

Impacting Lives



JS BANK LIMITED
NOTICE OF THIRTEEN ANNUAL GENERAL MEETING

Notice is hereby given that the Thirteen Annual General Meeting of the shareholders of JS Bank Limited (the “**Bank**”) will be held on Thursday, March 28, 2019 at 9:30 a.m. Sapphire Hall, Ramada Karachi Creek, Zulfiqar Street 1, D.H.A. Phase VIII, Karachi, to transact the following business

ORDINARY BUSINESS:

- i. To receive, consider and adopt the Annual Audited Standalone and Consolidated Financial Statements of the Bank for the year ended December 31, 2018 together with the Directors’ and Auditors’ Reports thereon.
- ii. To appoint Bank’s Auditors and fix their remuneration. Audit Committee and the Board of Directors have recommended the appointment of the retiring auditors, Messrs EY Ford Rhodes, Chartered Accountants, (a member firm of Ernst & Young Global Limited) who being eligible have offered themselves for re-appointment.
- iii. To consider and approve final cash dividend on matured preference shares @ 12% p.a. (i.e. PKR 1.20 per preference share) for the period from January 1, 2018 to February 18, 2018 subject to deduction of income tax, to the holders of Preference Shares as on February 18, 2018 pro-rated for the year ended December 31, 2018, as recommended by the Board of Directors.
- iv. To elect eight (8) directors as fixed by the Board of the Bank under section 159(1) of the Companies Act, 2017 for three years commencing from March 29, 2019. The names of retiring directors, who are eligible to offer themselves for re-election, are as follows:

Mr. Suleman Lalani	Mr. Adil Matcheswala
Mr. Ashraf Nawabi	Mr. G.M. Sikander
Mr. Kalim-ur-Rahman	Mr. Munawar Alam Siddiqui
Ms. Nargis Ali Akber Ghaloo	Mr. Shahab Anwar Khawaja

SPECIAL BUSINESS:

- v. To consider and if thought fit, approve the conversion of Additional Tier-I (“**ADT-I**”), rated, privately placed/listed (*at the option and discretion of the Bank, pursuant to the Privately Placed Debt Securities’ Listing Regulations*), unsecured, subordinated, perpetual and non-cumulative Term Finance Certificates (“**TFCs**”) of PKR 2,500 Million (two thousand five hundred million) of JS Bank Limited (the “**Bank**”) into common shares if (i) directed by State Bank of Pakistan (“**SBP**”) on the occurrence of a point of non-viability as determined by SBP, or (ii) upon the occurrence of a pre-specified trigger point pursuant to Basel III Capital Instructions of SBP, or (iii) due to any inability to exercise the Lock-in Clause or Non-Cumulative features of TFCs, on such terms and conditions as may be determined by SBP, subject to a maximum of 329,595,476/- (three hundred twenty nine million five hundred ninety five thousand four hundred seventy six) additional ordinary shares to be issued, and which ordinary shares shall be issued other than by way of rights in accordance with section. 83(1)(b) of the Companies Act, 2017.

The resolutions to be passed by the members as Special Resolutions are as under:

“**RESOLVED THAT** with respect to the Additional Tier-I capital raised by JS Bank Limited (the “**Bank**”) in the amount of up to PKR 2,500,000,000/- (Pak Rupees Two Billion Five Hundred Million) in the form of rated, privately placed / listed, unsecured, subordinated,

perpetual and non-cumulative Term Finance Certificates (“TFCs”) as approved by the Board of Directors on November 8, 2018, and in accordance with the directions under the ‘Instructions for Basel III Implementation in Pakistan’ (“**Basel III Regulations**”) issued by the State Bank of Pakistan (“**SBP**”), the TFCs may be converted into ordinary shares of the Bank (i) if so directed by SBP on the occurrence of a point of non-viability as determined by SBP, at a price equivalent to the market value of the shares of the Bank on the date of trigger of the point of non-viability as declared by SBP, or (ii) upon the occurrence of a pre-specified trigger point pursuant to Basel III Capital Instructions, at a price equivalent to the market value of the shares of the Bank on the date of occurrence of the pre-specified trigger point, or (iii) due to any inability to exercise the lock-in clause or non-cumulative features of the TFCs, on such terms and conditions as may be determined by SBP, in accordance with the applicable rules and regulations of SBP (collectively the “**Conversion Events**”), which ordinary shares shall be issued other than by way of rights in accordance with s. 83(1)(b) of the Companies Act, 2017.”

