaq Malik	3	2
11	Syed M. Husaini (President & CE)	6	6

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

1	Lt Gen Muhammad Haroon Aslam, HI (M), S Bt (Retd) (Retired on February 07, 2017)	1	1
2	Mr. Asif Reza Sana (Retired on March 31, 2017)	2	2
3	Mr. Zaffar Ahmed Khan (Retired on March 31, 2017)	2	2
4	Mr. Tariq Hafeez Malik (Retired on March 31, 2017)	2	2
5	Mr. Muhammad Ghous (Retired on March 31, 2017)	2	2

- During the year 2017, eight meetings of Board Audit Committee, two meetings of Board Human Resource & Remuneration Committee, three meetings of Board Risk Management Committee and one meeting of Board Information Technology Committee were held. Detail of attendance by each Director is available on page 26 of this annual report.

DIRECTORS' REPORT TO THE SHAREHOLDERS

BOARD EVALUATION

The Bank has put in place an evaluation framework for evaluation of the Board, its committees, individual directors and the chairman of the Board. The evaluation of the Board committees is primarily based on the assessment of the compliance with the terms of reference of each board committee. The evaluation is undertaken through circulation of a questionnaire, bifurcating into different sections relating to Board's composition, scope, functions, performance and process monitoring and objective contributions by Directors. The performance of the Board was assessed on select parameters related to roles, responsibilities and obligations of the Board and functioning of the Committees including assessment of engagement by Directors through discussions and decision making. The evaluation criteria for the Directors were based on their participation, contribution and offering guidance to and understanding of the areas which were relevant to them in their capacity as members of the Board. The evaluation criteria for the Chairman of the Board besides the general criteria adopted for assessment of all Directors, focused incrementally on leadership abilities and effective management of meetings.

PATTERN OF SHAREHOLDING

The pattern of shareholding at the close of December 31, 2017 is available on page 194 of this annual report.

TRADING IN SHARES

No trades in the shares of the Bank were carried out by the President & CE, Chief Financial Officer, Company Secretary their spouses and minor children during the year 2017.

STATEMENT ON INTERNAL CONTROLS

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

AUDITORS

The present auditors, M/s A. F. Ferguson & Co., Chartered Accountants have completed their assignment for the year ended December 31, 2017 and shall retire at the conclusion of the 26th Annual General Meeting. Being eligible, they have offered themselves for reappointment. As advised by the Board's Audit Committee, the Board recommends appointment of M/s A. F. Ferguson & Co., Chartered Accountants, as auditors for the year ending December 31, 2018.

EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

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

LOOKING AHEAD

Increasing credit expansion, recovery of agriculture, visible progress to address energy shortages and improvement in large scale manufacturing reflects a nascent economic stability. It is now critical to ensure that recent reform gains are consolidated and embedded

for sustained economic growth. Though, the external position remains a concern due to the trends of remittances and current account deficits. It is important that the promise of CPEC must be crystallized and delivery of projects begins with utmost priority.

The environment of low interest rates and resulting compression on banking spread is likely to continue in the foreseeable future, however CPEC driven loan growth, along with an offtake in export led manufacturing and private sector credit will present opportunities for which Askari Bank with strong liquidity is well positioned. The Bank's commitment towards customer centricity remains a priority which will see renewed focus in the coming year with product and service innovations.

2018 is election year and we remain hopeful that the new political landscape will pave the way for political and economic stability, and will bring about a quantum change for the people of our country which is bestowed with all kinds of resources. We reiterate the need for an unwavering commitment by the Government to ensure consistency in its policies and their effective implementation, in order to harness Pakistan's immense growth potential.

OUTGOING CHAIRMAN

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

ACKNOWLEDGEMENTS

On behalf of the Board, I express my sincere appreciation to the State Bank of Pakistan and other regulatory bodies for the guidance and support extended to Askari Bank during the year. I am also thankful to our investors for the trust that they have placed in the Bank. The excellent results for 2017 would not have been possible without the loyalty of our customers who have continued to build stronger relationships and patronize our products and service offerings. On behalf of the Bank, I express my appreciation to all our customers and most importantly I would like to acknowledge our employees whose painstaking commitment, hard work and dedication has enabled successful delivery of our promise to all our stakeholders.



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

Rawalpindi
February 26, 2018

DIRECTORS' REPORT TO THE SHAREHOLDERS

ATTENDANCE OF DIRECTORS IN BOARD COMMITTEE MEETINGS

Board Committees		DATES OF MEETING													
		Attendance/ total meetings	BAC							BHR&RC		BRMC			BITC
Committee Members	13-Feb-17		18-Apr-17	10-Jul-17	07-Aug-17	19-Aug-17	28-Sep-17	15-Oct-17	19-Dec-17	14-Mar-17	06-Oct-17	11-Oct-17	17-Nov-17	29-Dec-17	13-Feb-17
BAC	Mr. Asif Reza Sana	1/8	1	y	y	y	y	y	y	y					
	Syed Ahmed Iqbal Ashraf	6/8	z	z	1	1	1	1	1	1					
	Mr. Qaiser Javed	7/8	1	1	1	1	1	1	x	1					
	Dr. Nadeem Inayat	8/8	1	1	1	1	1	1	1	1					
	Mr. Manzoor Ahmed	6/8	1	1	1	x	1	1	1	x					
	Mr. Muhammad Ghous	1/8	1	y	y	y	y	y	y	y					
BHR & RC	Mr. Zaffar Ahmad Khan	1/2								1	y				
	Lt Gen Shafqat Ahmed, HI (M) (Retd)	1/2								z	1				
	Dr. Nadeem Inayat	2/2								1	1				
	Mr. Muhammad Ghous	1/2								1	y				
	Syed Ahmed Iqbal Ashraf	1/2								z	1				
	Mr. Mushtaq Malik	1/2								z	1				
BRMC	Mr. Manzoor Ahmed	3/3										1	1	1	
	Mr. Qaiser Javed	2/3										x	1	1	
	Justice (Retd) Sarmad Jalal Osmany	2/3										1	1	x	
	Syed M. Husaini	3/3										1	1	1	
BITC	Mr. Tariq Hafeez Malik	1/1													1
	Mr. Zaffar Ahmad Khan	1/1													1
	Syed M. Husaini	0/1													x
All Board Committees were reconstituted on June 15, 2017 except, BITC which was abolished.															
Attendance	1														
Leave of Absence	x														
No more member	y														
Was not member at that time	z														

حصص داران کے لیے ڈائریکٹرز کی رپورٹ

انٹرنل کنٹرول پر بیان

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

آڈیٹرز

موجودہ آڈیٹرز، میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے 31 دسمبر 2017 کو ختم ہونے والے سال کے لیے اپنا کام مکمل کر لیا ہے اور یہ چھبیسویں سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے۔ اپنی اہلیت کی بنا پر، انہوں نے اپنی دوبارہ تفری کی پیشکش کی ہے۔ بورڈ کی آڈٹ کمیٹی کی ہدایت کے مطابق، بورڈ میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو سال 2018 کے لیے بطور آڈیٹرز تعینات کرنے کی سفارش کرتے ہیں۔

فنانشل پوزیشن کی سٹیٹمنٹ کی تاریخ کے بعد کے واقعات

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

مستقبل پر جائزہ

کریڈٹ میں بڑھتی ہوئی توسیع، زراعت کی بحالی، توانائی کی قلت سے نمٹنے کے لیے واضح پیش رفت اور بڑے پیمانے پر ایشیا سازی میں بہتری معاشی استحکام کی عکاس ہیں۔ اب اس بات کو یقینی بنانا اہم ہے کہ حالیہ اصلاحات کا نفع فائدہ مند ہے اور پائیدار اقتصادی ترقی کے لیے اپنا لیا گیا ہے۔ اگرچہ، ترسیلات زراعت اور کرنٹ اکاؤنٹ خسارے کے رجحانات کی وجہ سے بیرونی پوزیشن باعث تشویش ہے۔ یہ امر اہم ہے کہ کسی بینک کے وعدے کو عملی شکل دی جائے اور ترجیحی بنیادوں پر اہم منصوبوں کا آغاز کیا جائے۔

کم شرح سود کا ماحول اور نتیجتاً بینکنگ سپر ایڈ پر دباؤ مستقبل میں جاری رہنے کا امکان ہے، تاہم سی بینک کا فرما قرضوں اور سود ایشیا سازی سے متعلقہ برآمدی اٹھان اور پرائیویٹ سیکٹر کریڈٹ مواقع فراہم کریں گے جس کے لیے عسکری بینک مضبوط لیکویڈیٹی کے ساتھ بہترین حالت میں ہے۔ صارف پر توجہ مرکوز کرنے کی جانب بینک کا عزم اس کی اولین ترجیح ہے جو کہ آئندہ سال مصنوعات اور خدمات میں جدت کی صورت میں نظر آئے گا۔

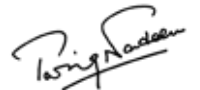
2018 انتخابات کا سال ہے اور ہم امید کرتے ہیں کہ نیا سیاسی منظر نامہ سیاسی اور اقتصادی استحکام کی راہ ہموار کرے گا، اور ہمارے ملک کی عوام کے لیے ایک امید افزا تبدیلی لائے گا، جسے قدرت نے ہر قسم کے وسائل سے نوازا ہے۔ پاکستان کی ترقی کرنے کے لیے پناہ صلاحیت کو بروئے کار لانے کے لیے حکومت کی جانب سے اپنی حکمت عملیوں میں مستقل مزاجی اور ان کے موثر نفاذ کو یقینی بنانے کے لیے ہم ایک غیر متزلزل عزم کی ضرورت کا اعادہ کرتے ہیں۔

رخصت ہونے والے چیئرمین

لیفٹیننٹ جنرل خالد نواز خان، ہلال امتیاز (ملٹری)، ستارہ ایثار (ریٹائرڈ) 9 جنوری 2018 کو بطور چیئرمین بورڈ آف ڈائریکٹرز مستعفی ہوئے۔ بورڈ آف ڈائریکٹرز کی جانب سے، ہم عسکری بینک لمیٹڈ کے بورڈ آف ڈائریکٹرز کے چیئرمین کے طور پر ان کی خدمات کو تہہ دل سے سراہتے ہیں۔

اعترافات

بورڈ کی طرف سے، میں سٹیٹ بینک آف پاکستان اور دیگر ریگولیٹری اداروں کا تہہ دل سے شکریہ ادا کرتا ہوں جنہوں نے عسکری بینک کی رہنمائی اور تعاون کیا۔ میں اپنے سرمایہ کاروں کا بھی شکر گزار ہوں جنہوں نے عسکری بینک پر اپنے اعتماد کا اظہار کیا۔ سال 2017 کے بہترین نتائج، ہمارے صارفین کے خلوص کے بغیر ناممکن تھے جنہوں نے مضبوط تعلقات بنانے اور ہماری مصنوعات اور پیش کردہ خدمات کی سرپرستی جاری رکھی۔ میں، بینک کی طرف سے، اپنے صارفین اور خصوصاً اپنے ملازمین کا تہہ دل سے شکر گزار ہوں جنہوں نے اپنی جانفشانی، عزم اور حوصلے، انتھک محنت اور لگن سے ہمارے تمام سٹیک ہولڈرز تک ہمارے وعدے کی کامیاب فراہمی کو یقینی بنایا۔



لیفٹیننٹ جنرل سید طارق ندیم گیلانی

ہلال امتیاز (ملٹری) (ریٹائرڈ)

چیئرمین بورڈ آف ڈائریکٹرز

عسکری بینک لمیٹڈ

راولپنڈی

26 فروری 2018

- سال 2017 کے دوران، بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ موجودہ ہر ڈائریکٹر کی حاضری درج ذیل ہے:

حاضری	کل میٹنگز	
6	6	1. لیفٹیننٹ جنرل خالد نواز خان، ہلال امتیاز (ملٹری)، ستارہ ایثار، (ریٹائرڈ) - (رخصت ہونے والے چیئرمین)
3	6	2. لیفٹیننٹ جنرل شفقت احمد، ہلال امتیاز (ملٹری) (ریٹائرڈ)
4	4	3. لیفٹیننٹ جنرل جاوید اقبال، ہلال امتیاز (ملٹری) (ریٹائرڈ)
6	6	4. جناب قیصر جاوید
6	6	5. ڈاکٹر ندیم منایت
5	6	6. جناب منظور احمد
2	3	7. جناب کمال اے چنائے
1	3	8. جسٹس (ریٹائرڈ) سرد جلال عثمانی
3	3	9. جناب سید احمد اقبال اشرف
2	3	10. جناب مشتاق ملک
6	6	11. جناب سید ایم حسین (صدر و چیف ایگزیکٹو)

سال کے دوران مستعفی ریٹائر ہونے والے ڈائریکٹرز کی حاضری درج ذیل ہے:

1	1	1. لیفٹیننٹ جنرل محمد ہارون اسلم، ہلال امتیاز (ملٹری)، ستارہ بسالت (ریٹائرڈ) - (7 فروری 2017 کو مستعفی ہوئے)
2	2	2. جناب آصف رضا ثناء - (31 مارچ 2017 کو ریٹائر ہوئے)
2	2	3. جناب ظفر احمد خان - (31 مارچ 2017 کو ریٹائر ہوئے)
2	2	4. جناب طارق حفیظ ملک - (31 مارچ 2017 کو ریٹائر ہوئے)
2	2	5. جناب محمد فوٹ - (31 مارچ 2017 کو ریٹائر ہوئے)

- سال 2017 کے دوران، بورڈ آڈٹ کمیٹی کے آٹھ اجلاس، بورڈ ہومن ریورس اینڈ ریونیویشن کمیٹی کے دو اجلاس، بورڈ رسک مینجمنٹ کمیٹی کے تین اجلاس اور بورڈ انفارمیشن ٹیکنالوجی کمیٹی کا ایک اجلاس منعقد ہوا۔ ہر ڈائریکٹر کی حاضری کی تفصیل اس سالانہ رپورٹ کے صفحہ 26 پر موجود ہے۔

بورڈ کی جانچ پڑتال

بینک نے بورڈ، اس کی کمیٹیوں، انفرادی ڈائریکٹرز اور بورڈ کے چیئرمین کی کارکردگی کے جائزے کے لیے جانچ پڑتال کا ایک فریم ورک بنایا ہوا ہے۔ بورڈ کمیٹیوں کی جانچ پڑتال بنیادی طور پر ہر بورڈ کمیٹی کے ٹرمز آف ریفرنس کی تعمیل کا جائزہ لینے پر مبنی ہے۔ جانچ پڑتال کا عمل ایک سوالنامہ بھیج کر کیا جاتا ہے، جو کہ بورڈ کی تشکیل، دائرہ کار، فرائض منصبی، کارکردگی، عمل کی نگرانی اور ڈائریکٹرز کی طرف سے معروضی شراکت سے متعلق مختلف شعبوں میں تقسیم ہے۔ بورڈ کی کارکردگی کا جائزہ منتخب پیمانوں کی بنیاد پر اس کے کارمبھی، ذمہ داریوں، فرائض اور کمیٹیوں کے منصب بشمول ڈائریکٹر کی طرف سے برٹ اور فیصلہ سازی پر کیا جاتا تھا۔ ڈائریکٹرز کی جانچ پڑتال کا معیار بورڈ کے ممبرز کے طور پر ان کی صلاحیت سے متعلق شعبوں میں شرکت، حصداری اور ہدایات کی پیشکش اور سمجھ بوجھ پر مبنی تھا۔ بورڈ کے چیئرمین کے لیے جانچ پڑتال کا عمومی معیار بنانے جانے کے علاوہ تمام ڈائریکٹرز کا جائزہ لینا، قائدانہ صلاحیتوں اور اجلاسوں کا موثر انتظام کرنے پر اضافی توجہ مرکوز کرنا ہے۔

شیرز ہولڈنگ کا پیٹرن

31 دسمبر 2017 کے اختتام پر شیرز ہولڈنگ کا پیٹرن اس سالانہ رپورٹ کے صفحہ 194 پر موجود ہے۔

شیرز میں ٹریڈنگ

سال 2017 کے دوران صدر و چیف ایگزیکٹو، چیف فنانشل آفیسر، کمپنی سیکریٹری اور ان کے اہل خانہ اور چھوٹے بچوں کی طرف سے بینک کے حصص میں کوئی کاروبار نہیں کیا گیا۔

حصص داران کے لیے ڈائریکٹر کی رپورٹ

انسانی وسائل

انسانی سرمایے کے ساتھ عسکری بینک کا عزم اس کی ایک اہم سٹرٹجک ترجیح ہے، کیونکہ یہ اس یقین سے جڑی ہے کہ ہمارے لوگ صارفین کے اطمینان کے لیے کام کر کے کیسا سوچتے اور محسوس کرتے ہیں اور یہ لوگ بینک کے اعلیٰ اہداف کے حصول کے لیے اپنی پوری گن سے کام کرتے ہیں۔ بینک کی اعلیٰ انتظامیہ ایک ایسی ثقافت پر واران چڑھانے کے لیے وقت اور کوششیں صرف کرتی ہے جہاں ہمارے لوگ خود کو قابل قدر محسوس کرتے ہیں، انہیں تعلقات کا واضح احساس اور یہ علم ہے کہ ان سے کیا توقعات وابستہ ہیں اور ان کی خدمات کا اعتراف اور انعامات سے نوازا جائے گا۔ ہمارے لوگوں، عسکری فیملی، کی قابلیت، جذبہ اور عزم نے حالیہ برسوں میں ہماری مسلسل کامیابیوں کی بنیاد رکھی ہے۔ سال کے دوران ہیومن ریسورس مینجمنٹ نے بینک کے کئی تنظیمی شعبوں اور جغرافیوں میں زیادہ اہم سرگرمیوں کے لیے ملازمین کی دوبارہ تفرری کرتے ہوئے ان کی صلاحیتوں اور مہارتوں پر تجزیے کی بنیاد پر تعینات کرنے پر توجہ مرکوز رکھی۔ بورڈ کی ہیومن ریسورس اینڈ ریویویشن کمیٹی بینک کی ہیومن ریسورس حکمت عملی، پالیسیوں اور سٹرٹجیک اہمیت کے حامل درپیش چیلنجز بینک کے اہداف کے حصول کے لیے ضروری قابلیت کو ہائیر کرنے، تیار کرنے اور رکھنے پر براہ راست اثر انداز ہوتے ہیں، کا وقتاً فوقتاً جائزہ لیتی ہے۔

ادارے میں قابلیت کی افزائش کی لیے ابتدائی سطح پر فزیشن گریجویٹس میں اعلیٰ صلاحیت کے حامل افراد کے حصول کو یقینی بنانے اور اس کے ساتھ ساتھ درمیانی اور اعلیٰ عہدوں کے لیے قابل افرادی جانشینی کی شناخت کے لیے، کئی اقدامات اٹھائے گئے۔ ہیومن ریسورس مینجمنٹ سسٹم کی بنیادی توجہ کیریئر پاتھ اور سیکھنے کے مواقع فراہم کر کے ٹیلنٹ کی نشاندہی، افزائش اور تعمیر کرنے کے ساتھ ہیومن ریسورس مینجمنٹ کے لیے ٹیکنالوجی پر کارفرما ایک نمونہ فراہم کرتا ہے۔ ہماری طرف سے ٹریننگ اور ڈولپمنٹ پر دی گئی اہمیت جزل بینکنگ اور سافٹ سکلز کے مختلف شعبوں میں 320 ان ہاؤس / ایکس ہاؤس ای لرننگ کورسز اور ورکشاپس سے عیاں ہے، جن سے 3283 سٹاف ممبران مستفید ہوئے۔

صارفین کی شکایات کا انتظام

صارفین کی شکایات کے انتظام اور حل کے لیے بینک نے ایک تجربہ کار اور سینئر افسر کی سربراہی میں شکایات کے انتظام کا باضابطہ طریقہ کار اور مرکزی مخصوص یونٹ متعین کیا ہے۔ زیر جائزہ سال کے دوران، پراسس کو مزید مستحکم بنایا گیا اور صارفین کے مسائل کے حل کے لیے شکایات کے اندراج کے عمل کو مزید آسان بنایا گیا۔ اس کے علاوہ، ملکیت اور عمل کی مدت میں تیزی کی مختلف سطحوں کو واضح کیا گیا۔ کیمپلینٹ ریزولوشن یونٹ کا دائرہ کار مسائل سے بچاؤ کرنے بشمول انہیں حل کرنے تک وسیع کیا گیا۔ سال 2017 کے دوران، بینک کی طرف سے پیش کردہ مختلف چیلنجز پر 27833 شکایات کا اندراج ہوا اور تمام شکایات کو اندراج کے اوسطاً 4 دن کے کافی اندر حل کر دیا گیا۔

کارپوریٹ گورننس

31 دسمبر 2017 کو ختم ہونے والے سال کے لیے رول بک میں پاکستان سٹاک ایکسچینج لمیٹڈ ریگولیشنز کی طرف سے مقرر کردہ کارپوریٹ گورننس کے ضابطے کی ضروریات کو عسکری بینک کی جانب سے مکمل طور پر اپنایا گیا اور اس پر عمل بھی کیا گیا۔ اس سلسلے میں ایک سٹیٹمنٹ اس سالانہ رپورٹ میں شامل کر دی گئی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- بینک کی انتظامیہ کی جانب سے تیار کئے گئے مالیاتی گوشواروں میں اس کے مالی معاملات، اس کے آپریشنز کے نتائج، اور نقدی کے بہاؤ اور ایکویٹی میں تبدیلیاں مناسب طور پر موجود ہیں۔
- بینک کے اکاؤنٹس کی مناسب کتابیں برقرار رکھی گئی ہیں۔
- ان مالیاتی گوشواروں کی تیاری میں تسلسل کے ساتھ مناسب اکاؤنٹنگ پالیسیاں لاگو کی گئی ہیں اور اکاؤنٹنگ تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- بین الاقوامی مالیاتی رپورٹنگ، اسلامک اور شریعہ معیارات جیسا کہ پاکستان میں بینکاری کمپنیوں کے لیے لاگو ہیں، کی ان مالیاتی گوشواروں کی تیاری میں بیرونی کی گئی ہے۔
- انٹرنل کنٹرول کا نظام اپنے ذرائع میں مستحکم ہے اور اس کو موثر طور پر لاگو اور نگرانی کی گئی ہے۔
- بینک کے کاروباری معاملات جاری رہنے کی صلاحیت پر کوئی نمایاں شک و شبہ نہیں ہے۔
- گزشتہ چھ سال کا کلیدی آپریشن اور مالیاتی ڈیٹا تلخیص شدہ صورت میں اس سالانہ رپورٹ کے صفحہ 16 پر موجود ہے۔
- 31 دسمبر 2017 کو سیکسز، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی ایسی قانونی ادائیگیاں نہیں جو بھٹایا ہوں، سوائے ان کے جن کا ذکر مالیاتی گوشواروں میں کیا گیا ہے۔
- 31 دسمبر 2017 تک سرمایہ کاریوں کی مصفاقت قدر درج ذیل ہے:

پروڈنٹ فنڈ: 3,781 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر
(31 دسمبر 2016: 3,769 ملین روپے، آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر)
گریجویٹ فنڈ: 2,039 ملین روپے، غیر آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر
(31 دسمبر 2016: 1,700 ملین روپے، آڈٹ شدہ مالیاتی گوشواروں کی بنیاد پر)

مالیاتی اداروں کے ساتھ تعلقات و روابط کو وسعت دیتے ہوئے، بینک سی بیک سے متعلقہ کاروباری مواقعوں سے استفادہ حاصل کرنے کی مصمم پوزیشن میں ہے جو کہ آنے والے سالوں میں پاکستان کی معاشی ترقی کو تیز کرنے میں عمل انگیز کے طور پر سمجھے جاتے ہیں۔

رسک مینجمنٹ

رسک مینجمنٹ فریم ورک کثیر درجہ انتظامی نگرانی، موثر نظام، واضح طور پر بیان کردہ رسک کی مانگ، حکمت عملیوں اور طریقہ کار کا احاطہ کرتا ہے۔ بینک بہترین بین الاقوامی طریقوں، نئی ریگولیٹری ضروریات اور کاروباری طلب اور محرومیتوں کے عین مطابق اپنے رسک آرکٹیکچر اور گورننس فریم کی تیاری اور مسلسل نگرانی کرتا ہے۔ بینک اپنے رسک کے طریقوں میں بازل سے متعلقہ عمل اور طریقہ کار بروئے کار لانے کا ارادہ رکھتا ہے۔ بینکنگ کے طریقہ کار اور برتاؤ کی سالمیت، اور صارف کا تحفظ برقرار رکھنے کے لیے عسکری بینک کی معلومات اور ٹیکنالوجی انفراسٹرکچر کی سیوریٹی کلیدی کردار ادا کرتی ہے۔ گورننس اور سائبر سیوریٹی کنٹرولز میں بہتری لاتے ہوئے سائبر حملوں سے بچاؤ، سران لگانے اور رد عمل دینے کی صلاحیت کو مضبوط بنانے کی مسلسل کوششیں کی جاتی ہیں اور اس کے ساتھ ساتھ عملے کو رسمی انفارمیشن سیوریٹی آگاہی پروگراموں کے ذریعے تعلیم دی جاتی ہے۔

بورڈ آف ڈائریکٹرز رسک کے موثر انتظام کیلئے اسٹریٹجک سمت فراہم کرتا ہے اور یہ یقینی بناتا ہے کہ رسک کے انتظام کیلئے ایک مضبوط ڈھانچا موجود ہے۔ اس کام کیلئے بورڈ رسک مینجمنٹ کمیٹی (BRMC) رسک کے انتظام کی نگرانی اور تجزیہ کرنے میں مدد کرتی ہے۔ BRMC بینک کے مجموعی خطرات کا جائزہ لیتی ہے اور اس پر سفارشات وضع کرتی ہے۔

رسک مینجمنٹ ڈویژن (RMD) بینک کے رسک مینجمنٹ فریم ورک کے موثر اطلاق کا ذمہ دار ہے۔ ڈویژن بینک کی کاروباری اکائیوں سے آزاد ہو کر کام کرتا ہے۔ RMD کی بنیادی اکائیوں میں کریڈٹ رسک کا تجزیہ، پورٹ فولیو مانیٹرنگ اور رسک آرکٹیکچر، مارکیٹ رسک، بازل کا اطلاق، آپریشنل رسک اور انفارمیشن سیوریٹی شامل ہیں۔

سال 2017 کے دوران، انٹرسٹ ریٹ رسک مینجمنٹ فریم ورک تشکیل کرنے کے علاوہ، بینک نے سٹیٹ بینک کی جانب سے حال ہی میں متعارف کروائی گئی ہدایات کی تعمیل کرتے ہوئے لیکویڈیٹی رسک رپورٹنگ سٹیٹمنٹس ڈیولپ کرنے ہیں۔ RMD نے بینک میں کئی رسک کنٹرول سیلف اسمسٹ (RCSAs) کیں اور اہم رسک انڈیکسز اور آپریشنل نقصانات کے واقعات کی رپورٹنگ کے عمل کو خود کار بنایا۔

بینک بازل III منتقلی پلان کے ساتھ مکمل مطابقت رکھنے کے لیے تمام ضروری اقدامات اٹھا رہا ہے، جن میں 2019 کے آخر تک کیپٹل ایڈیکویسی تناسب (CAR) کو بڑھانے، اور اس کے ساتھ ساتھ لیورج تناسب (LR) کا بطور اضافی کیپٹل سٹیٹمنٹس ڈیولپ ہیں۔ بینک کا شرائط کے ساتھ تعمیل کو یقینی بنانے کے لیے کیپٹل مینجمنٹ کا ایسٹ ایڈیٹوریٹری مینجمنٹ کمیٹی (ALCO) میں باقاعدہ جائزہ لیا جاتا ہے۔

بینک نے مناسب طور پر کیپٹل ایڈیکویسی تناسب برقرار رکھا جو 31 دسمبر 2017 کو 12.1 فیصد رپورٹ کی گئی۔

کارپوریٹ سماجی ذمہ داری (سی ایس آر)

عسکری بینک سماجی طور پر ایک ذمہ دار ادارہ بننے میں کوشاں ہے اس اولین مقصد کے ساتھ کہ لوگوں کو اعتماد اور کامیابی کے ساتھ آگے بڑھنے اور ان کا معیار زندگی بہتر کرنے میں معاون ثابت ہو۔ بینک کی سی ایس آر سرگرمیاں ذمہ دار طریقوں، مصنوعات اور خدمات کو بنیادی کاروباری سرگرمیوں میں یکجا کرنے کی کوششوں پر مبنی ہیں۔ ہمارے سی ایس آر اقدامات معاشرے کی فلاح و بہبود کے کاموں کی راہ پر گامزن ہیں اور قومی اور سماجی مقاصد میں اپنا حصہ ڈالنے میں پرعزم ہیں۔

معاشرے میں تعلیم، کھیل، صحت اور سماجی ترقی کے مثبت اثرات کو سمجھتے ہوئے، بینک ان شعبوں میں پیشتر سی ایس آر اقدامات کی مسلسل معاونت کر رہا ہے۔ پاکستان میں کھیلوں کے فروغ کے لیے عسکری بینک نے قومی ہاکی ٹیم کے کھلاڑی اور ان کے ٹرینرز کو اعزازی ملازمتیں فراہم کی ہیں۔

ہماری نادار افرادی قوت کو فائدہ پہنچانے کے لیے ماضی میں کئی اقدامات اٹھائے گئے تھے، جنہیں اس سال مزید وسعت دی گئی۔ کم آمدنی والے ملازمین کے بچوں کے لیے مفت بینکنگ ٹریننگ پروگرام مسلسل تین سال سے کامیابی سے جاری ہے اور اس سے انہیں بینکنگ انڈسٹری میں اپنا کیریئر شروع کرنے کے مواقع فراہم کئے گئے ہیں۔ مزید برآں، بینک کے مستحق ملازمین کے بیمار بچوں کے لیے خصوصی نگہداشت کا اقدام شروع کیا گیا، جس سے کئی بچوں کو دائمی معذور یوں اور مہلک بیماریوں سے نجات ملی ہے۔

ماتحت کمیٹی

زیر جائزہ سال کے دوران، عسکری انویسٹمنٹ مینجمنٹ لمیٹڈ (AIML) کے ڈسپوزل کو تمام قانونی تقاضوں کی تعمیل کے بعد کامیابی سے پورا کر دیا گیا۔ عسکری سیوریٹی لمیٹڈ (ASL) کی ڈیویڈنڈ کی عمل سال کے اندر مکمل کرنے کا ہدف ہے۔ اس کے مطابق ASL میں بینک کی 74 فیصد سرمایہ کاری جو 17 ملین کے عمومی حصص 10 روپے فی حصص کی نمائندگی کرتی ہے، کی فروخت کے لیے درجہ بندی کی گئی ہے۔ 31 دسمبر 2017 کو ختم ہونے والے سال کے لیے بینک اور ASL کے مدغم شدہ مالیاتی گوشوارے اس سالانہ رپورٹ میں شامل ہیں۔

حصص داران کے لیے ڈائریکٹرز کی رپورٹ

زیر جائزہ سال کے دوران، انتظامی اخراجات میں اضافے کو 6.2 فیصد تک محدود رکھا گیا، کیونکہ موثر انداز میں کاروبار چلانے کے لیے کم لاگت پر مبنی اقدامات پر توجہ مرکوز رکھی گئی۔ اس کے علاوہ اس سال، ٹیکنالوجی پر مبنی کمپیوٹر ایکویپمنٹ کے لیے ڈیپریسی ایشن کے طریقہ کار کو زیادہ موثر طریقے میں تبدیل کیا گیا تاکہ ٹیکنالوجی میں تیزی سے ہوتی ہوئی ترقی کیلئے زیادہ گنجائش فراہم کی جاسکے۔

2015 میں متعارف کئے گئے سپر ٹیکس لیوی میں فنانس ایکٹ 2017 کے ذریعے توسیع کی گئی، جو اضافی ٹیکس چارج میں سال کے لیے عمومی کارپوریٹ ٹیکس سے زائد 243 ملین روپے پر منتج ہوا۔

عسکری بینک کا ٹیکنالوجی پلیٹ فارم کو مضبوط بنانے کا عمل جاری ہے اور انٹرنیٹ بینکنگ اور ای ایم خدمات کی دستیابی کے ساتھ نئی سروسز سامنے لائیں گئیں۔ بینک نے ای ایم کے کہن میں صارفین کی سکیورٹی کو بہتر بنانے کے لیے اقدامات اٹھائے ہیں اور ای ایم وی کی تعمیل کے حصول پر بھی کام کر رہا ہے جو کہ صارفین کے لیے فراڈ کے خطرات سے اضافی محافظ کے طور پر فائدہ مند ثابت ہوگا۔ ایک موثر ٹیکنالوجی گورنس کا ڈھانچا ڈیکھتے ہوئے اور جڈت کو یقینی بنانا ہے جیسا کہ بینک معترف ہے کہ ٹیکنالوجی مستقبل میں مسلسل منافع اور قیادت کے حصول کے لئے ایک اہم سٹرٹیجک روٹ کا کردار ادا کرے گی، اور جہاں ڈیجیٹل بینکنگ تیزی سے بڑھتی ہوئی نظر آئے گی۔ بینک کے متبادل ڈیوری چینلز، بالخصوص نئے براؤڈ ڈیپٹیکس براؤنچ لیس بینکنگ سے سال کے دوران ہمارے وسیع طبعی چینلز میں وسعت پیدا ہوئی ہے، جو کہ ٹیکنالوجی پر مبنی بیکاری کرنے کی ہماری حکمت عملی کی عکاسی کرتا ہے۔

زیر جائزہ سال کے دوران بینک ایئورنس پراڈکٹ ٹریڈنگ کے شعبوں میں سیلز کے معیار کو بہتر بنانے، سیلز کمپلائنس میں بہتری اور پالیسیوں پر 100 فیصد کسٹمر کال بیک کے کئی اقدامات اٹھائے گئے۔

2017 کے دوران عسکری بینک نے اپنی 25 ویں سالگرہ منائی اور بیشتر اقدامات اٹھا کر اس موقع کو یادگار بنایا۔

تصرفات

بورڈ آف ڈائریکٹرز 31 دسمبر 2017 کو ختم ہونے والے سال کے لیے درج ذیل تصرفات کی سفارش کرتا ہے۔

(000 روپوں میں)		31 دسمبر ختم سال		2016	2017
2016	2017	غیر مدغم شدہ	مدغم شدہ	2016	2017
5,220,635	5,267,887	تصرفات: ٹیکسیشن کے بعد منافع	5,228,775	5,121,863	5,121,863
(92,302)	(113,996)	(بینک کے ایکویٹی ہولڈر سے منسوب)	(94,203)	(113,963)	(113,963)
-	9,824	انیکپور ریل نقصانات کو تسلیم کرنے کا اثر	-	9,824	9,824
5,128,333	5,163,715	ری ویڈیشن پر سرپلس سے منتقلی	5,134,572	5,017,724	5,017,724
-	(1,260,260)	تصرفات کے لیے دستیاب منافع	-	(1,260,260)	(1,260,260)
(1,044,127)	(1,053,577)	عمدوری نقد منافع - 10 فیصد	(1,044,127)	(1,053,577)	(1,053,577)
4,084,206	2,849,878	قانونی ریزرو منتقلی	4,090,445	2,703,887	2,703,887
4.14	4.18	جمع شدہ منافع			
		فی شخص آمدنی - روپے			

درجہ بندی

سال کے دوران، پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کی طرف سے مقرر کردہ بینک کی ایٹمیٹی ریٹنگ AA+ یہ تسلیم کرتے ہوئے برقرار رکھی گئی کہ اہم کلیدی ریٹنگ عناصر میں اگلاٹوں کے معیار میں مسلسل بہتری ہوئی اور سپریڈ کو موثر طور پر منظم کیا گیا، باوجود کہ انٹرنسٹ ریٹ کم تھے۔ مختصر معیاد کی ریٹنگ 'A1+' پر برقرار رکھی گئی ہے۔

برانچ نیٹ ورک

سال 2017 کے دوران 15 نئی برانچز کے اضافے کے ساتھ عسکری بینک کی برانچز کی تعداد 516 ہو گئی ہے۔ 421 روایتی برانچز (بشمول 40 بلی برانچز)، 94 اسلامک برانچز (بشمول 3 بلی برانچز) اور بحرین میں ایک ہول سیل بینک برانچ کے نیٹ ورک کے ذریعے ہم ملک بھر میں پھیلے اپنے صارفین تک رسائی حاصل کرتے ہیں، اس کے علاوہ متبادل کے طور پر 1583 سے نی ایگزیکٹو بڑھتی ہوئی تعداد اور تیزی سے ترقی کرنا ڈیجیٹل چینلز نیٹ ورک ہے، جس کی وجہ سے بینک کے صارفین کو برانچ نیٹ ورک کے علاوہ رسائی میں وسعت ملی ہے، جو ہمارے گراں قدر صارفین کو ان کے اپنے گھر اور دنیا کے دیگر حصوں سے بینکنگ کی خدمات میں سہولیات فراہم کرتی ہیں۔

عسکری بینک گواہر پورٹ اتھارٹی میں اپنی برانچ کھولنے والا پہلا بینک ہے جو کہ خطے میں سی بیک اور اس سے متعلق ترقی کی سرگرمیوں کو خدمات فراہم کرنے کے ہمارے عزم کا مظہر ہے۔ بیجنگ، چین میں نمائندہ دفتر بمعہ اسلام آباد میں موجود ایک مخصوص چائنیز ڈیک ڈیولپمنٹوں کے مابین موجودہ اور آئندہ کے تجارتی روابط میں سہولیات پہنچانے کے لیے بطور و ونڈ اپنی خدمات سرانجام دے رہا ہے۔ چینی

حصص داران کے لیے ڈائریکٹرز کی رپورٹ

ڈائریکٹرز 31 دسمبر 2017 کو ختم ہونے والے سال کے لیے عسکری بینک لمیٹڈ کی چھبیسویں سالانہ رپورٹ بمعہ بینک کے آڈٹ شدہ مدغم شدہ اور غیر مدغم شدہ مالیاتی گوشوارے اور آڈیٹرز کی رپورٹس پیش کرتے ہیں۔

معیشت

مالیاتی سال 2017 کے دوران پاکستانی معیشت نے ترقی کا رجحان برقرار رکھا جیسا کہ جی ڈی پی میں 5.3 فیصد اضافہ دس سال کی بلند ترین سطح تھی۔ معاون زرعی پالیسی کا مؤقف، ترقیاتی اخراجات میں اضافہ، نجی شعبے کے قرضوں میں اضافہ، توانائی کی رسد میں آسانی اور انفراسٹرکچر اور توانائی کے منصوبوں کو جاری رکھ کر اور نمونہ پمپنی حکمت عملیوں نے معیشت کی حالیہ کارکردگی کے حصول میں کلیدی کردار ادا کیا۔ زراعت کے شعبے نے بنیادی طور پر معاون حکمت عملیوں اور زرعی قرضہ جات میں اضافے کی وجہ سے اپنی ترقی کا ہدف حاصل کیا۔ بڑے پیمانے پر ایشیا سازی کی نمونہ تیزی آئی اور اس میں سال بہ سال کی ترقی مزید بہتری کی ایک اچھی علامت ہے۔ مالی سال 2017 کے دوران اوسط مہنگائی بلحاظ صارف اشاریہ قیمت 2.4 فیصد تک بڑھی۔ مہنگائی میں اضافہ ملکی طلب میں اضافے اور رسد زنجیر میں عارضی مسائل کی وجہ سے تھا جو غذائی مہنگائی پر بیخ ہوا۔ تاہم، مالیاتی سال 2017 کے دوران مستحکم مبادلہ اور توانائی کی قیمتوں میں کمی کی بدولت مہنگائی کو بڑھنے سے روکنے میں مدد ملی۔ معیشت میں توسیع کا ایک نتیجہ درآمدات میں اضافہ تھا، جس نے برآمدات میں اور ترسیلات زر میں کمی سے مل کر جاری کھاتے کے خسارے میں اضافہ کر دیا۔ سرمایہ جاتی اور خام مال کی درآمدات کا بڑھنا معیشت کی آئندہ پیداواری کی استعداد کے لئے اچھا شگن ہے تاہم صرف کے مقاصد سے درآمدات میں مسلسل اضافہ بہر حال باعث تشویش ہے۔ ان رجحانات کے نتیجے میں بیرونی قرض پر انحصار اور زرمبادلہ کے ذخائر پر دباؤ بڑھ گیا ہے۔

مستقبل میں مجموعی طور پر معاشی ماحول ترقی کے لیے سازگار اور حقیقی، صنعتی اور زرعی شعبے میں مثبت امکانات کے ساتھ مالیاتی سال 2018 میں 6.0 کا جی ڈی پی نمو کا ہدف قابل حصول نظر آتا ہے۔ ایشیا سازی کے شعبے کو زیادہ ترقیاتی اخراجات، چین پاکستان اقتصادی راہداری (سی پیک) اور متعلقہ منصوبوں میں رواں سرمایہ کاری، سکیورٹی کے حالات میں بہتری اور قرضوں کے حصول کے لیے کم لاگت کے رجحانات سے استفادے کی توقع ہے۔ گزشتہ مالیاتی سال میں معاشی اور سماجی شعبوں میں ان معقول کامیابیوں کے باوجود کچھ شعبے ایسے رہے جن کے نتائج میں بہتری نہیں آئی جیسا کہ ادائیگیوں میں توازن اور تجارتی توازن، جو کہ بیرونی شعبوں اور توسیعی مالیاتی پالیسی اقدامات پر دباؤ کی عکاسی کرتے ہیں۔ پاکستانی برآمدات کو کمزور عالمی مانگ اور ایشیا کی کم تر قیمتوں کے باعث گزشتہ کچھ سالوں سے مشکلات کا سامنا ہے۔ برآمدی اعداد و شمار کا تجزیہ کرنے سے پتہ چلتا ہے کہ پاکستان نے مصنوعات کی کئی کیلنگریز کی زیادہ مقداریں برآمد کیں، تاہم کم ترین الاٹمنٹ قیمتوں کی وجہ سے موزوں سے کم غیر ملکی زرمبادلہ حاصل ہوا۔ اس کے علاوہ، کارکنان کی ترسیلات زر میں مناسب نمو مالیاتی سال 2018 میں ایک اور چیلنج کی جانب اشارہ کرتی ہے۔ ان چیلنجز کے باوجود، زرعی، بحالی، صنعتی سرگرمیوں میں اضافے اور سی پیک کے تحت جاری سرمایہ کاری کی بدولت وسیع البنیاد اقتصادی ترقی جاری رہنے کی توقع ہے۔ سی پیک روٹ کے ساتھ ساتھ صنعتی زونز میں بالخصوص چھوٹے اور درمیانی درجے کے معاون کاروباروں کے لئے سرمایہ کاری کے نئے مواقع فراہم ہوں گے۔

کارکردگی اور نتائج

عسکری بینک نے گزشتہ سال 7.8 ارب روپے کے مقابلے میں سال 2017 میں 7.3 ارب روپے کا آپریٹنگ منافع (پروویژن اور ٹیکس سے پہلے) پیش کیا، جس میں PIBs کے غیر معمولی کمپنیل گینز شامل تھے۔ 2017 میں بعد از ٹیکسیشن منافع 5.3 ارب روپے رپورٹ کیا گیا جو کہ گزشتہ سال کے 5.2 ارب روپے سے 1 فیصد زیادہ ہے۔ 2017 کے لیے فی حصص آمدن 4.18 روپے ہے جبکہ 2016 میں 4.14 روپے تھی۔ غیر معمولی کمپنیل گینز کے علاوہ، 2017 کا آپریٹنگ منافع گزشتہ سال سے 26.2 فیصد زیادہ ہے۔

عسکری بینک کی بیلنس شیٹ میں دسمبر 2016 کے مقابلے میں 6.1 فیصد بڑھتی ہوئی ہے، جیسا کہ بینک نے اپنے ڈیپازٹس میں 53 ارب روپے کا اضافہ کیا جس سے کرنٹ اور سیونگز کا وٹنس (CASA) کا تناسب 84.5 فیصد تک بہتر ہوا جس کی وجہ سے وٹنس ڈیپازٹس سے سیونگز میں منتقلی تھی۔ مجموعی کرنٹ اور غیر معاوضہ اکاؤنٹس 15.0 فیصد بڑھ کر 149 ارب تک پہنچ گئے اور زبردانہ سال کے دوران کرنٹ اکاؤنٹس اور مجموعی ڈیپازٹس کے تناسب میں 100 bps کی بہتری آئی۔

کم شرح سود کے ماحول میں بھی سال کے دوران بینک کے مجموعی قرضہ جات میں 8.5 فیصد اضافہ ہوا۔ اس اضافے میں ایک بڑا حصہ زیادہ منافع بخش صارف طبقے اور اس کے ساتھ ساتھ توانائی اور صنعت کے شعبوں کے لیے قرض لینے والے کارپوریٹ اور کمرشل طبقے نے ڈالا۔ بینک قرضہ جات کی متوازن نمو کے ہمراہ تمام کاروباری طبقات اور تمام اہم اقتصادی شعبوں کے مابین ایک مستحکم کریڈٹ چانچ پڑتال کے عمل کی حکمت عملی جاری رکھے گا۔ غیر فعال قرضہ جات کے مضبوط انتظام کی وجہ سے، غیر فعال قرضہ جات کا مجموعی قرضہ جات کے ساتھ تناسب 150 bps سے بہتر ہوا ہے جو کہ 9.4 فیصد پر کھڑا ہے، جبکہ پروویژن کوریج تناسب میں بھی بہتری آئی ہے جو کہ 95.9 فیصد ہے، جو کہ انڈسٹری میں بہترین قرار دی جاسکتی ہے۔

رواں سال کے دوران مجموعی خالص مارک اپ آمدنی 8.6 فیصد اضافے کے ساتھ 16.2 ارب روپے تک پہنچی کیونکہ بینک خالص انٹرسٹ مارجن میں 8 bps کا اضافہ حاصل کرنے کے قابل ہوا، باوجود اس دباؤ کے جو کم شرح سود اور سپریڈز کے مقابلے اور PIB کی مدت معیاد ختم ہونے کے اثرات کی وجہ سے پڑا ہے۔ تجارت اور لین دین سے متعلقہ محصولات، جس میں فیس، کمیشن اور بروکرینج اور غیر ملکی کرنسی میں لین دین سے آمدنی شامل ہیں، میں 15.3 فیصد کا قابل ذکر اضافہ ہوا۔ فیس آمدنی کے اضافے میں سرمایہ کاری، بیکاری، صارف قرضہ جات، ترسیلات زر، پراسنگ فیس اور بینک انشورنس سب کا حصہ شامل ہے۔ جنرل بینکنگ چارجز بمعہ تجارت سے آمدنی نے نکل فیس آمدنی کا ایک اہم حصہ تشکیل دینے کے عمل کو جاری رکھا۔ زیادہ منافع بخش PIBs کے سٹاک کی کمی کی وجہ سے PIBs کے فروخت سے حاصل ہونے والی آمدنی میں 57.2 فیصد بڑی زوال پذیری دیکھنے میں آئی۔ نتیجتاً، سال 2017 میں مجموعی نان مارک اپ آمدنی میں 13.2 فیصد کمی آئی۔

UNCONSOLIDATED FINANCIAL STATEMENTS OF
ASKARI BANK LIMITED
FOR THE YEAR ENDED DECEMBER 31, 2017

STATEMENT OF INTERNAL CONTROLS

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

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

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

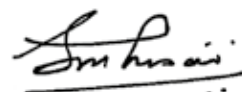
In compliance with the SBP's directives, the Bank had completed the implementation of road map regarding Internal Controls over Financial Reporting (ICFR) on September 30, 2012. This included detailed documentation of the existing processes, comprehensive evaluation of controls both at entity as well as activity level, development of detailed remedial action plans for the gaps identified as a result of such evaluation and devising comprehensive testing plans of the controls of all processes. Consequent to grant of exemption by the State Bank of Pakistan (SBP) from the requirement of submission of Long Form Report (LFR), the documentation including the testing results have been reviewed by internal auditors of the Bank, on the basis of which Annual Assessment Report duly approved by the Audit Committee was submitted to the SBP. Annual Assessment Report for the year 2017 is due for submission by March 31, 2018.