“**FURTHER RESOLVED** that the issuance of such shares upon the occurrence of any of the Conversion Events shall be subject to a cap of 329,595,476/- (three hundred twenty nine million five hundred ninety five thousand four hundred seventy six) additional ordinary shares to be issued and 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.”

“**FURTHER RESOLVED** that any two of the President & CEO, Deputy CEO, Chief Financial Officer and Company Secretary of the Bank (the “Authorized Representative”), be and are hereby authorized to take all steps necessary, ancillary, and incidental to the above-mentioned resolutions, as and when required, 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.”

Karachi: March 7, 2019

By Order of the Board
Ashraf Shahzad
Company Secretary

Notes:

- a) Share transfer books of the Bank will remain closed from March 21, 2019 to March 27, 2019 (both days inclusive). Transfers received in order at Bank’s Independent Share Registrar, Central Depository Company of Pakistan Limited, CDC House, Shahra-e-Faisal, Karachi at the close of business on March 20, 2019 will be treated in time for purpose of attending and vote at the Meeting.
- b) A member of the Bank entitled to attend, and vote may appoint another member as his/her proxy to attend and vote instead of him/her.
- c) Proxies must be received at the Registered Office of the Bank not later than 48 hours before the time of the Meeting.

- d) Beneficial owners of the shares registered in the name of Central Depository Company of Pakistan (CDC) and/or their proxies will have to follow the following guidelines as laid down by the Securities and Exchange Commission of Pakistan:

For Attending the Meeting

- In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or original Passport along with Participant ID number and the account number at the time of attending the Meeting.
- In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

For Appointing Proxies

- In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
 - The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
 - Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
 - The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Bank.
 - Shareholders are requested to notify immediately for any change in their address to the Bank Registrar.
- e) Any person seeking to contest the election, whether retiring Director or otherwise, must file with the Company at its Registered Office the following documents not later than fourteen (14) days before the date of the meeting:
- The intention to offer himself/herself for the election of Directors in terms of Section 159(3) of the Companies Act, 2017 along with (a) consent on Form 28 (Consent to act as a Director) under Section 167 of the Companies Act, 2017; (b) a declaration under clause (3) of the Listed Companies (Code of Corporate Governance) Regulations 2017 that he/she is not serving as a director in more than five (5) listed companies (including JS Bank Limited and excluding the listed subsidiaries of listed holding companies); and (c) a declaration that he/she is not ineligible to become a director in terms of Section 153 of the Companies Act, 2017 or under any circular/directive of the State Bank of Pakistan or any other applicable laws and regulations.
 - Person contesting as Independent Director shall also submit a declaration that he/she qualifies the criteria of eligibility and independence notified under the Companies Act, 2017 and rules and regulations issued thereunder.
 - Duly filled proforma for Fit and Proper Test and Questionnaire in the prescribed form along with an affidavit, recent photograph and copy of attested CNIC/passport to meet the requirement of State Bank of Pakistan's Prudential Regulation G-1 and Fit and

Proper Test for Appointment of Directors. Elected director shall remain subject to the fit and proper test approval of the State Bank.

- f) Shareholders are requested to notify immediately for any change in their address.

Notice to Shareholders who have not provided CNIC:

The Companies (Distribution of Dividends) Regulations, 2017 requires that the dividend warrants should bear the Identification Number which includes: (i) in the case of a registered shareholder or an authorized person, the Computerized National Identity Card Numbers (CNIC); (ii) in the case of a minor, child registration number or juvenile card number; and (iii) in the case of corporate shareholders registration number or national tax number. The Identification Number of the shareholders is, therefore, mandatory for the issuance of dividend warrants and in the absence of such information, payment of dividend may be withheld in terms of the Companies (Distribution of Dividends) Regulations, 2017. Therefore, the shareholders who have not yet provided their Identification Numbers advised to provide their Identification Numbers (if not already provided) directly to our Independent Share Registrar at the address given herein above without any further delay.

Placement of Financial Statements

The Bank has placed the annual Audited Financial Statements for the year ended December 31 2018, along with the Auditors and Directors Reports on its website: www.jsbl.com.

Mandate for E-DIVIDENDS for shareholders

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website and send it duly signed along with a copy of CNIC to the Registrar of the Company M/s. Central Depository Company of Pakistan Limited, CDC House, Shahra-e-Faisal, Karachi in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's broker/participant/CDC account services.

Deduction of Income Tax from Dividend at Revised Rates

Pursuant to the provisions of the Finance Act deduction of income tax from dividend payments shall be made on the basis of filers and non-filers as follows:

S.No	Nature of Shareholders	Rate of deduction
1	Filers of Income Tax Return	15%
2	Non-Filers of Income Tax Return	20%

Income Tax will be deducted on the basis of Active Tax Payers List posted on the Federal Board of Revenue website.

Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be.

E-Voting

Pursuant to SECP S.R.O. No. 43(I)/2016 dated January 22, 2016, members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the Bank on the appointment by the Intermediary as a Proxy.

Provision of Video Link Facility

Shareholders may participate in the meeting via video-link facility. If the Bank receives a demand (at least 7 days before the date of meeting) from shareholder(s) holding an aggregate 10% or more shareholding residing in any other city, to participate in the meeting through video link, the Company will arrange video link facility in that city.

Shareholders, who wish to participate through video-link facility, are requested to fill in 'Video Link Facility Form' available at Bank's website and send a duly signed copy to the Registered Address of the Company.

Distribution of Annual Report

The audited financial statements of the Bank for the year ended December 31, 2018 have been made available on the Company's website (<http://www.jsbl.com/>) in addition to annual and quarterly financial statements for the prior years.

Further, Annual Report of the Bank for the year ended December 31, 2018 is dispatched to the shareholders through CD. However, if a shareholder, in addition, requests for hard copy of Annual Audited Financial Statements, the same shall be provided free of cost within seven days of receipt of such request. For convenience of shareholders, a "Standard Request Form for provision of Annual Audited Accounts" has also been made available on the Bank's website (<http://www.jsbl.com/>).

**Statement Under Section 134(3)
of the Companies Act, 2017**

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of JS Bank Limited (the “**Bank**”) to be held on March 28, 2019.

Conversion of Additional Tier –I (“**ADT-I**”) Term Finance Certificates of PKR 2,500 million into common shares

The Bank on December 31, 2018 issued ADT-I eligible, rated, privately placed/listed (at the option and discretion of the Bank, pursuant to the Privately Placed Debt Securities’ Listing Regulations), unsecured, subordinated, perpetual and non-cumulative Term Finance Certificates (“**TFCs**”) of PKR 2,500 million as ADT-I Capital. Basel III regulations as implemented vide SBP’s Circular BPRD Circular No. 06 dated August 15, 2013 (“**SBP Circular**”), which prescribes a loss absorption feature for ADT-I capital instruments pursuant to which the TFCs will be converted into ordinary shares of the Bank at the Point of Non-Viability (“**PONV**”) trigger event or at the breach of Common Equity Tier-1 (CET-1) trigger event as defined in the Basel III regulations. In accordance with the requirements of the SBP Circular, the Bank has agreed with the SBP for the issuance of maximum 329,595,476 shares against subject ADT-I in case of the occurrence of a conversion event as per the terms of the TFCs and SBP Circular (“**Conversion Events**”).