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

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



Saleem Anwar
Chief Financial Officer



Syed M. Husaini
President & Chief Executive

February 26, 2018
Islamabad

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2017

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation No. 5.19 of Pakistan Stock Exchange Limited Regulations, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Name
Non-Executive Directors	Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar (Retd) - Chairman Lt Gen Shafqaat Ahmed, HI (M) (Retd) Lt Gen Javed Iqbal, HI (M) (Retd) Mr. Qaiser Javed Dr. Nadeem Inayat Mr. Manzoor Ahmed - Nominee NIT
Independent Directors	Mr. Kamal A. Chinoy Justice (R) Sarmad Jalal Osmany Syed Ahmed Iqbal Ashraf Mr. Mushtaq Malik
Executive Director / President & CE	Syed M. Husaini

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


2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including Askari Bank Limited except Mr. Manzoor Ahmed, who is holding directorship in more than seven listed companies and has been allowed relaxation by Securities & Exchange Commission of Pakistan (SECP).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, one casual vacancy occurred on the Board on February 07, 2017 which was filled on the same day. The last election of the Directors of the Bank was held on March 31, 2017 for a next term of three years.
5. The Bank has prepared a statement of "Code of Conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and has approved significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the President & Chief Executive, and non-executive directors, have been taken by the Board / shareholders.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged no training program for its directors during the year as most of the directors hold certifications under Directors' Training Program offered by institutions that meet the criteria specified by the SECP.

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2017

10. The Board has approved the appointments of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the President & Chief Executive and the Chief Financial Officer before approval of the Board.
13. The directors, President & Chief Executive and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed a Board Audit Committee (BAC). It comprises 4 members, of whom 3 members are non-executive directors and 1 member is independent director, who is the Chairman of the Committee.
16. The meetings of the Board Audit Committee (BAC) were held at least once every quarter prior to approval of interim and final results of the Bank as required by the CCG. The Terms of Reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Board Human Resource & Remuneration Committee (BHR&RC). It comprises 4 members, of whom 2 members are non-executive directors and 2 members are independent directors. The Chairman of the Committee is non-executive director.
18. The Board has set-up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics, as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Rule Book and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Bank's shares, was determined and intimated to directors, employees and the stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board



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

Rawalpindi
February 26, 2018



AUDITORS' REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2017.

Chartered Accountants
Islamabad
Engagement partner: S. Haider Abbas
Date: March 5, 2018

A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
PIA Building, 3rd Floor, 49 Blue Area, Fazl-11/-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan
Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924, 2206473; < www.pwc.com/pk >



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated statement of financial position of Askari Bank Limited (the Bank) as at December 31, 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 twenty six branches which have been audited by us and one branch audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (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 sixty per cent of the total loans and advances of the Bank, we report that:

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

*A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Tel: +92 (51) 2273457-60 / 2604934-37; Fax: +92 (51) 2277924; <www.pwc.com/pk>*

■KARACHI ■LAHORE ■ISLAMABAD

- (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

- (c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 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 the Central Zakat Fund established under section 7 of that Ordinance.



Chartered Accountants

Islamabad:

Engagement Partner: S. Haider Abbas

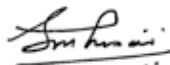
Date: March 5, 2018


UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

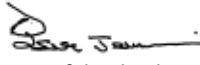
AS AT DECEMBER 31, 2017


Rupees in '000	Note	2017	2016
Assets			
Cash and balances with treasury banks	6	44,239,325	42,568,141
Balances with other banks	7	3,193,835	5,845,748
Lendings to financial institutions	8	2,250,000	6,836,584
Investments	9	314,956,748	295,846,254
Advances	10	258,693,086	235,163,922
Operating fixed assets	11	10,728,827	11,019,555
Assets held for sale	12	80,720	261,762
Deferred tax assets	18	100,755	–
Other assets	13	22,465,073	21,597,227
		656,708,369	619,139,193
Liabilities			
Bills payable	14	10,769,262	8,579,809
Borrowings	15	71,587,311	89,261,788
Deposits and other accounts	16	525,808,308	472,811,335
Sub-ordinated loans	17	4,992,800	4,994,800
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities	18	–	526,430
Other liabilities	19	11,115,197	10,388,081
		624,272,878	586,562,243
Net assets		32,435,491	32,576,950
Represented by			
Share capital	20	12,602,602	12,602,602
Reserves		11,948,415	8,670,686
Unappropriated profit		2,849,878	4,084,206
		27,400,895	25,357,494
Surplus on revaluation of assets - net of tax	21	5,034,596	7,219,456
		32,435,491	32,576,950
Contingencies and commitments	22		

The annexed notes 1 to 47 and Annexures 1 and 2 form an integral part of these unconsolidated financial statements.


Syed M. Husaini
President & Chief Executive


Syed Ahmed Iqbal Ashraf
Director


Kaiser Javed
Director

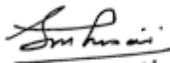

Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman


UNCONSOLIDATED PROFIT AND LOSS ACCOUNT


FOR THE YEAR ENDED DECEMBER 31, 2017

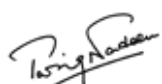
Rupees in '000	Note	2017	2016
Mark-up / return / interest earned	25	36,267,220	35,408,195
Mark-up / return / interest expensed	26	20,071,965	20,496,757
Net mark-up / interest income		16,195,255	14,911,438
Reversal of provision against non-performing loans and advances - net	10.4	(1,189,533)	(729,441)
Impairment loss on available for sale investments		30,047	22,565
Provision for diminution in the value of investments - net	9.2.1	108,351	48,052
Reversal of provision against assets held for sale		(153,958)	–
Bad debts written off directly		–	–
		(1,205,093)	(658,824)
Net mark-up / interest income after provisions		17,400,348	15,570,262
Non mark-up / interest income			
Fee, commission and brokerage income		2,706,794	2,438,914
Dividend income		302,894	304,850
Income from dealing in foreign currencies		843,032	639,827
Gain on sale of securities - net	27	2,055,293	3,526,687
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net		–	–
Other income	28	347,470	300,195
Total non-markup / interest income		6,255,483	7,210,473
		23,655,831	22,780,735
Non mark-up / interest expenses			
Administrative expenses	29	14,948,796	14,078,992
Other provisions / write offs		21,832	3,260
Other charges	30	193,401	221,535
Total non-markup / interest expenses		15,164,029	14,303,787
		8,491,802	8,476,948
Extra ordinary / unusual items		–	–
Profit before taxation		8,491,802	8,476,948
Taxation – current		(2,265,570)	(2,129,263)
– prior years'		(243,344)	(266,425)
– deferred		(715,001)	(860,625)
	31	(3,223,915)	(3,256,313)
Profit after taxation		5,267,887	5,220,635
Unappropriated profit brought forward		4,084,206	2,763,314
Profit available for appropriation		9,352,093	7,983,949
Basic earnings per share - Rupees	32	4.18	4.14

The annexed notes 1 to 47 and Annexures 1 and 2 form an integral part of these unconsolidated financial statements.


Syed M. Husaini
President & Chief Executive


Syed Ahmed Iqbal Ashraf
Director


Qaiser Javed
Director

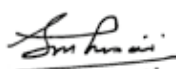

Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

Rupees in '000	2017	2016
Profit after taxation	5,267,887	5,220,635
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Exchange difference on translation of net investment in Wholesale Bank Branch	30,336	(7,318)
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plan	(175,379)	(142,003)
Related tax on remeasurement of defined benefit plan	61,383	49,701
Remeasurement of defined benefit plan - net of tax	(113,996)	(92,302)
Comprehensive income - transferred to statement of changes in equity	5,184,227	5,121,015
Components of comprehensive income not reflected in equity		
Deficit on revaluation of available for sale securities - net of tax	(2,378,635)	(707,382)
Total comprehensive income	2,805,592	4,413,633

The annexed notes 1 to 47 and Annexures 1 and 2 form an integral part of these unconsolidated financial statements.



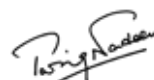
Syed M. Husaini
President & Chief Executive



Syed Ahmed Iqbal Ashraf
Director



Qaiser Javed
Director



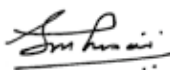
Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman


UNCONSOLIDATED CASH FLOW STATEMENT


FOR THE YEAR ENDED DECEMBER 31, 2017


Rupees in '000	Note	2017	2016
Cash flow from operating activities			
Profit before taxation		8,491,802	8,476,948
Less: dividend income		(302,894)	(304,850)
		8,188,908	8,172,098
Adjustments:			
Depreciation / amortization		1,522,911	1,013,547
Reversal of provision against non-performing loans and advances - net		(1,189,533)	(729,441)
Impairment loss on available for sale investments		30,047	22,565
Provision for diminution in the value of investments - net		108,351	48,052
Reversal of provision against assets held for sale		(153,958)	-
Gain on sale of asset held for sale		(216,000)	-
Reversal of provision against operating fixed assets		(11,193)	(9,842)
Provision against other assets		30,525	12,306
Charge for defined benefit plan		378,032	326,801
Loss / (gain) on sale of operating fixed assets		10,551	(6,484)
		509,733	677,504
		8,698,641	8,849,602
(Increase) / decrease in operating assets			
Lendings to financial institutions		5,336,584	(6,023,686)
Advances		(22,233,996)	(34,399,975)
Other assets (excluding advance taxation)		(14,683)	371,124
		(16,912,095)	(40,052,537)
Increase / (decrease) in operating liabilities			
Bills payable		2,189,453	2,484,924
Borrowings		(17,674,477)	31,938,538
Deposits		52,996,973	39,639,130
Other liabilities		486,725	2,574,849
		37,998,674	76,637,441
Cash generated from operations		29,785,220	45,434,506
Payment made to defined benefit plan		(350,884)	-
Income tax paid		(3,303,583)	(2,955,266)
Net cash flow from operating activities		26,130,753	42,479,240
Cash flow from investing activities			
Net investments in available for sale securities		(20,160,979)	(33,400,663)
Net investments in held to maturity securities		(2,747,351)	4,154,456
Sale proceeds of assets held for sale		551,000	-
Dividend income		311,839	289,272
Investments in operating fixed assets - net of adjustment		(1,249,674)	(1,541,470)
Sale proceeds of operating fixed assets disposed off		18,133	22,543
Net cash used in investing activities		(23,277,032)	(30,475,862)
Cash flow from financing activities			
Payments of sub-ordinated loans		(2,000)	(2,000)
Dividend paid		(3,112,786)	(1,561,123)
Net cash used in financing activities		(3,114,786)	(1,563,123)
Exchange difference on translation of net investment in Wholesale Bank Branch		30,336	(7,318)
(Decrease) / increase in cash and cash equivalents		(230,729)	10,432,937
Cash and cash equivalents at beginning of the year		48,413,889	37,980,952
Cash and cash equivalents at end of the year	33	48,183,160	48,413,889

The annexed notes 1 to 47 and Annexures 1 and 2 form an integral part of these unconsolidated financial statements.


Syed M. Husaini
President & Chief Executive


Syed Ahmed Iqbal Ashraf
Director


Qaiser Javed
Director

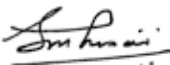

Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman


UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY


FOR THE YEAR ENDED DECEMBER 31, 2017


Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Revenue Reserves		Total
					General reserve	Unappropriated profit	
Balance as at January 1, 2016	12,602,602	100,829	234,669	5,711,187	399,203	2,763,314	21,811,804
Total comprehensive income for the year ended December 31, 2016							
Net profit for the year ended December 31, 2016	-	-	-	-	-	5,220,635	5,220,635
Other comprehensive income related to equity	-	(7,318)	-	-	-	(92,302)	(99,620)
Transfer to:							
Statutory reserve	-	-	-	1,044,127	-	(1,044,127)	-
General reserve	-	-	-	-	2,763,314	(2,763,314)	-
	-	-	-	1,044,127	2,763,314	(3,807,441)	-
Transaction with owners, recorded directly in equity							
Final dividend 2015: Rs. 1.25 per share	-	-	-	-	(1,575,325)	-	(1,575,325)
Balance as at January 1, 2017	12,602,602	93,511	234,669	6,755,314	1,587,192	4,084,206	25,357,494
Total comprehensive income for the year ended December 31, 2017							
Net profit for the year ended December 31, 2017	-	-	-	-	-	5,267,887	5,267,887
Other comprehensive income related to equity	-	30,336	-	-	-	(113,996)	(83,660)
Transfer to:							
Statutory reserve	-	-	-	1,053,577	-	(1,053,577)	-
General reserve	-	-	-	-	4,084,206	(4,084,206)	-
	-	-	-	1,053,577	4,084,206	(5,137,783)	-
Transfer from surplus on revaluation of assets to unappropriated profit	-	-	-	-	-	9,824	9,824
Transaction with owners, recorded directly in equity							
Final dividend 2016: Rs. 1.50 per share	-	-	-	-	(1,890,390)	-	(1,890,390)
Interim dividend 2017: Re. 1 per share	-	-	-	-	-	(1,260,260)	(1,260,260)
Balance as at December 31, 2017	12,602,602	123,847	234,669	7,808,891	3,781,008	2,849,878	27,400,895

The annexed notes 1 to 47 and Annexures 1 and 2 form an integral part of these unconsolidated financial statements.


Syed M. Husaini
President & Chief Executive


Syed Ahmed Iqbal Ashraf
Director


Qaiser Javed
Director


Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. STATUS AND NATURE OF BUSINESS

- 1.1 Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Pakistan Stock Exchange. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent shares of the Bank as on December 31, 2017. The ultimate parent of the Bank is Fauji Foundation. The Bank has 516 branches (2016: 501 branches); 515 in Pakistan and Azad Jammu and Kashmir, including 91 (2016: 91) Islamic Banking branches, 43 (2016: 36) sub-branches and a Wholesale Bank Branch in the Kingdom of Bahrain.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

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

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

The Companies Act, 2017 was enacted on May 30, 2017 and SECP vide its circular 23 of 2017 dated October 04, 2017 has clarified that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

3.1 STANDARDS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS

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

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 12	Disclosure of Interests in Other Entities (Amendments)	January 1, 2017
IAS 12	Income taxes (Amendments)	January 1, 2017
IAS 7	Statement of cash flows (Amendments)	January 1, 2017

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

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

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

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 1	First-time Adoption of International Financial Reporting Standards (Amendments)	January 1, 2018
IFRS 2	Share-based payment (Amendments)	January 1, 2018
IFRS 4	Insurance Contracts (Amendments)	January 1, 2018
IFRS 9	Financial Instruments	July 1, 2018
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IAS 28	Investment in Associates (Amendments)	January 1, 2019
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018

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

4. BASIS OF MEASUREMENT

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

USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

- i) classification of investments (note 5.5)
- ii) provision against investments (note 5.5), advances (note 5.6), operating fixed assets (note 5.7) and other assets (note 5.8)
- iii) valuation and impairment of available for sale securities (note 5.5)
- iv) useful life of property and equipments, intangible assets and revaluation of land (note 5.7) and non-banking assets acquired in satisfaction of claims (note 5.11)
- v) taxation (note 5.10)
- vi) staff retirement benefits (note 5.12)

During the year the Bank has changed the depreciation method on computer equipments from diminishing balance method to straight line method. This change in accounting estimate has been accounted for prospectively as per International Accounting standard 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in these unconsolidated financial statements. Impact has been disclosed in note 11.2.2 to these unconsolidated financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 ASSETS HELD FOR SALE

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

5.2 CASH AND CASH EQUIVALENTS

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

5.3 SALE AND REPURCHASE AGREEMENTS

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

5.4 BAI MUAJJAL RECEIVABLE FROM OTHER FINANCIAL INSTITUTIONS

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

5.5 INVESTMENTS

Investments are classified as follows:

HELD FOR TRADING

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

AVAILABLE FOR SALE

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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

The Bank determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates, among other factors, the normal volatility in share price in case of listed securities. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by SBP.

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

HELD TO MATURITY

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

INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

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

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

5.6 ADVANCES

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

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

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

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

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

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

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

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

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

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

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

CAPITAL WORK-IN-PROGRESS

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

TANGIBLE ASSETS

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

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

INTANGIBLE ASSETS

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

DEPRECIATION / AMORTIZATION

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

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

5.8 IMPAIRMENT

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

5.9 DEPOSITS

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

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

5.10 TAXATION

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

CURRENT

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

DEFERRED

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

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

5.11 NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS

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

5.12 STAFF RETIREMENT BENEFITS

DEFINED BENEFIT PLAN

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

DEFINED CONTRIBUTION PLAN

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

COMPENSATED ABSENCES

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

5.13 REVENUE RECOGNITION

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

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

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

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

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

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

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

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

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

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

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

5.14 FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

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

FOREIGN OPERATION

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

TRANSLATION GAINS AND LOSSES

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

COMMITMENTS

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

5.15 PROVISIONS

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

5.16 OFF-SETTING

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

5.17 FINANCIAL ASSETS AND LIABILITIES

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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5.18 DERIVATIVE FINANCIAL INSTRUMENTS

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

5.19 APPROPRIATIONS SUBSEQUENT TO DATE OF UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

5.20 SEGMENT REPORTING

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

5.20.1 BUSINESS SEGMENT

CORPORATE FINANCE

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

TRADING AND SALES

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

RETAIL BANKING

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

COMMERCIAL BANKING

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

PAYMENT AND SETTLEMENT

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

AGENCY SERVICES

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

5.20.2 GEOGRAPHICAL SEGMENTS

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

Rupees in '000	Note	2017	2016
6. CASH AND BALANCES WITH TREASURY BANKS			
IN HAND:			
Local currency		9,348,230	7,070,754
Foreign currencies		1,646,801	731,479
		10,995,031	7,802,233
NATIONAL PRIZE BONDS		11,758	14,463
WITH THE STATE BANK OF PAKISTAN IN:			
Local currency current accounts	6.1	22,009,777	25,219,764
Foreign currency current account	6.1	2,781,713	2,246,172
Foreign currency deposit account	6.2	6,998,986	5,735,677
		31,790,476	33,201,613
WITH NATIONAL BANK OF PAKISTAN IN:			
Local currency current accounts		1,442,060	1,549,832
		44,239,325	42,568,141

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

6.2 This represents special cash reserve maintained with the SBP and carries mark-up at the rate of 0.56% (2016: 0.00%) per annum.

Rupees in '000	Note	2017	2016
7. BALANCES WITH OTHER BANKS			
IN PAKISTAN			
On current accounts		337,755	165,727
On deposit accounts	7.1	1,000,152	2,293,217
		1,337,907	2,458,944
OUTSIDE PAKISTAN			
On current accounts		852,324	1,586,734
On deposit accounts	7.2	1,003,604	1,800,070
		1,855,928	3,386,804
		3,193,835	5,845,748

7.1 These represent placements with local banks, carrying interest rates ranging from 2.0% to 5.80% (2016: 0.10% to 5.80%) per annum.

7.2 These represent placements with international correspondent banks, carrying interest rates upto 2.041% (2016: upto 0.66%) per annum.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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Rupees in '000	Note	2017	2016
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		750,000	–
Repurchase agreement lendings	8.1	1,500,000	3,992,000
Purchase under resale arrangement of equity securities		148,606	148,606
		1,648,606	4,140,606
Bai Muajjal receivable from other financial institutions		–	2,330,023
Funded trade finance		–	514,561
		2,398,606	6,985,190
Provision against purchase under resale arrangement of equity securities		(148,606)	(148,606)
		2,250,000	6,836,584

8.1 These are secured against underlying Government Securities, the differential between the contracted rate and resale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at the rate of 6.05% to 6.10% (2016: 5.95% to 6.10%) per annum and maturities of upto 4 months (2016: 1 month).

Rupees in '000	2017	2016
8.2 PARTICULARS OF LENDING		
In local currency	2,398,606	6,470,629
In foreign currencies	–	514,561
	2,398,606	6,985,190

8.3 SECURITIES HELD AS COLLATERAL AGAINST LENDINGS TO FINANCIAL INSTITUTIONS

Rupees in '000	2017			2016		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
Pakistan Investment Bonds	1,500,000	–	1,500,000	3,992,000	–	3,992,000

Market value of securities held as collateral as at December 31, 2017 was Rs. 1,529,070 thousand (2016: Rs. 4,355,193 thousand).

9. INVESTMENTS

Rupees in '000	Note	2017			2016		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
9.1	INVESTMENTS BY TYPES						
Available for sale securities							
Market Treasury Bills	9.13	101,156,523	28,801,009	129,957,532	49,646,772	57,836,770	107,483,542
Pakistan Investment Bonds	9.13	136,643,765	17,556,510	154,200,275	146,624,821	14,696,132	161,320,953
Fully paid ordinary shares / units		4,546,851	–	4,546,851	4,154,102	–	4,154,102
Units of open end mutual funds	9.4	1,600,876	–	1,600,876	1,782,635	–	1,782,635
Fully paid preference shares	9.6	27,314	–	27,314	50,100	–	50,100
Term Finance Certificates	9.7	5,747,142	–	5,747,142	4,525,616	–	4,525,616
Sukuk Certificates	9.8	12,768,137	–	12,768,137	9,933,974	–	9,933,974
Commercial Papers	9.9	375,075	–	375,075	–	–	–
Foreign Government Bonds	9.10	228,590	–	228,590	–	–	–
Government of Pakistan Euro Bonds	9.11	573,033	–	573,033	642,971	–	642,971
		263,667,306	46,357,519	310,024,825	217,360,991	72,532,902	289,893,893
Held to maturity securities							
Government of Pakistan Euro Bonds	9.2.4	1,318,629	1,706,222	3,024,851	2,690,386	–	2,690,386
Sukuk Certificates	9.12	2,294,387	1,054,208	3,348,595	935,709	–	935,709
		3,613,016	2,760,430	6,373,446	3,626,095	–	3,626,095
Investments at cost		267,280,322	49,117,949	316,398,271	220,987,086	72,532,902	293,519,988
Provision for diminution in value of investments	9.2.1	(2,042,279)	–	(2,042,279)	(1,933,928)	–	(1,933,928)
Investments (net of provisions)		265,238,043	49,117,949	314,355,992	219,053,158	72,532,902	291,586,060
Surplus / (deficit) on revaluation of available for sale securities - net		399,719	201,037	600,756	4,380,259	(120,065)	4,260,194
Total investments		265,637,762	49,318,986	314,956,748	223,433,417	72,412,837	295,846,254

Market value of held to maturity securities as at December 31, 2017 was Rs. 6,342,916 thousand (2016: Rs. 3,734,451 thousand).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Rupees in '000	Note	2017	2016
9.2 INVESTMENTS BY SEGMENTS			
Federal Government Securities	9.2.3		
Market Treasury Bills		129,957,532	107,483,542
Pakistan Investment Bonds		154,200,275	161,320,953
Government of Pakistan Euro Bonds	9.2.4	3,597,884	3,333,357
Sukuk Certificates		13,828,895	9,534,906
		301,584,586	281,672,758
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	4,522,811	4,148,422
Unlisted companies	9.5	24,040	5,680
		4,546,851	4,154,102
Units of open end mutual funds	9.4	1,600,876	1,782,635
Fully paid preference shares	9.6		
Listed companies		25,100	25,100
Unlisted companies		2,214	25,000
		27,314	50,100
Term Finance Certificates	9.7		
Listed Term Finance Certificates		1,140,205	1,140,700
Unlisted Term Finance Certificates		4,606,937	3,384,916
		5,747,142	4,525,616
Other Investments			
Sukuk Certificates		2,287,837	1,334,777
Foreign Government Bonds		228,590	–
Commercial Papers		375,075	–
		2,891,502	1,334,777
Total investment at cost		316,398,271	293,519,988
Provision for diminution in value of investments	9.2.1	(2,042,279)	(1,933,928)
Investments (net of provisions)		314,355,992	291,586,060
Surplus on revaluation of available for sale securities - net		600,756	4,260,194
Total investments		314,956,748	295,846,254
9.2.1 PARTICULARS OF PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS			
Opening balance		1,933,928	2,073,903
Charge for the year		171,110	130,741
Reversal during the year		(62,759)	(82,689)
		108,351	48,052
Transfer of provision against assets held for sale		–	(188,027)
Closing balance		2,042,279	1,933,928
9.2.2 PARTICULARS OF PROVISION IN RESPECT OF TYPE AND SEGMENT			
Available for sale securities			
Fully paid up ordinary shares - unlisted		5,680	5,680
Fully paid up ordinary shares - listed		115,000	–
Preference shares - unlisted		2,214	25,000
Term finance certificates		1,284,610	1,324,582
Sukuk certificates		524,775	468,666
Held to maturity securities			
Sukuk certificates		110,000	110,000
		2,042,279	1,933,928

9.2.3 PRINCIPAL TERMS OF INVESTMENTS IN FEDERAL GOVERNMENT SECURITIES

Name of investment	Maturity	Principal Payment	Rate (p.a)	Coupon Payment
Market Treasury Bills	January 2018 to August 2018	On maturity	5.84% to 5.97%	at maturity
Pakistan Investment Bonds	March 2018 to April 2026	On maturity	5.87% to 14.08%	semi-annually
Government of Pakistan Euro Bonds	April 2019 to April 2024	On maturity	7.25% to 8.25%	semi-annually
Sukuk Certificates				
- Neelum Jhelum Hydropower Company (Pvt) Limited - Type A	June 29, 2026	semi-annually	Six month KIBOR plus 1.13	semi-annually
- Neelum Jhelum Hydropower Company (Pvt) Limited - Type B	June 29, 2026	semi-annually	Six month KIBOR plus 1.13	semi-annually
- Pakistan Domestic Sukuk Company Limited	February 14, 2019	On maturity	6.10%	semi-annually
- Pakistan Domestic Sukuk Company Limited	March 29, 2019	On maturity	5.59%	semi-annually
- Pakistan Domestic Sukuk Company Limited	June 30, 2020	On maturity	5.24%	semi-annually
- Pakistan International Sukuk Company Limited	October 13, 2021	On maturity	5.50%	semi-annually
- Pakistan International Sukuk Company Limited	December 03, 2019	On maturity	6.75%	semi-annually

9.2.4 Government of Pakistan Euro Bonds represent investments by Wholesale Bank Branch, Bahrain carrying mark-up at 7.25% and 8.25% and having maturities upto April 2024.

9.3 INVESTMENTS IN LISTED COMPANIES SHARES / UNITS

No. of ordinary shares / units		Average cost per share / unit	Name of companies / mutual funds	2017	2016
2017	2016	2017		Rupees in '000	
			Rupees		
16,512,082	16,512,082	8.08	AgriTech Limited	133,353	163,401
700,000	–	73.97	Adamjee Insurance Company Limited	51,779	–
84,000	200,000	645.26	Attock Petroleum Limited	54,202	106,041
362,200	414,800	266.88	AKZO Nobel Pak Limited	96,663	103,759
592,500	919,000	46.07	Arif Habib Corporation Limited	27,295	42,337
–	1,000,000	–	Al Shaheer Corporation Limited	–	51,697
750,000	1,650,000	101.62	Amreli Steel Limited	76,213	103,292
33,650	86,500	929.84	Abbot Laboratories (Pak) Limited	31,289	81,318
24,693,231	3,000,000	12.07	Bank of Punjab Limited	297,926	53,173
472,400	407,500	217.18	Berger Paints Pakistan Limited	102,595	81,695
900,000	1,191,500	60.31	Century Paper And Board Mills Limited	54,283	71,865
–	618,200	–	Crescent Steel & Allied	–	97,142
955,000	26,700	184.98	D. G. Khan Cement Company Limited	176,654	5,639
250,000	–	148.49	Dawood Hercules Corporation Limited	37,122	–
38,498,000	38,498,000	10.94	Dolmen City REIT	421,305	421,305
–	167,100	–	EFU General Insurance Limited	–	23,573
275,000	437,300	379.20	Engro Corporation Limited	104,281	135,508
1,000,000	2,700,000	71.48	Engro Fertilizer Limited	71,482	193,000
1,725,000	2,237,500	39.01	Fatima Fertilizer Co. Limited	67,292	87,284
374,500	399,500	221.87	GlaxoSmithKline (Pak) Limited	83,092	88,639
–	120,000	–	GlaxoSmithKline Consumer Healthcare Pakistan Limited	–	–
–	100,000	–	Ghani Glass Limited	–	11,703
3,427,500	3,983,000	23.61	Ghani Global Glass Limited	80,915	87,887
1,133,200	2,350,000	125.47	Hub Power Company Limited	142,179	276,492
2,289,500	2,289,500	35.73	Habib Metropolitan Bank Limited	81,811	81,811
700,000	–	227.17	Habib Bank Limited	159,021	–
941,100	–	115.08	Hi-tech Lubricants Limited	108,303	–
77,400	105,800	974.87	ICI Pakistan Limited	75,455	54,407
500,000	1,000,000	25.91	Jahangir Siddiqui Co. Limited	12,956	22,749
428,437	375,000	103.53	Jubilee General Insurance Co. Limited	44,355	44,618
3,000,000	–	8.08	K- Electric Limited	24,229	–
2,530,500	2,490,500	86.00	Kot Addu Power Company Limited	217,614	214,711
1,000,000	2,910,000	28.99	Lalpir Power Limited	28,990	89,125
277,000	100,000	727.41	Lucky Cement Limited	201,492	81,852
555,000	457,400	230.47	MCB Bank Limited	127,910	102,239
702,800	–	118.70	Maple Leaf Cement Factory Limited	83,425	–
37,350	22,400	1,527.34	Millat Tractors Limited	57,046	20,131
2,800,000	3,700,000	68.53	National Bank of Pakistan	191,894	253,538
4,205,500	3,848,000	55.27	Nishat Chunian Power Limited	232,442	217,224
600,000	500,000	59.73	Nishat (Chunian) Limited	35,840	20,726

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No. of ordinary shares / units		Average cost per share / unit	Name of companies / mutual funds	2017	2016
2017	2016	2017		Rupees in '000	
			Rupees		
1,531,500	–	63.82	Nishat Power Limited	97,736	–
–	57,000	–	Nishat Mills Limited	–	8,442
–	37,000	–	National Foods Limited	–	12,500
818,500	–	46.62	Orix Leasing Pakistan Limited	38,162	–
125,000	–	182.06	Oil & Gas Development Company Limited	22,757	–
2,230,500	3,220,000	28.82	Pakgen Power Limited	64,276	92,790
–	2,497,000	–	Pakistan Re-Insurance Company Limited	–	72,201
–	310,400	–	Pakistan State Oil Company Limited	–	128,645
–	3,109,500	–	Pakistan Telecommunication Company Limited	–	61,186
–	2,272,500	–	PICIC Growth Fund	–	68,553
–	4,602,000	–	PICIC Investment Fund	–	55,297
122,000	43,350	821.57	Packages Limited	100,232	33,597
650,000	1,000,000	112.78	Pak Elektron Limited	73,304	72,268
1,761,500	–	43.19	Sui Southern Gas Company Limited	76,087	–
–	622	–	Searl Pakistan Limited	–	354
64,450	25,000	598.65	Thal Limited	38,583	7,751
650,000	1,000,000	48.74	TRG Pakistan Limited	31,684	44,957
820,500	–	228.26	United Bank Limited	187,287	–
				4,522,811	4,148,422

9.4 UNITS OF OPEN END MUTUAL FUNDS

No. of units		Paid up value per unit	Name of mutual funds	2017	2016
2017	2016	2017		Rupees in '000	
			Rupees		
2,500,000	2,500,000	40.34	Askari Asset Allocation Fund	100,846	100,846
5,960,244	11,642,356	99.46	Askari High Yield Scheme	592,816	1,157,968
583,266	583,266	91.26	Askari Islamic Asset Allocation Fund	53,226	53,226
1,598,805	1,598,805	93.82	Askari Islamic Income Fund	150,000	150,000
539,885	539,885	100.00	Askari Equity Fund	53,988	53,988
1,000,000	1,000,000	100.00	Askari Sovereign Yield Enhancer Fund	100,000	100,000
–	1,156,198	–	Askari Sovereign Cash Fund	–	116,607
			Others		
5,002,568	5,002,568	9.99	NIT Islamic Equity Fund - managed by National Investment Trust Limited	50,000	50,000
7,012,643	–	71.30	National Investment Unit Trust (NIUT)	500,000	–
				1,600,876	1,782,635

9.5 PARTICULARS OF INVESTMENTS HELD IN UNLISTED COMPANIES

Investee	Percentage of holding	Number of shares	Cost / paid-up value per share	Total paid-up value	Break-up value	Based on audited financial statements as at	Name of Chief Executive / status	
								Note
Pakistan Export Finance Guarantee Agency Limited	9.5.1	5.26	568,044	10	5,680	–	–	Under liquidation
Pakistan Mortgage Refinance Company Limited		12.24	1,836,000	10	18,360	–	–	Rehmat Ali Hasnie
DHA Cogen Limited		4.70	15,682,000	10	–	–	–	Siraj ul Haq
					24,040			

9.5.1 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2016: Rs 5,680 thousand) is considered as diminution in value of this investment and has been fully provided for.

9.6 PARTICULARS OF INVESTMENTS HELD IN PREFERENCE SHARES

No. of preference shares	Paid up value	per share	Investee	Rate per annum	Book Value		Market Value	
					2017	2016	2017	2016
2017	2016							
Rupees					Rupees in '000		Rupees in '000	
Listed								
10,000,000	10,000,000	10.00	Chenab Limited	9.25%	100	100	10,000	31,100
18,322,418	18,322,418	10.00	Agritech Limited	11.00%	–	–	36,645	36,645
2,500,000	2,500,000	10.00	Masood Textile Mills Limited	Average of ask side of six month KIBOR plus 2%	25,000	25,000	20,075	22,100
					25,100	25,100	66,720	89,845
Unlisted								
2,500,000	2,500,000	10.00	First Dawood Investment Bank Limited		2,214	25,000	2,214	25,000
					27,314	50,100	68,934	114,845

9.7 INVESTMENT IN TERM FINANCE CERTIFICATES

No. of certificates	Company's Name	Redeemable value per certificate			
			2017	2016	
2017	2016	Rupees	Rupees in '000		
Listed					
91,453	91,453	Bank Alfalah Limited	4,998	457,128	457,529
37,230	37,230	Pace Pakistan Limited	4,994	185,927	185,927
–	47,200	NIB Bank Limited	–	–	235,764
47,200	–	MCB Bank Limited	4,993	235,670	–
133,023	133,023	Worldcall Telecom Limited	1,966	261,480	261,480
		Book value as on December 31		1,140,205	1,140,700
Unlisted					
140,000	140,000	Agritech Limited (Chief Executive: Mr. Faisal Muzammil)	4,996	699,389	699,389
86,000	86,000	Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	1,287	110,643	144,317
–	3,700	Bunny's Limited	–	–	874
100,000	54,000	Bank Al-Habib Limited (Chief Executive: Mr. Mansoor Ali Khan)	5,000	500,000	269,946
200,000	200,000	NRSP Microfinance Bank Limited (Chief Executive: Mr. Zahoor Hussain Khan)	1,875	375,000	750,000
10,077	10,077	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	2,696	27,170	33,470
349,960	349,960	Pakistan International Airlines Corporation Limited (Chief Executive: Dr. Musharraf Rasool Cyan)	3,125	1,093,625	1,421,712
173,611	–	Wapda Dasu (Chief Executive: Lt. Gen (R) Muzammil Hussain)	10,000	1,736,110	–
13,000	13,000	Standard Chartered Bank (Chief Executive: Mr. Shazad Dada)	5,000	65,000	65,208
		Book value as on December 31		4,606,937	3,384,916
				5,747,142	4,525,616

Investment in term finance certificates carry coupon rate ranging from 7.36% to 8.51% (2016: 6.80% to 11.72%) per annum and having remaining maturity periods of upto 15 years (2016: upto 10 years).

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9.8 SUKUK CERTIFICATES - AVAILABLE FOR SALE

Name of Investee	Rate per annum	Maturity	2017	2016
Rupees in '000				
Agritech Limited	Average of offer side of 6 month KIBOR plus 2%	August 6, 2019	299,963	299,963
Al Barka Bank Limited	Average of offer side of 6 month KIBOR plus 0.75%	August 22, 2024	225,000	–
Fatima Fertilizer Company Limited	Six month KIBOR plus 1.10%	November 28, 2021	280,000	350,000
Fatima Fertilizer Company Limited	Six month KIBOR plus 1.10%	November 30, 2021	280,000	350,000
Neelum Jhelum Hydropower Company (Pvt) Limited - Type A	Six month KIBOR plus 1.13%	June 29, 2026	1,650,000	1,650,000
Neelum Jhelum Hydropower Company (Pvt) Limited - Type B	Six month KIBOR plus 1.13%	June 29, 2026	1,925,000	1,925,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills minus 200bps	June 25, 2017	–	1,150,000
Pakistan Domestic Sukuk Company Limited	6.10%	February 15, 2019	1,863,765	1,580,574
Pakistan Domestic Sukuk Company Limited	5.59%	March 29, 2019	2,713,688	1,509,437
Pakistan Domestic Sukuk Company Limited	5.24%	June 30, 2020	1,000,000	–
Pakistan International Sukuk Company Limited	6.75%	December 3, 2019	1,437,847	371,807
Pakistan International Sukuk Company Limited	5.50%	October 13, 2021	–	522,379
Shahraj Fabric Limited	Average of offer side of 6 month KIBOR plus 2.1%	December 31, 2012	150,000	150,000
Sitara Peroxide Limited	Average of offer side of 1 month KIBOR plus 1.0%	February 19, 2020	74,814	74,814
WAPDA Dasu	Average of offer side of 6 month KIBOR plus 1.4%	May 8, 2032	868,060	–
			12,768,137	9,933,974

9.9 COMMERCIAL PAPERS

Pak Elektron	Average of offer side of 9 month KIBOR plus 1.25%	September 10, 2018	284,874	–
U Microfinance Bank Limited	Average of offer side of 9 month KIBOR plus 1.0%	September 18, 2018	90,201	–
			375,075	–

9.10 FOREIGN GOVERNMENT BONDS

Bahrain International Bonds	6.13%	July 5, 2022	116,297	–
Sri Lankan International Bonds	6.00%	January 14, 2019	112,293	–
			228,590	–

9.11 Government of Pakistan Euro Bonds represent investments by Wholesale Bank Branch, Bahrain carrying mark-up at 7.25% to 8.25% and having maturities upto April 2024.

9.12 SUKUK CERTIFICATES - HELD TO MATURITY

Name of Investee	Rate per annum	Maturity	2017	2016
Rupees in '000				
Arzoo Textile Limited	Average of offer side of 6 month KIBOR plus 2% (for 1-2 years), 1.75% (for 3-6 years)	April 14, 2014	110,000	110,000
WAPDA	Average of offer side of 6 month KIBOR minus 0.25%	July 13, 2017	–	33,333
Pakistan International Sukuk Company Limited	5.50%	October 13, 2021	561,378	–
Pakistan International Sukuk Company Limited	6.75%	December 3, 2019	2,677,217	792,376
			3,348,595	935,709

9.13 QUALITY OF AVAILABLE FOR SALE SECURITIES

Rupees in '000	Note	2017		2016	
		Market Value	Rating	Market Value	Rating
Local securities					
Market Treasury Bills	9.13.1	129,956,900	unrated	107,500,862	unrated
Pakistan Investment Bonds	9.13.1	155,714,864	unrated	165,063,124	unrated
Government of Pakistan Euro Bonds		571,409	unrated	664,619	unrated
Sukuk Certificates	9.13.2	10,581,459	unrated / AAA	8,754,747	unrated / AAA
Fully paid-up ordinary shares / units	9.13.3				
Adamjee Insurance Company Limited		36,379	AA+	–	–
Agritech Limited		79,753	D	209,374	D
Attock Petroleum Limited		43,939	unrated	136,924	unrated
Abbot Laboratories (Pakistan) Limited		23,475	unrated	82,788	unrated
AKZO Nobel Pakistan Limited		77,149	unrated	97,071	unrated
Al Shaheer Corporation Limited		–	–	57,400	unrated
Amreli Steel Limited		69,495	A	109,874	unrated
Arif Habib Corporation Limited		21,016	unrated	40,436	unrated
Bank of Punjab Limited		203,472	AA	52,950	AA
Berger Paints Pakistan Limited		75,952	unrated	75,921	unrated
Century Paper and Board Mills		55,917	A+	73,933	A+
Crescent Steel & Allied		–	–	95,314	unrated
DG Khan Cement Company Limited		127,703	unrated	5,920	unrated
DHA Cogen Limited		–	–	–	–
Dolmen City REIT		423,478	RR1	418,473	RR1
Dawood Hercules Corporation Limited		27,970	AA-	–	–
EFU General Insurance Limited		–	–	25,232	AA+
Engro Corporation Limited		75,556	AA	138,226	AA-
Engro Fertilizer Limited		67,720	AA-	183,546	AA-
Fatima Fertilizer Co. Limited		53,268	AA-	82,541	AA-
GlaxoSmithKline (Pak) Limited		62,871	unrated	93,203	unrated
GlaxoSmithKline Consumer HealthCare Pakistan Limited		–	–	1,200	unrated
Ghani Glass Limited		–	–	14,800	unrated
Ghani Global Glass Limited		49,562	unrated	93,362	unrated
Hub Power Company Limited		103,121	AA+	290,179	AA+
Habib Metropolitan Bank Limited		78,988	AA+	84,712	unrated
Habib Bank Limited		116,963	AAA	–	–
Hi-tech Lubricants Limited		66,818	unrated	–	–
ICI Pakistan Limited		59,439	unrated	105,137	unrated
Jahangir Siddiqui Co. Limited		9,025	AA	25,390	AA
Jubilee General Insurance Co. Limited		34,275	AA+	40,687	AA+
K- Electric Limited		18,930	AA	–	–
Kot Addu Power Company Limited		136,394	AA+	196,251	AA+
Lalpir Power Limited		22,530	AA	70,422	AA
Lucky Cement Limited		143,322	unrated	86,626	unrated
Maple Leaf Cement Factory Limited		48,100	A+	–	–
Millat Tractors Limited		43,760	unrated	20,264	unrated
MCB Bank Limited		117,838	AAA	108,779	AAA
National Bank of Pakistan		135,968	AAA	277,094	AAA
Nishat Chunian Power Limited		138,403	unrated	213,487	unrated
Nishat (Chunian) Limited		27,462	unrated	31,215	unrated
Nishat Power Limited		52,071	A+	–	–
National Foods Limited		–	–	13,875	AA-
Nishat Mills Limited		–	–	8,679	AA
Oil and Gas Development Company Limited		20,349	AAA	–	–
Orix Leasing Pakistan Limited		33,976	AA+	–	–
Pakgen Power Limited		49,361	AA	86,199	AA
Pakistan Re-Insurance Company Limited		–	–	103,850	AA
Pakistan State Oil Company Limited		–	–	134,779	AA
Pakistan Telecommunication Company Limited		–	–	53,421	unrated
PICIC Growth Fund		–	–	69,220	unrated

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Rupees in '000	Note	2017		2016	
		Market Value	Rating	Market Value	Rating
PICIC Investment Fund		–	–	63,968	unrated
Packages Limited		62,199	AA	36,850	AA
Pak Elektron Limited		30,869	A+	71,280	A+
Pakistan Export Finance Guarantee Agency		5,680	unrated	5,680	unrated
Pakistan Mortgage Refinance Limited		18,360	unrated	–	–
Sui Southern Gas Company Limited		53,708	A+	–	–
Searl Pakistan Limited		–	–	407	unrated
TRG Pakistan Limited		19,240	unrated	44,260	unrated
Thal Limited		32,927	unrated	12,713	unrated
United Bank Limited		154,229	AAA	–	–
Fully paid preference shares					
Agritech Limited		36,645	unrated	36,645	unrated
Chenab Limited		10,000	unrated	31,100	unrated
Masood Textile Mills Limited		20,075	unrated	22,100	unrated
First Dawood Investment Bank Limited		2,214	unrated	25,000	unrated
Units of open end mutual funds					
Askari High Yield Scheme		617,990	A	1,214,244	A
Askari Asset Allocation Fund		110,429	2-Star	135,996	2-Star
Askari Islamic Asset Allocation Fund		56,382	3-Star	70,654	1-Star
Askari Islamic Income Fund		165,461	A+	164,749	A+
Askari Sovereign Yield Enhancer Fund		104,038	A+	102,864	A+
Askari Equity Fund		52,978	3-Star	70,367	3-Star
Askari Sovereign Cash Fund		–	–	119,004	AA+
National Investment Unit Trust (NIUT)		494,882	AM2++	–	–
NIT Islamic Equity Fund		49,976	AM2++	64,183	AM2++
Term Finance Certificates					
Agritech Limited		699,389	D	699,389	D
Azgard Nine Limited		110,644	D	144,317	D
Bank Alfalah Limited		464,562	AA	468,629	AA-
Bunny's Limited		–	–	874	unrated
Bank Al Habib Limited		500,000	AA	273,162	AA
MCB Bank Limited		239,335	AAA	–	–
NIB Bank Limited		–	–	238,441	A+
NRSP Microfinance Bank (Pvt) Limited		375,918	A	752,478	A
Pace Pakistan Limited		185,927	D	185,927	D
Pak Hy Oils Limited		27,170	D	33,470	D
Pakistan International Airlines Corporation Limited	9.13.1	1,093,625	unrated	1,421,712	unrated
Standard Chartered Bank		65,000	AAA	65,260	AAA
WAPDA Dasu		1,736,110	AAA	–	–
World Call Telecom Limited		261,481	D	261,481	D
		5,759,161		4,545,140	
Sukuk Certificates					
Agritech Limited		299,963	D	299,963	D
Al Barka Bank Limited		225,000	A	–	–
Fatima Fertilizer Company Limited		287,700	AA-	350,000	AA-
Fatima Fertilizer Company Limited		287,700	AA-	350,000	AA-
Shahraj Fabrics Limited		150,000	D	150,000	D
Sitara Peroxide Limited		74,814	D	74,814	D
Wapda Dasu		868,060	AAA	–	–
Commercial Paper					
Pak Elektron Limited		284,874	unrated	–	–
U Microfinance Bank Limited		90,201	unrated	–	–

Rupees in '000	2017		2016	
	Market Value	Rating	Market Value	Rating
Foreign securities				
Bahrain International Bonds	115,248	B+	-	-
Sri Lankan International Bonds	113,178	B+	-	-
	310,510,581		294,154,087	

9.13.1 These are Government of Pakistan guaranteed securities.

9.13.2 These represent Government of Pakistan guaranteed Sukuk Certificates.

9.13.3 Ratings for these equity securities / units represent 'Entity Ratings'.

9.13.4 Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR-VIS Credit Rating Company Limited (JCR-VIS), whereas certain local securities are unrated. These ratings reflect independent credit risk assessment by respective credit rating entities.