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, however, it may 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 and brief profile of the banks/financial institutions to whom such shares are proposed to be issued	The shares will be issued to the TFC ADT-1 holders (at that time)
Price at which the proposed shares will be issued	The price of the shares shall be issued at the market value of the shares of the Bank, on the relevant date
Purpose of the issue of shares other than right, utilization of the proceeds of the issue and benefits to the Bank and its shareholders with necessary details	To convert the outstanding TFC ADT1 amount (in whole or part) into shares of the Bank, as per the directions of the SBP.
Existing shareholding of the banks / financial institutions to whom the proposed shares will be issued	Not Applicable
Total shareholding of the banks / financial institutions after the proposed issue of shares	Not Applicable
Whether the banks/financial institutions have provided written consent for purchase of such shares	The terms of the Trust Deed for the TFC ADT 1 Issue 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 the SBP vide its Circular No. 6 of Banking Policy and Regulation Department dated August 15, 2013 and further directions of SBP in this matter.
Justification, with details of the latest available market price and break-up value per share, if such price differs from par value.	Not Applicable
Details of the average market price during the last 3 (three) months and 6 (six) months preceding the board announcement as well as the latest available market price.	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.

None of the director, whether directly or indirectly, is interested in the special resolution except to the extent of their shareholding in the bank.

Statement under Regulation 4 (2) of the Companies (Investment in Associated Companies or Associated Undertaking) Regulation, 2012

The Bank in its Annual General Meeting held on March 29, 2017 had approved long term equity investments of up to PKR 675 million in ordinary shares of each of the following associated companies of the Bank. The resolution is valid for a period of three years commencing from March 29, 2017.

S.No	Name of Company	Total Investment approved upto PKR	Amount of Investment till Dec. 31, 2018 PKR	Reasons for not making complete investment in the specified time	Material change in Financial Statement of Associated Companies
1	EFU Life Assurance Ltd	675 million	252,147,024	Time remaining	No
2	EFU General Insurance Ltd.	675 million	507,848,496	Time remaining	No

DIRECTORS' REPORT

We are pleased to present the thirteenth Annual Report of JS Bank Limited ("JSBL") along with the audited accounts and auditors' report for the year ended December 31, 2018.

The Economy

The year 2018 saw Pakistan face significant economic challenges such as a mediocre growth rate, high fiscal and current account deficits, and low levels of foreign exchange reserves. A looming balance-of-payments crisis caused by exports lagging expectations and an import bill, a third made up of payments for oil, expanding uncomfortably raised the country's current account deficit to over 5 percent of GDP. Like other emerging economies, the Pakistani Rupee (PKR) came under heavy pressure with multiple devaluations taking place from its previous levels. Headline inflation picked up towards the end of the year, remaining above 6% and well above the 2017 average of 4%, with the country's loose fiscal policy and rapidly growing domestic credit being one of the primary reasons. SBP's foreign exchange reserves plunged to USD 7.2 billion by the end of 2018, while total foreign exchange reserves stood at USD 13.8 billion. The Pakistani stock market never recovered from its low of 2017 further adding to the precarious situation. Then there was the resurfacing of the circular debt which could only be resolved by reducing energy subsidies, raising energy taxes and recapitalizing state entities.

However, not all news was negative. A depreciation of the rupee to boost exports, interest rate increases to stem inflation, large increase in gas tariffs closer to cost recovery levels, and the proposed increase in electricity tariffs were all steps looked upon positively by lenders. The drop in oil prices from a high of USD 87 per barrel to hover around USD 60 per barrel continued to support demand and economic activity not only in Pakistan but globally. The inflow of Chinese investments under CPEC continued to help growth and was predicted to further improve the country's growth potential. The country has also become more open for business, jumping 11 places on the World Bank's Ease of Doing Business Index. A growing interest for investment in the country from across the globe in recent months shows the world's confidence in a re-emerging Pakistan.

Banking Sector Review

SBP continued the monetary tightening cycle during the last quarter of 2018 as it increased the 'Policy Rate' by a further 150 basis points, taking the total increase during 2018 to 425 basis points. Signs of inflationary pressures had prompted SBP to raise the policy rate in five out of six monetary policy statements of the year. With this increase, the policy rate reached a four year high of 10%. Banking spreads moved upwards recently, however weighted average banking spreads during the first eleven months of 2018 clocking in at 4.87% and marking a decline of 8 basis points year-on-year (YoY). During 2018, SBP data reported an 8% YoY increase in the banking deposits, reaching PKR 13,176 billion. Deposits growth remained relatively sluggish, remaining well below the average growth rate since 2008 of 13.2%. During the same period, advances depicted

a 13-year high growth rate of 21% YoY, reaching PKR 7,888 billion and taking the Advances-to-Deposit Ratio (ADR) for the industry up to 59%. One of the key drivers to the high loan growth was the 18% YoY increase in private sector credit off-take. With Non-Performing Loans (NPLs) for the industry standing at PKR 679 billion as of December 2018, infection ratio for the industry remained in single-digits at 9%. Investments, however, decreased by 11% YoY to PKR 7,583 billion as the sector witnessed investment maturities and relatively thin participation in government paper auctions during the year. Resultantly, the Investment-to-Deposit Ratio (IDR) slid down to 57%.

Financial Performance

Despite an increase in the operating expenses incurred on launching new initiatives and a realized loss on PIB portfolio, the Bank posted reasonably good results for 2018 as summarized below:

	2018	2017
Profit Before Tax – PKR million	905	1,621
Profit After Tax – PKR million	562	973
Earnings Per Share (Basic) – PKR	0.30	0.74
Return on Avg. Assets (ROAA)	0.13%	0.30%
Return on Avg. Equity (ROAE)	3.48%	5.84%
Capital Adequacy Ratio (CAR)	12.01%	11.95%
Advances to Deposits Ratio (ADR)	78.40%	63.48%

Summarized financial data for the last six years is given below:

	PKR ‘Million’					
Particulars	2018	2017	2016	2015	2014	2013
Deposits	321,413	290,078	226,099	141,840	108,740	80,916
Equity	15,617	16,669	16,650	15,968	13,080	8,934
Total Assets	456,754	391,479	264,700	218,476	176,717	112,770
Investments-Net	148,690	169,612	133,727	116,030	84,258	42,679
Advances- Net	251,991	184,140	93,794	76,666	62,433	33,762
Gross Mark-up Income	29,997	20,381	15,081	15,328	11,113	6,850
Net Mark-up Income	8,809	6,242	5,728	5,590	3,854	2,325
Non-Mark-up Income	2,141	4,051	4,861	3,290	2,590	1,678
Profit Before Tax	905	1,621	3,390	3,174	1,608	501
Profit After Tax	562	973	2,077	2,026	1,060	351
Branches	342	323	307	277	238	211
Employees	5,127	4,998	4,163	2,946	2,442	2,082

Earnings per Share (EPS)

The EPS for the year ended December 31, 2018 is PKR 0.30 per share as compared to EPS of PKR 0.74 per share in 2017.

Capital Adequacy

As at December 31, 2018, JS Bank's Capital Adequacy Ratio (CAR) stood at 12.01% as compared to 11.95% in 2017. Minimum required CAR (including Capital Conservation Buffer) as prescribed by SBP is 11.90%.

Business Overview

JS Bank continued with its journey of growth in terms of market share, backed by a diversified fee business, aggressive deposit mobilization and prudent growth in advances. The Bank's focus on enabling and identifying customer needs through innovative product offerings, alliances and digital service delivery channels is stronger than ever. Customer accessibility was strengthened through expansion in branch network, digital channels and branchless banking solutions to provide customers an efficient and satisfying banking experience.

Deposits

JS Bank remained focused on core deposit mobilization, particularly targeting growth in low cost deposits (Current and Savings Accounts – CASA). Despite challenging economic conditions, the Bank was able to close 2018 with deposits of PKR 321 billion, a growth of 10.7% over 2017, exceeding industry growth levels by around 3%.