9.14 Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with the SBP.

9.15 Investments include Rs. 2,042,279 thousand (2016: Rs. 1,984,359 thousand) which have been placed under non-performing status and the Bank maintains provision of Rs. 2,042,279 thousand (2016: Rs. 1,928,248 thousand) against non performing investments.

9.16 The Bank has availed the relaxation of Rs. Nil (2016: Rs. 22,565 thousand) allowed by the SBP against booking of impairment loss as required under para No. 4(a) of Regulation R-8 of Prudential Regulations.

Rupees in '000	Note	2017	2016
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		223,766,645	216,085,202
Outside Pakistan		7,688,190	3,345,613
Islamic financing and related assets- note A - 1 of Annexure II		231,454,835	219,430,815
Net investment in lease finance - In Pakistan	10.2	34,755,797	25,994,787
Bills discounted and purchased		8,652,030	8,138,098
Payable in Pakistan		3,516,094	3,797,182
Payable outside Pakistan		5,960,914	4,762,374
		9,477,008	8,559,556
Advances - gross		284,339,670	262,123,256
Provision against non-performing advances	10.4		
Specific provision		(24,962,069)	(26,353,791)
General provision		(236,940)	(236,944)
General provision against consumer financing		(447,575)	(368,599)
		(25,646,584)	(26,959,334)
Advances - net of provision		258,693,086	235,163,922
10.1 PARTICULARS OF ADVANCES (GROSS)			
10.1.1 In local currency		269,949,664	251,909,942
In foreign currencies		14,390,006	10,213,314
		284,339,670	262,123,256
10.1.2 Short term (for upto one year)		157,908,515	153,595,266
Long term (for over one year)		126,431,155	108,527,990
		284,339,670	262,123,256

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10.2 NET INVESTMENT IN LEASE FINANCE – IN PAKISTAN

Rupees in '000	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
Lease rentals receivable	2,946,733	3,440,986	26,830	6,414,549	2,714,842	3,625,963	42,224	6,383,029
Residual value	685,688	2,150,963	75,022	2,911,673	535,057	1,908,756	79,443	2,523,256
Minimum lease payments	3,632,421	5,591,949	101,852	9,326,222	3,249,899	5,534,719	121,667	8,906,285
Finance charges for future periods	(339,257)	(333,782)	(1,153)	(674,192)	(347,174)	(418,837)	(2,176)	(768,187)
Present value of minimum lease payments	3,293,164	5,258,167	100,699	8,652,030	2,902,725	5,115,882	119,491	8,138,098

10.3 CLASSIFIED ADVANCES

Advances include Rs. 26,753,027 thousand (2016: Rs. 28,534,630 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
	Rupees in '000								
Other Assets Especially									
Mentioned - note 10.3.1	137,409	–	137,409	–	–	–	–	–	–
Substandard	118,878	–	118,878	15,600	–	15,600	15,600	–	15,600
Doubtful	701,369	–	701,369	280,067	–	280,067	280,067	–	280,067
Loss	25,795,371	–	25,795,371	24,666,402	–	24,666,402	24,666,402	–	24,666,402
	26,753,027	–	26,753,027	24,962,069	–	24,962,069	24,962,069	–	24,962,069
	2016								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially									
Mentioned - note 10.3.1	224,002	–	224,002	–	–	–	–	–	–
Substandard	215,562	–	215,562	31,481	–	31,481	31,481	–	31,481
Doubtful	576,104	–	576,104	216,967	–	216,967	216,967	–	216,967
Loss	27,518,962	–	27,518,962	26,105,343	–	26,105,343	26,105,343	–	26,105,343
	28,534,630	–	28,534,630	26,353,791	–	26,353,791	26,353,791	–	26,353,791

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

10.4 PARTICULARS OF PROVISION AGAINST NON – PERFORMING ADVANCES

Rupees in '000	Note	2017				2016			
		Specific	General	Consumer financing – General	Total	Specific	General	Consumer financing – General	Total
Opening balance		26,353,791	236,944	368,599	26,959,334	28,048,973	196,941	236,272	28,482,186
Charge for the year		891,105	37,450	90,267	1,018,822	1,198,881	56,299	147,073	1,402,253
Reversal for the year		(2,159,610)	(37,454)	(11,291)	(2,208,355)	(2,100,652)	(16,296)	(14,746)	(2,131,694)
Net (reversal) / charge for the year		(1,268,505)	(4)	78,976	(1,189,533)	(901,771)	40,003	132,327	(729,441)
Amounts written off	10.6	–	–	–	–	(234)	–	–	(234)
Amounts charged off- agri loans	10.7	(123,217)	–	–	(123,217)	(793,177)	–	–	(793,177)
Closing balance		24,962,069	236,940	447,575	25,646,584	26,353,791	236,944	368,599	26,959,334

10.4.1 The net FSV benefit already availed has been reduced by Rs. 295,191 thousand, which has resulted in increased charge for specific provision for the year by the same amount. Had the FSV benefit not reduced, before and after tax profit for the year would have been higher by Rs. 295,191 thousand (2016: Rs. 415,069 thousand) and Rs. 191,874 thousand (2016: Rs. 269,795 thousand) respectively. Further, at December 31, 2017, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 720,203 thousand (December 31, 2016: Rs. 912,077 thousand) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and unappropriated profit to that extent are not available for distribution by way of cash or stock dividend.

10.4.2 The Bank has availed the relaxation of Rs. 102,460 thousand (2016: Rs. 102,460 thousand) allowed by the SBP for maintaining provisions as per time based criteria of Prudential Regulations.

10.5 PARTICULARS OF PROVISION AGAINST NON-PERFORMING ADVANCES

Rupees in '000	2017				2016			
	Specific	General	Consumer financing – General	Total	Specific	General	Consumer financing – General	Total
In local currency	24,414,467	236,940	447,575	25,098,982	25,823,336	236,944	368,599	26,428,879
In foreign currencies	547,602	–	–	547,602	530,455	–	–	530,455
	24,962,069	236,940	447,575	25,646,584	26,353,791	236,944	368,599	26,959,334

Rupees in '000	2017	2016
10.6 PARTICULARS OF WRITE-OFFS:		
10.6.1 Against provisions	–	234
Directly charged to profit and loss account	–	–
	–	234
10.6.2 Write offs of Rs. 500,000 and above	–	–
Write offs of below Rs. 500,000	–	234
	–	234

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10.6.3 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2017 is given at Annexure - 1.

10.7 AGRI LOANS CHARGED OFF

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

Rupees in '000	Note	2017	2016
10.8 PARTICULARS OF LOANS AND ADVANCES TO DIRECTORS, ASSOCIATED COMPANIES ETC.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		2,973,683	2,696,930
Loans granted during the year		1,160,836	1,401,081
Repayments		(977,401)	(1,124,328)
Balance at end of year		3,157,118	2,973,683
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		5,334,618	5,617,466
Loans granted during the year		102,739,564	99,257,484
Repayments		(103,495,806)	(99,540,332)
Balance at end of year		4,578,376	5,334,618
		7,735,494	8,308,301
11. OPERATING FIXED ASSETS			
Capital work in progress	11.1	160,636	281,271
Property and equipment	11.2	9,764,664	9,851,669
Intangibles	11.3	827,931	922,212
		10,753,231	11,055,152
Provision against operating fixed assets		(24,404)	(35,597)
		10,728,827	11,019,555

11.1 CAPITAL WORK IN PROGRESS

This represents advances to suppliers and contractors.

11.2 PROPERTY AND EQUIPMENT

Rupees in '000	2017										
	COST / REVALUED AMOUNT					DEPRECIATION				Book value as at December 31, 2017	Annual rate of depreciation %
	as at January 1, 2017	Additions	Adjustments	Deletions / transfers	as at December 31, 2017	as at January 1, 2017	Charge for the year	on (deletions) / adjustments	as at December 31, 2017		
Land - freehold - note 11.4	2,909,012	-	-	-	2,909,012	-	-	-	-	2,909,012	-
Land - leasehold - note 11.4	1,880,715	-	-	-	1,880,715	-	-	-	-	1,880,715	-
Buildings on freehold land	887,251	-	-	-	887,251	371,265	24,807	-	396,072	491,179	5
Buildings on leasehold land	901,110	65,050	-	-	966,160	363,216	29,207	-	392,423	573,737	5
Renovation of premises	3,190,332	393,887	-	(41,820)	3,541,624	2,153,660	324,378	(32,715)	2,445,248	1,096,376	20
Furniture, fixtures and office equipments	1,100,889	194,869	56	(18,344)	1,283,421	411,532	76,103	(11,407)	480,126	803,295	10
Carpets	51,488	7,996	-	(9,233)	50,395	30,408	7,764	(8,085)	30,110	20,285	20
Machine and equipments	2,710,384	437,816	5	(67,188)	3,083,133	1,454,163	276,974	(56,442)	1,673,358	1,409,775	20
Computer equipments	2,656,190	158,097	520	(13,835)	2,789,319	1,730,087	563,032	(13,087)	2,266,753	522,566	20
Vehicles	202,366	2,700	-	(3,666)	201,400	123,830	24,066	(3,666)	144,230	57,170	20
Other assets	45,196	565	-	-	45,761	45,103	104	-	45,207	554	20
	16,534,933	1,260,980	581	(154,086)	17,638,191	6,683,264	1,326,435	(125,402)	7,873,527	9,764,664	
Operating lease - Vehicles	1,834	-	-	-	1,834	1,834	-	-	1,834	-	20
	16,536,767	1,260,980	581	(158,303)	17,640,025	6,685,098	1,326,435	(136,172)	7,875,361	9,764,664	

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

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11.2.1 Cost of fully depreciated property and equipment still in use amounts to Rs. 3,586,042 thousand (2016: Rs. 1,727,049 thousand).

11.2.2 During the year the Bank has changed the depreciation method on computer equipments from diminishing balance method to straight line method. This change in accounting estimate has been accounted for prospectively as per International Accounting standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in these unconsolidated financial statements. Had the depreciation method not changed, the written down value of operating fixed assets and profit before tax would have been higher by Rs. 380 million.

11.3 INTANGIBLES

Rupees in '000	2017										
	COST				AMORTIZATION				Book value	Annual	
	as at January 1, 2017	Additions	Adjustments	Deletions / transfers	as at December 31, 2017	as at January 1, 2017	Charge for the year	on (deletions) / adjustments	as at December 31, 2017	as at December 31, 2017	rate of Amortization %
Software	1,968,448	102,195	-	(44)	2,070,599	1,046,236	196,476	(44)	1,242,668	827,931	10

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

11.3.1 Cost of fully amortized intangible assets still in use amounts to Rs. 71,096 thousand (2016: Rs. 43,305 thousand).

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

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

Had the land not been revalued, the carrying amount of land as at December 31, 2017 would have been Rs. 1,957,257 thousand.

11.5 DETAIL OF DISPOSALS OF OPERATING FIXED ASSETS

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees in '000						
MACHINE AND EQUIPMENTS						
Generator	1,018	867	151	275	Tender	M/s Yamleka Traders
Generator	1,028	1,003	25	165	Tender	M/s Saigol Motors
Generator	1,047	931	116	250	Tender	M/s National Traders
Generator	1,119	960	159	185	Tender	M/s Saigol Motors
Generator	1,233	1,020	213	170	Tender	M/s Proper Scrap Dealer
Generator	1,565	286	1,279	900	Insurance Claim	Insurance Claim
Generator	1,161	1,024	137	130	Tender	Naveed Ahmad Warraich
Generator	1,223	1,055	168	250	Tender	M/s Yamleka Traders
ATM	1,061	863	198	109	Tender	M/s Proper Scrap Dealer
ATM	6,061	5,923	138	76	Tender	M/s Proper Scrap Dealer
ATM	9,110	8,633	477	264	Tender	M/s Proper Scrap Dealer
ATM	826	571	255	141	Tender	M/s Proper Scrap Dealer
ATM	826	571	255	141	Tender	M/s Proper Scrap Dealer
ATM	826	571	255	141	Tender	M/s Proper Scrap Dealer
ATM	826	571	255	141	Tender	M/s Proper Scrap Dealer
Air Conditioner	940	625	315	254	Tender	M/s AMUS
VEHICLES OF PREMISES						
Toyota Land Cruiser	3,440	3,440	–	3,200	Insurance Claim	Insurance Claim
RENOVATION OF PREMISES						
Renovation	1,150	575	575	–	Wirte-Off	Wirte-Off
Renovation	1,262	421	841	–	Wirte-Off	Wirte-Off
Renovation	1,499	1,499	–	–	Wirte-Off	Wirte-Off
Renovation	1,723	804	919	–	Wirte-Off	Wirte-Off
Renovation	4,023	1,877	2,146	33	Wirte-Off	Wirte-Off
Renovation	4,035	4,035	–	–	Wirte-Off	Wirte-Off
Renovation	4,243	4,243	–	–	Wirte-Off	Wirte-Off
Renovation	496	240	256	–	Wirte-Off	Wirte-Off
Renovation	414	104	310	–	Wirte-Off	Wirte-Off
Renovation	734	355	379	–	Wirte-Off	Wirte-Off
Renovation	491	57	434	–	Wirte-Off	Wirte-Off
Renovation	577	125	452	–	Wirte-Off	Wirte-Off
Renovation	7,454	7,454	–	–	Negotiation	M. Mushtaq
Renovation	4,804	4,804	–	40	Tender	M/s Capricorn Trading Co.
Renovation	1,987	994	993	302	Negotiation	Pakistan Military Academy
Renovation	1,474	688	786	239	Negotiation	Pakistan Military Academy
	69,676	57,189	12,487	7,406		
Other assets having book value of less than Rs. 250,000/- or cost of less than Rs. 1,000,000/- other than vehicles sold to Bank's executives / related parties						
	84,410	68,213	16,197	10,727		
2017	154,086	125,402	28,684	18,133		
2016	84,991	68,932	16,059	22,543		

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

12. ASSETS HELD FOR SALE

The Bank had two subsidiary companies namely Askari Investment Management Limited (AIML) representing 100% shareholding and Askari Securities Limited (ASL) representing 74% shareholding (17,020,000 ordinary shares of Rs. 10 each) which were classified as held for sale as at December 31, 2016. During the year, the Bank has sold one of its subsidiary company namely AIML at a total consideration of Rs. 551 million. Resultantly, the Bank's investment in AIML has been declassified in these financial statements.

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

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

Rupees in '000		Note	2017	2016
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13. OTHER ASSETS

Income / mark-up accrued in local currency	13.1	9,276,297	10,202,971
Income / mark-up accrued in foreign currencies		323,568	280,405
Advances, deposits, advance rent and other prepayments		1,343,586	1,111,261
Advance taxation (payments less provisions)		5,612,384	4,817,715
Non banking assets acquired in satisfaction of claims	13.2	5,001,571	4,938,757
Un-realised gain on forward foreign exchange contracts - net		732,738	-
Suspense account		47,159	52,716
Stationary and stamps in hand		60,258	61,262
Dividend receivable	13.1	6,466	15,411
Others		339,727	364,885
		22,743,754	21,845,383
Provision against other assets	13.3	(278,681)	(248,156)
Other assets - net of provision		22,465,073	21,597,227

13.1 This balance is net of interest in suspense and dividend in suspense amounting to Rs. 10,903,151 thousand and Rs. 81,020 thousand (2016: Rs. 11,102,754 thousand and Rs. 81,020 thousand) respectively.

13.2 Carrying amount includes surplus on revaluation amounting to Rs. 1,811,635 thousand (2016: Rs. 1,617,860 thousand).

Rupees in '000		2017	2016
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13.3 PROVISION AGAINST OTHER ASSETS

Opening balance	248,156	235,850
Provision recognised during the year	36,571	14,731
Recovery / written off during the year	(6,046)	(2,425)
Closing balance	278,681	248,156

14. BILLS PAYABLE

In Pakistan	10,769,262	8,579,809
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Rupees in '000	Note	2017	2016
15. BORROWINGS			
In Pakistan		65,123,725	88,975,683
Outside Pakistan		6,463,586	286,105
		71,587,311	89,261,788
15.1 PARTICULARS OF BORROWINGS WITH RESPECT TO CURRENCIES			
In local currency		65,123,725	88,975,683
In foreign currencies		6,463,586	286,105
		71,587,311	89,261,788
15.2 DETAILS OF BORROWINGS - SECURED / UNSECURED			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan			
Export refinance scheme	15.2.1	12,029,461	9,712,571
Long term financing facility	15.2.2	4,673,546	3,165,516
Financing facility for storage of agricultural produce	15.2.3	9,167	12,500
Renewable energy financing facility	15.2.4	126,427	–
		16,838,601	12,890,587
Repo borrowings			
State Bank of Pakistan	15.2.5	40,522,945	67,078,365
Financial institutions	15.2.6	8,622,609	6,211,169
		49,145,554	73,289,534
Unsecured			
Call borrowings	15.2.7	5,599,688	2,795,562
		71,583,843	88,975,683
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		3,468	286,105
		71,587,311	89,261,788

15.2.1 This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 1% to 2% (2016: 2.5% to 3%) per annum payable on a quarterly basis.

15.2.2 This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 2.0% to 8.4% (2016: 2.0% to 8.4%) per annum payable on a quarterly basis.

15.2.3 These are secured against pledge of Government Securities having maturities upto 2020. These carry markup @ 3.25% per annum.

15.2.4 These are secured against pledge of Government Securities having maturities upto 2027. These carry markup @ 2% per annum.

15.2.5 These are secured against pledge of Government Securities having maturities upto 1 month (2016: 1 month). These carry markup @ 5.81% to 5.85% (2016: 5.87%) per annum.

15.2.6 These are secured against pledge of Government Securities having maturities upto 6 months (2016: 3 months). These carry markup @ 2.55% to 5.85% (2016: 5.50% to 5.84%) per annum.

15.2.7 These carry mark-up at the rate of 2.50% to 5.85% (2016: 5.00% to 5.60%) per annum and having maturity upto 7 months (2016: 3 months).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Rupees in '000	2017	2016
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	81,535,107	87,044,527
Saving deposits	291,527,935	249,395,839
Current accounts - remunerative	751,535	753,080
Current accounts - non-remunerative	143,681,714	125,245,992
Special exporters' account	150,636	31,934
Margin accounts	3,514,747	3,080,895
Others	1,163,372	1,205,111
Financial institutions		
Remunerative deposits	2,817,279	5,860,112
Non-remunerative deposits	665,983	193,845
	525,808,308	472,811,335
16.1 PARTICULARS OF DEPOSITS		
In local currency	478,408,999	433,188,494
In foreign currencies	47,399,309	39,622,841
	525,808,308	472,811,335

Deposits include Rs. 16,242,146 thousand (2016: Rs. 14,035,655 thousand) due to related parties.

Rupees in '000	2017	2016
17. SUB-ORDINATED LOANS		
Term Finance Certificates - IV	997,600	998,000
Term Finance Certificates - V	3,995,200	3,996,800
	4,992,800	4,994,800

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

	Term Finance Certificates - IV	Term Finance Certificates - V
Outstanding amount - Rupees in '000	997,600	3,995,200
Issue date	December 23, 2011	September 30, 2014
Total issue	Rupees 1,000 million	Rupees 4,000 million
Rating	AA	AA-
Listing	Unlisted	Unlisted
Rate	Payable six monthly - Base Rate plus 1.75% (after 5 years: 2.20%) Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.20% Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Repayment	10 Years	10 Years
Call option	Exercisable after 60 months from the date of issue. Approval for call option has been obtained from SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Redemption	6-96th month: 0.32% 97-120th month: 99.68%	6-108th month: 0.36% 108-120th month: 99.64%

Rupees in '000	Note	2017	2016
18. DEFERRED TAX (ASSETS) / LIABILITIES			
Deferred (debits) / credits arising due to:			
Accelerated tax depreciation and amortization		375,702	537,926
Provision against non-performing advances			
- excess of 1% of total advances		(450,177)	(1,327,402)
- classified in sub-standard category		(71,278)	(71,278)
		(145,753)	(860,754)
Surplus on revaluation of available for sale securities		210,265	1,491,068
Actuarial loss		(165,267)	(103,884)
		(100,755)	526,430
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		2,601,197	2,569,950
Mark-up / return / interest payable in foreign currencies		139,760	100,216
Unearned income / commission		255,495	292,344
Accrued expenses		935,879	1,358,471
Advance payments		389,031	245,651
Security deposit against lease / Ijarah financing		4,156,902	3,444,309
Unclaimed dividends		139,256	101,392
Branch adjustment account		285,884	121,306
Payable to defined benefit plan		489,526	384,364
Payable against purchase of listed shares		–	10,252
Un-realised loss on forward foreign exchange contracts - net		–	82,664
Withholding taxes payable		84,679	90,815
Federal excise duty payable		48,507	41,404
Workers' Welfare Fund	19.1	670,060	500,766
Switch fee payable		393,394	431,432
Others		525,627	612,745
		11,115,197	10,388,081

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

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

20. SHARE CAPITAL

20.1 AUTHORIZED CAPITAL

2017		2016	2017		2016
Number of shares			Rupees in '000		
1,600,000,000	1,600,000,000	Ordinary shares of Rs. 10 each	16,000,000	16,000,000	

20.2 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2017		2016	2017		2016
Number of shares		Ordinary shares of Rs. 10 each:	Rupees in '000		
514,689,096	514,689,096	Fully paid in cash	5,146,891	5,146,891	
717,297,769	717,297,769	Issued as bonus shares	7,172,978	7,172,978	
28,273,315	28,273,315	Issued on Askari Leasing Limited merger	282,733	282,733	
1,260,260,180	1,260,260,180		12,602,602	12,602,602	

20.3 The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent of ordinary shares of the Bank as on December 31, 2017.

20.4 The Board of Directors of the Bank in their meeting held in December 2017 has passed the resolution to increase the authorized share capital of the Bank to Rs 20,000,000 thousand which will be placed before the shareholders in the forthcoming Annual General Meeting for their approval.

Rupees in '000	Note	2017	2016
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21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus / (deficit) on revaluation of:			
Operating fixed assets		2,832,470	2,832,470
Non banking assets acquired in satisfaction of claims	21.1	1,811,635	1,617,860
Available for sale investments			
i) Federal Government securities		1,503,492	3,826,689
ii) Listed shares		(981,249)	254,555
iii) Units of open end mutual funds		51,259	159,426
iv) Other securities		27,254	19,524
		600,756	4,260,194
Related deferred tax		(210,265)	(1,491,068)
		390,491	2,769,126
		5,034,596	7,219,456

21.1 NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS

Surplus on revaluation as at January 1,		1,617,860	–
Recognised during the year		203,599	1,620,761
Realised on disposal during the year		(3,278)	(2,901)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(6,546)	–
Surplus on revaluation as at December 31,		1,811,635	1,617,860

Rupees in '000	2017	2016
22. CONTINGENCIES AND COMMITMENTS		
22.1 DIRECT CREDIT SUBSTITUTES		
i) Government	416,852	–
ii) Others	10,884,649	9,657,366
	11,301,501	9,657,366
22.2 TRANSACTION-RELATED CONTINGENT LIABILITIES		
Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	671,079	487,585
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	101,289,688	72,129,895
ii) Banks and other financial institutions	8,480,982	10,650,624
iii) Others	31,580,906	29,125,937
	141,351,576	111,906,456
	142,022,655	112,394,041

These include guarantees amounting to Rs. 1,564,564 thousand (2016: Rs. 1,143,046 thousand) against which the Bank is contesting court proceedings and these are not likely to result in any liability against the Bank.

Rupees in '000	2017	2016
22.3 TRADE-RELATED CONTINGENT LIABILITIES	173,128,678	111,801,548
22.4 OTHER CONTINGENCIES		
These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.	778,013	890,979
22.5 COMMITMENTS IN RESPECT OF FORWARD LENDING		
Commitments against "REPO" transactions		
Purchase and resale agreements	1,515,752	4,001,864
Sale and repurchase agreements	49,250,012	73,375,556
22.6 COMMITMENTS IN RESPECT OF FORWARD EXCHANGE CONTRACTS		
Purchase	26,354,478	20,227,932
Sale	9,083,720	8,010,521
The above commitments have maturities falling within one year.		
22.7 COMMITMENTS FOR THE ACQUISITION OF OPERATING FIXED ASSETS	119,195	237,735

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Rupees in '000		2017	2016
22.8	COMMITMENTS TO EXTEND CREDIT		
	The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for	14,826,508	18,532,793
22.9	OTHER COMMITMENTS		
	This represents participation in the equity of Pakistan Mortgage Refinance Company Limited	281,640	281,640
22.10	BILLS FOR COLLECTION		
	Payable in Pakistan	4,502,306	1,557,837
	Payable outside Pakistan	15,768,120	13,712,443
		20,270,426	15,270,280

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

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

24. DERIVATIVE INSTRUMENTS

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

24.1 FORWARD EXCHANGE CONTRACTS

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

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

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

24.2 EQUITY FUTURES

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

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

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

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

Rupees in '000	Note	2017	2016
25. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to			
i) Customers	25.1	16,744,557	15,091,639
ii) Financial institutions		290,474	219,989
		17,035,031	15,311,628
On investments in			
i) Available for sale securities		18,583,463	19,370,206
ii) Held to maturity securities		271,363	473,055
		18,854,826	19,843,261
On deposits with financial institutions		99,183	75,094
On securities purchased under resale agreements		88,382	111,889
On lendings to financial institutions		189,798	66,323
		36,267,220	35,408,195

25.1 This includes an amount of Rs. 378,469 thousand (2016: Rs. 406,579 thousand) on account of income received from related parties.

Rupees in '000	Note	2017	2016
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	26.1	17,253,701	16,832,890
Securities sold under repurchase agreements		2,020,245	2,862,127
Sub-ordinated loans		376,035	382,452
Call money borrowings		104,893	144,063
Refinance borrowings from SBP		214,812	208,941
Long term finance for export oriented projects from SBP		97,057	64,512
Other short term borrowings		5,222	1,772
		20,071,965	20,496,757

26.1 This includes an amount of Rs. 785,912 thousand (2016: Rs. 693,885 thousand) on account of mark-up / interest on deposits of related parties.

Rupees in '000	2017	2016
27. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	7,481	10,071
Pakistan Investment Bonds	1,325,547	3,094,403
Euro Bonds	26,006	43,513
Sukuk	33,945	49,874
Shares - listed	382,758	282,100
- unlisted	216,000	46,400
Others	63,556	326
	2,055,293	3,526,687

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Rupees in '000	Note	2017	2016
28. OTHER INCOME			
Rent of property		13,485	9,043
(Loss) / gain on sale of operating fixed assets		(10,551)	6,484
Rent of lockers		30,228	30,699
Gain on sale of non-banking assets	28.1	4,323	27,145
Recovery of write / charge off assets		147,129	62,144
Recovery of expenses from customers		162,856	164,680
		347,470	300,195

28.1 GAIN ON SALE OF NON-BANKING ASSETS

Name of party	2017				
	Book value	Revalued amount	Cash received	Gain on sale	Mode of disposal
	Rupees '000				
Shafi Exports	47,960	49,924	54,247	4,323	Buy Back
A.H. International (Pvt) Ltd	3,686	5,000	5,000	–	Buy Back
	51,646	54,924	59,247	4,323	

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

Rupees in '000	Note	2017	2016
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		7,435,162	7,361,375
Charge for defined benefit plans	29.1	378,032	326,801
Contribution to defined contribution plan	36	255,175	235,888
Non-executive directors' fees, allowances and other expenses		6,494	5,812
Rent, taxes, insurance, electricity, etc.		2,230,038	2,197,567
Legal and professional charges		104,951	111,258
Brokerage and commission		111,997	114,807
Communications		536,333	499,562
Repairs and maintenance		406,335	551,113
Stationery and printing		195,792	172,722
Advertisement and publicity		152,296	130,399
Auditors' remuneration	29.2	11,319	9,665
Depreciation	11.2	1,326,435	832,755
Amortization	11.3	196,476	180,792
Travelling and entertainment		196,493	180,251
Fuel and vehicle running expenses		600,711	520,722
Security service charges		684,452	516,629
Staff training expenses		19,767	26,318
Other expenditure		100,538	104,556
		14,948,796	14,078,992

29.1 This includes charge for gratuity fund of Rs. 280,667 thousand (2016: Rs. 242,361 thousand) and charge for leave encashment of Rs. 97,365 thousand (2016: Rs. 84,440 thousand).

Rupees in '000		2017	2016
29.2	AUDITORS' REMUNERATION		
	Statutory auditors of the Bank		
	Audit fee	3,300	3,300
	Fee for the audit of provident and gratuity funds	220	220
	Special certifications, half year review, audit of consolidated financial statements and sundry advisory services	4,200	3,150
	Out of pocket expenses	1,219	980
		8,939	7,650
	Auditors of Wholesale Bank Branch, Bahrain		
	Audit fee	2,380	2,015
		11,319	9,665
30.	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	23,568	51,996
	Workers' Welfare Fund	169,833	169,539
		193,401	221,535
31.	TAXATION		
	For the year		
	Current	2,265,570	2,129,263
	Deferred	715,001	860,625
	For the prior year(s)		
	Current	243,344	266,425
		3,223,915	3,256,313
31.1	RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT		
	Profit before taxation	8,491,802	8,476,948
	Tax at applicable tax rate of 35 percent (2016: 35 percent)	2,972,131	2,966,932
	Effect of:		
	- charge for prior year	243,344	266,425
	- permanent differences	8,440	18,198
	- others	–	4,758
		3,223,915	3,256,313

31.2 TAX STATUS

- i) The Bank has filed tax returns for and up to tax year 2017 (year ended 31 December 2016). The assessments for and up to tax year 2017 were amended by the tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income. The matter of provision against doubtful debts has been decided in favour of the Bank for and up to tax year 2006 up to the level of Appellate Tribunal Inland Revenue [ATIR] whereas partial relief has been provided by the Commissioner Inland Revenue (Appeals) [CIR(A)] on other matters. The Bank and the tax department have filed appeals and reference applications to the higher forums in relation to matters not decided in their favour.

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

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

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

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

- iii) Super tax at the rate of 4 percent of the taxable income levied through Finance Act 2015 has also been extended for the tax year 2017.

Rupees in '000	2017	2016
32. BASIC / DILUTED EARNINGS PER SHARE		
Profit for the year - Rupees in '000	5,267,887	5,220,635
Weighted average number of Ordinary Shares - numbers	1,260,260,180	1,260,260,180
Basic earnings per share - Rupees	4.18	4.14
There is no dilutive effect on the basic earnings per share of the Bank.		
33. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	44,239,325	42,568,141
Balances with other banks	3,193,835	5,845,748
Call money lendings	750,000	–
	48,183,160	48,413,889

	2017	2016
34. STAFF STRENGTH	NUMBER OF EMPLOYEES	
Permanent	6,591	6,428
Temporary / on contractual basis	943	824
Total staff strength	7,534	7,252

35. DEFINED BENEFIT PLAN

35.1 GENERAL DESCRIPTION

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

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

Rupees in '000	2017	2016
35.2 THE AMOUNTS RECOGNIZED IN THE UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:		
Present value of defined benefit obligation	2,505,491	2,192,580
Fair value of plan assets	(2,042,650)	(1,808,216)
Benefits payable	26,685	–
Net liability	489,526	384,364

Rupees in '000		2017	2016
35.3	THE AMOUNTS RECOGNIZED IN UNCONSOLIDATED PROFIT AND LOSS ACCOUNT ARE AS FOLLOWS:		
	Current service cost	261,864	242,361
	Net interest income	18,803	–
		280,667	242,361
35.4	ACTUAL RETURN ON PLAN ASSETS	54,305	129,178
35.5	CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION		
	Opening defined benefit obligation	2,192,580	1,813,892
	Current service cost	261,864	242,361
	Interest expense	189,648	174,647
	Actuarial loss	58,839	96,534
	Benefits paid	(170,755)	(134,854)
	Benefits payable	(26,685)	–
	Closing defined benefit obligation	2,505,491	2,192,580
35.6	CHANGES IN FAIR VALUE OF PLAN ASSETS		
	Opening fair value of plan assets	1,808,216	1,813,892
	Interest income	170,845	174,647
	Return on plan assets, excluding amounts included in interest income	(116,540)	(45,469)
	Contributions by employer	350,884	–
	Benefits paid	(170,755)	(134,854)
	Closing fair value of plan assets	2,042,650	1,808,216

The Bank expects to contribute Rs. 283,804 thousand to its defined benefit gratuity plan in 2018.

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

	2017		2016		
	Rupees '000	Percentage	Rupees '000	Percentage	
35.7	BREAK-UP OF CATEGORY OF ASSETS				
	Debt instruments				
	-Pakistan Investment Bond	1,396,646	68	1,396,853	77
	-Term Finance Certificates	207,802	10	225,783	12
		1,604,448	78	1,622,636	89
	Equity instruments				
	-Mutual Fund	355,184	17	31,318	2
	-Equity	79,755	4	107,473	6
	Cash and cash equivalents	3,263	1	46,789	3
		2,042,650	100	1,808,216	100

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

35.8 PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation was carried out for the year ended December 31, 2017 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2017	2016
Discount rate - per annum	9.25%	9.00%
Expected rate of increase in salaries - per annum	8.75%	8.50%
Expected rate of return on plan assets - per annum	9.25%	9.00%
Duration	11.18 years	11.17 years
Mortality rate	SLIC 2001 - 2005 mortality table	SLIC 2001 - 2005 mortality table

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

Rupees in '000	2017	2016	2015	2014	2013
As at December 31,					
Defined benefit obligation	2,505,491	2,192,580	1,813,892	1,492,354	1,173,711
Plan assets	(2,042,650)	(1,808,216)	(1,813,892)	(1,492,354)	(1,173,711)
Benefits Payable	26,685	-	-	-	-
Deficit	489,526	384,364	-	-	-
Experience adjustments					
Actuarial (gain) / loss on obligation	(58,839)	(96,534)	(51,437)	(135,344)	104,489
Actuarial loss on plan assets	-	-	-	-	(4,163)
Return on plan assets, excluding amounts included in interest income	(116,540)	(45,469)	34,266	(2,296)	-

35.10 SENSITIVITY ANALYSIS

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

Assumptions	Change in assumption	Impact on Defined Benefit Obligation	
		Increase in assumption	Decrease in assumption
Rupees in '000			
Discount rate	1.00%	(257,690)	302,311
Salary increase	1.00%	313,498	(271,150)
Mortality rate change	1 year	1,870	(1,887)

36. DEFINED CONTRIBUTION PLAN

The Bank operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund. The total assets of the fund as at December 31, 2016 were Rs. 3,902,384 thousand (December 31, 2015: Rs. 3,270,502 thousand) as per latest available audited financial statements of the fund.

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

Rupees in '000	2017		2016
	Un-audited		Audited
Size of the Fund	4,091,219		3,885,156
Cost of investments	3,919,215		3,544,211
Fair value of investments	3,781,389		3,769,178
Percentage of investments	95.80%		91.22%

36.2 BREAKUP OF PROVIDENT FUND INVESTMENTS

	2017		2016	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Pakistan Investment Bonds	2,957,748	75.47	2,529,242	71.36
Mutual Funds	711,836	18.16	765,338	21.60
Shares	249,631	6.37	249,631	7.04
	3,919,215	100.00	3,544,211	100.00

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

37. COMPENSATED ABSENCES**37.1 GENERAL DESCRIPTION**

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

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

37.2 PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation was carried out for the year ended December 31, 2017 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2017 was Rs. 357,931 thousand (2016: Rs. 314,797 thousand). Expense for the year of Rs. 97,365 thousand (2016: Rs 84,440 thousand) has been included in administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2017	2016
Discount rate - per annum	9.25%	9.00%
Expected rate of increase in salaries - per annum	8.75%	8.50%
Leave accumulation factor - days	8	8

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38. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President & Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
Fees	–	–	6,494	5,812	–	–
Managerial remuneration	50,287	43,538	–	–	1,546,312	1,461,387
Allowances	5,360	4,641	–	–	259,065	232,016
Charge for defined benefit plan	3,898	3,375	–	–	91,503	86,740
Contribution to defined contribution plan	3,897	3,374	–	–	91,611	86,147
Rent and house maintenance	14,034	12,150	–	–	525,888	499,330
Utilities	3,859	3,341	–	–	125,494	119,181
Medical	3,508	3,038	–	–	115,088	109,088
Bonus	17,398	15,750	–	–	249,246	313,074
Others	3,974	3,872	–	–	3,504	3,504
	106,215	93,079	6,494	5,812	3,007,711	2,910,467
Number of persons	1	1	15	10	772	757

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

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

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

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs) and determined by valuers on the panel of Pakistan Bank's Association..

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of land and non-banking assets acquired in satisfaction of claims.

Rupees in '000	2017		
	Level 1	Level 2	Level 3
FINANCIAL ASSETS:			
Available for sale securities			
Market Treasury Bills	–	129,956,900	–
Pakistan Investment Bonds	–	155,714,864	–
Fully paid ordinary shares / units	3,384,942	–	18,360
Units of open end mutual funds	–	1,652,135	–
Fully paid preference shares	66,720	–	–
Term Finance Certificates	703,899	3,770,651	–
Sukuk Certificates	575,400	11,674,521	–
Commercial Papers	–	–	375,075
Foreign Government Bonds	–	228,426	–
Government of Pakistan Euro Bonds	–	571,409	–
	4,730,961	303,568,906	393,435
NON-FINANCIAL ASSETS:			
Operating fixed assets			
Property and equipment (freehold and leasehold land)	–	–	4,789,727
Other assets			
Non-banking assets acquired in satisfaction of claims	–	–	5,001,571
	–	–	9,791,298

Rupees in '000	2016		
	Level 1	Level 2	Level 3
FINANCIAL ASSETS:			
Available for sale securities			
Market Treasury Bills	–	107,500,863	–
Pakistan Investment Bonds	–	165,063,124	–
Fully paid ordinary shares / units	4,338,233	–	–
Units of open end mutual funds	–	1,942,061	–
Fully paid preference shares	89,845	–	–
Term Finance Certificates	707,070	2,513,486	–
Sukuk Certificates	700,000	8,810,858	–
Commercial Papers	–	–	–
Foreign Government Bonds	–	–	–
Government of Pakistan Euro Bonds	–	664,619	–
	5,835,148	286,495,011	–
Non-financial assets:			
Operating fixed assets			
Property and equipment (freehold and leasehold land)	–	–	4,789,727
Other assets			
Non-banking assets acquired in satisfaction of claims	–	–	4,938,757
	–	–	9,728,484

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

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40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2017							Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services		
Total income	351,812	21,378,269	1,737,412	18,902,784	111,671	40,755	42,522,703	
Total expenses	35,392	18,492,256	1,702,158	13,785,761	11,234	4,100	34,030,901	
Net income	316,420	2,886,013	35,254	5,117,023	100,437	36,655	8,491,802	
Segment Assets (Gross)	198,383	357,690,689	20,201,383	306,706,586	62,970	22,981	684,882,992	
Segment Non Performing Loans	–	–	2,196,480	24,556,547	–	–	26,753,027	
Segment Provision Required	–	1,500,238	2,451,310	24,223,075	–	–	28,174,623	
Segment Liabilities	2,459	50,045,823	361,726	573,861,804	781	285	624,272,878	
Segment Return on net Assets (ROA) (%)	0.06	3.35	0.27	2.96	0.02	0.01		
Segment Cost of funds (%)	0.01	3.05	0.28	2.28	0.00	0.00		

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

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 3.48% (2016: 3.47%) of the total assets have been allocated to segments based on their respective income.
- Unallocatable liabilities representing 1.36% (2016: 1.31%) of the total liabilities have been allocated to segments based on their respective assets.

41. TRUST ACTIVITIES

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

42. RELATED PARTY TRANSACTIONS

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

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

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

Rupees in '000	December 31, 2017					December 31, 2016				
	Parent	Key management personnel	Companies with common directorship having equity under 20%		Other related parties	Parent	Key management personnel	Companies with common directorship having equity under 20%		Other related parties
			Directors	Subsidiary				Directors	Subsidiaries	
Balances outstanding as at										
- Advances										
- Secured	781,073	390,847	-	3,797,303	-	799,921	305,484	-	4,534,697	-
- Un-secured	-	6,408	695	-	-	-	6,425	114	-	-
- Mark-up receivable	-	56,346	-	27,229	-	4,181	46,426	-	16,645	-
- Deposits - in local currency	5,674,098	160,366	27,047	6,452,719	3,251	5,355,831	133,340	13,219	6,650,114	9,008
- Deposits - in foreign currencies	96,617	26,222	1,954	757,299	-	106,858	14,212	158	645,930	-
- Sub-ordinated loans	-	-	-	24,975	-	-	-	-	-	-
- Mark-up payable - in local currency	20,193	1,515	18	11,038	-	11,221	1,197	14	10,423	313
- Mark-up payable - in foreign currencies	458	77	2	5,560	-	347	52	1	1,747	-
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	50,000	-	-	1,878,456	-	339,761	-	-	187,164	-
- Investment in shares / units	-	-	-	162,561	-	-	-	-	1,877,878	-
- Security deposits receivable	3,600	-	-	-	-	3,600	-	-	-	-
- Security deposits payable	494	504	-	59,772	-	494	1,165	-	8,665	-
- Assets held for sale - net of provision	-	-	-	-	80,720	-	-	-	-	261,762
- Contribution payable to employees' funds	-	-	-	-	-	-	-	-	-	384,364
Transactions during the year ended										
- Net mark-up / interest earned	43,474	13,254	141	321,600	-	50,915	9,680	-	345,984	-
- Net mark-up / interest expensed	268,101	4,907	643	408,832	144	192,247	4,383	228	431,784	441
- Contribution to employees' funds	-	-	-	-	-	-	-	-	-	478,249
- Rent of property / service charges paid	24,285	-	-	-	-	18,500	-	-	-	2,376
- Dividend Income	-	-	-	7,785	-	-	-	-	124,555	-
- Remuneration and allowances paid	-	480,361	-	-	-	-	406,437	-	-	3,937
- Post employment benefits	-	30,160	-	-	-	-	26,477	-	-	-
- Fee, commission and brokerage income	80	-	-	44,025	-	165	-	-	3,331	-
- Fee, commission and brokerage paid	-	-	-	62	-	-	-	-	293	-
- Dividend paid	2,265,705	222	6	-	19,575	1,132,852	297	282	-	8,644
- Fees and other expenses paid	-	250	6,494	-	-	-	2,190	5,812	-	-
- Gain on sale of assets held for sale	-	-	-	-	216,000	-	-	-	-	-

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

43. CAPITAL ADEQUACY

43.1 SCOPE OF APPLICATION

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

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

43.2 CAPITAL MANAGEMENT

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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GOALS OF MANAGING CAPITAL

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

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

BANK'S REGULATORY CAPITAL ANALYSED IN TWO TIERS

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

Tier II capital under Basel III is subject to a maximum of 2.5% of total Risk Weighted Assets as of Dec 2017. It includes subordinated debt issued prior to Jan 1, 2013 phasing out at an annual rate of 10%, Basel III compliant Tier II instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), reserves on the revaluation of fixed assets and available for sale investments (on and after tax basis up to a maximum of 45 percent), foreign exchange translation reserves etc. Basel III rules however do allow for the inclusion of the remaining 55% of the revaluation reserves into Tier II capital at an inclusion rate equal to the rate of deduction specified under the transitional arrangements for the coming years until 2018. Tier II capital deductions comprise of the remaining 50% other deductions noted above, reciprocal cross holdings in Tier II instruments of Banking, Financial or Insurance entities etc.

As of December 31, 2017 the Bank must meet a Tier 1 to RWA ratio and CAR including CCB of 7.5% and 11.275% respectively.

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

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

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

LEVERAGE RATIO

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

Rupees in '000	2017	2016
The Bank's position under Basel III's third capital standard is as under:		
Tier I Capital	25,345,249	23,950,053
Total Exposure	1,064,294,767	968,101,580
Leverage Ratio	2.38%	2.47%

Rupees in '000	Note	2017	2016
43.3 CAPITAL ADEQUACY RATIO (CAR)			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital / Capital deposited with SBP		12,602,602	12,602,602
Balance in Share Premium Account		234,669	234,669
Reserve for issue of Bonus Shares		–	–
General / Statutory Reserves		11,589,899	8,342,506
Gain / (Losses) on derivatives held as Cash Flow Hedge		–	–
Unappropriated / unremitted profit		2,849,878	4,084,206
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		–	–
CET 1 before Regulatory Adjustments		27,277,048	25,263,983
Total regulatory adjustments applied to CET1	43.3.1	1,931,799	1,313,930
Common Equity Tier 1		25,345,249	23,950,053
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		–	–
of which: Classified as liabilities		–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		–	–
AT1 before regulatory adjustments		–	–
Total regulatory adjustment applied to AT1 capital	43.3.2	–	–
Additional Tier 1 capital after regulatory adjustments		–	–
Additional Tier 1 capital recognized for capital adequacy		–	–
Tier 1 Capital (CET1 + admissible AT1)		25,345,249	23,950,053
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		3,990,400	3,992,000
Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		249,240	418,800
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		–	–
of which: instruments issued by subsidiaries subject to phase out		–	–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		684,515	605,543
Revaluation Reserves			
of which: Revaluation reserves on Property		2,520,898	2,209,327
of which: Unrealized Gains / Losses on AFS		347,539	2,159,919
Foreign Exchange Translation Reserves		2,868,437	4,369,246
Undisclosed / Other Reserves (if any)		123,847	93,511
–		–	–
T2 before regulatory adjustments		7,916,439	9,479,100
Total regulatory adjustment applied to T2 capital	43.3.3	340,066	380,247
Tier 2 capital (T2) after regulatory adjustments		7,576,373	9,098,853
Tier 2 capital recognized for capital adequacy		7,576,373	9,098,853
Portion of Additional Tier 1 capital recognized in Tier 2 capital		–	–
Total Tier 2 capital admissible for capital adequacy		7,576,373	9,098,853
TOTAL CAPITAL (T1 + admissible T2)		32,921,622	33,048,906
Total Risk Weighted Assets (RWA)	43.6	272,352,072	264,431,082

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Percent	2017	2016
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	9.31%	9.06%
Tier-1 capital to total RWA	9.31%	9.06%
Total capital to RWA	12.09%	12.50%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.275%	6.65%
of which: capital conservation buffer requirement	1.275%	0.65%
of which: countercyclical buffer requirement	–	–
of which: D-SIB or G-SIB buffer requirement	–	–
CET1 available to meet buffers (as a percentage of risk weighted assets)	2.04%	2.41%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
Total Capital plus CCB* ratio	11.275%	10.65%
*CCB: Consisting of CET1 Only		
Rupees in '000	2017	2016
43.3.1 Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	–	–
All other intangibles (net of any associated deferred tax liability)	840,834	963,621
Reciprocal cross holdings in CET1 capital instruments	1,018,618	247,917
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	72,347	102,392
Total regulatory adjustments applied to CET1	1,931,799	1,313,930
43.3.2 Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	72,347	102,392
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital	–	–
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–
Total regulatory adjustment applied to AT1 capital	–	–
43.3.3 Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-2 capital	–	–
Reciprocal cross holdings in Tier 2 instruments	340,066	380,247
Total regulatory adjustment applied to T2 capital	340,066	380,247
43.3.4 Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		
of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	913,015	1,624,933
of which: deferred tax assets	–	–
of which: Defined-benefit pension fund net assets	–	–
Total	913,015	1,624,933

Rupees in '000	2017	2016
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	1,044,496	1,154,156
Significant investments in the common stock of financial entities	–	–
Deferred tax assets arising from temporary differences (net of related tax liability)	100,755	–
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	684,515	605,848
Cap on inclusion of provisions in Tier 2 under standardized approach	2,715,687	2,448,854
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–
	Balance sheet as in published financial statement	Under regulatory scope of consolidation
Rupees in '000	As at December 31, 2017	
43.4 CAPITAL STRUCTURE RECONCILIATION		
ASSETS		
Cash and balances with treasury banks	44,239,325	44,239,325
Balances with other banks	3,193,835	3,193,835
Lending to financial institutions	2,250,000	2,250,000
Investments	314,956,748	314,956,748
Advances	258,693,086	258,693,086
Operating fixed assets	10,728,827	10,728,827
Deferred tax assets	100,755	100,755
Other assets	22,545,793	22,545,793
TOTAL ASSETS	656,708,369	656,708,369
LIABILITIES & EQUITY		
Bills payable	10,769,262	10,769,262
Borrowings	71,587,311	71,587,311
Deposits and other accounts	525,808,308	525,808,308
Sub-ordinated loans	4,992,800	4,992,800
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	–	–
Other liabilities	11,115,197	11,115,197
TOTAL LIABILITIES	624,272,878	624,272,878
Share capital / Head office capital account	12,602,602	12,602,602
Reserves	11,948,415	11,948,415
Unappropriated / Unremitted profit	2,849,878	2,849,878
Minority Interest	–	–
Surplus on revaluation of assets	5,034,596	5,034,596
TOTAL LIABILITIES & EQUITY	656,708,369	656,708,369

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	Balance sheet as in published financial statement	Under regulatory scope of consolidation
Rupees in '000	As at December 31, 2017	
ASSETS		
Cash and balances with treasury banks	44,239,325	44,239,325
Balances with other banks	3,193,835	3,193,835
Lending to financial institutions	2,250,000	2,250,000
Investments	314,956,748	314,956,748
of which: Mutual Funds exceeding regulatory threshold	72,347	72,347
of which: reciprocal cross holding of capital instrument CET 1	1,018,618	1,018,618
of which: reciprocal cross holding of capital instrument AT 1	-	-
of which: reciprocal cross holding of capital instrument Tier II	340,066	340,066
of which: others	313,525,717	313,525,717
Advances	258,693,086	258,693,086
shortfall in provisions/ excess of total EL amount over eligible provisions under		
IRB	-	-
general provisions reflected in Tier 2 capital	684,515	684,515
Fixed Assets	10,728,827	10,728,827
of which: Intangibles	840,834	840,834
Deferred Tax Assets	100,755	100,755
of which: DTAs excluding those pertaining to temporary differences	-	-
of which: DTAs arising from temporary differences below the threshold	100,755	100,755
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-
Other assets & assets held for sale	22,545,793	22,545,793
of which: Goodwill	-	-
of which: Intangibles	-	-
of which: Defined-benefit pension fund net assets	-	-
TOTAL ASSETS	656,708,369	656,708,369
LIABILITIES & EQUITY		
Bills payable	10,769,262	10,769,262
Borrowings	71,587,311	71,587,311
Deposits and other accounts	525,808,308	525,808,308
Sub-ordinated loans	4,992,800	4,992,800
of which: eligible for inclusion in AT1	-	-
of which: eligible for inclusion in Tier 2	4,239,640	4,239,640
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	11,115,197	11,115,197
Total liabilities	624,272,878	624,272,878
Share capital	12,602,602	12,602,602
of which: amount eligible for CET1	12,602,602	12,602,602
of which: amount eligible for AT1	-	-
Reserves	11,948,415	11,948,415
of which: portion eligible for inclusion in CET1- Balance in Share Premium Account	234,669	234,669
of which: portion eligible for inclusion in CET1- General / Statutory Reserves	11,589,899	11,589,899
of which: portion eligible for inclusion in Tier 2	123,847	123,847
Unappropriated profit	2,849,878	2,849,878
Surplus on revaluation of assets	5,034,596	5,034,596
of which: Revaluation reserves on Property	2,832,470	2,832,470
of which: Unrealized Gains / Losses on AFS	390,491	390,491
of which: on Non-Banking Assets	1,811,635	1,811,635
TOTAL LIABILITIES & EQUITY	656,708,369	656,708,369

		Balance sheet as in published financial statement
Rupees in '000		As at December 31, 2017
43.5	BASEL III DISCLOSURE	
	COMMON EQUITY TIER 1 CAPITAL (CET 1): INSTRUMENTS AND RESERVES	
	Fully Paid-up Capital / Capital deposited with SBP	12,602,602
	Balance in Share Premium Account	234,669
	General / Statutory Reserves	11,589,899
	Unappropriated / unremitted profit	2,849,878
	CET 1 BEFORE REGULATORY ADJUSTMENTS	27,277,048
	COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS	
	All other intangibles (net of any associated deferred tax liability)	840,834
	Reciprocal cross holdings in CET1 capital instruments	1,018,618
	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	72,347
	Total regulatory adjustments applied to CET1	1,931,799
	COMMON EQUITY TIER 1	25,345,249
	ADDITIONAL TIER 1 (AT 1) CAPITAL	
	Qualifying Additional Tier-1 instruments plus any related share premium	-
	of which: Classified as equity	-
	of which: Classified as liabilities	-
	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-
	of which: instrument issued by subsidiaries subject to phase out	-
	AT1 BEFORE REGULATORY ADJUSTMENTS	-
	ADDITIONAL TIER 1 CAPITAL: REGULATORY ADJUSTMENTS	
	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	72,347
	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-BaseI III treatment which, during transitional period, remain subject to deduction from Tier-1 capital	-
	Total of Regulatory Adjustment applied to AT1 capital	72,347
	Additional Tier 1 capital	-
	ADDITIONAL TIER 1 CAPITAL RECOGNIZED FOR CAPITAL ADEQUACY	-
	TIER 1 CAPITAL (CET 1 + ADMISSIBLE AT1)	25,345,249
	TIER 2 CAPITAL	
	Qualifying Tier 2 capital instruments under Basel III	3,990,400
	Capital instruments subject to phase out arrangement from tier 2 (Pre-BaseI III instruments)	249,240
	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	684,515
	Revaluation Reserves eligible for Tier 2	2,868,437
	of which: portion pertaining to Property	2,520,898
	of which: portion pertaining to AFS securities	347,539
	Foreign Exchange Translation Reserves	123,847
	Undisclosed / Other Reserves	-
	T2 BEFORE REGULATORY ADJUSTMENTS	7,916,439

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Rupees in '000	Balance sheet as in published financial statement As at December 31, 2017
TIER 2 CAPITAL: REGULATORY ADJUSTMENTS	
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-2 capital	-
Reciprocal cross holdings in Tier 2 instruments	340,066
Amount of Regulatory Adjustment applied to T2 capital	340,066
Tier 2 capital (T2)	7,576,373
TIER 2 CAPITAL RECOGNIZED FOR CAPITAL ADEQUACY	7,576,373
Excess Additional Tier 1 capital recognized in Tier 2 capital	-
TOTAL TIER 2 CAPITAL ADMISSIBLE FOR CAPITAL ADEQUACY	7,576,373
TOTAL CAPITAL (T1 + ADMISSIBLE T2)	32,921,622

43.6 CAPITAL ADEQUACY RATIO AS AT DECEMBER 31, 2017

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

RISK-WEIGHTED EXPOSURES

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2017	2016	2017	2016
CREDIT RISK				
PORTFOLIOS SUBJECT TO STANDARDIZED APPROACH (COMPREHENSIVE APPROACH FOR CRM)				
CLAIMS ON:				
Sovereigns other than PKR claims	892,193	537,544	8,921,927	5,375,437
Public Sector Entities (PSEs)	600,731	344,086	6,007,310	3,440,864
Banks	412,965	510,984	4,129,645	5,109,837
Corporates	10,013,390	9,841,650	100,133,899	98,416,504
Retail portfolio	1,819,265	1,304,426	18,192,650	13,044,257
Residential mortgage finance	486,505	399,594	4,865,046	3,995,935
Listed equities and regulatory capital instruments issued by others banks	117,598	68,338	1,175,977	683,380
Unlisted equity investments	2,754	-	27,540	-
Significant investment and DTAs	25,189	-	251,888	-
Fixed Assets	988,799	1,005,593	9,887,993	10,055,931
Other Assets	764,140	698,107	7,641,402	6,981,072
Past Due Exposures	216,889	267,637	2,168,893	2,676,368
OFF-BALANCE SHEET				
Non-market related	5,274,975	4,586,061	52,749,754	45,860,614
Market Related	110,103	26,811	1,101,028	268,105
MARKET RISK				
PORTFOLIOS SUBJECT TO STANDARDIZED APPROACH				
Interest rate risk	1,244,445	2,612,291	12,444,447	26,122,910
Equity position risk	655,915	907,805	6,559,154	9,078,052
Foreign exchange risk	24,849	55,106	248,485	551,059
OPERATIONAL RISK	3,584,503	3,277,076	35,845,034	32,770,757
TOTAL	27,235,208	26,443,109	272,352,072	264,431,082
GROSS TOTAL (including CCB)	30,707,696	28,161,910	272,352,072	264,431,082

CAPITAL ADEQUACY RATIO

Percent	Required		Actual	
	2017	2016	2017	2016
CET1 to total RWA	6.00%	6.00%	9.31%	9.06%
Tier-1 capital to total RWA	7.50%	7.50%	9.31%	9.06%
Total capital to total RWA	10.00%	10.00%	12.09%	12.50%
Gross Total Capital to total RWA (including CCB)	11.275%	10.65%	12.09%	12.50%

43.7 MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

MAIN FEATURES	COMMON SHARES	INSTRUMENT-3 (PPTFC TFC IV)	INSTRUMENT-4 (PPTFC TFC V)
Issuer		Askari Bank - Public Limited Company	
Unique identifier	AKBL	NA	NA
Governing law(s) of the instrument	The Repealed Companies Ordinance 1984 & Stock Exchanges Regulations	The Repealed Companies Ordinance, 1984	The Repealed Companies Ordinance, 1984
Regulatory treatment			
Transitional Basel III rules	NA	Tier 2	Tier 2
Post-transitional Basel III rules	NA	Ineligible	NA
Eligible at solo/ group/ group&solo	Solo and Group	Solo and Group	Solo and Group
Instrument type	Ordinary shares	Subordinated Debt Instrument	Subordinated Debt Instrument
Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,602,602	249,240	3,990,400
Par value of instrument	Rs. 10 per Share	Rs. 1,000,000 per Instrument	Rs. 5,000 per Instrument
Accounting classification	Shareholder's equity	Liability - amortized cost	Liability - amortized cost
Original date of issuance	Year 1992	December 23, 2011	September 30, 2014
Perpetual or dated	Perpetual/ no Maturity	Dated	Dated
Original maturity date	NA	December 23, 2021	September 30, 2024
Issuer call subject to prior supervisory approval	NA	Yes	Yes
Optional call date, contingent call dates and redemption amount	NA	December 23, 2016	September 30, 2019, Call would be subject to SBP approval and not less than 30 days notice to investors and security trustee. Tax: as per prevailing structure.
Subsequent call dates, if applicable	NA	Yes	Yes
Coupons / dividends			
Fixed or floating dividend/ coupon	NA	Floating	Floating
coupon rate and any related index/ benchmark	NA	Average Ask 6 month KIBOR + 1.75% (1 TO 5 Years) & Average Ask 6 month KIBOR + 2.20 (6 to 10 Years)	Average Ask 6 month KIBOR + 1.20%
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	NA	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Non cumulative	Cumulative	Cumulative
Convertible or non-convertible	NA	Non-convertible	Convertible
If convertible, conversion trigger (s)	NA	NA	As deemed to be triggered by SBP
If convertible, fully or partially	NA	NA	Fully or as deemed appropriate by SBP
If convertible, conversion rate	NA	NA	Dependent on target market value of equity per share on or before the date of trigger.
If convertible, mandatory or optional conversion	NA	NA	Mandatory
If convertible, specify instrument type convertible into	NA	NA	Common Equity Tier 1
If convertible, specify issuer of instrument it converts into	NA	NA	Askari Bank Limited
Write-down feature	NA	NA	Yes
If write-down, write-down trigger(s)	NA	NA	As deemed to be triggered by SBP. Legal basis is provided to authorities to set trigger as part of the terms of contract.
If write-down, full or partial	NA	NA	As deemed to be appropriate by SBP. Legal basis is provided to authorities to decide as part of the terms of contract.
If write-down, permanent or temporary	NA	NA	
If temporary write-down, description of write-up mechanism	NA	NA	
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	3rd, Subordinated Debt being senior	2nd, Lenders and Depositors being senior	2nd, Lenders and Depositors being senior
Non-compliant transitioned features	No	Yes	No
If yes, specify non-compliant features	NA	Does not meet loss absorbency requirements including conversion	NA

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44. RISK MANAGEMENT

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

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

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

44.1 CREDIT RISK:

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

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

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

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

44.1.1 SEGMENT INFORMATION

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

44.1.1.1 SEGMENT BY CLASS OF BUSINESS

	2017						2016					
	Advances		Deposits		Contingencies and Commitments - note 44.1.1.6		Advances		Deposits		Contingencies and Commitments - note 44.1.1.6	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture finances	4,685,884	1.65	1,148,932	0.22	1,732,217	0.40	3,576,371	1.36	3,842,218	0.81	1,551,558	0.43
Automobiles and Allied	869,820	0.31	303,310	0.06	931,648	0.22	773,519	0.30	2,013,449	0.43	252,617	0.07
Cables / Electronics	2,647,185	0.93	1,402,709	0.27	1,552,302	0.36	2,701,249	1.03	2,822,440	0.60	1,738,981	0.48
Carpets	90,196	0.03	4,065	–	8,250	0.00	80,398	0.03	352,934	0.07	8,250	0.00
Cement	4,482,630	1.58	411,677	0.08	1,917,888	0.45	2,994,025	1.14	479,227	0.10	1,674,275	0.47
Chemicals / Pharmaceuticals	5,149,067	1.81	1,336,367	0.25	7,777,019	1.81	5,044,205	1.92	1,193,756	0.25	4,689,262	1.30
Engineering	105,091	0.04	144,716	0.03	4,200,107	0.98	740,025	0.28	403,155	0.09	4,334,405	1.21
Fertilizers	1,947,873	0.69	2,750,183	0.52	4,044,983	0.94	2,022,455	0.77	2,897,960	0.61	5,247,773	1.46
Food and Allied	6,712,158	2.36	5,893,496	1.12	1,292,543	0.30	8,092,397	3.09	1,225,539	0.26	948,822	0.26
Fuel / Energy	22,138,997	7.79	7,935,335	1.51	38,467,272	8.97	17,630,179	6.73	2,739,153	0.58	35,551,970	9.89
Ghee and Edible Oil	2,677,099	0.94	328,878	0.06	2,941,420	0.69	2,225,561	0.85	777,626	0.16	2,464,737	0.69
Glass and Ceramics	1,870,153	0.66	233,015	0.04	766,447	0.18	1,805,348	0.69	32,224	0.01	621,221	0.17
Hotels and Restaurants	2,219,443	0.78	145,430	0.03	740	0.00	2,862,339	1.09	496,497	0.11	491	0.00
Individuals	29,753,031	10.46	203,345,869	38.67	2,899,996	0.68	23,086,530	8.81	190,397,975	40.27	2,932,627	0.82
Insurance	100,228	0.04	2,141,036	0.41	5,000	0.00	74,949	0.03	1,021,966	0.22	–	–
Financial institutions / Investment companies	5,058,068	1.78	12,277	–	80,937,973	18.88	3,626,132	1.38	183,393	0.04	34,537,594	9.61
Leasing	612,500	0.22	542	–	15,759	0.00	640,000	0.24	6,947	0.00	150,000	0.04
Leather Products and Shoes	1,647,088	0.58	725,062	0.14	1,452,862	0.34	1,747,738	0.67	873,093	0.18	1,294,398	0.36
Modarabas	–	–	12	–	–	–	–	–	12	0.00	–	–
Paper and Board	507,397	0.18	180,588	0.03	869,073	0.20	427,044	0.16	130,715	0.03	557,209	0.16
Plastic products	1,325,163	0.47	71,628	0.01	732,082	0.17	1,174,196	0.45	161,791	0.03	648,322	0.18
Ready made garments	2,327,778	0.82	379,148	0.07	1,148,628	0.27	2,432,235	0.93	884,083	0.19	675,739	0.19
Real Estate / Construction	6,456,854	2.27	24,806,039	4.72	33,846,100	7.90	6,553,193	2.50	18,656,191	3.95	17,880,697	4.97
Rice Processing and trading	6,145,409	2.16	960,816	0.18	37,265	0.01	6,128,491	2.34	1,127,937	0.24	258,136	0.07
Rubber Products	829,682	0.29	27,262	0.01	283,152	0.07	745,080	0.28	108,992	0.02	1,180,916	0.33
Services												
(Other than Financial, Hotelling and Travelling)	6,008,989	2.11	8,515,871	1.62	2,666,640	0.62	5,137,514	1.96	7,706,778	1.63	55,699,083	15.50
Sports goods	313,152	0.11	609,338	0.12	53,497	0.01	371,496	0.14	152,154	0.03	168,466	0.05
Sugar	7,181,562	2.53	287,214	0.05	150,583	0.04	4,850,866	1.85	238,376	0.05	167,856	0.05
Surgical equipment / Metal Products	11,232,797	3.95	1,440,638	0.27	1,819,086	0.42	10,269,940	3.92	2,208,867	0.47	1,530,107	0.43
Synthetic and Rayon	728,470	0.26	7,993	–	165,204	0.04	878,930	0.34	169,617	0.04	444,236	0.12
Textile	38,330,675	13.47	2,130,027	0.41	5,094,279	1.19	33,857,964	12.92	4,766,839	1.01	9,071,708	2.52
Tobacco / Cigarette manufacturing	4,462	–	2,602	–	–	–	4,462	0.00	8	0.00	1,000	0.00
Transport and communication	6,823,418	2.40	1,638,677	0.31	713,557	0.17	5,129,771	1.96	2,672,122	0.57	3,869,062	1.08
Travel Agencies	245,490	0.09	365,515	0.07	431,746	0.10	251,055	0.10	355,695	0.08	490,331	0.14
Woolen	230,685	0.08	1,157	–	123,369	0.03	394,778	0.15	951,015	0.20	31,960	0.01
Public sector / Government	86,590,715	30.44	209,134,001	39.78	210,052,815	49.00	85,244,751	32.51	168,256,224	35.59	157,411,108	43.80
Others	16,290,461	5.72	46,986,883	8.94	19,530,650	4.56	18,548,070	7.08	52,504,377	11.10	11,327,058	3.15
	284,339,670	100.00	525,808,308	100.00	428,662,152	100.00	262,123,256	100.00	472,811,335	100.00	359,411,975	100.00

44.1.1.2 SEGMENT BY SECTOR

	2017						2016					
	Advances		Deposits		Contingencies and Commitments - note 44.1.1.6		Advances		Deposits		Contingencies and Commitments - note 44.1.1.6	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public sector / Government	86,590,715	30.44	209,134,001	39.78	210,052,815	49.00	85,244,751	32.51	168,256,224	35.59	157,411,108	43.80
Private	197,748,955	69.56	316,674,307	60.22	218,609,337	51.00	176,878,505	67.49	304,555,111	64.41	202,000,867	56.20
	284,339,670	100.00	525,808,308	100.00	428,662,152	100.00	262,123,256	100.00	472,811,335	100.00	359,411,975	100.00

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

Rupees in '000	2017		2016	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Agriculture finances	471,180	250,130	601,812	287,556
Automobiles and Allied	240,794	215,364	371,301	343,562
Cables / Electronics	1,091,696	1,090,896	1,116,525	1,112,207
Chemicals / Pharmaceuticals	9,808	9,808	201,781	190,916
Food and Allied	355,859	318,869	343,469	295,625
Fuel / Energy	2,229,035	2,225,932	2,593,982	2,572,106
Glass manufacturing	1,110,342	1,110,342	1,110,342	1,110,342
Individuals	2,680,312	2,487,544	2,799,113	2,562,359
Leather products and Shoes	61,619	41,055	73,557	44,865
Paper industries	18,472	18,472	41,305	40,745
Real estate / Construction Services	647,296	633,424	868,667	853,778
(Other than Financial, Hotelling and Travelling)	96,846	67,538	44,485	40,874
Sports goods	263,213	261,563	261,563	261,563
Textile	11,880,979	11,177,833	12,308,808	11,590,359
Transport and Communication	726,703	496,314	714,013	544,771
Others	4,868,873	4,556,985	5,083,907	4,502,163
	26,753,027	24,962,069	28,534,630	26,353,791

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

Private	26,753,027	24,962,069	28,534,630	26,353,791
	26,753,027	24,962,069	28,534,630	26,353,791

44.1.1.5 GEOGRAPHICAL SEGMENT ANALYSIS

Rupees in '000	Note	2017			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments - note 44.1.1.6
Pakistan	44.1.1.5.1	7,978,439	639,357,882	31,965,074	425,863,774
Asia Pacific (including South Asia)		—	—	—	—
Europe		—	—	—	—
United States of America and Canada		—	—	—	—
Middle East	44.1.1.5.1	513,363	17,275,737	395,667	2,798,378
Others		—	—	—	—
		8,491,802	656,633,619	32,360,741	428,662,152

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

44.1.1.5.1 These do not include intra bank items of Rs. 10,282,918 thousand (2016: Rs. 9,328,052 thousand) eliminated upon consolidation of Wholesale Bank Branch.

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

44.1.1.7 COLLATERAL

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

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

44.2 MARKET RISK:

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

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

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

44.2.1 MARKET RISK - GENERAL DISCLOSURES BASEL III SPECIFIC

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

44.2.2 FOREIGN EXCHANGE RISK

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

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2017				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	620,205,285	570,149,108	(17,270,759)	32,785,418
U.S. Dollars	35,066,444	48,126,604	12,538,446	(521,714)
Pound Sterling	538,559	4,155,268	3,400,780	(215,929)
Japanese Yen	10,542	12	(9,462)	1,068
Euro	357,366	1,838,728	1,341,001	(140,361)
Other European Currencies	19,136	–	(6)	19,130
Other Currencies	511,037	3,158	–	507,879
	656,708,369	624,272,878	–	32,435,491

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

44.2.3 EQUITY POSITION RISK

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

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

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

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

44.2.5 MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

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

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

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MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

Rupees in '000	Effective Yield / Interest rate	Total	2016								Non-interest bearing financial instruments	
			Exposed to yield / interest risk									
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		42,568,141	5,735,677	-	-	-	-	-	-	-	-	36,832,464
Balances with other banks	3.49%	5,845,748	4,093,287	-	-	-	-	-	-	-	-	1,752,461
Lendings to financial institutions	5.44%	6,836,584	3,992,000	2,330,023	-	514,561	-	-	-	-	-	-
Investments	6.93%	295,846,254	36,994,767	46,055,208	12,516,532	30,678,772	44,803,250	22,767,414	46,585,497	49,108,288	-	6,336,526
Advances	6.48%	235,163,922	80,293,195	117,462,397	22,854,031	7,993,480	938,751	422,906	807,555	1,216,564	3,175,043	-
Assets held for sale		261,762	-	-	-	-	-	-	-	-	-	261,762
Other assets		10,863,671	-	-	-	-	-	-	-	-	-	10,863,671
		597,386,082	131,108,926	165,847,628	35,370,563	39,186,813	45,742,001	23,190,320	47,393,052	50,324,852	3,175,043	56,046,884
Liabilities												
Bills payable		8,579,809	-	-	-	-	-	-	-	-	-	8,579,809
Borrowings	5.39%	89,261,788	83,980,814	1,804,423	3,381,433	-	31,706	31,706	31,706	-	-	-
Deposits and other accounts	3.70%	472,811,335	142,694,668	100,301,165	76,862,201	19,468,426	3,306,494	231,600	189,005	-	-	129,757,776
Sub-ordinated loans	7.66%	4,994,800	-	3,996,800	998,000	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		9,013,131	-	-	-	-	-	-	-	-	-	9,013,131
		584,660,863	226,675,482	106,102,388	81,241,634	19,468,426	3,338,200	263,306	220,711	-	-	147,350,716
On-balance sheet gap		12,725,219	(95,566,556)	59,745,240	(45,871,071)	19,718,387	42,403,801	22,927,014	47,172,341	50,324,852	3,175,043	(91,303,832)
Off-balance sheet financial instruments												
Purchase and resale agreements	6.02%	4,001,864	4,001,864	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	5.86%	73,525,204	73,375,556	149,648	-	-	-	-	-	-	-	-
Commitments to extend credits		18,532,793	18,532,793	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(88,056,133)	(87,906,485)	149,648	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(183,473,041)	59,595,592	(45,871,071)	19,718,387	42,403,801	22,927,014	47,172,341	50,324,852	3,175,043	(91,303,832)
Cumulative yield / interest risk sensitivity gap			(123,877,449)	(169,748,520)	(150,030,133)	(107,626,332)	(84,699,318)	(37,526,977)	12,797,875	15,972,918		

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

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

44.2.5.3 Assets do not include operating fixed assets of Rs. 10,728,827 (2016: Rs. 11,019,555) thousand and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealized gain on forward foreign exchange contracts-net, suspense account and stationary and stamps in hand of Rs. 12,519,010 (2016: 10,733,556) thousand.

44.2.5.4 Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, branch adjustment account, unrealized loss on forward foreign exchange contracts-net, withholding taxes payable, federal excise duty and worker's welfare fund of Rs. 1,733,654 (2016: Rs. 1,374,950) thousand.

44.3 LIQUIDITY RISK

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

44.3.1 MATURITIES OF ASSETS AND LIABILITIES

		2017								
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	44,239,325	44,239,325	-	-	-	-	-	-	-	-
Balances with other banks	3,193,835	3,193,835	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,250,000	1,750,000	-	500,000	-	-	-	-	-	-
Investments	314,956,748	61,706,100	78,056,410	2,505,045	9,062,963	56,587,498	42,894,352	40,835,242	20,307,688	3,001,450
Advances	258,693,086	48,336,014	55,687,484	26,349,408	27,535,609	20,769,064	16,773,598	24,290,768	22,376,564	16,574,577
Operating fixed assets	10,728,827	247,417	171,698	252,512	491,843	940,531	802,263	915,946	697,806	6,208,811
Assets held for sale	80,720	-	-	-	80,720	-	-	-	-	-
Deferred tax assets	100,755	(210,265)	-	-	165,267	71,277	416,278	(341,802)	-	-
Other assets	22,465,073	5,257,601	-	-	-	3,505,068	3,505,068	3,399,114	3,399,114	3,399,108
	666,708,369	164,520,027	133,915,592	29,606,965	37,336,402	81,873,438	64,391,559	69,099,268	46,781,172	29,183,946
Liabilities										
Bills payable	10,769,262	3,544,357	-	653,116	6,571,789	-	-	-	-	-
Borrowings	71,587,311	60,815,038	5,705,697	4,926,143	-	46,811	46,811	46,811	-	-
Deposits and other accounts	525,808,308	69,477,571	36,423,266	15,666,785	19,769,822	92,309,926	90,886,385	96,099,115	52,587,720	52,587,718
Sub-ordinated loans	4,992,800	-	800	200	1,000	2,000	500,000	501,600	3,987,200	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	11,115,197	5,898,957	-	-	-	2,608,119	1,304,059	652,030	326,015	326,017
	624,272,878	139,735,923	42,129,763	21,246,244	26,342,611	94,966,856	92,737,255	97,299,556	56,900,935	52,913,735
Net assets	32,435,491	24,784,104	91,785,829	8,360,721	10,993,791	(13,093,418)	(28,345,696)	(28,200,288)	(10,119,763)	(23,729,789)
Share Capital	12,602,602									
Reserves	11,948,415									
Unappropriated profit	2,849,878									
Surplus on revaluation of assets	5,034,596									
	32,435,491									

		2016								
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	42,568,141	42,568,141	-	-	-	-	-	-	-	-
Balances with other banks	5,845,748	5,136,105	709,643	-	-	-	-	-	-	-
Lendings to financial institutions	6,836,584	3,992,000	2,330,023	-	514,561	-	-	-	-	-
Investments	295,846,254	36,394,497	40,982,134	9,354,516	31,706,005	46,308,938	27,780,763	49,676,425	52,716,974	926,002
Advances	235,163,922	61,041,844	45,007,109	24,906,513	22,639,800	18,660,415	16,694,225	21,037,575	13,328,584	11,847,857
Operating fixed assets	11,019,555	361,477	158,358	232,560	447,835	834,871	756,331	1,132,220	1,235,785	5,860,118
Assets held for sale	261,762	-	-	-	261,762	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	21,597,227	5,054,494	-	-	-	3,369,663	3,369,663	3,267,802	3,267,802	3,267,803
	619,139,193	154,548,558	89,187,267	34,493,589	55,569,963	69,173,887	48,600,982	75,114,022	70,549,145	21,901,780
Liabilities										
Bills payable	8,579,809	2,823,769	-	520,334	5,235,706	-	-	-	-	-
Borrowings	89,261,788	83,980,814	1,804,423	3,381,433	-	31,706	31,706	31,706	-	-
Deposits and other accounts	472,811,335	63,087,708	41,961,473	13,410,693	19,468,426	81,918,302	78,843,408	83,028,889	45,546,219	45,546,217
Sub-ordinated loans	4,994,800	-	800	200	1,000	2,000	2,000	1,000,000	3,988,800	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	526,430	1,491,068	-	-	(165,249)	(5,867)	(592,927)	(200,595)	-	-
Other liabilities	10,388,081	5,513,070	-	-	-	2,437,506	1,218,753	609,376	304,688	304,688
	586,562,243	156,896,429	43,766,696	17,312,660	24,539,883	84,383,647	79,502,940	84,469,376	49,839,707	45,850,905
Net assets	32,576,950	(2,347,871)	45,420,571	17,180,929	31,030,080	(15,209,760)	(30,901,958)	(9,355,354)	20,709,438	(23,949,125)
Share Capital	12,602,602									
Reserves	8,670,686									
Unappropriated loss	4,084,206									
Surplus on revaluation of assets	7,219,456									
	32,576,950									

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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

44.3.2 BASEL III LIQUIDITY STANDARDS

44.3.2.1 OVERVIEW

As part of Basel III implementation in Pakistan, SBP released instructions for implementation of liquidity standards, i.e. Liquidity Coverage Ratio (LCR) & Net Stable Funding Ratio (NSFR), under BPRD circular no. 08 of 2016. Under these instructions all banks were required to commence LCR reporting to SBP starting from January 31, 2017 on a monthly basis. Minimum requirement of LCR ratio has been introduced in a phased manner; minimum requirement has been set at 80% until December 31, 2017, 90% from December 31, 2017 onwards until December 31, 2018, where the requirement is set to 100%.

44.3.2.2 MAIN DRIVERS AND INTRA-PERIOD CHANGES IN LIQUIDITY COVERAGE RATIO

During the year, the bank has maintained a strong liquidity position as is evident from healthy short term and structural liquidity metrics. Since the introduction of LCR metrics by SBP, the Bank has remained well above the current regulatory minimum requirement of 90% throughout the year.

One of the main drivers of the Bank's LCR is changes in net cash outflow. The bank's average potential net cash outflow over the year was Rs. 153,812,783 thousand against which the bank sufficiently maintained average weighted HQLA of Rs. 283,558,342 thousand. During the year, the Bank's average quarterly LCR remained well above the minimum LCR requirement of 90% as shown below:

	31 - Mar - 17	30 - Jun - 17	30 - Sep - 17	31 - Dec - 17
Liquidity coverage ratio	192.61%	181.99%	180.04%	184.74%

44.3.2.3 THE COMPOSITION OF HIGH QUALITY LIQUID ASSETS (HQLA)

The Bank holds significant levels of unencumbered High Quality Liquid Assets (HQLA) that can be readily liquidated or used as collateral in the event of a liquidity crisis.

The Bank's HQLA is mainly comprised of Level 1 assets including Cash, Treasury Balances and Unencumbered Investments in Government of Pakistan-issued Pakistan Investment Bonds, Market Treasury Bills and Ijara Sukuks. As of December 31, 2017, Level 1 Assets account for approximately 98% of the Bank's HQLA. The remaining 2% is composed of debt securities issued or guaranteed by Public Sector Enterprises, qualifying corporate debt securities and equity investments.

44.3.2.4 LIQUIDITY RISK MANAGEMENT GOVERNANCE AND DEGREE OF CENTRALIZATION

Liquidity risk is the risk that an enterprise will be unable to raise funds to meet its commitments. The Board of Directors is responsible for ensuring that the Bank has a robust liquidity risk management framework in place, while the management is responsible for actively monitoring the Bank's position with respect to market conditions. The Asset and Liability Management Committee (ALCO) is tasked with ensuring adherence with strategies, policies and practices for managing the Bank's liquidity risk as defined and approved by the Board or its subcommittees. ALCO is also responsible for setting and monitoring applicable liquidity risk limits.

The Treasury Division is responsible for managing the Bank's position on a day-to-day basis by ensuring the availability of sufficient liquidity to meet daily commitments, and by raising funds where necessary. In this regard, Treasury works in close coordination with the Bank's front-line business units as well as key support functions.

44.3.2.5 FUNDING STRATEGIES AND CONCENTRATION OF FUNDING SOURCES

The Bank's net funding requirements are assessed by constructing a maturity profile of all assets and liabilities in order to identify potential funding surpluses and gaps. ALCO monitors and assesses sources of funds, their maturity profile and concentration, and formulates strategies accordingly.

The primary source of funds is deposits generated from customers; branches across the country are responsible for mobilizing deposits with a focus on building core deposits at cost-effective rates. The majority of the Bank's current funding mix is comprised of wholesale and retail customers. From a diversification perspective, the Bank also makes prudent use of clean and repo borrowings from local and international markets as and when necessary.

44.3.2.6 LIQUIDITY RISK MITIGATION TECHNIQUES, LIQUIDITY STRESS TESTING AND CONTINGENCY FUNDING PLANS

The Bank utilizes a number of techniques to mitigate liquidity risk. The majority of the Bank's investments are in highly liquid government securities such as Market Treasury Bills (MTBs) and Pakistan Investment Bonds (PIBs). The Treasury Division is responsible for maintaining a reserve of cash and liquid instruments to ensure compliance with SBP-mandated Cash Reserve Ratio (CRR) and Statutory Liquidity Requirement (SLR) Regulations at all times. In order to facilitate the arrangement of funds, business units inform Treasury of all funding requirements at least two day prior to the payment date. Treasury also makes use of short-term money market borrowing and lending to ensure that short-term needs are met and excess funds are efficiently utilized.

Key metrics including maturity mismatches, outflows in each time band, and liquid assets to deposits ratio are presented at ALCO meetings along with other stress test results in order to ensure compliance with internal and regulatory requirements.

Stress testing is fully integrated in the liquidity risk management framework. The Bank regularly conducts a series of exhaustive tests to assess resilience under extreme market conditions. The scenarios included in these tests include large-scale withdrawal of deposits, deterioration in high-quality liquid assets, and a sudden increase in short-term cash outflows. The results of these stress tests are compared to internal as well as regulatory benchmarks.

The Bank has also devised a contingency funding plan that assigns specific roles and responsibilities in order to ensure an adequate response in the event of a severe liquidity crisis. A series of primary and secondary action plans have been developed with the goal of meeting the Bank's stressed liquidity needs while minimizing cost and protecting the interests of depositors, shareholders and other stakeholders. The contingency funding plan also includes a list of early warning indicators covering key liquidity metrics such as the Advances-to-Deposits Ratio (ADR) and core deposit ratio. These metrics are presented regularly at ALCO meetings.

44.3.2.7 CURRENCY MISMATCH IN THE LIQUIDITY COVERAGE RATIO

Given the nature of the Bank's business, HQLA and net cash outflows are primarily in PKR. The Treasury Division actively monitors the Bank's foreign exchange exposure in order to address potential mismatches by comparing spot and forward positions in all foreign currencies. Aggregate foreign exchange exposure is maintained within regulatory limits such as the SBP Foreign Exchange Exposure Limit (FEEL).

44.3.2.8 DERIVATIVE EXPOSURES AND POTENTIAL COLLATERAL CALLS

AKBL currently has very little exposure in derivative business, limited to FX forwards and forward commitment, which is not very significant.

Key metrics including maturity mismatches, outflows in each time band, and liquid assets to deposits ratio are presented at ALCO meetings along with other stress test results in order to ensure compliance with internal and regulatory requirements.

Stress testing is fully integrated in the liquidity risk management framework. The Bank regularly conducts a series of exhaustive tests to assess resilience under extreme market conditions. The scenarios included in these tests include large-scale withdrawal of deposits, deterioration in high-quality liquid assets, and a sudden increase in short-term cash outflows. The results of these stress tests are compared to internal as well as regulatory benchmarks.

The Bank has also devised a contingency funding plan that assigns specific roles and responsibilities in order to ensure an adequate response in the event of a severe liquidity crisis. A series of primary and secondary action plans have been developed with the goal of meeting the Bank's stressed liquidity needs while minimizing cost and protecting the interests of depositors, shareholders and other stakeholders. The contingency funding plan also includes a list of early warning indicators covering key liquidity metrics such as the Advances-to-Deposits Ratio (ADR) and core deposit ratio. These metrics are presented regularly at ALCO meetings.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

44.3.3 LCR COMMON DISCLOSURE

Rupees in '000'		December 31, 2017	
		TOTAL UNWEIGHTED VALUE (AVERAGE)	TOTAL WEIGHTED VALUE (AVERAGE)
HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)		283,558,343
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers of which:	187,978,905	18,797,890
3	stable deposit	–	–
4	Less stable deposit	187,978,905	18,797,890
5	Unsecured wholesale funding of which:	328,898,351	139,713,173
6	Operational deposits (all counter parties)	–	–
7	Non-operational deposits (all counter parties)	320,879,596	131,694,417
8	Unsecured debt	8,018,756	8,018,756
9	Secured wholesale funding		7,624,225
10	Additional requirements of which:	17,710,638	1,776,097
11	Outflows related to derivative exposures and other collateral requirements	96,914	96,914
12	Outflows related to loss of funding on debt products	–	–
13	Credit and Liquidity facilities	17,613,725	1,679,183
14	Other contractual funding obligations	–	–
15	Other contingent funding obligations	511,188,740	14,757,113
16	TOTAL CASH OUTFLOWS		182,668,499
CASH INFLOWS			
17	Secured lending	395,833	–
18	Inflows from fully performing exposures	46,799,267	25,027,936
19	Other Cash inflows	6,732,087	3,827,779
20	TOTAL CASH INFLOWS	53,927,187	28,855,715
TOTAL ADJUSTED VALUE			
21	TOTAL HQLA		283,558,343
22	TOTAL NET CASH OUTFLOWS		153,812,783
23	LIQUIDITY COVERAGE RATIO		184.84%

44.3.4 NET STABLE FUNDING RATIO (NSFR)

44.3.4.1 OVERVIEW

In continuation of the instructions provided in BPRD circular no. 08 of 2016, Banks are expected to meet the NSFR requirement of at least 100% on an ongoing basis from December 31, 2017. The NSFR of the Bank for December 31, 2017 stands at 220.45% which is significantly above the minimum level stipulated by SBP.