In order to address the growing needs of the customers, the Bank has undertaken several initiatives to strengthen its product menu by improving on existing products and enhancing service quality. The Bank continued to expand its deposit relationships in several segments including business banking, employee banking, cash management, corporate deposits and technology-based solutions.

Advances

On the assets side, there was increased focus on prudent expansion in advances with a holistic product range designed around customer needs. Overall, net advances grew by 36.9% to PKR 252 billion, with diversified growth in corporate, commercial, SME and consumer banking.

In addition to traditional lending segments, the Bank enhanced its focus on the SME landscape through a relationship lending model, operating through several SME hub branches. Furthermore, the secured consumer lending volumes remained strong through 2018, despite tougher economic conditions towards the end of the year. The leasing business has also developed a healthy portfolio catering to all industrial sectors of the economy. Increasingly, the SME, consumer banking and leasing businesses are

focused on sustainable and profitable growth, through a healthy & steadily increasing book through 2019.

The Bank grew its Prime Minister's Youth Business Loans (PMYBL) portfolio by forming multiple alliances with Pakistan's leading businesses in order to promote self-employment within their value chains. JS Bank exceeded its SBP-assigned agriculture credit targets with a clean portfolio, paving the way for sustainable expansion in the coming years. The Bank continued to develop its gold finance portfolio, backed by the fastest loan approval timelines in the industry, and extended the proposition to its agri-based customers.

Fee Business

The Bank is making concerted efforts to optimize the revenue mix between interest and fee-based income. The Bank has increased its focus on cross selling various fee-based products to new and existing customers along with growing traditional fee income streams.

The Investment Banking Group (IBG) business increase progressively during CY18, successfully arranging a host of debt capital market transactions and closing syndication/bilateral facilities across hospitality, aviation, telecommunications, power, oil & gas and microfinance sectors. The Bank undertook the role of 'Bankers to the Issue' in several IPOs and rights issue transactions followed by the successful closure of 2018 via arrangement of JSBL's Additional Tier-I Capital Term Finance Certificates (TFCs) of PKR 2,500 million.

Trade business has remained a key growth area for the Bank where teams were focused on maximizing trade business reciprocity vis-a-vis advances. Resultantly, JSBL grew its trade volumes by PKR 45 billion, an increase of 15.1%, and expanded its correspondent banks network to 90 countries.

The Bank strengthened its payments business by introducing cash management solutions for its medium and large customers, offering a complete range of payments and collections backed by a state-of-the-art online cash management portal. Alongside, digital banking solutions are set to be introduced to keep pace with the rapid innovation in payments and the broader transformation in systems enabled by digital technologies.

The Bank considerably enhanced its wealth management cross-sell business with 981% growth in mutual funds, becoming one of the largest mutual fund distributors in 2018, backed by a 52% growth in bancassurance along with significant expansion in product range and fee income.

JSBL continued its aggressive growth in the home remittances business, where the Bank grew transactions by 63%, with an expanded digitally-connected global partner network, and an increasing base of satisfied beneficiaries utilizing our services in Pakistan.

Sustainable Finance

JSBL has completed its application to be accredited by the Green Climate Fund (GCF), making it the first commercial bank from Pakistan and South Asia to have completed its accreditation application. Once approved, the accreditation will allow JSBL to be an on-lender for projects with a value of USD 50 – 250 million and with environmental and social ratings of B (business activities with potential limited adverse environmental or social risks and/or impacts). JSBL is also aligned with SBP's Green Banking Guidelines and is set to introduce environmental risk assessment and management into its lending practices.

Service Management and Fair Treatment of Customers

JS Bank is committed to providing its customers with the highest level of service quality and satisfaction and has therefore set-up an independent Service Management and Business Conduct function that oversees service quality, phone banking, problem resolution and the fair treatment of customers.

A total of **17,571** complaints were received by the Bank in 2018 and the average time taken to resolve these complaints was **3 working days**. Our Complaint Handling Policy and Grievance Redressal Mechanism ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at our branches, phone banking center, JS Bank's website and via email. Complaint management process is kept as transparent as possible through registration, acknowledgement, interim response where applicable, resolution and root cause analysis of recurring complaints. Customers are also given the option of contacting the Banking Mohtasib office in case they are dissatisfied with the response received from the Bank.

To create enhanced visibility of its complaint handling function, JS Bank has incorporated awareness messages in several customer communications such as account statements, ATM screens, and letters. For increased accessibility of the recourse mechanism for the customers, JSBL has made the information available on social media and has also sent SMS messages to its customers every quarter.

Fair Treatment of Customers is an integral part of our corporate culture. The Bank has institutionalized a Consumer Protection Framework. Our priority is to keep customer benefits in mind while designing, selling and managing products and services, without any discrimination. Our focus is to maintain fairness in our customer dealings, clarity in communication, develop a service culture and design an effective grievance handling mechanism. We also focus on financial literacy of our customers, for promoting responsible conduct and informed financial decisions by consumers, through our Consumer Education and Financial Literacy Program.

Risk Management

The Board is committed to adopting the best risk management practices in letter and spirit. To maintain effective risk management practices, the Bank follows an appropriate risk management framework according to the regulatory directives issued by SBP and

other related guidelines under the Basel II / III framework. In this regard, JSBL has a comprehensive set of risk management policies, practices and procedures which enable the Bank to take into consideration, in an appropriate manner, all major kinds of risks including credit, market, liquidity, operational and IT security.

The overall risk management framework of the Bank is under the supervision of the Board of Directors (BoD)/Board Risk Management Committee (BRMC) while the operational level day-to-day functioning is carried out by the senior management of the Bank. In order to develop a holistic integrated risk management approach, a dedicated and independent Credit & Risk Management Group, is in place to manage various aspects of risk management in the Bank. To formalize and strengthen the risk management approach within the Bank, the following significant policies were developed / reviewed and approved by the Board:

- Credit Policy
- Collateral Management Policy
- Market Risk Management Policy
- Operational Risk Management Framework
- Liquidity Risk Management Policy
- Business Continuity Policy

BRMC keeps an eye on the overall risk profile of the Bank. The Integrated Risk Management Committee (IRMC) and Assets & Liabilities Committee (ALCO) of the management operate within an established framework in order to monitor the Bank's activities and maintain the risk level within predefined limits, meeting on a regular basis to review market developments and the level of financial risk exposure of the Bank.

Market risk measurement, monitoring and management reporting is done on a regular basis. The Market Risk Unit supported by the Treasury Middle Office is involved in daily monitoring of all related financial risk exposures in the form of interest rate risk, equity exposure risk, currency or foreign exchange risk, cross border or country risk, financial institutions (FI) exposure risks and liquidity risk. The Bank is in the process of upgrading its system capabilities and plans to implement Temenos Insight Risk Intelligence Solutions providing analytical capabilities for regulatory capital, market analytics and asset & liability management in the coming years.

Operational risk management function also maintains the business continuity policy and facilitates the annual testing of mission-critical systems and services that may be disrupted due to any eventuality or disaster. The Bank has also developed a new Disaster Recovery (DR) site to ensure maximum availability of system and services to customers and partners for critical (time sensitive) and support functions.

Credit risk management is an ongoing process. The overall credit policy and the credit risk management guidelines are issued by the Board of Directors. In this regard, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring credit risk in the Bank. CCC meets regularly to actively supervise credit risk across the lending portfolio. In order to maintain a healthy growth of the credit portfolio, the Bank's Credit Risk Management processes are consistently upgraded and improved to

meet future challenges. Further, in order to bolster credit risk management monitoring activities, a Credit Risk Monitoring Unit is in place for regular portfolio monitoring, formulating and implementing credit risk management tools including setting up of industry, geographic and sectorial limits, and devising credit risk quantification / statistical techniques to meet SBP and Basel II/III requirements.