44.3.4.2 SCOPE OF APPLICATION

The objective of NSFR is to reduce funding risk over a longer time horizon by requiring Banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

44.3.5 NSFR DISCLOSURE

Rupees in '000		December 31, 2017				Weighted Value
		Unweighted value by residual maturity				
		No Maturity	<6 Month	6 Month to <1 Year	>1 Year	
ASF ITEM						
1	Capital:	27,277,048	–	–	4,139,944	31,416,992
2	Regulatory capital	27,277,048	–	–	4,139,944	31,416,992
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposit from small business customers:	–	31,030,928	4,588,187	162,996,129	195,053,333
5	Stable deposits	–	–	–	–	–
6	Less stable deposits	–	31,030,928	4,588,187	162,996,129	195,053,333
7	Wholesale funding:	–	156,774,010	17,423,906	225,435,316	310,147,070
8	Operational deposits	–	–	–	–	–
9	Other wholesale funding	–	156,774,010	17,423,906	225,435,316	310,147,070
10	Other liabilities:	5,158,444	10,096,430	6,571,789	5,216,240	–
11	NSFR derivative liabilities	–	–	–	329,221	–
12	All other liabilities and equity not included in other categories	5,158,444	10,096,430	6,571,789	5,216,240	–
13	TOTAL ASF					536,617,394
RSF ITEM						
14	Total NSFR high-quality liquid assets (HQLA)					1,914,273
15	Deposits held at other financial institutions for operational purposes	–	2,193,683	–	–	1,096,841
16	Performing loans and securities:	–	125,069,484	29,607,508	104,927,987	160,252,984
17	Performing loans to financial institutions secured by Level 1 HQLA	–	1,500,000	–	–	225,000
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	2,832,168	1,483,861	2,123,854	3,290,610
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:	–	120,737,316	28,123,646	102,804,133	140,238,359
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	25,520,283	4,271,066	25,383,100	16,499,015
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities	–	125,711	26,049	306,487	389,511
22	Other assets:	–	55,420,790	1,522,275	38,273,169	51,663,568
23	Physical traded commodities, including gold	–	–	–	–	–
24	Assets posted as initial margin for derivative contracts	–	–	–	–	–
25	NSFR derivative assets	–	–	–	941,339	612,118
26	NSFR derivative liabilities before deduction of variation margin posted	–	–	–	65,844	65,844
27	All other assets not included in the above categories	–	55,210,525	1,687,542	38,418,922	51,086,361
28	Off-balance sheet items	–	246,892,399	200,117,420	113,014,979	28,001,240
29	TOTAL RSF					243,419,172
30	NET STABLE FUNDING RATIO (%)					220.45%

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

44.4 OPERATIONAL RISK

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

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

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

44.4.1 OPERATIONAL RISK DISCLOSURES BASEL III

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

45. GENERAL

45.1 NON-ADJUSTING EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

The Board of Directors in its meeting held on February 26, 2018 has proposed the following appropriations, which will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2017 do not include the effect of the appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2018 as follows:

Rupees in '000	2017	2016
Transfer from unappropriated profit to:		
General reserve	2,849,878	4,084,206
Transfer from general reserve:		
Payment of final cash dividend of Rs. Nil (2016: Rs. 1.5 per share)	–	1,890,390

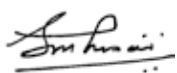
45.2 Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the SBP, in respect of which there are no amounts, have not been reproduced in these unconsolidated financial statements except for the unconsolidated statement of financial position and unconsolidated profit and loss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


46. RECLASSIFICATION OF COMPARATIVE FIGURES

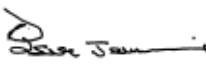
There have been no significant reclassifications in these unconsolidated financial statements except amounts of Rs. 104,114 thousand and Rs. 178,944 thousand for the year ended December 31, 2016, which have been reclassified respectively from mark-up / return / interest earned and other income to fee, commission and brokerage income.


47. DATE OF AUTHORIZATION

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Bank on February 26, 2018.


Syed M. Husaini
President & Chief Executive


Syed Ahmed Iqbal Ashraf
Director


Qaiser Javed
Director


Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman

ANNEXURE-1

DECEMBER 31, 2017

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of Rs 500,000 or above allowed to a person(s) during the year ended December 31, 2017 as referred to in note 10.6.3 to these financial statements.

(Rupees in '000)											
Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year			Principal Written-off	Interest / Mark-up Waived-off / Written-off	Other Financial relief provided	Total	
				Principal	Interest / Mark-up	Other than Interest / Mark-up					
1	Uniform Classic House No.497, F-2, St. 16, Wapda Town, Lahore	Shakeel Ahmad 35202-5201591-5 Khalid Mahmood 35201-1445111-9	Jameel Ahmed Ghulam Ghaus	4,400	581	-	4,981	-	581	-	581
2	Kamal Traders Adda Ratti Tibbi, Noor Shah Road, Sahiwal	Sabir Hussain 6502-0772633-3	Ch. Muhammad Din	5,682	774	-	6,456	-	625	-	625
3	Aslam Traders Saud Chambers, Hassan Ali Effendi Road, Karachi	Muhammad Aslam 42301-8613023-7	Muhammad Ilyas	-	14,740	-	14,740	-	14,740	-	14,740
4	Aqil Textile Industries Plot No.23/2, Sector 12-A, North Karachi Industrial Area, Karachi	Aqil Ahmed 42101-3949799-5	Muhammad Saeed	1,354	920	-	2,274	-	1,148	-	1,148
5	Halcyon Global (Pvt) Ltd. 2 KM, Bhubattian Chowk, Defence Road, Opp Nobel TV Factory, Lahore	Chaudhry Nazir Ahmad 35202-7783639-5 Saira Nazir 35202-1608726-2 Samina Rehmat 37405-0322918-4	Ch. Muhammad Ismail Ch. Nazir Ahmad Zahid Majeed	14,997	3,941	-	18,938	-	2,938	-	2,938
6	Tahir Mahmood Nasir (Late) H # 125, Sector B Askari 10 Lahore Cantt	Tahir Mahmood Nasir (Late) 35202-8603001-3	Sardar A D Nasir	2,828	1,663	158	4,649	-	1,663	158	1,821
7	Muhammad Israr 35-Tariq Block New Garden Town Lahore	Muhammad Israr 36502-0557342-9	Ghulam Rasool	15,676	1,958	862	18,496	-	819	862	1,681
8	Zainab Tower Model Town Link Road Lahore	Rasheed Ahmed 35202-3037527-9	Fazal Deen	2,347	83	8,262	10,692	-	-	8,252	8,252
9	Tayyab CNG Near Sh Hospital Rachna Town G.T Road Ferozwala	Muhammad Azeem 35202-2212571-5	Ch Muhammad Ali	580	58	1,697	2,335	-	36	1,662	1,698
10	Mir Muhammad Khokhar House # 43-A, Lalazar Colony MT Khan Road Karachi	Mir Muhammad Khokhar 41307-3537169-1	Ghulam Hussain Khokhar	1,035	66	880	1,981	-	-	866	866
11	Raja Nadeem Rashid Dhamial Post Office Khas Rawalpindi	Raja Nadeem Rashid 37405-1618778-9	Raja M Younus	379	99	2,113	2,591	-	87	2,085	2,172
12	Muhammad Iqbal Cheema Ranjhai Tehsil Daska Dist Sialkot	Muhammad Iqbal Cheema 34601-2772650-3	Khushi Muhammad	251	20	2,995	3,266	-	20	2,945	2,965
13	Adnan A Syed H # D-67 Navy Housing Scheme Zamzama Clifton Karachi	Adnan A Syed 42301-1079724-5	Usman Ali Syed	387	839	-	1,226	-	825	-	825
14	Paragon Industries Suit # 206 A 2nd Floor Nafees Arcade Chandhi Chowk University Road Karachi	Hafiz Ur Rehman 42201-4852211-5	Hafiz Haseeb Ur Rehman	143	2	11,525	11,670	-	-	11,270	11,270

ANNEXURE-1

DECEMBER 31, 2017

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Waived-off /	Interest / Mark-up Waived-off /	Other Financial relief provided	Total
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
15	Rana Sakhawat Ali H # 351, Block D Gulfshan Colony Jhang Road Faisalabad	Rana Sakhawat Ali 33100-4906262-7	M Jamil Khan	1,307	809	186	2,302	-	664	151	815
16	Faisal Movers Plot # 31-B, Truck Stand Maripur Road Karachi	Ahmed Shahzad 42000-1196572-1	Khawaja M Akber	10,468	1,377	108,300	120,145	-	1,377	108,063	109,440
17	Mirza Imtiaz Ahmad H # 160 St # 5 Mohalla Iftikhar Janjua Colony Kharian Dist Gujrat	Mirza Imtiaz Ahmad 34202-8578113-9	Muhammad Shafique	3,387	1,087	249	4,723	-	707	249	956
18	Malik Ahmed Ali 52 B Satellite Town Gujranwala	Malik Ahmed Ali 34101-1937376-5	Malik M Ali	406	138	3,814	4,358	-	21	1,048	1,069
19	Asad Niaz Ali Khan H # 6, NBP Officer Colony PO Kababian Warsak Road Peshawar	Asad Niaz Ali Khan 17301-1369551-9	Rana M Tariq	-	2,631	-	2,631	-	2,631	-	2,631
20	Hamid Raza Flat # 3 Plot # 21-E St # 11, Badar Commercial Phase V Karachi	Hamid Raza 36302-0454666-5	Ghulam Subhani	485	1,224	-	1,709	-	1,209	-	1,209
21	Barkat Ali 313/E.B. Tehsil Burewala Distt. Vehari	Barkat Ali 36601-160224-1	Abdul Aziz	2,000	1,107	-	3,107	-	508	-	508
22	Muhammad Hussain Dera Ludhianain PO Herdave Tehsil & Distt. Sheikhpura	Muhammad Hussain 35404-0754798-7	Nawab Din	2,294	2,183	-	4,477	-	1,309	-	1,309
23	Fazal Muqeem House # 5/206, Mohallah Ghora, Tejhsil & Distt. Mandi Bahao Din	Fazal Muqeem 34402-4576945-9	Naeem Sikandar	1,487	1,000	-	2,487	-	800	-	800
24	Muhammad Ayyaz Khan Moza Gandari Payan Karimo P.O Yangi Tehsil Tangi District Charsada	Muhammad Ayyaz Khan 17102-1152129-1	Raheem Dad	1,200	951	-	2,151	-	713	-	713
25	Muhammad Nawaz Dera Sacheain Da Vill. Tatha Manak Tehsil Noshewra Virkan	Muhammad Nawaz 34103-1270734-5	Jalal	1,083	1,711	-	2,794	-	1,649	-	1,649
26	Shahyar Ahmad Khan Tareen Mathoo Bair Khazam Tehsil Ahmadpur Sharqia	Shahyar Ahmad Khan Tareen 31202-9129738-5	Hamid yar Khan Tareen	1,500	936	-	2,436	-	561	-	561
27	Fozia Bibi Mouza Kalera Kalan P/O Khas Tehsil Kamalai Distt. Toba Take Singh	Fozia Bibi 33302-8672827-6	Shah Nawaz Khan	1,500	1,527	-	3,027	-	688	-	688
28	Farooq Aman / Zaka ur Rahman H #131 Askani III, Lahore & H # 66 Askari I, Lahore	Farooq Aman / Zaka ur Rahman 35200-8898650-9 / 38403-1379223-9	Ch. M Ashraf Cheema / M. Afzal Qureshi	1,794	1,405	-	3,199	-	649	-	649
29	Nazar Hussain Rehan Wala P/O Mandi Faizabad Tehsil & Distt. Narowal	Nazar Hussain 35402-9673800-1	Haider Ali	1,980	1,286	-	3,266	-	1,029	-	1,029
30	Muhammad Gulfam Rakh Chouna P/O Mureedkay Distt Sheikhpura	Muhammad Gulfam 35401-1821104-1	Faiz Ahmad	1,064	1,160	-	2,224	-	928	-	928

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Waived-off / Written-off	Interest / Mark-up Waived-off / Written-off	Other Financial relief provided	Total
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
31	Zahida Bibi / Zahid Hussain Dilimin Gunj Sukhur, Tehsil Depalpur Distt. Okara	Zahida Bibi / Zahid Hussain 35301-9858747-9, 35301-8134518-0	Muhammad Hussain	2,497	2,184	-	4,681	-	1,683	-	1,683
32	Jahanzaib Hussain Bajwa Dera Malla Singh Bashmoola Kot Soundha Distt. Sheikhpura	Jahanzaib Hussain Bajwa 35404-2721350-3	Muhammad Hussain	1,000	934	-	1,934	-	700	-	700
33	Manzoor Abbass Bhatti Chah Pakka Bhattian PO Kot Hussain Khan Teh & Distt. Nankana	Manzoor Abbass Bhatti 35402-0461647-7	Rai Sultan Ahmad Khan	1,109	1,350	-	2,459	-	1,078	-	1,078
34	Khairan Bibi Chak # 270 JB Tehsil & Distt. Toba Tak Singh	Khairan Bibi 33303-0553739-2	Muhammad Nawaz	2,500	2,405	-	4,905	-	2,242	-	2,242
35	Mumtaz Hussain House # 21-B/K Jaffar Manzil Satellite Town Bahawalpur	Mumtaz Hussain 31202-3888559-1	Haji M Buksh	1,500	982	243	2,725	-	882	243	1,125
36	Tabassum Hussain Kheawat no 749/736, Khatooni no 1459 Chunan Road Dhulina Dhowk Hujra Shah Muqem, Okara	Tabassum Hussain 35301-1922276-3	Muhammad Ashraf	1,156	1,224	218	2,598	-	1,034	218	1,252
37	Junaid Akbar H#264/29K, Dhoke Sayadan, Rawalpindi	Junaid Akbar 37405-5614298-1	M Akbar	-	597	-	597	-	597	-	597
38	Joseph Gouveia Flat # B-1, Anthonian Blessing 7 Sunny Side Road Cantt Karachi	Joseph Gouveia 42301-3553024-3	F F Gouveia	850	927	291	2,068	-	607	161	768
39	Muhammad Ilyas H # 1881/O, Al Quresh Street Block C New Shams Abad Colony Multan	Muhammad Ilyas 36302-0450792-1	Muhammad Fiaz	202	26	1,709	1,937	-	-	1,650	1,650
40	Kasana Associates Gulfishan City, Jhang Road, Faisalabad.	Muhammad Yaseen 33100-7974885-3	Muhammad Hussain	9,330	17,193	-	26,523	-	16,133	-	16,133
41	Decent Plastic Industries Cheema Block, Shadman Colony, Gujrat	Amir Hussain Cheema 34201-0323274-5	Tassadaq Hussain (Late)	6,000	1,223	-	7,223	-	939	-	939
42	D.S. Industries 20-K Gulberg Lahore	Pervaiz Ahmed 35202-5637832-7 Ali Pervaiz Ahmed 35202-8633784-5 Hassan Ibrahim Ahmed 35202-0104136-7 Salman Ahmed 35202-7654837-5 Rehana Perviaz Ahmed 35202-5904987-0 Ayesha Ahmed Mansoor 35202-9651743-6 Khalid Khan 35202-2649694-3	S.K.Ahmed Pervaiz Ahmed Pervaiz Ahmed Pervaiz Ahmed Pervaiz Ahmed Pervaiz Ahmed Mansoor Ahmed Karam Dad Khan	-	9,625	-	9,625	-	6,235	-	6,235

ANNEXURE-1

DECEMBER 31, 2017

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year			Principal Written-off	Interest / Mark-up Waived-off / Written-off	Other Financial relief provided	Total	
				Principal	Interest / Mark-up	Other than Interest / Mark-up					
43	Zowa Quality Shoes Railway Lines, Gujranwala	Muhammad Mahboob 34101-2122038-5 Saima Mahboob (Mrs) 34101-5260155-4	Muhammad Yaqoob Muhammad Mahboob	11,733	3,082	-	14,815	-	2,814	-	2,814
44	Asian Looms Limited 208-Scotch Corner Upper Mall Lahore. Dawar Building 41 - The Mall Lahore.	Syed Gauhar Rasheed 35202-2717364-1 Syed Rasheed Akhtar 35202-2709021-3 Qamar-un-Nisa 35202-2571804-4	Syed Rasheed Akhtar Syed Jaffar Hussain Syed Rasheed Akhtar	4,574	712	-	5,286	-	712	-	712
45	Flying Paper Industry 103 - Fazal Road St. John Park Lahore Cantt.	Momin Qamar 35201-8255512-7 Imran Qamar 35201-6219844-1 Kamran Khan 35201-5564391-7	Qamar-uz-Zaman Qamar-uz-Zaman Qamar-uz-Zaman	22,233	13,832	-	36,065	-	7,152	-	7,152
46	Flying Board & Paper 103 - Fazal Road St. John Park Lahore Cantt.	Momin Qamar 35201-8255512-7 Imran Qamar 35201-6219844-1 Kamran Khan 35201-5564391-7	Qamar-uz-Zaman Qamar-uz-Zaman Qamar-uz-Zaman	-	8,433	-	8,433	-	8,433	-	8,433
47	Shaikh Sons Jewellers Shop No.3&4, Chawla Centre, Tariq Road, Karachi	Shaikh Amjad Ali 42201-0714965-5	Shaikh Rehmat Ali	-	2,104	-	2,104	-	2,104	-	2,104
48	Nadeem Mushtaq H#B-1-25-24/2, St. 5, Kotli Behram, Muslim Colony Sialkot	Nadeem Mushtaq 34603-2162093-3	Mushtaq Ahmed	957	1,121	-	2,078	-	886	-	886
49	Haq Brothers Khokhar Road Badami Bagh, Lahore	Abdul Haq 35202-0191297-7 Abdul Razzaq 35202-5944639-3 Abdul Hayee 35202-0242888-8 Muhammad Ahmad 35202-7418851-7 Muhammad Hamid 35202-4875107-3	Muhammad Din Abdul Haq Abdul Haq Abdul Haq Abdul Haq	32,278	4,175	-	36,453	-	2,503	-	2,503
50	Shabbir Foundry Mohallah Chah Tarhang, Gujrat	Shabbir Ahmed Farooq 34201-0373015-7	Subaidar Bashir Ahmad	480	606	-	1,086	-	556	-	556
51	Al-Sheikh Electronics 50 - Madina Market Shah Alam Road Lahore.	Salman Shahid 35200-1404670-3	Shahid Gulzar	10,000	645	-	10,645	-	554	-	554
52	H.M. Trading & Co. NP -13/21, Bhangari Street, Juna Market, Karachi	Abdullah Haroon 42201-2449607-7	Muhammad Haroon	9,800	4,489	-	14,289	-	3,107	-	3,107

(Rupees in '000)

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors (with NIC / CNIC No.)	Father's / Husband's Name	Outstanding liabilities at beginning of the year				Principal Waived-off / Written-off	Interest / Mark-up / Written-off	Other Financial relief provided	Total
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
53	Nayab Chemicals K-78 First Floor, Commercial Area Phase-I DHA, Lahore.	Ghazanfar Ali 35201-0807522-1 Basharat Ali 35201-1662302-9 Amjad Javed 33100-0610330-1 Javed Ahmad 38403-1598905-7	Muhammad Ikram Muhammad Ikram Muhammad Munir Afzal Shad Muhammad Shafi	3,588	3,711	-	7,299	-	1,711	-	1,711
54	Sawa A.G. Networks 64/J Officers Colony, Farid Colony, Sahiwal.	Muhammd Saeed Akhtar 36502-9348308-1	Din Muhammad	18,552	4,024	-	22,576	-	3,419	-	3,419
55	Agri International Aziz Group. 77-Industrial Estate, Multan	Aamir Aziz Malik 36302-9139512-3 Malik Imran Aziz 36302-2890966-9	Malik Aziz Ur Rehman Malik Aziz Ur Rehman	62	-	-	62	-	-	840	840
56	Mehar Rahim H # T3117 Mohalla Zargar Abad Yakka Toot Peshawar	Mehar Rahim 17301-1673885-5	Abdul Rahim	67	1	647	715	-	-	637	637
57	Khurram Ahmed Syed Flat # D-403, 4th Flr Golden Height, Karachi	Khurram Ahmed Syed 42201-4956411-3	Maroof Ahmed Syed	2,379	1,877	133	4,389	-	1,555	133	1,688
58	Abdul Majeed 22/C, Upper Story Rail Bazar Vehari	Abdul Majeed 36603-1554980-5	Qasim Ali	-	-	1,801	1,801	-	-	1,801	1,801
59	Kamran Rasheed H # R-261, Dastagir Society Block-15 Karachi	Kamran Rasheed 42101-1874220-1	Abdul Rasheed	2,992	589	297	3,878	-	539	138	677
60	Tarveer Akram H No 70-E, Stret # 2, Punjab Housing Society Ghazi Road Lahore	Tarveer Akram 34201-1640042-1	Muhammad Akram	3,917	2,451	482	6,850	-	429	297	726
61	Shahid Manzoor House # 279 Sector 1 F-3 Plot # 1 Mirpur	Shahid Manzoor 81302-3655142-3	Manzoor Ahmed	-	1,107	9	1,116	-	807	9	816
62	Abdul Rasheed Veharia Flat# 2 Irfan Appartment Ground Floor Adamjee Nagar Block C K.C.H.S Karachi.	Abdul Rasheed Veharia 42201-6378083-1	Yousuf Abdul Ghaffar	776	514	-	1,290	-	316	584	900
TOTAL				232,546	138,419	146,871	517,836	-	108,652	144,322	252,974

ANNEXURE-2

REPORT OF SHARIAH BOARD FOR THE YEAR 2017

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

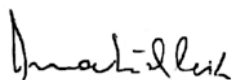
1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Askari *Ikhlas* Islamic Banking are conducted in a manner that comply with the Shariah Principles at all times, we are required to submit a report on the overall Shariah compliance environment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

Based on above, we are of the view that:

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



Mufti Muhammad Zahid
Chairman Shariah Board



Mufti Ismatullah
Member Shariah Board



Dr. Muhammad Tahir
Resident Shariah Board Member

Date of Report: February 12, 2018

شریعتہ بورڈ کی رپورٹ

برائے سال 2017ء

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ!

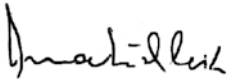
اسٹیٹ بینک آف پاکستان کی جاری کردہ ہدایات کی رو سے یہ بورڈ آف ڈائریکٹرز اور انتظامیہ کی ذمہ داری ہے کہ وہ اس بات کو یقینی بنائے کہ عسکری بینک لمیٹڈ اخلاص اسلامی بینکاری کی تمام سرگرمیاں شریعت کے اصولوں کے مطابق ہیں۔ اسی طرح شریعت بورڈ کی ذمہ داری ہے کہ وہ بینک کے بورڈ آف ڈائریکٹرز کو آگاہ کرے کہ سال 2017 میں اخلاص اسلامی بینکاری کی سرگرمیاں کس حد تک شریعت کے اصولوں سے ہم آہنگ رہی ہیں۔ شریعت بورڈ نے اپنی رپورٹ مرتب کرنے کے لیے شریعت ڈیپارٹمنٹ اور آڈٹ ڈیپارٹمنٹ کی رپورٹس کا بغور جائزہ لیا ہے۔ ان حقائق و معلومات کی روشنی میں ہماری رائے یہ ہے کہ:-

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



مفتی محمد زاہد

چیئرمین شریعت بورڈ



مفتی عصمت اللہ

ممبر شریعت بورڈ



ڈاکٹر محمد طاہر

ریزیڈنٹ شریعت بورڈ ممبر

مورخہ: ۱۲ فروری ۲۰۱۸

ANNEXURE-2

ISLAMIC BANKING BUSINESS - STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

The Bank is operating 94 Islamic banking branches including 3 sub-branches at the end of 2017 as compared to 94 Islamic banking branches including 3 sub-branches at the end of 2016.

Rupees in '000	Note	2017	2016
ASSETS			
Cash and balances with treasury banks		2,996,103	3,230,575
Balances with other banks		1,162,958	2,452,684
Due from Financial Institutions		750,000	2,330,023
Investments		6,733,697	4,704,085
Islamic Financing and Related Assets	A - 1	34,395,936	25,668,630
Operating fixed assets		654,384	613,394
Other Assets		1,022,482	1,862,503
TOTAL ASSETS		47,715,560	40,861,894
LIABILITIES			
Bills payable		775,764	748,865
Due to Financial Institutions		2,410,152	2,018,000
Deposit and other accounts			
-Current accounts		12,978,198	10,962,873
-Saving accounts	A - 2	17,205,872	15,016,974
-Term deposits		5,824,785	5,491,734
-Others		497,568	596,703
-Deposit from financial institutions - Remunerative		1,139,554	2,343,783
-Deposit from financial institutions - Non Remunerative		4,797	2,650
Due to Head Office		1,868,060	-
Other liabilities		1,519,444	1,162,362
		44,224,194	38,343,944
NET ASSETS		3,491,366	2,517,950
REPRESENTED BY			
Islamic Banking Fund		4,100,000	2,875,000
Unappropriated loss		(616,817)	(381,679)
		3,483,183	2,493,321
Surplus on revaluation of assets		8,183	24,629
		3,491,366	2,517,950
REMUNERATION TO SHARIAH BOARD		3,965	3,937
A-1 ISLAMIC FINANCING AND RELATED ASSETS			
Murabaha		4,968,620	4,437,947
Ijara		4,522,339	3,683,567
Musharaka		8,606,677	4,055,450
Diminishing Musharaka		8,678,560	9,005,528
Salam		5,498,419	1,664,736
Istisna		2,370,613	1,604,148
Other Islamic Modes		110,569	1,543,411
		34,755,797	25,994,787
Total Provision		(359,861)	(326,157)
	A - 1.1	34,395,936	25,668,630

A - 1.1 ISLAMIC MODE OF FINANCING

Rupees in '000		2017						
	Murabaha	Ijarah (note A-1.1.1)	Musharaka	Diminishing Musharaka	Salam	Istisna	Other Islamic Modes	Total
Financing	3,724,973	4,175,959	8,606,677	8,625,354	5,394,534	2,062,034	60,569	32,650,100
Advance	1,243,647	346,380	-	53,206	-	-	-	1,643,233
Inventory	-	-	-	-	103,885	308,579	-	412,464
Receivables against Sale of Salam / Istisna Inventory	-	-	-	-	-	-	50,000	50,000
	4,968,620	4,522,339	8,606,677	8,678,560	5,498,419	2,370,613	110,569	34,755,797
Provision	(79,392)	(128,984)	-	(142,918)	(8,567)	-	-	(359,861)
Total	4,889,228	4,393,355	8,606,677	8,535,642	5,489,852	2,370,613	110,569	34,395,936

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

A-1.1.1 Ijarah Financing of Rs. 4,175,959 thousand (2016: Rs. 3,178,034 thousand) includes service Ijarah of Rs. 671,429 thousand (2016: Rs. 156,250 thousand), net book value of assets / investment under IFAS-2 of Rs. 3,413,084 thousand (2016: Rs. 2,930,338 thousand) and net investment under Ijarah of Rs. 91,446 thousand (2016: Rs. 91,446 thousand) breakup of net assets / investment under IFAS 2 / Ijarah is as under:

Rupees in '000		2017				2016			
Net book value of assets / investments under IFAS 2		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
Asset acquired under Ijarah		1,253,664	3,817,317	140,292	5,211,273	563,493	3,413,115	261,735	4,238,343
Accumulated depreciation on Ijarah		(815,511)	(967,811)	(14,867)	(1,798,189)	(257,053)	(930,873)	(120,079)	(1,308,005)
Net Assets / Investments in Ijarah		438,153	2,849,506	125,425	3,413,084	306,440	2,482,242	141,656	2,930,338

Rupees in '000		2017				2016			
Net investment under Ijarah		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
Ijarah rentals receivable		93,275	-	-	93,275	93,275	-	-	93,275
Residual Value		1,969	-	-	1,969	1,969	-	-	1,969
Minimum Ijarah payments		95,244	-	-	95,244	95,244	-	-	95,244
Profit for future periods		(3,798)	-	-	(3,798)	(3,798)	-	-	(3,798)
Net Assets / Investments in Ijarah		91,446	-	-	91,446	91,446	-	-	91,446

A-2 Includes remunerative current accounts of Rs. 751,535 thousand (2016: Rs. 753,080 thousand)

ANNEXURE-2

ISLAMIC BANKING BUSINESS - PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2017

Rupees in '000	2017	2016
Profit / return earned on financings, investment and placements	2,584,413	2,204,247
Return on deposits and other dues expensed	1,210,068	1,028,736
Net spread earned	1,374,345	1,175,511
Provision / (Reversal of provision) against non-performing financings	33,604	(25,059)
Provision / (Reversal of provision) for diminution in the value of investments	56,110	(31,294)
	89,714	(56,353)
Income after provisions	1,284,631	1,231,864
Other Income		
Fee, Commission and Brokerage Income	113,111	119,289
Income from dealing in foreign currencies	7,217	8,709
Capital gain on sale of securities	–	15,800
Other Income	32,936	24,086
Total other income	153,264	167,884
	1,437,895	1,399,748
Other expenses		
Administrative expenses	1,635,312	1,359,532
Other provisions / write offs	36,571	9,213
Other charges	1,150	30
Total other expenses	1,673,033	1,368,775
	(235,138)	30,973
Extra ordinary / unusual items	–	–
(Loss) / profit before taxation	(235,138)	30,973

ANNEXURE-2

ISLAMIC BANKING BUSINESS - STATEMENT OF SOURCES AND USES OF CHARITY FUND FOR THE YEAR ENDED DECEMBER 31, 2017

Rupees in '000	2017	2016
Opening Balance	9,257	5,975
Additions during the period		
- Received from customers on delayed payments	9,255	7,924
- Non shariah compliant Income	381	25
- Profit on charity account	2	2
- Others	97	117
	9,735	8,068
Payments / Utilization during the period		
- Education	(2,250)	–
- Community welfare (provision of clean drinking water)	(3,700)	(1,040)
- Health	(4,684)	(2,719)
- Orphanage	(2,054)	(1,027)
	(12,688)	(4,786)
Closing Balance	6,304	9,257

ANNEXURE-2

ISLAMIC BANKING BUSINESS - NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

DISCLOSURE FOR PROFIT AND LOSS DISTRIBUTION AND POOL MANAGEMENT

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

1. Qard
2. Mudaraba

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

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

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

A. GENERAL POOL

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

B. FOREIGN CURRENCY POOL

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

C. FINANCIAL INSTITUTIONS (FI) POOL

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

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

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

ANNEXURE-2

ISLAMIC BANKING BUSINESS - NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

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

1.2 THE BANK MANAGED FOLLOWING GENERAL AND SPECIFIC POOLS :

2017										
Mudaraba Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Profit rate / return earned	Profit rate / return distributed	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage mudarib share transferred through hiba	Amount of share transferred through hiba
								Rs. / USD		Rs. / USD
General Pool	PKR	Monthly	50%	6.23%	4.48%	0.90	1.98	789,722,422	44%	346,824,498
Financial Institution Pool	PKR	Monthly	50%	5.36%	2.85%	0.70	1.55	33,867,086	6%	2,146,240
Foreign Currency Pool	USD	Monthly	50%	1.49%	0.76%	1.00	1.00	21,612	-	-

2016										
Mudaraba Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Profit rate / return earned	Profit rate / return distributed	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage mudarib share transferred through hiba	Amount of share transferred through hiba
								Rs. / USD		Rs. / USD
General Pool	PKR	Monthly	50%	6.53%	4.53%	0.90	1.93	655,800,050	39%	254,640,237
Financial Institution Pool	PKR	Monthly	50%	4.19%	2.98%	0.50	1.20	32,485,228	47%	15,214,683
Foreign Currency Pool	USD	Monthly	50%	1.28%	0.65%	1.00	1.00	15,657	-	-

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

2016										
Musharaka Pool	Currency	Profit rate and weightage announcement period	Profit sharing ratio	Profit rate / return earned	Profit rate / return distributed	Minimum weightage during the year	Maximum weightage during the year	Mudarib share	Percentage mudarib share transferred through hiba	Amount of share transferred through hiba
								Rs. / USD		Rs. / USD
Interbank borrowing pool	PKR	As required	*	5.59% - 9.51%	5.00% - 6.05%	-	-	-	N/A	N/A
IERS pool	PKR	Monthly	*	5.84%	2.52%	-	-	-	N/A	N/A

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

1.3 MATURITY PROFILE OF FUNDS

Maturity profile of funds mobilised under various modes:

Rs in '000			2017									
Type	Currency	Mode	Upto 1 month	Over 1 month upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 2 years	Over 2 years upto 3 years	Over 3 years upto 5 years	Over 5 years upto 10 years	Over 10 years	Total
Fixed deposit account	PKR	Mudaraba	3,341,996	574,950	730,839	1,555,316	66,723	29,860	55,101	-	-	6,354,785
Savings account	PKR	Mudaraba	1,932,974	350,341	-	-	3,424,976	3,424,976	4,109,971	2,093,331	2,093,331	17,429,900
Savings account	USD	Mudaraba	42,753	7,749	-	-	75,756	75,756	90,906	46,303	46,303	385,526
Mudaraba funds from HO	PKR	Mudaraba	-	-	-	-	1,868,060	-	-	-	-	1,868,060
Interbank borrowing	PKR	Musharka	1,900,000	-	-	-	-	-	-	-	-	1,900,000
IERS borrowing from SBP	PKR	Musharka	200,000	-	310,152	-	-	-	-	-	-	510,152
			7,417,723	933,040	1,040,991	1,555,316	5,435,515	3,530,592	4,255,978	2,139,634	2,139,634	28,448,423

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

ANNEXURE-2

ISLAMIC BANKING BUSINESS - NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

1.4 CLASS OF ASSETS BY SOURCES OF FINANCING

Rupees in '000	2017	2016
Jointly financed by the Bank and PLS deposit account holders		
Murabaha	3,724,973	4,286,523
Ijarah	4,146,225	3,162,621
Diminishing Musharaka	8,120,397	8,607,906
Salam	5,394,534	1,664,736
Musharaka	8,606,677	4,055,450
Istisna	2,062,034	1,582,536
Receivables against Sale of Salam / Istisna Inventory	50,000	1,482,300
Balances with other & treasury Banks	2,964,164	4,169,042
Sukuk	6,725,514	4,623,346
Bai Muajjal-Other Financial Institutions	–	2,330,023
Due from Financial Institutions	750,000	–
	42,544,518	35,964,483

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

	2017		2016	
	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture / Agribusiness	950,015	2.43	–	–
Automobiles & Allied	22,132	0.06	47,125	0.14
Cables / Electronics	68,876	0.18	2,224	0.01
Cements	152,842	0.39	113,393	0.35
Chemicals / Pharmaceuticals	896,620	2.30	544,441	1.66
Engineering	–	–	9,801	0.03
Fertilizers	285,280	0.73	350,000	1.07
Food and Allied	889,485	2.28	2,021,866	6.16
Fuel / Energy	744,134	1.91	842,056	2.56
Ghee and Edible Oil	703,819	1.80	291,188	0.89
GOP Ijarah Sukuk (Airport & Highway Land)	5,577,454	14.29	4,240,012	12.91
Individuals	3,125,975	8.01	2,388,465	7.27
Investment Banks / Scheduled Banks	1,529,052	3.92	4,329,309	13.18
Leather Products and Shoes	45,910	0.12	124,498	0.38
Plastic products	117,490	0.30	333,869	1.02
Production and transmission of energy	–	–	2,520,176	7.67
Real Estate / Construction	344,485	0.88	73,755	0.22
Rice Processing and trading	257,000	0.66	264,774	0.81
Services (Other than Financial, Hotelling & Traveling)	96,047	0.25	149,261	0.45
Sugar	2,611,366	6.69	2,371,342	7.22
Textile	3,050,792	7.82	3,427,905	10.44
Transport and communication	1,145,639	2.94	899,895	2.74
Public sector / Government	11,675,289	29.92	6,524,443	19.86
Others	4,733,385	12.13	977,157	2.97
	39,023,087	100.00	32,846,955	100.00

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

	2017		2016	
	USD in '000	Percent	USD in '000	Percent
Ghee and Edible Oil	–	–	1,422	30.26
Investment Banks / Scheduled Banks	3,247	89.42	2,999	63.82
Public sector / Government	384	10.58	278	5.92
	3,631	100	4,699	100

CONSOLIDATED FINANCIAL STATEMENTS OF

ASKARI BANK LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2017



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Askari Bank Limited (the Bank) and its subsidiary company as at December 31, 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 (hereinafter referred to as the 'consolidated financial statements') for the year then ended. These financial statements include unaudited certified returns from the branches, except for twenty six branches which have been audited by us and one branch audited by auditors abroad. We have also expressed separate opinions on the financial statements of Askari Bank Limited and its subsidiary company Askari Securities (Pvt) Limited.

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

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

In our opinion, the consolidated financial statements present fairly the financial position of the Bank and its subsidiary company as at December 31, 2017 and the results of their operations for the year then ended.

Chartered Accountants

Islamabad:

Engagement Partner: S. Haider Abbas

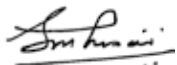
Date: March 5, 2018


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

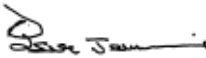
AS AT DECEMBER 31, 2017


Rupees in '000	Note	2017	2016
Assets			
Cash and balances with treasury banks	6	44,239,325	42,568,141
Balances with other banks	7	3,193,835	5,845,748
Lendings to financial institutions	8	2,250,000	6,836,584
Investments	9	314,956,748	295,846,254
Advances	10	258,693,086	235,163,922
Operating fixed assets	11	10,728,827	11,019,555
Deferred tax assets	18	100,755	—
Other assets	12	22,465,073	21,596,324
		656,627,649	618,876,528
Assets attributable to discontinued operations	13	327,949	796,570
		656,955,598	619,673,098
Liabilities			
Bills payable	14	10,769,262	8,579,809
Borrowings	15	71,587,311	89,261,788
Deposits and other accounts	16	525,805,051	472,803,094
Sub-ordinated loans	17	4,992,800	4,994,800
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities	18	—	526,430
Other liabilities	19	11,115,197	10,386,352
		624,269,621	586,552,273
Liabilities associated with discontinued operations	13	140,741	267,254
		624,410,362	586,819,527
Net assets		32,545,236	32,853,571
Represented by			
Share capital	20	12,602,602	12,602,602
Reserves		12,139,921	8,855,953
Unappropriated profit		2,703,887	4,090,445
		27,446,410	25,549,000
Non-controlling interest		44,353	37,908
		27,490,763	25,586,908
Surplus on revaluation of assets - net of tax			
Continued operations	21	5,034,596	7,219,456
Discontinued operations		19,877	47,207
		32,545,236	32,853,571
Contingencies and commitments	22		

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.


Syed M. Husaini
President & Chief Executive


Syed Ahmed Iqbal Ashraf
Director


Qaiser Javed
Director

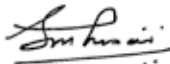

Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman


CONSOLIDATED PROFIT AND LOSS ACCOUNT


FOR THE YEAR ENDED DECEMBER 31, 2017


Rupees in '000	Note	2017	2016
Mark-up / return / interest earned	25	36,267,220	35,408,195
Mark-up / return / interest expensed	26	20,071,958	20,496,316
Net mark-up / interest income		16,195,262	14,911,879
Reversal of provision against non-performing loans and advances - net	10.4	(1,189,533)	(729,441)
Impairment loss on available for sale investments		30,047	22,565
Provision for diminution in the value of investments - net	9.2.1	108,351	48,052
Bad debts written off directly		–	–
		(1,051,135)	(658,824)
Net mark-up / interest income after provisions		17,246,397	15,570,703
Non mark-up / interest income			
Fee, commission and brokerage income		2,706,794	2,438,914
Dividend income		302,894	304,850
Income from dealing in foreign currencies		843,032	639,827
Gain on sale of securities - net	27	2,063,043	3,526,687
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		–	–
Other income	28	347,470	300,158
Total non-markup / interest income		6,263,233	7,210,436
		23,509,630	22,781,139
Non mark-up / interest expenses			
Administrative expenses	29	14,948,796	14,073,084
Other provisions / write offs		21,832	3,260
Other charges	30	193,401	221,535
Total non-markup / interest expenses		15,164,029	14,297,879
		8,345,601	8,483,260
Extra ordinary / unusual items		–	–
Profit before taxation		8,345,601	8,483,260
Taxation – current		(2,265,570)	(2,129,263)
– prior years'		(243,344)	(266,425)
– deferred		(715,001)	(860,625)
	31	(3,223,915)	(3,256,313)
Profit after taxation - continued operations		5,121,686	5,226,947
Profit after taxation - discontinued operations	13	6,611	4,362
		5,128,297	5,231,309
Attributable to:			
Equity holders of the Bank		5,121,863	5,228,775
Non-controlling interest		6,434	2,534
		5,128,297	5,231,309

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.


Syed M. Husaini
President & Chief Executive


Syed Ahmed Iqbal Ashraf
Director


Qaiser Javed
Director

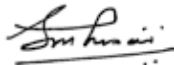

Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman


CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME


FOR THE YEAR ENDED DECEMBER 31, 2017


Rupees in '000	2017	2016
Profit after taxation	5,128,297	5,231,309
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Exchange difference on translation of net investment in Wholesale Bank Branch	30,336	(7,318)
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plan	(175,379)	(142,003)
Related tax on remeasurement of defined benefit plan	61,383	49,701
Remeasurement of defined benefit plan - net of tax	(113,996)	(92,302)
Remeasurement of defined benefit plan - net of tax - discontinued operations	44	(2,107)
Comprehensive income transferred to statement of changes in equity	5,044,681	5,129,582
Components of comprehensive income not reflected in equity		
(Deficit) / surplus on revaluation of available for sale investments - net of tax		
Continued operations	(2,378,635)	(707,382)
Discontinued operations	(27,330)	47,207
	(2,405,965)	(660,175)
Total comprehensive income for the year	2,638,716	4,469,407
Total comprehensive income attributable to:		
Equity holders of the Bank	2,639,376	4,454,805
Non-controlling interest	(660)	14,602
	2,638,716	4,469,407
Total comprehensive income arises from:		
Continued operations	2,659,391	4,419,945
Discontinued operations	(20,675)	49,462
	2,638,716	4,469,407

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.


Syed M. Husaini
President & Chief Executive


Syed Ahmed Iqbal Ashraf
Director


Qaiser Javed
Director

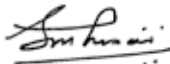

Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman


CONSOLIDATED CASH FLOW STATEMENT


FOR THE YEAR ENDED DECEMBER 31, 2017


Rupees in '000	Note	2017	2016
Cash flow from operating activities			
Profit before taxation		8,345,601	8,483,260
Less: dividend income		(302,894)	(304,850)
		8,042,707	8,178,410
Adjustments:			
Depreciation / amortization		1,522,911	1,013,547
Reversal of provision against non-performing loans and advances - net		(1,189,533)	(729,441)
Impairment loss on available for sale investments		30,047	22,565
Provision for diminution in the value of investments - net		108,351	48,052
Reversal of provision against operating fixed assets		(11,193)	(9,842)
Provision against other assets		30,525	12,306
Charge for defined benefit plan		378,032	326,801
Loss / (gain) on sale of operating fixed assets		10,551	(6,484)
		879,691	677,504
		8,922,398	8,855,914
(Increase) / decrease in operating assets			
Lendings to financial institutions		5,336,584	(6,023,686)
Advances		(22,233,996)	(34,394,238)
Other assets (excluding advance taxation)		(15,586)	527,382
		(16,912,998)	(39,890,542)
Increase / (decrease) in operating liabilities			
Bills payable		2,189,453	2,484,924
Borrowings		(17,674,477)	31,938,538
Deposits		53,001,957	39,672,629
Other liabilities		488,498	2,405,386
		38,005,431	76,501,477
Discontinued operations		(20,561)	181,528
Cash generated from operations		29,994,270	45,648,377
Payment made to defined benefit plan		(350,884)	—
Income tax paid		(3,303,583)	(2,955,266)
Net cash flow from operating activities		26,339,803	42,693,111
Cash flow from investing activities			
Net investments in available for sale securities		(20,160,979)	(33,356,084)
Net investments in held to maturity securities		(2,747,351)	4,154,456
Dividend income		311,839	289,272
Investments in operating fixed assets - net of adjustment		(1,249,674)	(1,493,330)
Sale proceeds of operating fixed assets disposed off		18,133	22,543
Discontinued operations		341,950	(369,796)
Net cash used in investing activities		(23,486,082)	(30,752,939)
Cash flow from financing activities			
Payments of sub-ordinated loans		(2,000)	(2,000)
Dividend paid		(3,112,786)	(1,561,123)
Net cash used in financing activities		(3,114,786)	(1,563,123)
Exchange difference on translation of net investment in Wholesale Bank Branch		30,336	(7,318)
(Decrease) / increase in cash and cash equivalents		(230,729)	10,369,731
Cash and cash equivalents at beginning of the year		48,413,889	38,044,158
Cash and cash equivalents at end of the year	32	48,183,160	48,413,889

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.


Syed M. Husaini
President & Chief Executive


Syed Ahmed Iqbal Ashraf
Director


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Director

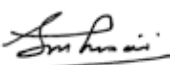

Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


FOR THE YEAR ENDED DECEMBER 31, 2017


Rupees in '000	Share capital	Exchange translation reserve	Share premium account	Statutory reserve	Revenue Reserves		Sub-total	Non-controlling interest	Total
					General reserve	Unappropriated profit			
Balance as at January 1, 2016	12,602,602	100,829	234,669	5,711,187	399,203	2,948,581	21,997,071	35,580	22,032,651
Total comprehensive income for the year ended December 31, 2016									
Net profit for the year ended December 31, 2016	-	-	-	-	-	5,228,775	5,228,775	2,534	5,231,309
Other comprehensive income related to equity	-	(7,318)	-	-	-	(94,203)	(101,521)	(206)	(101,727)
Transfer to:									
Statutory reserve	-	-	-	1,044,127	-	(1,044,127)	-	-	-
General reserve	-	-	-	-	2,948,581	(2,948,581)	-	-	-
	-	-	-	1,044,127	2,948,581	(3,992,708)	-	-	-
Transaction with owners, recorded directly in equity									
Final dividend 2015: Rs. 1.25 per share	-	-	-	-	(1,575,325)	-	(1,575,325)	-	(1,575,325)
Balance as at January 1, 2017	12,602,602	93,511	234,669	6,755,314	1,772,459	4,090,445	25,549,000	37,908	25,586,908
Total comprehensive income for the year ended December 31, 2017									
Net profit for the year ended December 31, 2017	-	-	-	-	-	5,121,863	5,121,863	6,434	5,128,297
Other comprehensive income related to equity	-	30,336	-	-	-	(113,963)	(83,627)	11	(83,616)
Transfer to:									
Statutory reserve	-	-	-	1,053,577	-	(1,053,577)	-	-	-
General reserve	-	-	-	-	4,090,445	(4,090,445)	-	-	-
	-	-	-	1,053,577	4,090,445	(5,144,022)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit	-	-	-	-	-	9,824	9,824	-	9,824
Transaction with owners, recorded directly in equity									
Final dividend 2016: Rs. 1.5 per share	-	-	-	-	(1,890,390)	-	(1,890,390)	-	(1,890,390)
Interim dividend 2017: Re. 1 per share	-	-	-	-	-	(1,260,260)	(1,260,260)	-	(1,260,260)
Balance as at December 31, 2017	12,602,602	123,847	234,669	7,808,891	3,972,514	2,703,887	27,446,410	44,353	27,490,763

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.


Syed M. Husaini
President & Chief Executive


Syed Ahmed Iqbal Ashraf
Director


Qaiser Javed
Director


Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. STATUS AND NATURE OF BUSINESS

- 1.1 The Group consists of Askari Bank Limited, the holding company and Askari Securities Limited, a partly owned subsidiary company.
- 1.2 Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Pakistan Stock Exchange. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent shares of the Bank as on December 31, 2017. The ultimate parent of the Bank is Fauji Foundation. The Bank has 516 branches (2016: 501 branches); 515 in Pakistan and Azad Jammu and Kashmir, including 91 (2016: 91) Islamic Banking branches, 43 (2016: 36) sub-branches and a Wholesale Bank Branch in the Kingdom of Bahrain.
- 1.3 Askari Securities Limited (ASL) was incorporated in Pakistan on October 1, 1999 under the repealed Companies Ordinance, 1984 as a public limited company. The Bank holds 74% Ordinary Shares of ASL. The principal activity includes share brokerage, investment advisory and consultancy services. The registered office of ASL is situated in Islamabad.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

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

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

The Companies Act, 2017 was enacted on May 30, 2017 and SECP vide its circular 23 of 2017 dated October 04, 2017 has clarified that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

3.1 STANDARDS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS

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

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 12	Disclosure of Interests in Other Entities (Amendments)	January 1, 2017
IAS 12	Income taxes (Amendments)	January 1, 2017
IAS 7	Statement of cash flows (Amendments)	January 1, 2017

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

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

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

		EFFECTIVE DATE (ANNUAL PERIODS BEGINNING ON OR AFTER)
IFRS 1	First-time Adoption of International Financial Reporting Standards (Amendments)	January 1, 2018
IFRS 2	Share-based payment (Amendments)	January 1, 2018
IFRS 4	Insurance Contracts (Amendments)	January 1, 2018
IFRS 9	Financial Instruments	July 1, 2018
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IAS 28	Investment in Associates (Amendments)	January 1, 2019
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018

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

4. BASIS OF MEASUREMENT

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

USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

- i) classification of investments (note 5.6)
- ii) provision against investments (note 5.6), advances (note 5.7), operating fixed assets (note 5.9), trade debts (note 5.8) and other assets (note 5.10)
- iii) valuation and impairment of available for sale securities (note 5.6)
- iv) useful life of property and equipments, intangible assets and revaluation of land (note 5.9) and Non-banking assets acquired in satisfaction of claims (note 5.13)
- v) taxation (note 5.12)
- vi) staff retirement benefits (note 5.14)

During the year the Group has changed the depreciation method on computer equipments from diminishing balance method to straight line method. This change in accounting estimate has been accounted for prospectively as per International Accounting standard 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in these consolidated financial statements. Impact has been disclosed in note 11.2.2 to these consolidated financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 ASSETS HELD FOR SALE

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

5.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies, AIML with 100% holding (2016: 100%) and ASL with 74% holding (2016: 74%) collectively referred to as “the Group”. On June 1, 2017, one of the subsidiary company named AIML has been disposed off for Rs. 551 million resultantly the financial results of AIML upto May 31, 2017 has been incorporated in these consolidated financial statements.

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

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

Material intra-group balances and transactions have been eliminated.

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

5.3 CASH AND CASH EQUIVALENTS

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

5.4 SALE AND REPURCHASE AGREEMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

5.5 BAI MUAJJAL RECEIVABLE FROM OTHER FINANCIAL INSTITUTIONS

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

5.6 INVESTMENTS

Investments are classified as follows:

HELD FOR TRADING

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

AVAILABLE FOR SALE

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

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

The Group determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price in case of listed securities. Impairment loss on available for sale debt securities is determined in accordance with the requirements of Prudential Regulations issued by SBP.

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

HELD TO MATURITY

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

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

5.7 ADVANCES

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

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

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

The SBP has notified for adoption of Ijarahs under IFAS-2 "Islamic Financial Accounting Standard 2 Ijarah" which is applicable. Consequent to the adoption of IFAS-2, such Ijarahs booked on or after January 1, 2009 are stated at cost less accumulated depreciation and impairment if any, and are shown under advances.

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

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

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

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

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

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

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

5.8 TRADE DEBTS

Trade debts are recognized initially at fair value and subsequently measured at cost less provision for doubtful debts. The provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision.

5.9 CAPITAL WORK IN PROGRESS, OPERATING FIXED ASSETS AND DEPRECIATION

CAPITAL WORK IN PROGRESS

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

TANGIBLE ASSETS

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

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

INTANGIBLE ASSETS

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

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

DEPRECIATION / AMORTIZATION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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

5.10 IMPAIRMENT

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

5.11 DEPOSITS

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

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

5.12 TAXATION

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

CURRENT

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

DEFERRED

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

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

5.13 NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS

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

5.14 STAFF RETIREMENT BENEFITS

DEFINED BENEFIT PLAN

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

DEFINED CONTRIBUTION PLAN

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

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

COMPENSATED ABSENCES

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

5.15 REVENUE RECOGNITION

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

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

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

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

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

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

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

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

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

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

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

5.16 FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSACTIONS

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

FOREIGN OPERATION

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

TRANSLATION GAINS AND LOSSES

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

COMMITMENTS

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

5.17 PROVISIONS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

5.18 OFF-SETTING

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

5.19 FINANCIAL ASSETS AND LIABILITIES

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

5.20 DERIVATIVE FINANCIAL INSTRUMENTS

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

5.21 APPROPRIATIONS SUBSEQUENT TO DATE OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

5.22 SEGMENT REPORTING

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

5.22.1 BUSINESS SEGMENT

CORPORATE FINANCE

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

TRADING AND SALES

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

RETAIL BANKING

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

COMMERCIAL BANKING

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

PAYMENT AND SETTLEMENT

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

AGENCY SERVICES

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

RETAILS BROKERAGE

Retail brokerage provides share brokerage, share trading and corporate advisory services.

ASSET MANAGEMENT

Asset management segment represents wealth management, cash management and fund management services.

5.22.2 GEOGRAPHICAL SEGMENTS

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

Rupees in '000	Note	2017	2016
6. CASH AND BALANCES WITH TREASURY BANKS			
IN HAND			
Local currency		9,348,230	7,070,754
Foreign currencies		1,646,801	731,479
		10,995,031	7,802,233
NATIONAL PRIZE BONDS		11,758	14,463
WITH THE STATE BANK OF PAKISTAN IN			
Local currency current accounts	6.1	22,009,777	25,219,764
Foreign currency current account	6.1	2,781,713	2,246,172
Foreign currency deposit account	6.2	6,998,986	5,735,677
		31,790,476	33,201,613
WITH NATIONAL BANK OF PAKISTAN IN			
Local currency current accounts		1,442,060	1,549,832
		44,239,325	42,568,141

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

6.2 This represents special cash reserve maintained with the SBP and carries mark-up at the rate of 0.56% (2016: 0.00%) per annum.

Rupees in '000	Note	2017	2016
7. BALANCES WITH OTHER BANKS			
IN PAKISTAN			
On current accounts		337,755	165,727
On deposit accounts	7.1	1,000,152	2,293,217
		1,337,907	2,458,944
OUTSIDE PAKISTAN			
On current accounts		852,324	1,586,734
On deposit accounts	7.2	1,003,604	1,800,070
		1,855,928	3,386,804
		3,193,835	5,845,748

7.1 These represent placements with local banks, carrying interest rates ranging from 2.0% to 5.80% (2016: 0.10% to 5.80%) per annum.

7.2 These represent placements with international correspondent banks, carrying interest rates upto 2.041% (2016: upto 0.66%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Rupees in '000	Note	2017	2016
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		750,000	–
Repurchase agreement lendings	8.1	1,500,000	3,992,000
Purchase under resale arrangement of equity securities		148,606	148,606
		1,648,606	4,140,606
Bai Muajjal receivable from other financial institutions		–	2,330,023
Funded trade finance		–	514,561
		2,398,606	6,985,190
Provision against purchase under resale arrangement of equity securities		(148,606)	(148,606)
		2,250,000	6,836,584

8.1 These are secured against underlying Government Securities, the differential between the contracted rate and resale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at the rate of 6.05% to 6.10% (2016: 5.95% to 6.10%) per annum and maturities of upto 4 months (2016: 1 month).

Rupees in '000	2017	2016
8.2 PARTICULARS OF LENDING		
In local currency	2,398,606	6,470,629
In foreign currencies	–	514,561
	2,398,606	6,985,190

8.3 SECURITIES HELD AS COLLATERAL AGAINST LENDINGS TO FINANCIAL INSTITUTIONS

	2017			2016		
	Held by the Group	Further given as collateral	Total	Held by the Group	Further given as collateral	Total
Pakistan Investment Bonds	1,500,000	–	1,500,000	3,992,000	–	3,992,000

Market value of securities held as collateral at December 31, 2017 was Rs. 1,529,070 thousand (2016: Rs. 4,355,193 thousand).

9. INVESTMENTS

Rupees in '000	Note	2017			2016		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
9.1	INVESTMENTS BY TYPES						
Available for sale securities							
Market Treasury Bills	9.13	101,156,523	28,801,009	129,957,532	49,646,772	57,836,770	107,483,542
Pakistan Investment Bonds	9.13	136,643,765	17,556,510	154,200,275	146,624,821	14,696,132	161,320,953
Fully paid ordinary shares / units		4,546,851	–	4,546,851	4,154,102	–	4,154,102
Units of open end mutual funds	9.4	1,600,876	–	1,600,876	1,782,635	–	1,782,635
Fully paid preference shares	9.6	27,314	–	27,314	50,100	–	50,100
Term Finance Certificates	9.7	5,747,142	–	5,747,142	4,525,616	–	4,525,616
Sukuk Certificates	9.8	12,768,137	–	12,768,137	9,933,974	–	9,933,974
Commercial Papers	9.9	375,075	–	375,075	–	–	–
Foreign Government Bonds	9.10	228,590	–	228,590	–	–	–
Government of Pakistan Euro Bonds	9.11	573,033	–	573,033	642,971	–	642,971
		263,667,306	46,357,519	310,024,825	217,360,991	72,532,902	289,893,893
Held to maturity securities							
Government of Pakistan Euro Bonds	9.2.4	1,318,629	1,706,222	3,024,851	2,690,386	–	2,690,386
Sukuk Certificates	9.12	2,294,387	1,054,208	3,348,595	935,709	–	935,709
		3,613,016	2,760,430	6,373,446	3,626,095	–	3,626,095
Investments at cost		267,280,322	49,117,949	316,398,271	220,987,086	72,532,902	293,519,988
Provision for diminution in value of investments	9.2.1	(2,042,279)	–	(2,042,279)	(1,933,928)	–	(1,933,928)
Investments (net of provisions)		265,238,043	49,117,949	314,355,992	219,053,158	72,532,902	291,586,060
Surplus / (deficit) on revaluation of available for sale securities - net		399,719	201,037	600,756	4,380,259	(120,065)	4,260,194
Total investments		265,637,762	49,318,986	314,956,748	223,433,417	72,412,837	295,846,254

Market value of held to maturity securities as at December 31, 2017 was Rs. 6,342,916 thousand (2016: Rs. 3,734,451 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

Rupees in '000	Note	2017	2016
9.2 INVESTMENTS BY SEGMENTS			
Federal Government Securities	9.2.3		
Market Treasury Bills		129,957,532	107,483,542
Pakistan Investment Bonds		154,200,275	161,320,953
Government of Pakistan Euro Bonds	9.2.4	3,597,884	3,333,357
Sukuk Certificates		13,828,895	9,534,906
		301,584,586	281,672,758
Fully paid up ordinary shares / units			
Listed companies / funds	9.3	4,522,811	4,148,422
Unlisted companies	9.5	24,040	5,680
		4,546,851	4,154,102
Units of open end mutual funds	9.4	1,600,876	1,782,635
Fully paid preference shares	9.6		
Listed companies		25,100	25,100
Unlisted companies		2,214	25,000
		27,314	50,100
Term Finance Certificates	9.7		
Listed Term Finance Certificates		1,140,205	1,140,700
Unlisted Term Finance Certificates		4,606,937	3,384,916
		5,747,142	4,525,616
Other Investments			
Sukuk Certificates		2,287,837	1,334,777
Foreign Government Bonds		228,590	–
Commercial Papers		375,075	–
		2,891,502	1,334,777
Total investment at cost		316,398,271	293,519,988
Provision for diminution in value of investments	9.2.1	(2,042,279)	(1,933,928)
Investments (net of provisions)		314,355,992	291,586,060
Surplus on revaluation of available for sale securities - net		600,756	4,260,194
Total investments		314,956,748	295,846,254
9.2.1 PARTICULARS OF PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS			
Opening balance		1,933,928	1,885,876
Charge for the year		171,110	130,741
Reversal during the year		(62,759)	(82,689)
		108,351	48,052
Closing balance		2,042,279	1,933,928
9.2.2 PARTICULARS OF PROVISION IN RESPECT OF TYPE AND SEGMENT			
Available for sale securities			
Fully paid up ordinary shares - unlisted		5,680	5,680
Fully paid up ordinary shares - listed		115,000	–
Preference shares - unlisted		2,214	25,000
Term finance certificates		1,284,610	1,324,582
Sukuk certificates		524,775	468,666
Held to maturity securities			
Sukuk certificates		110,000	110,000
		2,042,279	1,933,928

9.2.3 PRINCIPAL TERMS OF INVESTMENTS IN FEDERAL GOVERNMENT SECURITIES

Name of investment	Maturity	Principal Payment	Rate (p.a)	Coupon Payment
Market Treasury Bills	January 2018 to August 2018	On maturity	5.84% to 5.97%	at maturity
Pakistan Investment Bonds	March 2018 to April 2026	On maturity	5.87% to 14.08%	semi-annually
Government of Pakistan Euro Bonds	April 2019 to April 2024	On maturity	7.25% to 8.25%	semi-annually
Sukuk Certificates				
- Neelum Jhelum Hydropower Company (Pvt) Limited - Type A	June 29, 2026	semi-annually	Six month KIBOR plus 1.13	semi-annually
- Neelum Jhelum Hydropower Company (Pvt) Limited - Type B	June 29, 2026	semi-annually	Six month KIBOR plus 1.13	semi-annually
- Pakistan Domestic Sukuk Company Limited	February 14, 2019	On maturity	6.10%	semi-annually
- Pakistan Domestic Sukuk Company Limited	March 29, 2019	On maturity	5.59%	semi-annually
- Pakistan Domestic Sukuk Company Limited	June 30, 2020	On maturity	5.24%	semi-annually
- Pakistan International Sukuk Company Limited	October 13, 2021	On maturity	5.50%	semi-annually
- Pakistan International Sukuk Company Limited	December 03, 2019	On maturity	6.75%	semi-annually

9.2.4 Government of Pakistan Euro Bonds represent investments by Wholesale Bank Branch, Bahrain carrying mark-up at 7.25% and 8.25% and having maturities upto April 2024.

9.3 INVESTMENTS IN LISTED COMPANIES SHARES / UNITS

No. of ordinary shares / units		Average cost per share / unit	Name of companies / mutual funds	2017	2016
2017	2016	2017		Rupees in '000	
		Rupees			
16,512,082	16,512,082	8.08	AgriTech Limited	133,353	163,401
700,000	-	73.97	Adamjee Insurance Company Limited	51,779	-
84,000	200,000	645.26	Attock Petroleum Limited	54,202	106,041
362,200	414,800	266.88	AKZO Nobel Pak Limited	96,663	103,759
592,500	919,000	46.07	Arif Habib Corporation Limited	27,295	42,337
-	1,000,000	-	Al Shaheer Corporation Limited	-	51,697
750,000	1,650,000	101.62	Amreli Steel Limited	76,213	103,292
33,650	86,500	929.84	Abbot Laboratories (Pak) Limited	31,289	81,318
24,693,231	3,000,000	12.07	Bank of Punjab Limited	297,926	53,173
472,400	407,500	217.18	Berger Paints Pakistan Limited	102,595	81,695
900,000	1,191,500	60.31	Century Paper And Board Mills Limited	54,283	71,865
-	618,200	-	Crescent Steel & Allied	-	97,142
955,000	26,700	184.98	D. G. Khan Cement Company Limited	176,654	5,639
250,000	-	148.49	Dawood Hercules Corporation Limited	37,122	-
38,498,000	38,498,000	10.94	Dolmen City REIT	421,305	421,305
-	167,100	-	EFU General Insurance Limited	-	23,573
275,000	437,300	379.20	Engro Corporation Limited	104,281	135,508
1,000,000	2,700,000	71.48	Engro Fertilizer Limited	71,482	193,000
1,725,000	2,237,500	39.01	Fatima Fertilizer Co. Limited	67,292	87,284
374,500	399,500	221.87	GlaxoSmithKline (Pak) Limited	83,092	88,639
-	100,000	-	Ghani Glass Limited	-	11,703
3,427,500	3,983,000	23.61	Ghani Global Glass Limited	80,915	87,887
-	120,000	-	GlaxoSmithKline Consumer Healthcare Pakistan Limited	-	-
1,133,200	2,350,000	125.47	Hub Power Company Limited	142,179	276,492
2,289,500	2,289,500	35.73	Habib Metropolitan Bank Limited	81,811	81,811
700,000	-	227.17	Habib Bank Limited	159,021	-
941,100	-	115.08	Hi-tech Lubricants Limited	108,303	-
77,400	105,800	974.87	ICI Pakistan Limited	75,455	54,407
500,000	1,000,000	25.91	Jahangir Siddiqui Co. Limited	12,956	22,749
428,437	375,000	103.53	Jubilee General Insurance Co. Limited	44,355	44,618
3,000,000	-	8.08	K- Electric Limited	24,229	-
2,530,500	2,490,500	86.00	Kot Addu Power Company Limited	217,614	214,711
1,000,000	2,910,000	28.99	Lalpir Power Limited	28,990	89,125
277,000	100,000	727.41	Lucky Cement Limited	201,492	81,852
555,000	457,400	230.47	MCB Bank Limited	127,910	102,239
702,800	-	118.70	Maple Leaf Cement Factory Limited	83,425	-
37,350	22,400	1,527.34	Millat Tractors Limited	57,046	20,131
2,800,000	3,700,000	68.53	National Bank of Pakistan	191,894	253,538
4,205,500	3,848,000	55.27	Nishat Chunian Power Limited	232,442	217,224

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No. of ordinary shares / units		Average cost per share / unit	Name of companies / mutual funds	2017	2016
2017	2016	2017		Rupees in '000	
			Rupees		
600,000	500,000	59.73	Nishat (Chunian) Limited	35,840	20,726
1,531,500	–	63.82	Nishat Power Limited	97,736	–
–	57,000	–	Nishat Mills Limited	–	8,442
–	37,000	–	National Foods Limited	–	12,500
818,500	–	46.62	Orix Leasing Pakistan Limited	38,162	–
125,000	–	182.06	Oil & Gas Development Company Limited	22,757	–
2,230,500	3,220,000	28.82	Pakgen Power Limited	64,276	92,790
–	2,497,000	–	Pakistan Re-Insurance Company Limited	–	72,201
–	310,400	–	Pakistan State Oil Company Limited	–	128,645
–	3,109,500	–	Pakistan Telecommunication Company Limited	–	61,186
–	2,272,500	–	PICIC Growth Fund	–	68,553
–	4,602,000	–	PICIC Investment Fund	–	55,297
122,000	43,350	821.57	Packages Limited	100,232	33,597
650,000	1,000,000	112.78	Pak Elektron Limited	73,304	72,268
1,761,500	–	43.19	Sui Southern Gas Company Limited	76,087	–
–	622	–	Searl Pakistan Limited	–	354
64,450	25,000	598.65	Thal Limited	38,583	7,751
650,000	1,000,000	48.74	TRG Pakistan Limited	31,684	44,957
820,500	–	228.26	United Bank Limited	187,287	–
				4,522,811	4,148,422

9.4 UNITS OF OPEN END MUTUAL FUNDS

No. of units		Paid up value per unit	Name of mutual funds	2017	2016
2017	2016	2017		Rupees in '000	
			Rupees		
Funds managed by Askari Investment Management Limited:					
2,500,000	2,500,000	40.34	Askari Asset Allocation Fund	100,846	100,846
5,960,244	11,642,356	99.46	Askari High Yield Scheme	592,816	1,157,968
583,266	583,266	91.26	Askari Islamic Asset Allocation Fund	53,226	53,226
1,598,805	1,598,805	93.82	Askari Islamic Income Fund	150,000	150,000
539,885	539,885	100.00	Askari Equity Fund	53,988	53,988
1,000,000	1,000,000	100.00	Askari Sovereign Yield Enhancer Fund	100,000	100,000
–	1,156,198	–	Askari Sovereign Cash Fund	–	116,607
Others:					
5,002,568	5,002,568	9.99	NIT Islamic Equity Fund - managed by National Investment Trust Limited	50,000	50,000
7,012,643	–	71.30	National Investment Unit Trust (NIUT)	500,000	–
				1,600,876	1,782,635

9.5 PARTICULARS OF INVESTMENTS HELD IN UNLISTED COMPANIES

Investee	Note	Percentage of holding	Number of shares	Cost /	Total	Break-up	Based on audited financial statements as at	Name of Chief Executive / status
				paid-up value per share				
				Rupees	Rupees in '000			
Pakistan Export Finance Guarantee Agency Limited	9.5.1	5.26	568,044	10	5,680	–	–	Under liquidation
Pakistan Mortgage Refinance Company Limited		12.24	1,836,000	10	18,360	–	–	Rehmat Ali Hasnie
DHA Cogen Limited		4.70	15,682,000	10	–	–	–	Siraj ul Haq
					24,040			

9.5.1 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 5,680 thousand (2016: Rs 5,680 thousand) is considered as diminution in value of this investment and has been fully provided for.

9.6 PARTICULARS OF INVESTMENTS HELD IN PREFERENCE SHARES

No. of preference shares	Paid up value	per share	Investee	Rate per annum	Book Value		Market Value	
					2017	2016	2017	2016
2017	2016							
Rupees					Rupees in '000		Rupees in '000	
Listed								
10,000,000	10,000,000	10.00	Chenab Limited	–	100	100	10,000	31,100
18,322,418	18,322,418	10.00	Agritech Limited	11%	–	–	36,645	36,645
2,500,000	2,500,000	10.00	Masood Textile Mills Limited	Average of ask side of six month KIBOR plus 2%	25,000	25,000	20,075	22,100
					25,100	25,100	66,720	89,845
Unlisted								
2,500,000	2,500,000	10.00	First Dawood Investment Bank Limited	–	2,214	25,000	2,214	25,000
					27,314	50,100	68,934	114,845

9.7 INVESTMENT IN TERM FINANCE CERTIFICATES

No. of certificates	Company's Name	Redeemable value per certificate	2017		2016	
			2017	2016	Rupees	Rupees in '000
Listed						
91,453	91,453	Bank Alfalah Limited	4,998	457,128	457,529	
37,230	37,230	Pace Pakistan Limited	4,994	185,927	185,927	
–	47,200	NIB Bank Limited	–	–	235,764	
47,200	–	MCB Bank Limited	4,993	235,670	–	
133,023	133,023	Worldcall Telecom Limited	1,966	261,480	261,480	
Book value as on December 31				1,140,205	1,140,700	
Unlisted						
140,000	140,000	Agritech Limited (Chief Executive: Mr. Faisal Muzammil)	4,996	699,389	699,389	
86,000	86,000	Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	1,287	110,643	144,317	
–	3,700	Bunny's Limited	–	–	874	
100,000	54,000	Bank Al-Habib Limited (Chief Executive: Mr. Mansoor Ali Khan)	5,000	500,000	269,946	
200,000	200,000	NRSP Microfinance Bank Limited (Chief Executive: Mr. Zahoor Hussain Khan)	1,875	375,000	750,000	
10,077	10,077	Pak Hy Oils Limited (Chief Executive: Mr. Tariq Siddique Paracha)	2,696	27,170	33,470	
349,960	349,960	Pakistan International Airlines Corporation Limited (Chief Executive: Dr. Musharraf Rasool Cyan)	3,125	1,093,625	1,421,712	
173,611	–	Wapda Dasu (Chief Executive: Lt. Gen (R) Muzammil Hussain)	10,000	1,736,110	–	
13,000	13,000	Standard Chartered Bank (Chief Executive: Mr. Shazad Dada)	5,000	65,000	65,208	
Book value as on December 31				4,606,937	3,384,916	
				5,747,142	4,525,616	

Investment in term finance certificates carry coupon rate ranging from 7.36% to 8.51% (2016: 6.80% to 11.72%) per annum and having remaining maturity periods of upto 15 years (2016: upto 10 years).

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9.8 SUKUK CERTIFICATES - AVAILABLE FOR SALE

Name of Investee	Rate (p.a)	Maturity	2017	2016
Rupees in '000				
Agritech Limited	Average of offer side of 6 month KIBOR plus 2%	August 6, 2019	299,963	299,963
Al Barka Bank Limited	Average of offer side of 6 month KIBOR plus 0.75%	August 22, 2024	225,000	–
Fatima Fertilizer Company Limited	Six month KIBOR plus 1.10%	November 28, 2021	280,000	350,000
Fatima Fertilizer Company Limited	Six month KIBOR plus 1.10%	November 30, 2021	280,000	350,000
Neelum Jhelum Hydropower Company (Pvt) Limited - Type A	Six month KIBOR plus 1.13%	June 29, 2026	1,650,000	1,650,000
Neelum Jhelum Hydropower Company (Pvt) Limited - Type B	Six month KIBOR plus 1.13%	June 29, 2026	1,925,000	1,925,000
Pakistan Domestic Sukuk Company Limited	Weighted average yield of 6 months market treasury bills minus 200bps	June 25, 2017	–	1,150,000
Pakistan Domestic Sukuk Company Limited	6.10%	February 15, 2019	1,863,765	1,580,574
Pakistan Domestic Sukuk Company Limited	5.59%	March 29, 2019	2,713,688	1,509,437
Pakistan Domestic Sukuk Company Limited	5.24%	June 30, 2020	1,000,000	–
Pakistan International Sukuk Company Limited	6.75%	December 03, 2019	1,437,847	371,807
Pakistan International Sukuk Company Limited	5.50%	October 13, 2021	–	522,379
Shahraj Fabric Limited	Average of offer side of 6 month KIBOR plus 2%	December 31, 2012	150,000	150,000
Sitara Peroxide Limited	Average of offer side of 1 month KIBOR plus 1.0%	February 19, 2020	74,814	74,814
WAPDA Dasu	Average of offer side of 6 month KIBOR plus 1.4%	May 8, 2032	868,060	–
			12,768,137	9,933,974

9.9 COMMERCIAL PAPERS

Pak Elektron	Average of offer side of 9 month KIBOR plus 1.25%	September 10, 2018	284,874	–
U Microfinance Bank Limited	Average of offer side of 9 month KIBOR plus 1.0%	September 18, 2018	90,201	–
			375,075	–

9.10 FOREIGN GOVERNMENT BONDS

Bahrain International Bonds	6.13%	July 5, 2022	116,297	–
Sri Lankan International Bonds	6.00%	January 14, 2019	112,293	–
			228,590	–

9.11 Government of Pakistan Euro Bonds represent investments by Wholesale Bank Branch, Bahrain carrying mark-up at 7.25% to 8.25% and having maturities upto April 2024.

9.12 SUKUK CERTIFICATES - HELD TO MATURITY

Name of Investee	Rate (p.a)	Maturity	2017	2016
Rupees in '000				
Arzoo Textile Limited	Average of offer side of 6 month KIBOR plus 2% (for 1-2 years), 1.75% (for 3-6 years)	April 14, 2014	110,000	110,000
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	–	33,333
Pakistan International Sukuk Company Limited	5.50%	October 13, 2021	561,378	–
Pakistan International Sukuk Company Limited	6.75%	December 3, 2019	2,677,217	792,376
			3,348,595	935,709

9.13 QUALITY OF AVAILABLE FOR SALE SECURITIES

Rupees in '000	Note	2017		2016	
		Market Value	Rating	Market Value	Rating
Local securities					
Market Treasury Bills	9.13.1	129,956,900	unrated	107,500,862	unrated
Pakistan Investment Bonds	9.13.1	155,714,864	unrated	165,063,124	unrated
Government of Pakistan Euro Bonds		571,409	unrated	664,619	unrated
Sukuk Certificates	9.13.2	10,581,459	unrated / AAA	8,754,747	unrated / AAA
Fully paid-up ordinary shares / units	9.13.3				
Adamjee Insurance Company Limited		36,379	AA+	–	–
Agritech Limited		79,753	D	209,374	D
Attock Petroleum Limited		43,939	unrated	136,924	unrated
Abbot Laboratories (Pakistan) Limited		23,475	unrated	82,788	unrated
AKZO Nobel Pakistan Limited		77,149	unrated	97,071	unrated
Al Shaheer Corporation Limited		–	–	57,400	unrated
Amreli Steel Limited		69,495	A	109,874	unrated
Arif Habib Corporation Limited		21,016	unrated	40,436	unrated
Bank of Punjab Limited		203,472	AA	52,950	AA
Berger Paints Pakistan Limited		75,952	unrated	75,921	unrated
Century Paper and Board Mills		55,917	A+	73,933	A+
Crescent Steel & Allied		–	–	95,314	unrated
DG Khan Cement Company		127,703	unrated	5,920	unrated
DHA Cogen Limited		–	–	–	–
Dolmen City REIT		423,478	RR1	418,473	RR1
Dawood Hercules Corporation Limited		27,970	AA-	–	–
EFU General Insurance Limited		–	–	25,232	AA+
Engro Corporation Limited		75,556	AA	138,226	AA-
Engro Fertilizer Limited		67,720	AA-	183,546	AA-
Fatima Fertilizer Co. Limited		53,268	AA-	82,541	AA-
GlaxoSmithKline (Pak) Limited		62,871	unrated	93,203	unrated
GlaxoSmithKline Consumer HealthCare Pakistan Limited		–	–	1,200	unrated
Ghani Glass Limited		–	–	14,800	unrated
Ghani Global Glass Limited		49,562	unrated	93,362	unrated
Hub Power Company Limited		103,121	AA+	290,179	AA+
Habib Metropolitan Bank Limited		78,988	AA+	84,712	unrated
Habib Bank Limited		116,963	AAA	–	–
Hi-tech Lubricants Limited		66,818	unrated	–	–
ICI Pakistan Limited		59,439	unrated	105,137	unrated
Jahangir Siddiqui Co. Limited		9,025	AA	25,390	AA
Jubilee General Insurance Co. Limited		34,275	AA+	40,687	AA+
K- Electric Limited		18,930	AA	–	–
Kot Addu Power Company Limited		136,394	AA+	196,251	AA+
Lalpir Power Limited		22,530	AA	70,422	AA
Lucky Cement Limited		143,322	unrated	86,626	unrated
Maple Leaf Cement Factory Limited		48,100	A+	–	–
Millat Tractors Limited		43,760	unrated	20,264	unrated
MCB Bank Limited		117,838	AAA	108,779	AAA
National Bank of Pakistan		135,968	AAA	277,094	AAA
Nishat Chunian Power Limited		138,403	unrated	213,487	unrated
Nishat (Chunian) Limited		27,462	unrated	31,215	unrated
Nishat Power Limited		52,071	A+	–	–
National Foods Limited		–	–	13,875	AA-
Nishat Mills Limited		–	–	8,679	AA
Oil and Gas Development Company Limited		20,349	AAA	–	–
Orix Leasing Pakistan Limited		33,976	AA+	–	–
Pakgen Power Limited		49,361	AA	86,199	AA
Pakistan Re-Insurance Company Limited		–	–	103,850	AA
Pakistan State Oil Company Limited		–	–	134,779	AA
Pakistan Telecommunication Company Limited		–	–	53,421	unrated

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Rupees in '000	Note	2017		2016	
		Market Value	Rating	Market Value	Rating
PICIC Growth Fund		–	–	69,220	unrated
PICIC Investment Fund		–	–	63,968	unrated
Packages Limited		62,199	AA	36,850	AA
Pak Elektron Limited		30,869	A+	71,280	A+
Pakistan Export Finance Guarantee Agency Limited		5,680	unrated	5,680	unrated
Pakistan Mortgage Refinance Company Limited		18,360	unrated	–	–
Sui Southern Gas Company Limited		53,708	A+	–	–
Searl Pakistan Limited		–	–	407	unrated
TRG Pakistan Limited		19,240	unrated	44,260	unrated
Thal Limited		32,927	unrated	12,713	unrated
United Bank Limited		154,229	AAA	–	–
Fully paid preference shares					
Agritech Limited		36,645	unrated	36,645	unrated
Chenab Limited		10,000	unrated	31,100	unrated
Masood Textile Mills Limited		20,075	unrated	22,100	unrated
First Dawood Investment Bank Limited		2,214	unrated	25,000	unrated
Units of open end mutual funds					
Askari High Yield Scheme		617,990	A	1,214,244	A
Askari Asset Allocation Fund		110,429	2-Star	135,996	2-Star
Askari Islamic Asset Allocation Fund		56,382	3-Star	70,654	1-Star
Askari Islamic Income Fund		165,461	A+	164,749	A+
Askari Sovereign Yield Enhancer Fund		104,038	A+	102,864	A+
Askari Equity Fund		52,978	3-Star	70,367	3-Star
Askari Sovereign Cash Fund		–	–	119,004	AA+
National Investment Unit Trust (NIUT)		494,882	AM2++	–	–
NIT Islamic Equity Fund		49,976	AM2++	64,183	AM2++
Term Finance Certificates					
Agritech Limited		699,389	D	699,389	D
Azgard Nine Limited		110,644	D	144,317	D
Bank Alfalah Limited		464,562	AA-	468,629	AA-
Bunny's Limited		–	–	874	unrated
Bank Al Habib Limited		500,000	AA	273,162	AA
MCB Bank Limited		239,335	AAA	–	–
NIB Bank Limited		–	–	238,441	A+
NRSP Microfinance Bank (Pvt) Limited		375,918	A	752,478	A
Pace Pakistan Limited		185,927	D	185,927	D
Pak Hy Oils Limited		27,170	D	33,470	D
Pakistan International Airlines Corporation Limited	9.13.1	1,093,625	unrated	1,421,712	unrated
Standard Chartered Bank		65,000	AAA	65,260	AAA
WAPDA Dasu		1,736,110	AAA	–	–
World Call Telecom Limited		261,481	D	261,481	D
		5,759,161		4,545,140	
Sukuk Certificates					
Agritech Limited		299,963	D	299,963	D
Al Barka Bank Limited		225,000	A	–	–
Fatima Fertilizer Company Limited		287,700	AA-	350,000	AA-
Fatima Fertilizer Company Limited		287,700	AA-	350,000	AA-
Shahraj Fabrics Limited		150,000	D	150,000	D
Sitara Peroxide Limited		74,814	D	74,814	D
Wapda Dasu		868,060	AAA	–	–
Commercial Paper					
Pak Elektron Limited		284,874	unrated	–	–
U Microfinance Bank Limited		90,201	unrated	–	–

Rupees in '000	2017		2016	
	Market Value	Rating	Market Value	Rating
Foreign securities				
Bahrain International Bonds	115,248	B+	–	–
Sri Lankan International Bonds	113,178	B+	–	–
	310,510,581		294,154,087	

9.13.1 These are Government of Pakistan guaranteed securities.

9.13.2 These represent Government of Pakistan guaranteed Sukuk Certificates.

9.13.3 Ratings for these equity securities / units represent 'Entity Ratings'.

9.13.4 Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR-VIS Credit Rating Company Limited (JCR-VIS), whereas and certain local securities are unrated. These ratings reflect independent credit risk assessment by respective credit rating entities.

9.14 Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with the SBP.

9.15 Investments include Rs. 2,042,279 thousand (2016: Rs. 1,984,359 thousand) which have been placed under non-performing status and the Group maintains provision of Rs. 2,042,279 thousand (2016: Rs. 1,928,248 thousand) against non performing investments.

9.16 The Group has availed the relaxation of Rs. Nil (2016: Rs. 22,565 thousand) allowed by the SBP against booking of impairment loss as required under para No. 4(a) of Regulation R-8 of Prudential Regulations.

Rupees in '000	Note	2017	2016
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		223,766,645	216,085,202
Outside Pakistan		7,688,190	3,345,613
		231,454,835	219,430,815
Islamic financing and related assets- note A - 1 of Annexure II		34,755,797	25,994,787
Net investment in lease finance - In Pakistan	10.2	8,652,030	8,138,098
Bills discounted and purchased			
Payable in Pakistan		3,516,094	3,797,182
Payable outside Pakistan		5,960,914	4,762,374
		9,477,008	8,559,556
Advances - gross		284,339,670	262,123,256
Provision against non-performing advances	10.4		
Specific provision		(24,962,069)	(26,353,791)
General provision		(236,940)	(236,944)
General provision against consumer financing		(447,575)	(368,599)
		(25,646,584)	(26,959,334)
Advances - net of provision		258,693,086	235,163,922
10.1 PARTICULARS OF ADVANCES (GROSS)			
10.1.1 In local currency		269,949,664	251,909,942
In foreign currencies		14,390,006	10,213,314
		284,339,670	262,123,256
10.1.2 Short term (for upto one year)		157,908,515	153,595,266
Long term (for over one year)		126,431,155	108,527,990
		284,339,670	262,123,256

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10.2 NET INVESTMENT IN LEASE FINANCE - IN PAKISTAN

Rupees in '000	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
Lease rentals receivable	2,946,733	3,440,986	26,830	6,414,549	2,714,842	3,625,963	42,224	6,383,029
Residual value	685,688	2,150,963	75,022	2,911,673	535,057	1,908,756	79,443	2,523,256
Minimum lease payments	3,632,421	5,591,949	101,852	9,326,222	3,249,899	5,534,719	121,667	8,906,285
Finance charges for future periods	(339,257)	(333,782)	(1,153)	(674,192)	(347,174)	(418,837)	(2,176)	(768,187)
Present value of minimum lease payments	3,293,164	5,258,167	100,699	8,652,030	2,902,725	5,115,882	119,491	8,138,098

10.3 CLASSIFIED ADVANCES

Advances include Rs. 26,753,027 thousand (2016: Rs. 28,534,630 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
	Rupees in '000								
Other Assets Especially									
Mentioned - note 10.3.1	137,409	-	137,409	-	-	-	-	-	-
Substandard	118,878	-	118,878	15,600	-	15,600	15,600	-	15,600
Doubtful	701,369	-	701,369	280,067	-	280,067	280,067	-	280,067
Loss	25,795,371	-	25,795,371	24,666,402	-	24,666,402	24,666,402	-	24,666,402
	26,753,027	-	26,753,027	24,962,069	-	24,962,069	24,962,069	-	24,962,069
	2016								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially									
Mentioned - note 10.3.1	224,002	-	224,002	-	-	-	-	-	-
Substandard	215,562	-	215,562	31,481	-	31,481	31,481	-	31,481
Doubtful	576,104	-	576,104	216,967	-	216,967	216,967	-	216,967
Loss	27,518,962	-	27,518,962	26,105,343	-	26,105,343	26,105,343	-	26,105,343
	28,534,630	-	28,534,630	26,353,791	-	26,353,791	26,353,791	-	26,353,791

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

10.4 PARTICULARS OF PROVISION AGAINST NON - PERFORMING ADVANCES

Rupees in '000	Note	2017				2016			
		Specific	General	Consumer financing – General	Total	Specific	General	Consumer financing – General	Total
Opening balance		26,353,791	236,944	368,599	26,959,334	28,048,973	196,941	236,272	28,482,186
Charge for the year		891,105	37,450	90,267	1,018,822	1,198,881	56,299	147,073	1,402,253
Reversal for the year		(2,159,610)	(37,454)	(11,291)	(2,208,355)	(2,100,652)	(16,296)	(14,746)	(2,131,694)
Net (reversal) / charge for the year		(1,268,505)	(4)	78,976	(1,189,533)	(901,771)	40,003	132,327	(729,441)
Amounts written off	10.6	–	–	–	–	(234)	–	–	(234)
Amounts charged off- agri loans	10.7	(123,217)	–	–	(123,217)	(793,177)	–	–	(793,177)
Closing balance		24,962,069	236,940	447,575	25,646,584	26,353,791	236,944	368,599	26,959,334

10.4.1 The net FSV benefit already availed has been reduced by Rs. 295,191 thousand, which has resulted in increased charge for specific provision for the year by the same amount. Had the FSV benefit not reduced, before and after tax profit for the year would have been higher by Rs. 295,191 thousand (2016: Rs. 415,069 thousand) and Rs. 191,874 thousand (2016: Rs. 269,795 thousand) respectively. Further, at December 31, 2017, cumulative net of tax benefit availed for Forced Sale Value (FSV) was Rs. 720,203 thousand (December 31, 2016: Rs. 912,077 thousand) under BSD circular No. 1 of 2011 dated October 21, 2011. Reserves and unappropriated profit to that extent are not available for distribution by way of cash or stock dividend.

10.4.2 The Group has availed the relaxation of Rs. 102,460 thousand (2016: Rs. 102,460 thousand) allowed by the SBP for maintaining provisions as per time based criteria of prudential regulations.

10.5 PARTICULARS OF PROVISION AGAINST NON - PERFORMING ADVANCES

Rupees in '000	2017				2016			
	Specific	General	Consumer financing – General	Total	Specific	General	Consumer financing – General	Total
In local currency	24,414,467	236,940	447,575	25,098,982	25,823,336	236,944	368,599	26,428,879
In foreign currencies	547,602	–	–	547,602	530,455	–	–	530,455
	24,962,069	236,940	447,575	25,646,584	26,353,791	236,944	368,599	26,959,334

Rupees in '000	2017	2016
10.6 PARTICULARS OF WRITE - OFFS:		
10.6.1 Against provisions	–	234
Directly charged to profit and loss account	–	–
	–	234
10.6.2 Write offs of Rs. 500,000 and above	–	–
Write offs of below Rs. 500,000	–	234
	–	234

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10.6.3 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2017 is given at Annexure - 1 to the unconsolidated financial statements.

10.7 AGRI LOANS CHARGED OFF

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

Rupees in '000	Note	2017	2016
10.8	PARTICULARS OF LOANS AND ADVANCES TO DIRECTORS, ASSOCIATED COMPANIES ETC.		
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		2,973,683	2,696,930
Loans granted during the year		1,160,836	1,401,081
Repayments		(977,401)	(1,124,328)
Balance at end of year		3,157,118	2,973,683
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		5,334,618	5,617,466
Loans granted during the year		102,739,564	99,257,484
Repayments		(103,495,806)	(99,540,332)
Balance at end of year		4,578,376	5,334,618
		7,735,494	8,308,301
11.	OPERATING FIXED ASSETS		
Capital work in progress	11.1	160,636	281,271
Property and equipment	11.2	9,764,664	9,851,669
Intangibles	11.3	827,931	922,212
		10,753,231	11,055,152
Provision against operating fixed assets		(24,404)	(35,597)
		10,728,827	11,019,555

11.1 CAPITAL WORK IN PROGRESS

This represents advances to suppliers and contractors.

11.2 PROPERTY AND EQUIPMENT

Rupees in '000	2017										
	COST / REVALUED AMOUNT					DEPRECIATION				Book value as at December 31, 2017	Annual rate of depreciation %
	as at January 1, 2017	Additions	Adjustments	Deletions / transfers	as at December 31, 2017	as at January 1, 2017	Charge for the year	on (deletions) / adjustments	as at December 31, 2017		
Land - freehold - note 11.4	2,909,012	-	-	-	2,909,012	-	-	-	-	2,909,012	-
Land - leasehold - note 11.4	1,880,715	-	-	-	1,880,715	-	-	-	-	1,880,715	-
Buildings on freehold land	887,251	-	-	-	887,251	371,265	24,807	-	396,072	491,179	5
Buildings on leasehold land	901,110	65,050	-	-	966,160	363,216	29,207	-	392,423	573,737	5
Renovation of premises	3,190,332	393,887	-	(41,820)	3,541,624	2,153,660	324,378	(32,715)	2,445,248	1,096,376	20
Furniture, fixtures and office equipments	1,100,889	194,869	56	(18,344)	1,283,421	411,532	76,103	(11,407)	480,126	803,295	10
Carpets	51,488	7,996	-	(9,233)	50,395	30,408	7,764	(8,085)	30,110	20,285	20
Machine and equipments	2,710,384	437,816	5	(67,188)	3,083,133	1,454,163	276,974	(56,442)	1,673,358	1,409,775	20
Computer equipments	2,656,190	158,097	520	(13,835)	2,789,319	1,730,087	563,032	(13,087)	2,266,753	522,566	20
Vehicles	202,366	2,700	-	(3,666)	201,400	123,830	24,066	(3,666)	144,230	57,170	20
Other assets	45,196	565	-	-	45,761	45,103	104	-	45,207	554	20
	16,534,933	1,260,980	581	(154,086)	17,638,191	6,683,264	1,326,435	(125,402)	7,873,527	9,764,664	
Operating lease - vehicles	1,834	-	-	(4,217)	1,834	1,834	-	-	1,834	-	20
	16,536,767	1,260,980	581	(158,303)	17,640,025	6,685,098	1,326,435	(136,172)	7,875,361	9,764,664	

Rupees in '000	2016										
	COST / REVALUED AMOUNT					DEPRECIATION				Book value as at December 31, 2016	Annual rate of depreciation %
	as at January 1, 2016	Additions / revaluation	Adjustments	Deletions / transfers	as at December 31, 2016	as at January 1, 2016	Charge for the year	on (deletions) / adjustments	as at December 31, 2016		
Land - freehold - note 11.4	2,445,595	463,417	-	-	2,909,012	-	-	-	-	2,909,012	-
Land - leasehold - note 11.4	1,076,293	804,422	-	-	1,880,715	-	-	-	-	1,880,715	-
Buildings on freehold land	870,064	17,187	-	-	887,251	343,845	27,420	-	371,265	515,986	5
Buildings on leasehold land	903,510	-	-	-	901,110	336,067	27,637	-	363,216	537,894	5
Renovation of premises	2,711,948	507,527	(2,400)	(3,370)	3,190,332	1,902,492	264,448	(2,122)	2,153,660	1,036,672	20
Furniture, fixtures and office equipments	944,550	187,732	(1)	(10,831)	1,100,889	365,662	64,173	(5,953)	411,532	689,357	10
Carpets	42,945	10,742	(20,425)	(2,352)	51,488	24,607	7,045	(1,344)	30,408	21,080	20
Machine and equipments	2,342,533	416,761	(643)	(48,412)	2,710,384	1,256,383	238,965	(39,965)	1,454,163	1,256,221	20
Computer equipments	2,431,284	281,648	(15)	(8,417)	2,656,190	1,593,881	181,309	(7,939)	1,730,087	926,103	20
Vehicles	175,813	40,228	(19,473)	(11,609)	202,366	113,439	21,755	(11,609)	123,830	78,536	20
Other assets	45,100	96	(2,031)	(35)	45,196	45,100	3	245	45,103	93	20
	13,989,635	2,729,760	(70,380)	(84,991)	16,534,933	5,981,476	832,755	(68,932)	6,683,264	9,851,669	
Operating lease - vehicles	1,834	-	-	(29,091)	1,834	1,834	-	(62,035)	1,834	-	20
	13,991,469	2,729,760	(70,380)	(114,082)	16,536,767	5,983,310	832,755	(130,967)	6,685,098	9,851,669	

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11.2.1 Cost of fully depreciated property and equipment still in use amounts to Rs. 3,586,042 thousand (2016: Rs. 1,727,049 thousand).

11.2.2 During the year the Group has changed the depreciation method on computer equipments from diminishing balance method to straight line method. This change in accounting estimate has been accounted for prospectively as per International Accounting standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in these consolidated financial statements. Had the depreciation method not changed, the written down value of operating fixed assets and profit before tax would have been higher by Rs. 380 million.

11.3 INTANGIBLES

Rupees in '000	2017										
	COST				AMORTIZATION				Book value	Annual	
	as at January 1, 2017	Additions	Adjustments	Deletions / transfers	as at December 31, 2017	as at January 1, 2017	Charge for the year	on (deletions) / adjustments	as at December 31, 2017	as at December 31, 2017	rate of Amortization %
Software	1,968,448	102,195	-	(44)	2,070,599	1,046,236	196,476	(44)	1,242,668	827,931	10
					-						

Rupees in '000	2016										
	COST				AMORTIZATION				Book value	Annual	
	as at January 1, 2016	Additions	Adjustments	Deletions / transfers	as at December 31, 2016	as at January 1, 2016	Charge for the year	on (deletions) / adjustments	as at December 31, 2016	as at December 31, 2016	rate of Amortization %
Software	1,839,064	123,155	(5)	-	1,968,448	857,400	180,792	-	1,046,236	922,212	10
Trading Right Entitlement Certificates	12,426	-	(17,420)	23,654	-	-	-	8,044	-	-	
Exchanges membership cards	2,500	-	(2,500)	-	-	-	-	-	-	-	
	1,853,990	123,155	(32,351)	-	1,968,448	857,400	180,792	-	1,046,236	922,212	
				23,654				8,044			

11.3.1 Cost of fully amortized intangible assets still in use amounts to Rs. 71,096 thousand (2016: Rs. 43,305 thousand).

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

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

Had the land not been revalued, the carrying amount of land as at December 31, 2017 would have been Rs. 1,957,257 thousand.

11.5 DETAIL OF DISPOSALS OF OPERATING FIXED ASSETS

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Rupees in '000						
MACHINE AND EQUIPMENTS						
Generator	1,018	867	151	275	Tender	M/s Yamleka Traders
Generator	1,028	1,003	25	165	Tender	M/s Saigol Motors
Generator	1,047	931	116	250	Tender	M/s National Traders
Generator	1,119	960	159	185	Tender	M/s Saigol Motors
Generator	1,233	1,020	213	170	Tender	M/s Proper Scrap Dealer
Generator	1,565	286	1,279	900	Insurance Claim	Insurance Claim
Generator	1,161	1,024	137	130	Tender	Naveed Ahmad Warraich
Generator	1,223	1,055	168	250	Tender	M/s Yamleka Traders
ATM	1,061	863	198	109	Tender	M/s Proper Scrap Dealer
ATM	6,061	5,923	138	76	Tender	M/s Proper Scrap Dealer
ATM	9,110	8,633	477	264	Tender	M/s Proper Scrap Dealer
ATM	826	571	255	141	Tender	M/s Proper Scrap Dealer
ATM	826	571	255	141	Tender	M/s Proper Scrap Dealer
ATM	826	571	255	141	Tender	M/s Proper Scrap Dealer
ATM	826	571	255	141	Tender	M/s Proper Scrap Dealer
Air Conditioner	940	625	315	254	Tender	M/s AMUS
VEHICLES						
Toyota Land Cruiser	3,440	3,440	–	3,200	Insurance Claim	Insurance Claim
RENOVATION OF PREMISES						
Renovation	1,150	575	575	–	Wirte-Off	Wirte-Off
Renovation	1,262	421	841	–	Wirte-Off	Wirte-Off
Renovation	1,499	1,499	–	–	Wirte-Off	Wirte-Off
Renovation	1,723	804	919	–	Wirte-Off	Wirte-Off
Renovation	4,023	1,877	2,146	33	Wirte-Off	Wirte-Off
Renovation	4,035	4,035	–	–	Wirte-Off	Wirte-Off
Renovation	4,243	4,243	–	–	Wirte-Off	Wirte-Off
Renovation	496	240	256	–	Wirte-Off	Wirte-Off
Renovation	414	104	310	–	Wirte-Off	Wirte-Off
Renovation	734	355	379	–	Wirte-Off	Wirte-Off
Renovation	491	57	434	–	Wirte-Off	Wirte-Off
Renovation	577	125	452	–	Wirte-Off	Wirte-Off
Renovation	7,454	7,454	–	–	Negotiation	M. Mushtaq
Renovation	4,804	4,804	–	40	Tender	M/s Capricorn Trading Co.
Renovation	1,987	994	993	302	Negotiation	Pakistan Military Academy
Renovation	1,474	688	786	239	Negotiation	Pakistan Military Academy
	69,676	57,189	12,487	7,406		
Other assets having book value of less than Rs. 250,000/- or cost of less than Rs. 1,000,000/- other than vehicles sold to Bank's executives / related parties						
	84,410	68,213	16,197	10,727		
2017	154,086	125,402	28,684	18,133		
2016	84,991	68,932	16,059	22,543		

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Rupees in '000	Note	2017	2016
12. OTHER ASSETS			
Income / mark-up accrued in local currency	12.1	9,276,297	10,202,971
Income / mark-up accrued in foreign currencies		323,568	280,405
Advances, deposits, advance rent and other prepayments		1,343,586	1,111,261
Advance taxation (payments less provisions)		5,612,384	4,817,715
Non banking assets acquired in satisfaction of claims	12.2	5,001,571	4,938,757
Un-realised gain on forward foreign exchange contracts - net		732,738	-
Suspense account		47,159	52,716
Stationary and stamps in hand		60,258	61,262
Dividend receivable	12.1	6,466	15,411
Others		339,727	363,982
		22,743,754	21,844,480
Provision against other assets	12.3	(278,681)	(248,156)
Other assets - net of provision		22,465,073	21,596,324

12.1 This balance is net of interest in suspense and dividend in suspense amounting to Rs. 10,903,151 thousand and Rs. 81,020 thousand (2016: Rs. 11,102,754 thousand and Rs. 81,020 thousand) respectively.

12.2 Carrying amount includes surplus on revaluation amounting to Rs. 1,811,635 thousand (2016: Rs. 1,617,860 thousand).

Rupees in '000	2017	2016
12.3 PROVISION AGAINST OTHER ASSETS		
Opening balance	248,156	302,065
Provision recognised during the year	36,571	14,731
Recovery / written off during the year	(6,046)	(68,640)
Closing balance	278,681	248,156

13. DISCONTINUED OPERATIONS

The Bank had two subsidiary companies namely Askari Investment Management Limited (AIML) and Askari Securities Limited (ASL) which were classified as held for sale as at December 31, 2016. During the year, the Bank has sold one of its subsidiary company namely AIML at a total consideration of Rs. 551 million while its net assets at the time of disposal were Rs.327 million. Resultantly, the Bank's investment in AIML has been derecognised in these consolidated financial statements.

13.1. An analysis of the assets and liabilities attributable to discontinued operations as at the date of Statement of Financial Position is as follows:

Rupees in '000	2017	2016
13.1.1 ASSETS ATTRIBUTABLE TO DISCONTINUED OPERATIONS:		
Cash and balances with treasury banks	–	–
Balances with other banks	167,994	151,394
Lendings to financial institutions	–	–
Investments	40,411	387,960
Advances	810	6,634
Operating fixed assets	21,017	42,748
Deferred tax assets	–	8,354
Other assets	97,717	199,480
	327,949	796,570
LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS		
Bills payable	–	–
Borrowings	–	–
Deposits and other accounts	–	–
Sub-ordinated loans	–	–
Liabilities against assets subject to finance lease	–	–
Other liabilities	140,741	267,254
	140,741	267,254
	187,208	529,316
13.1.2 FINANCIAL PERFORMANCE		
Mark-up / return / interest earned	1,077	12
Mark-up / return / interest expensed	33	–
Net mark-up / interest income	1,044	12
Provision / (reversal) against non-performing loans and advances - net	–	–
Impairment loss on available for sale investments	–	–
Provision for diminution in the value of investments - net	–	–
Bad debts written off directly	–	–
Net mark-up / interest income after provisions	1,044	12
Non mark-up / interest income		
Fee, commission and brokerage income	79,135	188,504
Dividend income	864	11,804
Income from dealing in foreign currencies	–	–
Gain on sale of securities - net	38,095	18,161
Unrealised gain on revaluation of investments classified as held for trading - net	6,614	278
Other income	5,663	2,976
Total non-markup / interest income	130,371	221,723
Non mark-up / interest expenses		
Administrative expenses	114,622	192,368
Other provisions / write offs	–	–
Other charges	–	442
Total non-markup / interest expenses	114,622	192,810
Extraordinary / unusual items	–	–
Profit before taxation	16,793	28,925
Taxation – current	(10,564)	(18,236)
– prior years'	–	–
– deferred	382	(6,327)
	(10,182)	(24,563)
Profit after taxation	6,611	4,362

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Rupees in '000	Note	2017	2016
13.1.3 OTHER COMPREHENSIVE INCOME			
Profit after tax		6,611	4,362
Remeasurment of defined benefit plan - net of tax		44	(2,107)
(Deficit) / surplus on revaluation of available for sale investments - net of tax		(27,330)	47,207
		(20,675)	49,462
13.1.4 CASH FLOW INFORMATION			
Net cash flows from operating activities		(20,561)	181,528
Net cash flows from investing activities		341,950	(369,796)
Net cash flows from financing activities		–	–
14. BILLS PAYABLE			
In Pakistan		10,769,262	8,579,809
15. BORROWINGS			
In Pakistan		65,123,725	88,975,683
Outside Pakistan		6,463,586	286,105
		71,587,311	89,261,788
15.1 PARTICULARS OF BORROWINGS WITH RESPECT TO CURRENCIES			
In local currency		65,123,725	88,975,683
In foreign currencies		6,463,586	286,105
		71,587,311	89,261,788
15.2 DETAILS OF BORROWINGS - SECURED / UNSECURED			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	15.2.1	12,029,461	9,712,571
Long term financing facility	15.2.2	4,673,546	3,165,516
Financing facility for storage of agricultural produce	15.2.3	9,167	12,500
Renewable energy financing facility	15.2.4	126,427	–
		16,838,601	12,890,587
Repo borrowings			
State Bank of Pakistan	15.2.5	40,522,945	67,078,365
Financial institutions	15.2.6	8,622,609	6,211,169
		49,145,554	73,289,534
Unsecured			
Call borrowings	15.2.7	5,599,688	2,795,562
		71,583,843	88,975,683
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		3,468	286,105
		71,587,311	89,261,788

- 15.2.1** This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 1% to 2% (2016: 2.5% to 3%) per annum payable on a quarterly basis.
- 15.2.2** This facility is secured against demand promissory note executed in favour of the SBP. The effective mark-up rate is 2.0% to 8.4% (2016: 2.0% to 8.4%) per annum payable on a quarterly basis.
- 15.2.3** These are secured against pledge of Government Securities having maturities upto 2020. These carry markup @ 3.25% per annum.
- 15.2.4** These are secured against pledge of Government Securities having maturities upto 2027. These carry markup @ 2% per annum.
- 15.2.5** These are secured against pledge of Government Securities having maturities upto 1 month (2016: 1 month). These carry markup @ 5.81% to 5.85% (2016: 5.87%) per annum.
- 15.2.6** These are secured against pledge of Government Securities having maturities upto 6 months (2016: 3 months). These carry markup @ 2.55% to 5.85% (2016: 5.50% to 5.84%) per annum.
- 15.2.7** These carry mark-up at the rate of 2.50% to 5.85% (2016: 5.00% to 5.60%) per annum and having maturity upto 7 months (2016: 3 months).

Rupees in '000	2017	2016
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	81,535,107	87,044,527
Savings deposits	291,527,924	249,391,921
Current accounts - remunerative	751,535	753,080
Current accounts - non-remunerative	143,678,468	125,241,669
Special exporters' account	150,636	31,934
Margin accounts	3,514,747	3,080,895
Others	1,163,372	1,205,111
Financial institutions		
Remunerative deposits	2,817,279	5,860,112
Non-remunerative deposits	665,983	193,845
	525,805,051	472,803,094
16.1 PARTICULARS OF DEPOSITS		
In local currency	478,405,742	433,180,253
In foreign currencies	47,399,309	39,622,841
	525,805,051	472,803,094

Deposits include Rs. 16,238,895 thousand (2016: Rs. 14,026,647 thousand) due to related parties.

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Rupees in '000	2017	2016
17. SUB-ORDINATED LOANS		
Term Finance Certificates - IV	997,600	998,000
Term Finance Certificates - V	3,995,200	3,996,800
	4,992,800	4,994,800

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

	Term Finance Certificates - IV	Term Finance Certificates - V
Outstanding amount - Rupees in '000	997,600	3,995,200
Issue date	December 23, 2011	September 30, 2014
Total issue	Rupees 1,000 million	Rupees 4,000 million
Rating	AA	AA-
Listing	Unlisted	Unlisted
Rate	Payable six monthly - Base Rate plus 1.75% (after 5 years: 2.20%) Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.20% Base Rate is the simple average of the ask rate of six month KIBOR prevailing on the base rate setting date.
Repayment	10 Years	10 Years
Call option	Exercisable after 60 months from the date of issue. Approval for call option has been obtained from SBP.	Exercisable after 60 months from the date of issue subject to approval by the SBP.
Redemption	6-96th month: 0.32% 97-120th month: 99.68%	6-108th month: 0.36% 108-120th month: 99.64%

Rupees in '000	2017	2016
18. DEFERRED TAX (ASSETS) / LIABILITIES		
Deferred (debits) / credits arising due to:		
Accelerated tax depreciation and amortization	375,702	537,926
Provision against non-performing advances		
- excess of 1% of total advances	(450,177)	(1,327,402)
- classified in sub-standard category	(71,278)	(71,278)
	(145,753)	(860,754)
Surplus on revaluation of available for sale securities	210,265	1,491,068
Actuarial loss	(165,267)	(103,884)
	(100,755)	526,430

Rupees in '000	Note	2017	2016
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		2,601,197	2,569,950
Mark-up / return / interest payable in foreign currencies		139,760	100,216
Unearned income / commission		255,495	292,344
Accrued expenses		935,879	1,358,471
Advance payments		389,031	245,651
Security deposit against lease / Ijarah financing		4,156,902	3,444,309
Unclaimed dividends		139,256	101,392
Branch adjustment account		285,884	121,306
Payable to defined benefit plan		489,526	384,364
Payable against purchase of listed shares		–	10,251
Un-realised loss on forward foreign exchange contracts - net		–	82,664
Withholding taxes payable		84,679	90,815
Federal excise duty payable		48,507	41,404
Workers' Welfare Fund	19.1	670,060	500,766
Switch fee payable		393,394	431,432
Others		525,627	611,017
		11,115,197	10,386,352

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

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

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

20. SHARE CAPITAL

20.1 AUTHORIZED CAPITAL

2017		2016	2017		2016
Number of shares			Rupees in '000		
1,600,000,000	1,600,000,000	Ordinary shares of Rs. 10 each	16,000,000	16,000,000	

20.2 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2017		2016	2017		2016
Number of shares			Rupees in '000		
		Ordinary shares of Rs. 10 each:			
514,689,096	514,689,096	Fully paid in cash	5,146,891	5,146,891	
717,297,769	717,297,769	Issued as bonus shares	7,172,978	7,172,978	
28,273,315	28,273,315	Issued on Askari Leasing Limited merger	282,733	282,733	
1,260,260,180	1,260,260,180		12,602,602	12,602,602	

20.3 The Fauji Consortium: comprising of Fauji Foundation (FF), Fauji Fertilizer Company Limited (FFCL) and Fauji Fertilizer Bin Qasim Limited (FFBL) collectively owned 71.91 percent of ordinary shares of the Bank as on December 31, 2017.

20.4 The Board of Directors of the Bank in their meeting held in December 2017 has passed the resolution to increase the authorized share capital of the Bank to Rs 20,000,000 thousand which will be placed before the shareholders in the forthcoming Annual General Meeting for their approval.

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Rupees in '000	Note	2017	2016
21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) on revaluation of:			
Operating fixed assets		2,832,470	2,832,470
Non banking assets acquired in satisfaction of claims	21.1	1,811,635	1,617,860
Available for sale investments			
Federal Government securities		1,503,492	3,826,689
Listed shares		(981,249)	254,555
Units of open end mutual funds		51,259	159,426
Other securities		27,254	19,524
		600,756	4,260,194
Related deferred tax		(210,265)	(1,491,068)
		390,491	2,769,126
		5,034,596	7,219,456
21.1 NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS			
Surplus on revaluation as at January 1,		1,617,860	–
Recognised during the year		203,599	1,620,761
Realised on disposal during the year		(3,278)	(2,901)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(6,546)	–
Surplus on revaluation as at December 31,		1,811,635	1,617,860
22. CONTINGENCIES AND COMMITMENTS			
22.1 DIRECT CREDIT SUBSTITUTES			
i) Government		416,852	–
ii) Others		10,884,649	9,657,366
		11,301,501	9,657,366
22.2 TRANSACTION-RELATED CONTINGENT LIABILITIES			
Money for which the Group is contingently liable:			
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.		671,079	487,585
b) Contingent liability in respect of guarantees given, favouring:			
i) Government		101,289,688	72,129,895
ii) Banks and other financial institutions		8,480,982	10,650,624
iii) Others		31,580,906	29,125,937
		141,351,576	111,906,456
		142,022,655	112,394,041

These include guarantees amounting to Rs. 1,564,564 thousand (2016: Rs. 1,143,046 thousand) against which the Group is contesting court proceedings and these are not likely to result in any liability against the Group.

Rupees in '000		2017	2016
22.3	TRADE-RELATED CONTINGENT LIABILITIES	173,128,678	11,801,548
22.4	OTHER CONTINGENCIES		
22.4.1	These represent certain claims by third parties against the Group, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Group	778,013	890,979
22.4.2	ASL has pledged / hypothecated Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited (PSX) at a notional value of Rs 2.5 million and deposited cash of Rs. 20.5 million against the Base Minimum Capital (BMC) requirement of PSX aggregating to Rs 23 million.		
Rupees in '000		2017	2016
22.5	COMMITMENTS IN RESPECT OF FORWARD LENDING		
	Commitments against "REPO" transactions		
	Purchase and resale agreements	1,515,752	4,001,864
	Sale and repurchase agreements	49,250,012	73,375,556
22.6	COMMITMENTS IN RESPECT OF FORWARD EXCHANGE CONTRACTS		
	Purchase	26,354,478	20,227,932
	Sale	9,083,720	8,010,521
	The above commitments have maturities falling within one year.		
22.7	COMMITMENTS IN RESPECT OF FORWARD PURCHASE / SALE OF LISTED EQUITY SECURITIES	9,690	11,508
22.8	COMMITMENTS FOR THE ACQUISITION OF OPERATING FIXED ASSETS	119,195	237,735
22.9	COMMITMENTS TO EXTEND CREDIT		
	The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for	14,826,508	18,532,793
22.10	OTHER COMMITMENTS		
	This represents participation in the equity of a Pakistan Mortgage Refinance Company Limited	281,640	281,640
22.11	BILLS FOR COLLECTION		
	Payable in Pakistan	4,502,306	1,557,837
	Payable outside Pakistan	15,768,120	13,712,443
		20,270,426	15,270,280

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

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23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

24. DERIVATIVE INSTRUMENTS

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

24.1 FORWARD EXCHANGE CONTRACTS

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

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

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

24.2 EQUITY FUTURES

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

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

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

The accounting policies used to recognize and disclose derivatives are given in note 5.20.

Rupees in '000	Note	2017	2016
25. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to			
i) Customers	25.1	16,744,557	15,091,639
ii) Financial institutions		290,474	219,989
		17,035,031	15,311,628
On investments in			
i) Available for sale securities		18,583,463	19,370,206
ii) Held to maturity securities		271,363	473,055
		18,854,826	19,843,261
On deposits with financial institutions		99,183	75,094
On securities purchased under resale agreements		88,382	111,889
On lendings to financial institutions		189,798	66,323
		36,267,220	35,408,195

25.1 This includes an amount of Rs. 378,469 thousand (2016: Rs. 406,579 thousand) on account of income received from related parties.

Rupees in '000	Note	2017	2016
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits	26.1	17,253,694	16,832,449
Securities sold under repurchase agreements		2,020,245	2,862,127
Sub-ordinated loans		376,035	382,452
Call money borrowings		104,893	144,063
Refinance borrowings from SBP		214,812	208,941
Long term finance for export oriented projects from SBP		97,057	64,512
Other short term borrowings		5,222	1,772
		20,071,958	20,496,316

26.1 This includes an amount of Rs. 785,768 thousand (2016: Rs. 693,444 thousand) on account of mark-up / interest on deposits of related parties.

Rupees in '000	2017	2016
27. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	7,481	10,071
Pakistan Investment Bonds	1,325,547	3,094,403
Euro Bonds	26,006	43,513
Sukuk	33,945	49,874
Shares - listed	382,758	282,100
- unlisted	223,750	46,400
Others	63,556	326
	2,063,043	3,526,687

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Rupees in '000	Note	2017	2016
28. OTHER INCOME			
Rent of property		13,485	9,043
(Loss) / gain on sale of operating fixed assets		(10,551)	6,484
Rent of lockers		30,228	30,699
Gain on sale of non-banking assets	28.1	4,323	27,145
Recovery of write / charge off assets		147,129	62,144
Recovery of expenses from customers		162,856	164,643
		347,470	300,158

28.1 GAIN ON SALE OF NON-BANKING ASSETS

Name of party	2017				
	Book value	Revalued amount	Cash received	Gain on sale	Mode of disposal
	Rupees in '000				
Shafi Exports	47,960	49,924	54,247	4,323	Buy Back
A.H. International (Pvt) Ltd	3,686	5,000	5,000	–	Buy Back
	51,646	54,924	59,247	4,323	

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

Rupees in '000	Note	2017	2016
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		7,435,162	7,361,375
Charge for defined benefit plans	29.1	378,032	326,801
Contribution to defined contribution plan	35	255,175	235,888
Non-executive directors' fees, allowances and other expenses		6,494	5,812
Rent, taxes, insurance, electricity, etc.		2,230,038	2,194,975
Legal and professional charges		104,951	111,258
Brokerage and commission		111,997	111,491
Communications		536,333	499,562
Repairs and maintenance		406,335	551,113
Stationery and printing		195,792	172,722
Advertisement and publicity		152,296	130,399
Auditors' remuneration	29.2	11,319	9,665
Depreciation	11.2	1,326,435	832,755
Amortization	11.3	196,476	180,792
Travelling and entertainment		196,493	180,251
Fuel and vehicle running expenses		600,711	520,722
Security service charges		684,452	516,629
Staff training expenses		19,767	26,318
Other expenditure		100,538	104,556
		14,948,796	14,073,084

29.1 This includes charge for gratuity fund of Rs. 280,667 thousand (2016: Rs. 242,361 thousand) and charge for leave encashment of Rs. 97,365 thousand (2016: Rs. 84,440 thousand).

Rupees in '000		2017	2016
29.2	AUDITORS' REMUNERATION		
	Statutory auditors of the Bank		
	Audit fee	3,300	3,300
	Fee for the audit of provident and gratuity funds	220	220
	Special certifications, half year review, audit of consolidated financial statements and sundry advisory services	4,200	3,150
	Out of pocket expenses	1,219	980
		8,939	7,650
	Auditors of Wholesale Bank Branch, Bahrain		
	Audit fee	2,380	2,015
		11,319	9,665
30.	OTHER CHARGES		
	Penalties imposed by the State Bank of Pakistan	23,568	51,996
	Workers' Welfare Fund	169,833	169,539
		193,401	221,535
31.	TAXATION		
	For the year		
	Current	2,265,570	2,129,263
	Deferred	715,001	860,625
	For the prior year(s)		
	Current	243,344	266,425
		3,223,915	3,256,313
31.1	RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT		
	Profit before taxation	8,345,601	8,483,260
	Tax at applicable tax rate of 35 percent (2016: 35 percent)	2,920,960	2,969,141
	Effect of:		
	- charge for prior year	243,344	266,425
	- permanent differences	8,440	18,198
	- others	51,171	2,549
		3,223,915	3,256,313

31.2 TAX STATUS

- i) The Group has filed tax returns for and up to tax year 2017 (year ended 31 December 2016). The assessments for and up to tax year 2017 were amended by the tax authorities mainly in the matters of admissibility of provisions against doubtful debts and diminution in the value of investments, bad debts written off, apportionment of expenses to income exempt from tax or taxable at a lower rate and basis of taxation of commission and brokerage income. The matter of provision against doubtful debts has been decided in favour of the Group for and up to tax year 2006 up to the level of Appellate Tribunal Inland Revenue [ATIR] whereas partial relief has been provided by the Commissioner Inland Revenue (Appeals) [CIR(A)] on other matters. The Group and the tax department have filed appeals and reference applications to the higher forums in relation to matters not decided in their favour.

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

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

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

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

- iii) Super tax at the rate of 4 percent of the taxable income levied through Finance Act 2015 has also been extended for the tax year 2017.

Rupees in '000	2017	2016
32. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	44,239,325	42,568,141
Balances with other banks	3,193,835	5,845,748
Call money lendings	750,000	–
	48,183,160	48,413,889

	2017	2016
33. STAFF STRENGTH	NUMBER OF EMPLOYEES	
Permanent	6,591	6,428
Temporary / on contractual basis	943	824
Total staff strength	7,534	7,252

34. DEFINED BENEFIT PLAN

34.1 GENERAL DESCRIPTION

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

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

Rupees in '000	2017	2016
34.2 THE AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:		
Present value of defined benefit obligation	2,505,491	2,192,580
Fair value of plan assets	(2,042,650)	(1,808,216)
Benefits payable	26,685	–
Net liability	489,526	384,364
34.3 THE AMOUNTS RECOGNIZED IN CONSOLIDATED PROFIT AND LOSS ACCOUNT ARE AS FOLLOWS:		
Current service cost	261,864	242,361
Net interest income	18,803	–
	280,667	242,361
34.4 ACTUAL RETURN ON PLAN ASSETS	54,305	129,178

Rupees in '000		2017	2016
34.5	CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION		
	Opening defined benefit obligation	2,192,580	1,813,892
	Current service cost	261,864	242,361
	Interest expense	189,648	174,647
	Actuarial loss	58,839	96,534
	Benefits paid	(170,755)	(134,854)
	Benefits payable	(26,685)	–
	Closing defined benefit obligation	2,505,491	2,192,580
34.6	CHANGES IN FAIR VALUE OF PLAN ASSETS		
	Opening fair value of plan assets	1,808,216	1,813,892
	Interest income	170,845	174,647
	Return on plan assets, excluding amounts included in interest income	(116,540)	(45,469)
	Contributions by employer	350,884	–
	Benefits paid	(170,755)	(134,854)
	Closing fair value of plan assets	2,042,650	1,808,216

The Group expects to contribute Rs. 283,804 thousand to its defined benefit gratuity plan in 2018.

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

	2017		2016		
	Rupees '000	Percentage	Rupees '000	Percentage	
34.7	BREAK-UP OF CATEGORY OF ASSETS				
	Debt instruments	1,604,448	78	1,622,636	89
	Equity instruments	434,939	21	138,791	8
	Cash and cash equivalents	3,263	1	46,789	3
		2,042,650	100	1,808,216	100

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

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

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

34.8 PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation was carried out for the year ended December 31, 2017 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2017	2016
Discount rate - per annum	9.25%	9.00%
Expected rate of increase in salaries - per annum	8.75%	8.50%
Expected rate of return on plan assets - per annum	9.25%	9.00%
Duration	11.18 years	11.17 years
Mortality rate	SLIC 2001 - 2005 mortality table	SLIC 2001 - 2005 mortality table

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

Rupees in '000	2017	2016	2015	2014	2013
As at December 31,					
Defined benefit obligation	2,505,491	2,192,580	1,835,037	1,508,450	1,184,202
Plan assets	(2,042,650)	(1,808,216)	(1,823,469)	(1,498,769)	(1,177,979)
Benefits payable	26,685	-	-	-	-
Deficit	489,526	384,364	11,568	9,681	6,223
Experience adjustments					
Actuarial (gain) / loss on obligation	(58,839)	(96,534)	(96,534)	(135,517)	103,640
Actuarial loss on plan assets	-	-	-	-	(4,247)
Return on plan assets, excluding amounts included in interest income	(116,540)	(45,469)	33,743	(2,571)	-

34.10 SENSITIVITY ANALYSIS

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

Assumptions	Change in assumption	Impact on Defined Benefit Obligation	
		Increase in assumption	Decrease in assumption
		Rupees in '000	
Discount rate	1.00%	(257,690)	302,311
Salary increase	1.00%	313,498	(271,150)
Mortality rate change	1 year	1,870	(1,887)

35. DEFINED CONTRIBUTION PLAN

The Bank operates a recognized provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee. Payments are made to the employees as specified in the rules of the fund. The total assets of the fund as at December 31, 2016 were Rs. 3,902,384 thousand (December 31, 2015: Rs. 3,270,502 thousand) as per latest available audited financial statements of the fund.

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

Rupees in '000	2017	2016
	Un-audited	Audited
Size of the Fund	4,091,219	3,885,156
Cost of investments	3,919,215	3,544,211
Fair value of investments	3,781,389	3,769,178
Percentage of investments	95.80%	91.22%

35.2 BREAKUP OF PROVIDENT FUND INVESTMENTS

	2017		2016	
	Rupees in '000	Percentage	Rupees in '000	Percentage
Pakistan Investment Bonds	2,957,748	75.47	2,529,242	71.36
Mutual Funds	711,836	18.16	765,338	21.60
Shares	249,631	6.37	249,631	7.04
	3,919,215	100.00	3,544,211	100.00

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

36. COMPENSATED ABSENCES

36.1 GENERAL DESCRIPTION

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

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

36.2 PRINCIPAL ACTUARIAL ASSUMPTIONS

The actuarial valuation was carried out for the year ended December 31, 2017 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2017 was Rs. 357,931 thousand (2016: Rs. 314,797 thousand). Expense for the year of Rs. 97,365 thousand (2016: Rs 84,440 thousand) has been included in administrative expenses. The main assumptions used for actuarial valuation are as follows:

	2017	2016
Discount rate - per annum	9.25%	9.00%
Expected rate of increase in salaries - per annum	8.75%	8.50%
Leave accumulation factor - days	8	8

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

Rupees in '000	President & Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
Fees	–	–	6,494	5,812	–	–
Managerial remuneration	50,287	43,538	–	–	1,546,312	1,461,387
Allowances	5,360	4,641	–	–	259,065	232,016
Charge for defined benefit plan	3,898	3,375	–	–	91,503	86,740
Contribution to defined contribution plan	3,897	3,374	–	–	91,611	86,147
Rent and house maintenance	14,034	12,150	–	–	525,888	499,330
Utilities	3,859	3,341	–	–	125,494	119,181
Medical	3,508	3,038	–	–	115,088	109,088
Bonus	17,398	15,750	–	–	249,246	313,074
Others	3,974	3,872	–	–	3,504	3,504
	106,215	93,079	6,494	5,812	3,007,711	2,910,467
Number of persons	1	1	15	10	772	757

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

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

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

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs) and determined by valuers on the panel of Pakistan Bank's Association.

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Group has adopted revaluation model (as per IAS 16) in respect of land and non-banking assets acquired in satisfaction of claims.

Rupees in '000	2017		
	Level 1	Level 2	Level 3
FINANCIAL ASSETS:			
Available for sale securities			
Market Treasury Bills	–	129,956,900	–
Pakistan Investment Bonds	–	155,714,864	–
Fully paid ordinary shares / units	3,384,942	–	18,360
Units of open end mutual funds	–	1,652,135	–
Fully paid preference shares	66,720	–	–
Term Finance Certificates	703,899	3,770,651	–
Sukuk Certificates	575,400	11,674,521	–
Commercial Papers	–	–	375,075
Foreign Government Bonds	–	228,426	–
Government of Pakistan Euro Bonds	–	571,409	–
	4,730,961	303,568,906	393,435
NON-FINANCIAL ASSETS:			
Operating fixed assets			
Property and equipment (freehold and leasehold land)	–	–	4,789,727
Other assets			
Non-banking assets acquired in satisfaction of claims	–	–	5,001,571
	–	–	9,791,298

Rupees in '000	2016		
	Level 1	Level 2	Level 3
FINANCIAL ASSETS:			
Available for sale securities			
Market Treasury Bills	–	107,500,863	–
Pakistan Investment Bonds	–	165,063,124	–
Fully paid ordinary shares / units	4,338,233	–	–
Units of open end mutual funds	–	1,942,061	–
Fully paid preference shares	89,845	–	–
Term Finance Certificates	707,070	2,513,486	–
Sukuk Certificates	700,000	8,810,858	–
Commercial Papers	–	–	–
Foreign Government Bonds	–	–	–
Government of Pakistan Euro Bonds	–	664,619	–
	5,835,148	286,495,011	–
NON-FINANCIAL ASSETS:			
Operating fixed assets			
Property and equipment (freehold and leasehold land)	–	–	4,789,727
Other assets			
Non-banking assets acquired in satisfaction of claims	–	–	4,938,757
			9,728,484

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

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39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2017								
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
Total income	351,812	21,378,269	1,737,412	18,910,534	111,671	40,755	47,198	84,250	42,661,901
Total expenses	35,392	18,492,256	1,702,158	13,939,712	11,234	4,100	66,447	58,390	34,309,689
Net income / (loss)	316,420	2,886,013	35,254	4,970,822	100,437	36,655	(19,249)	25,860	8,352,212
Segment Assets (Gross)	198,383	357,690,689	20,201,383	306,591,797	62,970	22,981	–	394,756	685,162,959
Segment Non Performing Loans	–	–	2,196,480	24,556,547	–	–	–	–	26,753,027
Segment Provision Required	–	1,500,238	2,451,310	24,189,006	–	–	–	66,807	28,207,361
Segment Liabilities	2,459	50,045,823	361,726	573,858,547	781	285	–	140,741	624,410,362
Segment Return on net Assets (ROA) (%)	0.06	3.35	0.27	2.96	0.02	0.01	0.01	0.01	
Segment Cost of funds (%)	0.01	3.05	0.28	2.30	0.00	0.00	0.01	0.01	

Rupees in '000	2016								
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Total
Total income	261,444	23,511,356	805,757	17,870,183	130,244	39,647	165,316	56,419	42,840,366
Total expenses	25,532	19,304,375	1,207,442	13,581,431	12,719	3,872	148,513	44,297	34,328,181
Net income / (loss)	235,912	4,206,981	(401,685)	4,288,752	117,525	35,775	16,803	12,122	8,512,185
Segment Assets (Gross)	138,015	346,785,045	13,364,939	287,824,466	68,755	20,929	442,558	433,932	649,078,639
Segment Non Performing Loans	–	–	2,293,882	26,240,748	–	–	–	–	28,534,630
Segment Provision Required	–	1,501,597	2,426,511	25,397,513	–	–	–	66,215	29,391,836
Segment Liabilities	1,643	75,223,592	284,767	511,041,204	818	249	102,197	178,762	586,833,232
Segment Return on net Assets (ROA) (%)	0.05	4.07	0.14	3.09	0.02	0.01	0.03	0.01	
Segment Cost of funds (%)	0.00	3.52	0.22	2.48	0.00	0.00	0.03	0.01	

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 3.48% (2016: 3.47%) of the total assets have been allocated to segments based on their respective income.
- Unallocatable liabilities representing 1.36% (2016: 1.31%) of the total liabilities have been allocated to segments based on their respective assets.

40. TRUST ACTIVITIES

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

41. RELATED PARTY TRANSACTIONS

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

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

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

Rupees in '000	December 31, 2017					December 31, 2016				
	Parent	Key management personnel	Directors	Companies with common directorship having equity under 20%		Parent	Key management personnel	Directors	Companies with common directorship having equity under 20%	
				Other related parties					Other related parties	
Balances outstanding at the year end										
- Advances										
- Secured	781,073	390,847	-	3,797,303	-	799,921	305,484	-	4,534,697	-
- Un-secured	-	6,408	695	-	-	-	6,425	114	-	-
- Mark-up receivable	-	56,346	-	27,229	-	4,181	46,426	-	16,645	-
- Deposits - in local currency	5,674,098	160,366	27,047	6,452,719	3,042,573	5,355,831	133,340	13,219	6,650,114	1,106,985
- Deposits - in foreign currency	96,617	26,222	1,954	757,299	-	106,858	14,212	158	645,930	-
- Sub-ordinated loans	-	-	-	24,975	-	-	-	-	-	-
- Mark-up payable - in local currency	20,193	1,515	18	11,038	6,513	11,221	1,197	14	10,423	313
- Mark-up payable - in foreign currency	458	77	2	5,560	-	347	52	1	1,747	-
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	50,000	-	-	1,878,456	-	339,761	-	-	187,164	-
- Investment in shares / units	-	-	-	162,561	-	-	-	-	1,877,878	-
- Security deposits receivable	3,600	-	-	-	-	3,600	-	-	-	-
- Security deposits payable	494	504	-	59,772	-	494	1,165	-	8,665	-
- Contribution payable to employees' funds	-	-	-	-	489,526	-	-	-	-	384,364
- Reimbursable expenses on behalf of Askari High Yield Scheme	-	-	-	-	-	-	-	-	42,509	-
- Management fee and commission receivable from Askari High Yield Scheme	-	-	-	-	-	-	-	-	5,675	-
- Reimbursable expenses on behalf of Askari Asset Allocation Fund	-	-	-	-	-	-	-	-	3,433	-
- Management fee and commission receivable from Askari Asset Allocation Fund	-	-	-	-	-	-	-	-	346	-
- Reimbursable expenses on behalf of Askari Islamic Income Fund	-	-	-	-	-	-	-	-	3,446	-
- Management fee and commission receivable from Askari Islamic Income Fund	-	-	-	-	-	-	-	-	423	-
- Reimbursable expenses on behalf of Askari Islamic Asset Allocation Fund	-	-	-	-	-	-	-	-	1,991	-
- Management fee and commission receivable from Askari Islamic Asset Allocation Fund	-	-	-	-	-	-	-	-	213	-
- Reimbursable expenses on behalf of Askari Sovereign Cash Fund	-	-	-	-	-	-	-	-	21,269	-
- Management fee and commission receivable from Askari Sovereign Cash Fund	-	-	-	-	-	-	-	-	942	-
- Reimbursable expenses on behalf of Askari Equity Fund	-	-	-	-	-	-	-	-	2,706	-
- Management fee and commission receivable from Askari Equity Fund	-	-	-	-	-	-	-	-	234	-
- Management fee and commission receivable from Askari Sovereign Yield Enhancer	-	-	-	-	-	-	-	-	690	-
- Reimbursable expenses on behalf of Askari Sovereign Yield Enhancer	-	-	-	-	-	-	-	-	9,253	-
- Pre-paid insurance premium by AIML	-	-	-	-	-	-	-	-	-	-
- Payable to employee funds by AIML	-	-	-	-	-	-	-	-	-	1,614
Transactions during the year										
- Net mark-up / interest earned	43,474	13,254	141	321,600	-	50,915	9,680	-	345,984	-
- Net mark-up / interest expensed	268,101	4,907	643	408,832	103,285	192,247	4,383	228	431,784	64,802
- Contribution to employees' funds	-	-	-	-	535,842	-	-	-	-	478,249
- Rent of property / service charges paid	24,285	-	-	-	-	18,500	-	-	-	-
- Dividend Income	-	-	-	7,785	-	-	-	-	124,555	-
- Remuneration and allowances paid	-	480,361	-	-	3,965	-	400,482	-	-	3,937
- Post employment benefits	-	30,160	-	-	-	-	26,477	-	-	-
- Fee, commission and brokerage income	80	-	-	44,025	-	165	-	-	3,331	-
- Fee, commission and brokerage paid	-	-	-	62	-	-	-	-	293	-
- Dividend paid	2,265,705	222	6	-	19,575	1,132,852	297	282	-	8,644
- Fees and other expenses paid	-	250	6,494	-	-	-	2,190	5,812	-	-

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

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42. CAPITAL ADEQUACY

42.1 SCOPE OF APPLICATION

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

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

42.2 CAPITAL MANAGEMENT

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

GOALS OF MANAGING CAPITAL

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

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

GROUP'S REGULATORY CAPITAL ANALYSED IN TWO TIERS

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

Tier II capital under Basel III is subject to a maximum of 2.5% of total Risk Weighted Assets as of December 31, 2017. It includes subordinated debt issued prior to Jan 1, 2013 phasing out at an annual rate of 10%, Basel III compliant Tier II instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), reserves on the revaluation of fixed assets and available for sale investments (on and after tax basis up to a maximum of 45 percent), foreign exchange translation reserves etc. Basel III rules however do allow for the inclusion of the remaining 55% of the revaluation reserves into Tier II capital at an inclusion rate equal to the rate of deduction specified under the transitional arrangements for the coming years until 2018. Tier II capital deductions comprise of the remaining 50% other deductions noted above, reciprocal cross holdings in Tier II instruments of Banking, Financial or Insurance entities etc.

As of December 2017 the Group must meet a Tier 1 to RWA ratio and CAR including CCB of 7.5% and 11.275% respectively.

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

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

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

LEVERAGE RATIO

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

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

Rupees in '000	2017	2016
Tier I Capital	25,390,764	24,141,559
Total Exposure	1,064,541,996	968,649,190
Leverage Ratio	2.39%	2.49%

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Rupees in '000	Note	2017	2016
42.3 CAPITAL ADEQUACY RATIO (CAR)			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital / Capital deposited with SBP		12,602,602	12,602,602
Balance in Share Premium Account		234,669	234,669
Reserve for issue of Bonus Shares		–	–
General / Statutory Reserves		11,781,405	8,527,773
Gain / (Losses) on derivatives held as Cash Flow Hedge		–	–
Unappropriated / unremitted profit		2,703,887	4,090,445
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		–	–
CET 1 before Regulatory Adjustments		27,322,563	25,455,489
Total regulatory adjustments applied to CET1	42.3.1	1,931,799	1,313,930
Common Equity Tier 1		25,390,764	24,141,559
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium			
of which: Classified as equity		–	–
of which: Classified as liabilities		–	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		–	–
of which: instrument issued by subsidiaries subject to phase out		–	–
AT1 before regulatory adjustments		–	–
Total regulatory adjustment applied to AT1 capital	42.3.2	–	–
Additional Tier 1 capital after regulatory adjustments		–	–
Additional Tier 1 capital recognized for capital adequacy		–	–
Tier 1 Capital (CET1 + admissible AT1)		25,390,764	24,141,559
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		3,990,400	3,992,000
Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		249,240	418,800
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		–	–
of which: instruments issued by subsidiaries subject to phase out		–	–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		684,515	605,543
Revaluation Reserves			
of which: Revaluation reserves on Property		2,520,898	2,209,327
of which: Unrealized Gains / Losses on AFS		365,230	2,159,918
Foreign Exchange Translation Reserves		2,886,128	4,369,245
Undisclosed / Other Reserves (if any)		123,847	93,511
T2 before regulatory adjustments		7,934,130	9,479,099
Total regulatory adjustment applied to T2 capital	42.3.3	340,066	380,247
Tier 2 capital (T2) after regulatory adjustments		7,594,064	9,098,852
Tier 2 capital recognized for capital adequacy		7,594,064	9,098,852
Portion of Additional Tier 1 capital recognized in Tier 2 capital		–	–
Total Tier 2 capital admissible for capital adequacy		7,594,064	9,098,852
TOTAL CAPITAL (T1 + admissible T2)		32,984,828	33,240,411
Total Risk Weighted Assets (RWA)	42.6	272,659,659	265,174,663

Percent	2017	2016
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	9.31%	9.10%
Tier-1 capital to total RWA	9.31%	9.10%
Total capital to RWA	12.10%	12.54%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.275%	6.65%
of which: capital conservation buffer requirement	1.275%	0.65%
of which: countercyclical buffer requirement	–	–
of which: D-SIB or G-SIB buffer requirement	–	–
CET1 available to meet buffers (as a percentage of risk weighted assets)	2.04%	2.45%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
Total Capital plus CCB ratio	11.275%	10.65%
*CCB: Consisting of CET1 Only		
Rupees in '000	2017	2016
42.3.1 Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	–	–
All other intangibles (net of any associated deferred tax liability)	840,834	963,621
Reciprocal cross holdings in CET1 capital instruments	1,018,618	247,917
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	72,347	102,392
Total regulatory adjustments applied to CET1	1,931,799	1,313,930
42.3.2 Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	72,347	102,392
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital	–	–
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	–	–
Total regulatory adjustment applied to AT1 capital	–	–
42.3.3 Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-2 capital	–	–
Reciprocal cross holdings in Tier 2 instruments	340,066	380,247
Total regulatory adjustment applied to T2 capital	340,066	380,247
42.3.4 Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		
of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	913,015	1,624,933
of which: deferred tax assets	–	–
of which: Defined-benefit pension fund net assets	–	–
	913,015	1,624,933

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Rupees in '000	2017	2016
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	1,044,496	1,154,156
Significant investments in the common stock of financial entities	–	–
Deferred tax assets arising from temporary differences (net of related tax liability)	100,755	–
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	684,515	605,543
Cap on inclusion of provisions in Tier 2 under standardized approach	2,718,777	2,455,699
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	–
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	–
	Balance sheet as in published financial statement	Under regulatory scope of consolidation
Rupees in '000	As at December 31, 2017	
42.4 CAPITAL STRUCTURE RECONCILIATION		
ASSETS		
Cash and balances with treasury banks	44,239,325	44,239,325
Balances with other banks	3,193,835	3,193,835
Lending to financial institutions	2,250,000	2,250,000
Investments	314,956,748	314,956,748
Advances	258,693,086	258,693,086
Operating fixed assets	10,728,827	10,728,827
Deferred tax assets	100,755	100,755
Other assets	22,793,022	22,793,022
TOTAL ASSETS	656,955,598	656,955,598
LIABILITIES & EQUITY		
Bills payable	10,769,262	10,769,262
Borrowings	71,587,311	71,587,311
Deposits and other accounts	525,805,051	525,805,051
Sub-ordinated loans	4,992,800	4,992,800
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	–	–
Other liabilities	11,255,938	11,255,938
TOTAL LIABILITIES	624,410,362	624,410,362
Share capital / Head office capital account	12,602,602	12,602,602
Reserves	12,139,921	12,139,921
Unappropriated / Unremitted profit	2,703,887	2,703,887
Non-controlling interest	44,353	44,353
Surplus on revaluation of assets	5,054,473	5,054,473
Total liabilities & equity	656,955,598	656,955,598

	Balance sheet as in published financial statement	Under regulatory scope of consolidation
Rupees in '000		As at December 31, 2017
ASSETS		
Cash and balances with treasury banks	44,239,325	44,239,325
Balances with other banks	3,193,835	3,193,835
Lending to financial institutions	2,250,000	2,250,000
Investments	314,956,748	314,956,748
of which: Mutual Funds exceeding regulatory threshold	72,347	72,347
of which: reciprocal cross holding of capital instrument CET 1	1,018,618	1,018,618
of which: reciprocal cross holding of capital instrument AT 1	-	-
of which: reciprocal cross holding of capital instrument Tier II	340,066	340,066
of which: others	313,525,717	313,525,717
Advances	258,693,086	258,693,086
shortfall in provisions / excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital	-	-
	684,515	684,515
Fixed Assets	10,728,827	10,728,827
of which: Intangibles	840,834	840,834
Deferred Tax Assets	100,755	100,755
of which: DTAs excluding those pertaining to temporary differences	-	-
of which: DTAs arising from temporary differences below the threshold	100,755	100,755
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-
Other assets	22,793,022	22,793,022
of which: Goodwill	-	-
of which: Intangibles	-	-
of which: Defined-benefit pension fund net assets	-	-
TOTAL ASSETS	656,955,598	656,955,598
LIABILITIES & EQUITY		
Bills payable	10,769,262	10,769,262
Borrowings	71,587,311	71,587,311
Deposits and other accounts	525,805,051	525,805,051
Sub-ordinated loans	4,992,800	4,992,800
of which: eligible for inclusion in AT1	-	-
of which: eligible for inclusion in Tier 2	4,239,640	4,239,640
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	11,255,938	11,255,938
Total liabilities	624,410,362	624,410,362
Share capital	12,602,602	12,602,602
of which: amount eligible for CET1	12,602,602	12,602,602
of which: amount eligible for AT1	-	-
Reserves	12,139,921	12,139,921
of which: portion eligible for inclusion in CET1 - Balance in Share Premium Account	234,669	234,669
of which: portion eligible for inclusion in CET1 - General / Statutory Reserves	11,781,405	11,781,405
of which: portion eligible for inclusion in Tier 2	123,847	123,847
Unappropriated profit	2,703,887	2,703,887
Non-controlling interest	44,353	44,353
of which: portion eligible for inclusion in CET1	-	-
of which: portion eligible for inclusion in AT1	-	-
of which: portion eligible for inclusion in Tier 2	-	-
Surplus on revaluation of assets	5,054,473	5,054,473
of which: Revaluation reserves on Property	2,832,470	2,832,470
of which: Unrealized Gains / Losses on AFS	410,368	410,368
of which: on Non-Banking Assets	1,811,635	1,811,635
Total liabilities & Equity	656,955,598	656,955,598

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FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance sheet as in published financial statement
Rupees in '000	As at December 31, 2017
42.5 BASEL III DISCLOSURE	
COMMON EQUITY TIER 1 CAPITAL (CET1): INSTRUMENTS AND RESERVES	
Fully Paid-up Capital / Capital deposited with SBP	12,602,602
Balance in Share Premium Account	234,669
General / Statutory Reserves	11,781,405
Unappropriated / unremitted profit	2,703,887
Minority Interest	–
CET 1 BEFORE REGULATORY ADJUSTMENTS	27,322,563
COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS	
All other intangibles (net of any associated deferred tax liability)	840,834
Reciprocal cross holdings in CET1 capital instruments	1,018,618
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	72,347
Total regulatory adjustments applied to CET1	1,931,799
Common Equity Tier 1	25,390,764
Additional Tier 1 (AT 1) Capital	
Qualifying Additional Tier-1 instruments plus any related share premium	–
of which: Classified as equity	–
of which: Classified as liabilities	–
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	–
of which: instrument issued by subsidiaries subject to phase out	–
AT1 BEFORE REGULATORY ADJUSTMENTS	–
ADDITIONAL TIER 1 CAPITAL: REGULATORY ADJUSTMENTS	
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	72,347
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital	–
Total of Regulatory Adjustment applied to AT1 capital	72,347
Additional Tier 1 capital	–
Additional Tier 1 capital recognized for capital adequacy	–
Tier 1 Capital (CET1 + admissible AT1)	25,390,764
Tier 2 Capital	
Qualifying Tier 2 capital instruments under Basel III	3,990,400
Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)	249,240
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group Tier 2)	–
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	684,515
Revaluation Reserves eligible for Tier 2	2,886,128
of which: portion pertaining to Property	2,520,898
of which: portion pertaining to AFS securities	365,230
Foreign Exchange Translation Reserves	123,847
Undisclosed / Other Reserves	–
T2 before regulatory adjustments	7,934,130

	Balance sheet as in published financial statement
Rupees in '000	As at December 31, 2017
TIER 2 CAPITAL: REGULATORY ADJUSTMENTS	
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-2 capital	–
Reciprocal cross holdings in Tier 2 instruments	340,066
Amount of Regulatory Adjustment applied to T2 capital	340,066
Tier 2 capital (T2)	7,594,064
TIER 2 CAPITAL RECOGNIZED FOR CAPITAL ADEQUACY	7,594,064
Excess Additional Tier 1 capital recognized in Tier 2 capital	–
TOTAL TIER 2 CAPITAL ADMISSIBLE FOR CAPITAL ADEQUACY	7,594,064
TOTAL CAPITAL (T1 + admissible T2)	32,984,828

42.6 CAPITAL ADEQUACY RATIO AS AT DECEMBER 31, 2017

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

RISK-WEIGHTED EXPOSURES

Rupees in '000	Capital Requirement		Risk Weighted Assets	
	2017	2016	2017	2016
CREDIT RISK				
PORTFOLIOS SUBJECT TO STANDARDIZED APPROACH (COMPREHENSIVE APPROACH FOR CRM)				
CLAIMS ON:				
Sovereigns other than PKR claims	892,193	537,544	8,921,927	5,375,437
Public Sector Entities (PSEs)	600,731	344,086	6,007,310	3,440,864
Banks	412,965	510,984	4,129,645	5,109,837
Corporates	10,013,390	9,841,650	100,133,899	98,416,503
Retail portfolio	1,819,265	1,304,426	18,192,650	13,044,257
Residential mortgage finance	486,505	399,594	4,865,046	3,995,935
Listed equities and regulatory capital instruments issued by others banks	117,598	68,338	1,175,977	683,380
Unlisted equity investments	2,754	–	27,540	–
Significant investment and DTAs	25,189	–	251,888	–
Fixed Assets	988,799	1,005,593	9,887,993	10,055,931
Other Assets	788,863	752,868	7,888,631	7,528,683
Past Due Exposures	216,889	267,637	2,168,893	2,676,368
OFF-BALANCE SHEET				
Non-market related	5,274,975	4,586,061	52,749,754	45,860,614
Market Related	110,103	26,811	1,101,028	268,105
MARKET RISK				
PORTFOLIOS SUBJECT TO STANDARDIZED APPROACH				
Interest rate risk	1,244,445	2,612,291	12,444,447	26,122,910
Equity position risk	655,915	907,805	6,559,154	9,078,052
Foreign exchange risk	24,849	55,106	248,485	551,059
OPERATIONAL RISK	3,590,539	3,296,673	35,905,392	32,966,728
TOTAL	27,265,967	26,517,467	272,659,659	265,174,663
GROSS TOTAL (including CCB)	30,742,377	28,241,102	272,659,659	265,174,663

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CAPITAL ADEQUACY RATIO

Percent	Required		Actual	
	2017	2016	2017	2016
CET1 to total RWA	6.00%	6.00%	9.31%	9.10%
Tier-1 capital to total RWA	7.50%	7.50%	9.31%	9.10%
Total capital to total RWA	10.00%	10.00%	12.10%	12.54%
Gross Total Capital to total RWA (including CCB)	11.275%	10.65%	12.10%	12.54%

42.7 MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

MAIN FEATURES	COMMON SHARES	INSTRUMENT- 3 (PPTFC TFC IV)	INSTRUMENT- 4 (PPTFC TFC V)
Issuer		Askari Bank - Public Limited Company	
Unique identifier	AKBL	NA	NA
Governing law(s) of the instrument	The Repealed Companies Ordinance 1984 & Stock Exchanges Regulations	The Repealed Companies Ordinance, 1984	The Repealed Companies Ordinance, 1984
Regulatory treatment			
Transitional Basel III rules	NA	Tier 2	Tier 2
Post-transitional Basel III rules	NA	Ineligible	NA
Eligible at solo/ group/ group&solo	Solo and Group	Solo and Group	Solo and Group
Instrument type	Ordinary shares	Subordinated Debt Instrument	Subordinated Debt Instrument
Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,602,602	249,240	3,990,400
Par value of instrument	Rs. 10 per Share	Rs. 1,000,000 per Instrument	Rs. 5,000 per Instrument
Accounting classification	Shareholder's equity	Liability - amortized cost	Liability - amortized cost
Original date of issuance	Year 1992	December 23, 2011	September 30, 2014
Perpetual or dated	Perpetual/ no Maturity	Dated	Dated
Original maturity date	NA	December 23, 2021	September 30, 2024
Issuer call subject to prior supervisory approval	NA	Yes	Yes
Optional call date, contingent call dates and redemption amount	NA	December 23, 2016	September 30, 2019, Call would be subject to SBP approval and not less than 30 days notice to investors and security trustee. Tax: as per prevailing structure.
Subsequent call dates, if applicable	NA	Yes	Yes
Coupons / dividends			
Fixed or floating dividend/ coupon	NA	Floating	Floating
coupon rate and any related index/ benchmark	NA	Average Ask 6 month KIBOR + 1.75% (1 TO 5 Years) & Average Ask 6 month KIBOR + 2.20 (6 to 10 Years)	Average Ask 6 month KIBOR + 1.20%
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	NA	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Non cumulative	Cumulative	Cumulative
Convertible or non-convertible	NA	Non-convertible	Convertible
if convertible, conversion trigger (s)	NA	NA	As deemed to be triggered by SBP
if convertible, fully or partially	NA	NA	Fully or as deemed appropriate by SBP
if convertible, conversion rate	NA	NA	Dependent on target market value of equity per share on or before the date of trigger.
if convertible, mandatory or optional conversion	NA	NA	Mandatory
if convertible, specify instrument type convertible into	NA	NA	Common Equity Tier 1
if convertible, specify issuer of instrument it converts into	NA	NA	Askari Bank Limited
Write-down feature	NA	NA	Yes
if write-down, write-down trigger(s)	NA	NA	As deemed to be triggered by SBP. Legal basis is provided to authorities to set trigger as part of the terms of contract.
if write-down, full or partial	NA	NA	As deemed to be appropriate by SBP. Legal basis is provided to authorities to decide as part of the terms of contract.
if write-down, permanent or temporary	NA	NA	As deemed to be appropriate by SBP. Legal basis is provided to authorities to decide as part of the terms of contract.
if temporary write-down, description of write-up mechanism	NA	NA	As deemed to be appropriate by SBP. Legal basis is provided to authorities to decide as part of the terms of contract.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	3rd, Subordinated Debt being senior	2nd, Lenders and Depositors being senior	2nd, Lenders and Depositors being senior
Non-compliant transitioned features	No	Yes	No
If yes, specify non-compliant features	NA	Does not meet loss absorbency requirements including conversion	NA

43. RISK MANAGEMENT

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

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

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

43.1 CREDIT RISK:

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

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

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

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

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43.1.1 SEGMENT INFORMATION

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

43.1.1.1 SEGMENT BY CLASS OF BUSINESS

	2017						2016					
	Advances		Deposits		Contingencies and Commitments - note 43.1.1.6		Advances		Deposits		Contingencies and Commitments - note 43.1.1.6	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture finances	4,685,884	1.65	1,148,932	0.22	1,732,217	0.40	3,576,371	1.36	3,842,218	0.81	1,551,558	0.43
Automobiles and Allied	869,820	0.31	303,310	0.06	931,648	0.22	773,519	0.30	2,013,449	0.43	252,617	0.07
Cables / Electronics	2,647,185	0.93	1,402,709	0.27	1,552,302	0.36	2,701,249	1.03	2,822,440	0.60	1,738,981	0.48
Carpets	90,196	0.03	4,065	0.00	8,250	0.00	80,398	0.03	352,934	0.07	8,250	0.00
Cement	4,482,630	1.58	411,677	0.08	1,917,888	0.45	2,994,025	1.14	479,227	0.10	1,674,275	0.47
Chemicals / Pharmaceuticals	5,149,067	1.81	1,336,367	0.25	7,777,019	1.81	5,044,205	1.92	1,193,756	0.25	4,689,262	1.30
Engineering	105,091	0.04	144,716	0.03	4,200,107	0.98	740,025	0.28	403,155	0.09	4,334,405	1.21
Fertilizers	1,947,873	0.69	2,750,183	0.52	4,044,983	0.94	2,022,455	0.77	2,897,960	0.61	5,247,773	1.46
Food and Allied	6,712,158	2.36	5,893,496	1.12	1,292,543	0.30	8,092,397	3.09	1,225,539	0.26	948,822	0.26
Fuel / Energy	22,138,997	7.79	7,935,335	1.51	38,467,272	8.97	17,630,179	6.73	2,739,153	0.58	35,551,970	9.89
Ghee and Edible Oil	2,677,099	0.94	328,878	0.06	2,941,420	0.69	2,225,561	0.85	777,626	0.16	2,464,737	0.69
Glass and Ceramics	1,870,153	0.66	233,015	0.04	766,447	0.18	1,805,348	0.69	32,224	0.01	621,221	0.17
Hotels and Restaurants	2,219,443	0.78	145,430	0.03	740	0.00	2,862,339	1.09	496,497	0.11	491	0.00
Individuals	29,753,031	10.46	203,345,869	38.67	2,899,996	0.68	23,086,530	8.81	190,397,975	40.25	2,932,627	0.82
Insurance	100,228	0.04	2,141,036	0.41	5,000	0.00	74,949	0.03	1,021,956	0.22	-	-
Financial institutions / Investment companies	5,058,068	1.78	12,277	0.00	80,937,973	18.88	3,626,132	1.38	183,393	0.04	34,537,594	9.61
Leasing	612,500	0.22	542	0.00	15,759	0.00	640,000	0.24	6,947	0.00	150,000	0.04
Leather Products and Shoes	1,647,088	0.58	725,062	0.14	1,452,862	0.34	1,747,738	0.67	873,093	0.18	1,294,398	0.36
Modarabas	-	-	12	0.00	-	-	-	-	12	0.00	-	-
Paper and Board	507,397	0.18	180,588	0.03	869,073	0.20	427,044	0.16	130,715	0.03	557,209	0.16
Plastic products	1,325,163	0.47	71,628	0.01	732,082	0.17	1,174,196	0.45	161,791	0.03	648,322	0.18
Ready- Made garments	2,327,778	0.82	379,148	0.07	1,148,628	0.27	2,432,235	0.93	884,083	0.19	675,739	0.19
Real Estate / Construction	6,456,854	2.27	24,806,039	4.72	33,846,100	7.90	6,553,193	2.50	18,656,191	3.95	17,880,697	4.97
Rice Processing and trading	6,145,409	2.16	960,816	0.18	37,265	0.01	6,128,491	2.34	1,127,937	0.24	258,136	0.07
Rubber Products	829,682	0.29	27,262	0.01	283,152	0.07	745,080	0.28	108,992	0.02	1,180,916	0.33
Services												
(Other than Financial, Hotelling and Travelling)	6,008,989	2.11	8,515,871	1.62	2,666,640	0.62	5,137,514	1.96	7,706,778	1.63	55,699,083	15.50
Sports goods	313,152	0.11	609,338	0.12	53,497	0.01	371,496	0.14	152,154	0.03	168,466	0.05
Sugar	7,181,562	2.53	287,214	0.05	150,583	0.04	4,850,866	1.85	238,376	0.05	167,856	0.05
Surgical equipment / Metal Products	11,232,797	3.95	1,440,638	0.27	1,819,086	0.42	10,269,940	3.92	2,208,867	0.47	1,530,107	0.43
Synthetic and Rayon	728,470	0.26	7,993	-	165,204	0.04	878,930	0.34	169,617	0.04	444,236	0.12
Textile	38,330,675	13.47	2,130,027	0.41	5,094,279	1.19	33,857,964	12.92	4,766,839	1.01	9,071,708	2.52
Tobacco / Cigarette manufacturing	4,462	0.00	2,602	0.00	-	-	4,462	0.00	8	0.00	1,000	0.00
Transport and communication	6,823,418	2.40	1,638,677	0.31	713,557	0.17	5,129,771	1.96	2,672,122	0.57	3,869,062	1.08
Travel Agencies	245,490	0.09	365,515	0.07	431,746	0.10	251,055	0.10	355,695	0.08	490,331	0.14
Woolen	230,685	0.08	1,157	0.00	123,369	0.03	394,778	0.15	951,015	0.20	31,960	0.01
Public sector / Government	86,590,715	30.44	209,134,001	39.78	210,052,815	49.00	85,244,751	32.51	168,256,224	35.59	157,411,108	43.79
Others	16,290,461	5.72	46,983,626	8.94	19,530,650	4.56	18,548,070	7.08	52,496,136	11.10	11,327,058	3.15
	284,339,670	100.00	525,805,051	100.00	428,662,152	100.00	262,123,256	100.00	472,803,094	100.00	359,411,975	100.00

43.1.1.2 SEGMENT BY SECTOR

	2017						2016					
	Advances		Deposits		Contingencies and Commitments - note 43.1.1.6		Advances		Deposits		Contingencies and Commitments - note 43.1.1.6	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public sector / Government	86,590,715	30.44	209,134,001	39.78	210,052,815	49.00	85,244,751	31.84	168,256,224	35.59	157,411,108	43.80
Private	197,748,955	69.56	316,671,050	60.22	218,609,337	51.00	176,878,505	68.16	304,546,870	64.41	202,000,867	56.20
	284,339,670	100.00	525,805,051	100.00	428,662,152	100.00	262,123,256	100.00	472,803,094	100.00	359,411,975	100.00

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

Rupees in '000	2017		2016	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Agriculture finances	471,180	250,130	601,812	287,556
Automobiles and Allied	240,794	215,364	371,301	343,562
Cables / Electronics	1,091,696	1,090,896	1,116,525	1,112,207
Chemicals / Pharmaceuticals	9,808	9,808	201,781	190,916
Food and Allied	355,859	318,869	343,469	295,625
Fuel / Energy	2,229,035	2,225,932	2,593,982	2,572,106
Glass manufacturing	1,110,342	1,110,342	1,110,342	1,110,342
Individuals	2,680,312	2,487,544	2,799,113	2,562,359
Leather products and Shoes	61,619	41,055	73,557	44,865
Paper industries	18,472	18,472	41,305	40,745
Real estate / Construction Services	647,296	633,424	868,667	853,778
(Other than Financial, Hotelling and Travelling)	96,846	67,538	44,485	40,874
Sports goods	263,213	261,563	261,563	261,563
Textile	11,880,979	11,177,833	12,308,808	11,590,359
Transport and Communication	726,703	496,314	714,013	544,771
Others	4,868,873	4,556,985	5,083,907	4,502,163
	26,753,027	24,962,069	28,534,630	26,353,791
43.1.1.4 DETAILS OF NON-PERFORMING ADVANCES AND SPECIFIC PROVISIONS BY SECTOR				
Private	26,753,027	24,962,069	28,534,630	26,353,791
	26,753,027	24,962,069	28,534,630	26,353,791

43.1.1.5 GEOGRAPHICAL SEGMENT ANALYSIS

Rupees in '000		2017			
		Note	Profit before taxation	Total assets employed	Net assets employed
Pakistan	43.1.1.5.1	7,832,238	639,679,861	32,149,569	425,863,774
Asia Pacific (including South Asia)		—	—	—	—
Europe		—	—	—	—
United States of America and Canada		—	—	—	—
Middle East	43.1.1.5.1	513,363	17,275,737	395,667	2,798,378
Others		—	—	—	—
		8,345,601	656,955,598	32,545,236	428,662,152
Rupees in '000		2016			
		Note	Profit before taxation	Total assets employed	Net assets employed
Pakistan	43.1.1.5.1	7,992,013	609,727,904	32,391,587	359,411,975
Asia Pacific (including South Asia)		—	—	—	—
Europe		—	—	—	—
United States of America and Canada		—	—	—	—
Middle East	43.1.1.5.1	491,247	9,958,899	461,984	—
Others		—	—	—	—
		8,483,260	619,686,803	32,853,571	359,411,975

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43.1.1.5.1 These do not include intra bank items of Rs. 10,282,918 thousand (2016: Rs. 9,328,052 thousand) eliminated upon consolidation of wholesale Bank Branch.

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

43.1.1.7 COLLATERAL

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

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

43.2 MARKET RISK:

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

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

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

43.2.1 MARKET RISK - GENERAL DISCLOSURES BASEL III SPECIFIC

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

43.2.2 FOREIGN EXCHANGE RISK

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

2017				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	620,452,514	570,286,592	(17,270,759)	32,895,163
U.S. Dollars	35,066,444	48,126,604	12,538,446	(521,714)
Pound Sterling	538,559	4,155,268	3,400,780	(215,929)
Japanese Yen	10,542	12	(9,462)	1,068
Euro	357,366	1,838,728	1,341,001	(140,361)
Other European Currencies	19,136	–	(6)	19,130
Other Currencies	511,037	3,158	–	507,879
	656,955,598	624,410,362	–	32,545,236

2016				
(Rupees in '000)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	591,195,613	546,589,963	(12,217,411)	32,388,239
U.S. Dollars	27,201,039	34,716,921	7,705,375	189,493
Pound Sterling	502,022	3,952,788	3,460,370	9,604
Japanese Yen	54,626	35	(69,126)	(14,535)
Euro	319,550	1,554,765	1,120,061	(115,154)
Other European Currencies	22,092	–	731	22,823
Other Currencies	378,156	5,055	–	373,101
	619,673,098	586,819,527	–	32,853,571

43.2.3 EQUITY POSITION RISK

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

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

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

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

43.2.5 MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

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

		2017										
		Effective Yield / Interest rate	Exposed to yield / interest risk								Non-interest bearing financial instruments	
Rupees in '000	Total		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	44,239,325	6,998,986	-	-	-	-	-	-	-	-	-	37,240,339
Balances with other banks	2.66%	3,193,835	2,003,756	-	-	-	-	-	-	-	-	1,190,079
Lendings to financial institutions	5.53%	2,250,000	1,750,000	-	500,000	-	-	-	-	-	-	-
Investments	6.54%	314,956,748	60,251,726	79,866,091	14,146,848	8,228,874	50,162,004	40,729,450	37,923,117	16,694,789	1,736,110	5,217,739
Advances	6.35%	258,693,086	83,331,819	126,461,094	29,914,352	10,196,771	1,550,144	1,004,557	1,423,423	1,331,078	3,479,848	-
Other assets		9,946,063	-	-	-	-	-	-	-	-	-	9,946,063
		633,279,057	154,336,287	206,327,185	44,561,200	18,425,645	51,712,148	41,734,007	39,346,540	18,025,867	5,215,958	53,594,220
Liabilities												
Bills payable		10,769,262	-	-	-	-	-	-	-	-	-	10,769,262
Borrowings	4.70%	71,587,311	60,815,038	5,705,697	4,926,146	-	46,811	46,811	46,808	-	-	-
Deposits and other accounts	3.42%	525,805,051	161,728,302	103,925,087	89,083,222	19,769,822	1,564,786	141,245	419,392	-	-	149,173,195
Sub-ordinated loans	7.53%	4,982,800	-	3,995,200	997,600	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities		9,381,543	-	-	-	-	-	-	-	-	-	9,381,543
		622,535,967	222,543,340	113,625,984	95,006,968	19,769,822	1,611,597	188,056	466,200	-	-	169,324,000
On-balance sheet gap		10,743,090	(68,207,053)	92,701,201	(50,445,768)	(1,344,177)	50,100,551	41,545,951	38,880,340	18,025,867	5,215,958	(115,729,780)
Off-balance sheet financial instruments												
Purchase and resale agreements	6.08%	1,515,752	1,000,668	-	515,084	-	-	-	-	-	-	-
Sale and repurchase agreements	5.67%	49,250,012	47,593,754	1,048,963	607,295	-	-	-	-	-	-	-
Commitments to extend credits		14,826,508	14,826,508	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(62,560,768)	(61,419,594)	(1,048,963)	(92,211)	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(129,626,647)	91,652,238	(50,537,979)	(1,344,177)	50,100,551	41,545,951	38,880,340	18,025,867	5,215,958	(115,729,780)
Cumulative yield / interest risk sensitivity gap				(37,974,409)	(88,512,388)	(89,856,565)	(39,756,014)	1,789,937	40,670,277	58,696,144	63,912,102	

MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

		2016										
		Exposed to yield / interest risk										Non-interest bearing financial instruments
Rupees in '000	Effective Yield / Interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		42,568,141	5,735,677	-	-	-	-	-	-	-	-	36,832,464
Balances with other banks	3.49%	5,845,748	4,093,287	-	-	-	-	-	-	-	-	1,752,461
Lendings to financial institutions	5.44%	6,836,584	3,992,000	2,330,023	-	514,561	-	-	-	-	-	-
Investments	6.93%	295,846,254	36,994,767	46,055,208	12,516,532	30,678,772	44,803,250	22,767,414	46,585,497	49,108,288	-	6,336,526
Advances	6.48%	235,163,922	80,293,195	117,462,397	22,854,031	7,993,480	938,751	422,906	807,555	1,216,564	3,175,043	-
Other assets		10,863,671	-	-	-	-	-	-	-	-	-	10,863,671
		597,124,320	131,108,926	165,847,628	35,370,563	38,186,813	45,742,001	23,190,320	47,393,052	50,324,852	3,175,043	55,785,122
Liabilities												
Bills payable		8,579,809	-	-	-	-	-	-	-	-	-	8,579,809
Borrowings	5.39%	89,261,788	83,980,814	1,804,423	3,381,433	-	31,706	31,706	31,706	-	-	-
Deposits and other accounts	3.70%	472,803,094	142,694,668	100,301,165	76,862,201	19,468,426	3,306,494	231,600	189,005	-	-	129,749,535
Sub-ordinated loans	7.66%	4,994,800	-	3,996,800	998,000	-	-	-	-	-	-	-
Other liabilities		9,013,131	-	-	-	-	-	-	-	-	-	9,013,131
		584,652,622	226,675,482	106,102,388	81,241,634	19,468,426	3,338,200	263,306	220,711	-	-	147,342,475
On-balance sheet gap		12,471,698	(95,566,556)	59,745,240	(45,871,071)	19,718,387	42,403,801	22,927,014	47,172,341	50,324,852	3,175,043	(91,557,353)
Off-balance sheet financial instruments												
Purchase and resale agreements	6.02%	4,001,864	4,001,864	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	5.86%	73,525,204	73,375,556	149,648	-	-	-	-	-	-	-	-
Commitments to extend credits		18,532,793	18,532,793	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(88,056,133)	(87,906,465)	149,648	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(183,473,041)	59,595,592	(45,871,071)	19,718,387	42,403,801	22,927,014	47,172,341	50,324,852	3,175,043	(91,557,353)
Cumulative yield / interest risk sensitivity gap				(123,877,449)	(169,748,520)	(150,030,133)	(107,626,332)	(84,699,318)	(37,526,977)	12,797,875	15,972,918	

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

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

43.2.5.3 Assets do not include operating fixed assets of Rs. 10,728,827 (2016: Rs. 11,019,555) thousand and other assets consisting of advances, prepaid rent and other prepayments, advance taxation, non-banking assets acquired in satisfaction of claims, unrealized gain on forward foreign exchange contracts-net, suspense account and stationary and stamps in hand of Rs. 12,519,010 (2016: 10,733,556) thousand.

43.2.5.4 Liabilities do not include other liabilities consisting of unearned income / commission, advance payments, branch adjustment account, unrealized loss on forward foreign exchange contracts-net, withholding taxes payable, federal excise duty and worker's welfare fund of Rs. 1,733,654 (2016: Rs. 1,374,950) thousand.

43.3 LIQUIDITY RISK

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

43.3.1 MATURITIES OF ASSETS AND LIABILITIES

		2017								
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	44,239,325	44,239,325	-	-	-	-	-	-	-	-
Balances with other banks	3,193,835	3,193,835	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,250,000	1,750,000	-	500,000	-	-	-	-	-	-
Investments	314,956,748	61,706,100	78,056,410	2,505,045	9,062,963	56,587,498	42,894,352	40,835,242	20,307,688	3,001,450
Advances	258,693,086	48,336,014	55,687,484	26,349,408	27,535,609	20,769,064	16,773,598	24,290,768	22,376,564	16,574,577
Operating fixed assets	10,728,827	247,417	171,698	252,512	491,843	940,531	802,263	915,946	697,806	6,208,811
Deferred tax assets	100,755	(210,265)	-	-	165,267	71,277	416,278	(341,802)	-	-
Other assets	22,465,073	5,257,601	-	-	-	3,505,068	3,505,068	3,399,114	3,399,114	3,399,108
Assets attributable to discontinued operations	327,949	-	-	-	327,949	-	-	-	-	-
	656,955,598	164,520,027	133,915,592	29,606,965	37,583,631	81,873,438	64,391,559	69,099,268	46,781,172	29,183,946
Liabilities										
Bills payable	10,769,262	3,544,357	-	653,116	6,571,789	-	-	-	-	-
Borrowings	71,587,311	60,815,038	5,705,697	4,926,143	-	46,811	46,811	46,811	-	-
Deposits and other accounts	525,805,051	69,474,314	36,423,266	15,666,785	19,769,822	92,309,926	90,886,385	96,099,115	52,587,720	52,587,718
Sub-ordinated loans	4,992,800	-	800	200	1,000	2,000	500,000	501,600	3,987,200	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	11,115,197	5,898,957	-	-	-	2,608,119	1,304,059	652,030	326,015	326,017
Liabilities associated with discontinued operations	140,741	-	-	-	140,741	-	-	-	-	-
	624,410,362	139,732,666	42,129,763	21,246,244	26,483,352	94,966,856	92,737,255	97,299,556	56,900,935	52,913,735
Net assets	32,545,236	24,787,361	91,785,829	8,360,721	11,100,279	(13,093,418)	(28,345,696)	(28,200,288)	(10,119,763)	(23,729,789)
Share Capital	12,602,602	-	-	-	-	-	-	-	-	-
Reserves	12,139,921	-	-	-	-	-	-	-	-	-
Unappropriated profit	2,703,887	-	-	-	-	-	-	-	-	-
Non-controlling interest	44,353	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	-	-	-	-	-	-	-	-	-	-
Continued operations	5,034,596	-	-	-	-	-	-	-	-	-
Discontinued operations	19,877	-	-	-	-	-	-	-	-	-
	32,545,236	-	-	-	-	-	-	-	-	-

MATURITIES OF ASSETS AND LIABILITIES

		2016								
Rupees in '000	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury Groups	42,568,141	42,568,141	-	-	-	-	-	-	-	-
Balances with other Groups	5,845,748	5,136,105	709,643	-	-	-	-	-	-	-
Lendings to financial institutions	6,836,584	3,992,000	2,330,023	-	514,561	-	-	-	-	-
Investments	295,846,254	36,394,497	40,982,134	9,354,516	31,706,005	46,308,938	27,780,763	49,676,425	52,716,974	926,002
Advances	235,163,922	61,041,844	45,007,109	24,906,513	22,639,800	18,660,415	16,694,225	21,037,575	13,328,584	11,847,857
Operating fixed assets	11,019,555	361,477	158,358	232,560	447,835	834,871	756,331	1,132,220	1,235,785	5,860,118
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	21,596,324	5,054,494	-	-	-	3,369,663	3,369,663	3,267,802	3,267,802	3,266,900
Assets attributable to discontinued operations	796,570	-	-	-	796,570	-	-	-	-	-
	619,673,098	154,548,558	89,187,267	34,493,589	56,104,771	69,173,887	48,600,982	75,114,022	70,549,145	21,900,877
Liabilities										
Bills payable	8,579,809	2,823,769	-	-	-	520,334	-	5,235,706	-	-
Borrowings	89,261,788	83,980,814	-	1,804,423	3,381,433	31,706	31,706	31,706	-	-
Deposits and other accounts	472,803,094	63,087,708	41,961,473	13,410,693	19,468,426	81,918,302	78,843,408	83,028,889	45,546,219	45,537,976
Sub-ordinated loans	4,994,800	800	200	1,000	2,000	2,000	1,000,000	3,988,800	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	526,430	1,491,068	-	-	(165,249)	(5,867)	(592,927)	(200,595)	-	-
Other liabilities	10,386,352	5,513,070	2,435,777	1,218,753	-	609,376	-	304,688	-	304,688
Liabilities associated with discontinued operations	267,254	-	-	-	267,254	-	-	-	-	-
	586,819,527	156,896,429	43,766,696	17,312,660	24,807,137	84,381,918	79,502,940	84,469,376	49,839,707	45,842,664
Net assets	32,853,571	(2,347,871)	45,420,571	17,180,929	31,297,634	(15,208,031)	(30,901,958)	(9,355,354)	20,709,438	(23,941,787)
Share Capital	12,602,602	-	-	-	-	-	-	-	-	-
Reserves	8,855,953	-	-	-	-	-	-	-	-	-
Unappropriated loss	4,090,445	-	-	-	-	-	-	-	-	-
Non-controlling interest	37,908	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	-	-	-	-	-	-	-	-	-	-
Continued operations	7,219,456	-	-	-	-	-	-	-	-	-
Discontinued operations	47,207	-	-	-	-	-	-	-	-	-
	32,853,571	-	-	-	-	-	-	-	-	-

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

43.4 OPERATIONAL RISK

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

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

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

43.4.1 OPERATIONAL RISK DISCLOSURES BASEL III

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

44. GENERAL

44.1 NON-ADJUSTING EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

The Board of Directors in its meeting held on February 26, 2018 has proposed the following appropriations, which will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2017 do not include the effect of the appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2018 as follows:

Rupees in '000	2017	2016
Transfer from unappropriated profit to:		
General reserve	2,703,887	4,090,445
Transfer from general reserve:		
Payment of final cash dividend of Rs. Nil (2016: Rs. 1.5 per share)	—	1,890,390

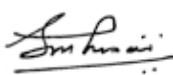
44.2 Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the SBP in respect of which there are no amounts have not been reproduced in these consolidated financial statements except for the consolidated statement of financial position and consolidated profit and loss account.

45. RECLASSIFICATION OF COMPARATIVE FIGURES

There have been no significant reclassifications in these consolidated financial statements except amounts of Rs. 104,114 thousand and Rs. 178,944 thousand for the year ended December 31, 2016, which have been reclassified respectively from mark-up / return / interest earned and other income to fee, commission and brokerage income.

46. DATE OF AUTHORIZATION

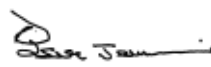
These consolidated financial statements were authorized for issue by the Board of Directors of the Group on February 26, 2018.



Syed M. Husaini
President & Chief Executive



Syed Ahmed Iqbal Ashraf
Director



Qaiser Javed
Director



Lt Gen (R) Syed Tariq Nadeem Gilani
Chairman

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2017

Categories of Shareholders	Shareholders	Shares Held	Percentage
DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN			
Lt Gen Javed Iqbal (Retd)	1	500	0.00
Qaiser Javed	1	500	0.00
Nadeem Inayat	1	500	0.00
Kamal A.chinoy	1	1,000	0.00
Sarmad Jalal Osmany	1	500	0.00
Syed Ahmed Iqbal Ashraf	1	500	0.00
Mushtaq Malik	1	500	0.00
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
Fauji Foundation	2	90,629,884	7.19
Fauji Fertilizer Bin Qasim Limited	1	271,884,009	21.57
Fauji Fertilizer Company Limited	2	543,768,024	43.15
EXECUTIVES			
	—	—	—
PUBLIC SECTOR COMPANIES AND CORPORATIONS			
	23	28,436,960	2.26
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS AND PENSION FUNDS			
	31	14,233,572	1.13
MUTUAL FUNDS			
CDC - Trustee Unit Trust of Pakistan	1	6,000	0.00
CDC - Trustee AKD Index Tracker Fund	1	80,813	0.01
CDC - Trustee NIT - Equity Market Opportunity Fund	1	4,249,442	0.34
CDC - Trustee Alfalah GHP Income Fund - MT	1	10,500	0.00
CDC - Trustee Atlas Income Fund - MT	1	15,500	0.00
CDC - Trustee National Investment (Unit) Trust	1	24,471,856	1.94
CDC - Trustee Alfalah GHP Income Multiplier Fund - MT	1	9,000	0.00
CDC - Trustee Faysal MTS Fund - MT	1	173,500	0.01
CDC - Trustee Atlas Stock Market Fund	1	1,971,500	0.16
CDC - Trustee First Habib Income Fund - MT	1	128,500	0.01
CDC - Trustee Pakistan Income Fund - MT	1	14,500	0.00
CDC - Trustee MCB Pakistan Stock Market Fund	1	7,146,500	0.57
CDC - Trustee Pakistan Capital Market Fund	1	300,000	0.02
MC FSL Trustee JS - Income Fund	1	6,000	0.00
CDC - Trustee Pakistan Income Enhancement Fund - MT	1	120,000	0.01
CDC - Trustee MCB Dynamic Cash Fund - MT	1	35,000	0.00
CDC - Trustee Askari Equity Fund	1	150,000	0.01
MC FSL Trustee JS - Income Fund - MT	1	228,000	0.02
GENERAL PUBLIC			
a. Local	16,106	211,299,534	16.77
b. Foreign	6	52,780	0.00
FOREIGN COMPANIES			
	20	14,744,855	1.17
OTHERS			
	206	46,089,951	3.66
Totals	16,422	1,260,260,180	100.00
Share holders holding 5% or more			
Fauji Foundation	2	90,629,884	7.19
Fauji Fertilizer Bin Qasim Limited	1	271,884,009	21.57
Fauji Fertilizer Company Limited	2	543,768,024	43.15

NOTES

AGM

Friday, March 30, 2018 at 10:30 am

at Pearl Continental Hotel, Rawalpindi

FORM OF PROXY

ASKARI BANK LIMITED

I/We _____ S/o/ D/o/ W/o _____ of _____
 being member(s) of Askari Bank Limited ("the Bank"), holding _____ ordinary shares vide Folio / CDC
 Account No. _____, do hereby appoint Mr./Mrs./Ms. _____ Folio / CDC Account
 No. _____ of _____ failing him / her, Mr./Mrs./Ms. _____ Folio /
 CDC Account No. _____ of _____ as my / our proxy and to attend, act and vote on my / our behalf at the
 26th Annual General Meeting of the Bank to be held on Friday, March 30, 2018 at 10:30 am at Pearl Continental Hotel, Rawalpindi and at any adjournment
 thereof.

Signed this _____ day of March 2018.

 (Member's signature on
 Rs. 5/- Revenue Stamp)

Witnesses No. 1: _____

Witnesses No. 2: _____

Name: _____

Name: _____

C.N.I.C. No.: _____

C.N.I.C. No.: _____

Address: _____

Address: _____

NOTES:

A. General:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him / her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan / State Bank of Pakistan / corporate entity may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his / her attorney duly authorized in writing. If the member is a corporate entity (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 4th Floor, NPT Building, F-8 Markaz, Islamabad not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
2. Copies of the CNIC or passport of the beneficial owners shall be furnished with the proxy form.
3. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
4. In case of Government of Pakistan / State Bank of Pakistan / Corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.

THE COMPANY SECRETARY:
ASKARI BANK LIMITED
4TH FLOOR, NPT BUILDING,
F-8 MARKAZ
ISLAMABAD - PAKSITAN

میں / نام _____ ولدیت / بنت / زوجہ _____ شہر _____ بحیثیت ممبر عسکری بینک لمیٹڈ، حامل عام شیئرز برطانیق فولیو / سی ڈی سی اکاؤنٹ نمبر _____
 ، مسز / مسز / مس _____ فولیو / سی ڈی سی اکاؤنٹ نمبر _____ شہر _____ اسکی ناکامی کی صورت میں، مسز / مسز / مس _____ فولیو / سی ڈی سی اکاؤنٹ
 نمبر _____ شہر _____ کو اپنے / ہمارے ایماہ پر بطور پراکسی مقرر کرتا ہوں / کرتے ہیں تاکہ وہ میری / ہماری طرف سے بینک کے 26 ویں سالانہ اجلاس عام جو بتاریخ 30 مارچ 2018ء بروز
 جمعہ المبارک دن بوقت 10:30 بجے بمقام پریل کانپنیشنل ہوٹل، راولپنڈی میں منعقد ہونے والے اس کے کسی مکتوی شدہ اجلاس میں شرکت کرے، بات کرے اور حق رائے دہی استعمال کرے۔
 آج بروز _____ بتاریخ _____ مارچ 2018ء کو بطور گواہ دستخط کیے

دستخط ممبر
(پانچ روپے کارسیدی ٹکٹ)

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

نوٹس:-

الف - عام

- 1- جو ممبر اجلاس میں شرکت اور ووٹ ڈالنے کا اہل ہے وہ اپنی جگہ اجلاس میں شرکت اور ووٹ ڈالنے کے لئے پراکسی مقرر کر سکتا ہے۔ گورنمنٹ آف پاکستان، سٹیٹ بینک آف پاکستان یا کاروباری ادارے کے علاوہ کوئی ایسا شخص پراکسی کے طور پر کام نہیں کر سکتا، اگر وہ بینک کا ممبر نہیں ہے۔
- 2- پراکسی مقرر کرنے کی دستاویز ممبر یا اس کے تحریری طور پر بااختیار اٹارنی سے دستخط شدہ ہونی چاہیے۔ اگر ممبر (گورنمنٹ آف پاکستان یا سٹیٹ بینک آف پاکستان کے علاوہ) ایک کاروباری ادارہ ہے تو اس کی عام ممبر دستاویز پر لگی ہوئی چاہیے۔
- 3- پراکسی مقرر کیے جانے سے متعلق دستاویزات بنام کمپنی سیکرٹری عسکری بینک لمیٹڈ، فورٹھ فلور، این پی ٹی بلڈنگ، ایف-8 مرکز، اسلام آباد پر اجلاس سے کم از کم 48 گھنٹے قبل لازماً وصول ہو جانا چاہیے۔
- 4- اگر کوئی ممبر ایک سے زیادہ پراکسی مقرر کرے گا اور ایک سے زیادہ پراکسی کے دستاویز جمع کروائے گا تو پراکسی کی تمام دستاویزات کا اہم قرار دی جائیں گی۔

ب- سی ڈی سی اکاؤنٹ رکھنے والوں کے لئے

- 1- پراکسی فارم دو گواہان سے تصدیق شدہ ہونا چاہیے۔ جن کے نام، پتے اور سی این آئی سی نمبرز فارم کے اوپر درج ہوں۔
- 2- مستفید مالکان کے سی این آئی سی یا پاسپورٹ کی نقول پراکسی فارم کے ساتھ فراہم کی جانی چاہئیں۔
- 3- پراکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ فراہم کرنا ہوگا۔
- 4- گورنمنٹ آف پاکستان / سٹیٹ بینک آف پاکستان / کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی بمطابق دستخط پراکسی فارم کے ساتھ جمع کروانی ہوگی۔









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