The management of risks and uncertainties associated with problem credits requires a different and more intense approach than normal management. In this regard, a Special Asset Management Unit is in place following SBP's regulatory guidelines to focus on remedial management issues, take ownership of classified portfolio for effective management and to determine the work-out modes for settlements, as stipulated in the Remedial Management Policy of the Bank.

In terms of information security, the Information Security and IT Risk Management Unit facilitates risk identification, assessment and monitoring of IT and information security-specific risks across the bank. To further improve the information security footprint, database encryption, Advance Threat Protection and Privileged Access Management systems are under implementation.

On capital management side, the Bank's practices ensure that it has sufficient capital to cover the risks associated with its activities. It is the prime objective of the Bank's capital management to ensure that the Bank complies with all regulatory capital requirements and at the same time maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

Learning and Organizational Development

The Bank is committed to attract, select, develop, and retain a high performing and diverse work force. In 2018 the Bank enrolled 4003 employees in various training programs and 21,595 man-days of training were completed. The Bank successfully leveraged learning by allowing employees to access training programs on the Bank provided Learning Management System app. The Management Trainees & Operations Officers onboarded in 2017 were trained and rotated in various departments before being placed in a permanent role. New batches of management trainees, operations officers and trainee officers for different functions have been recruited and are under orientation / training phase.

Statement on Internal Controls

JS Bank places the utmost emphasis on establishing stringent controls across all its operations. It is the cornerstone of the Bank's policies to adhere to the best industry practices, ethical standards and regulatory requirements. In this context, the Board of Directors has promulgated policies that provide for assessing the overall effectiveness of the internal control environment. It is the responsibility of senior management to evolve systems and procedures that ensure overall comprehensive controls in the light of Board of Directors guidelines.

Internal controls are intended to provide a reasonable measure of assurance regarding the effectiveness and efficiency of the Bank's operations, reliability of financial

information and compliance with applicable laws and regulations. However, it is acknowledged that the systems put in place can only provide reasonable but not absolute assurances against material misstatement or loss since they are designed to manage, rather than eliminate, the risk of unforeseen loss in seeking to achieve the business objectives.

To ensure effective management of risk, the governance structure of internal control functions at JS Bank consists of three levels of defense. The first line of defense is the business itself which owns its risks, including its operational risk and is responsible for its management. The second line of defense is the oversight provided by the risk management and control functions who identify and assess risks impacting existing and new business initiatives, coordinate risk mitigation with risk specialists and business and then report and escalate it to the Risk Management Function for appropriate corrective measures. The last line of defense is an independent and effective Internal Audit Function which reviews the effectiveness and adequacy of internal controls and continues to monitor compliance with policies and procedures.

The Board of Directors is regularly kept up to date about the state of compliance through the Board Audit Committee. As a priority, all significant and material findings of the internal and external auditors and regulators are addressed by the management ensuring that appropriate corrective actions have been implemented. Adequate systems are in place to minimize repetition of mistakes and strengthen the control environment. In addition, the Compliance Function is performing its due role to ensure regulatory compliance across the Bank.

JS Bank diligently follows SBP's Guidelines on Internal Controls to evaluate the effectiveness of the overall set of internal controls including financial reporting controls. A detailed documentation of bank-wide processes and controls has been completed. Furthermore, the Bank has developed a comprehensive management testing and reporting framework for ensuring operating effectiveness of key controls and has significantly addressed the identified design improvement opportunities.

Upon satisfactory completion of the Internal Control over Financial Reporting (ICFR) Roadmap, SBP granted exemption to the Bank in August 2016 from the submission of a Long Form Report (LFR) by external auditors. Annual assessment report for December 31, 2018 on efficacy of ICFR shall henceforth be submitted to SBP duly approved by the Board Audit Committee.

The management considers that the internal control system presently existing is adequate, implemented effectively and continuously monitored. This statement is also hereby endorsed by the Board of Directors. The management will endeavor to continue enhancing its coverage and compliance with the SBP guidelines on Internal Controls and thereby strengthening its control environment on an ongoing basis.

Corporate and Financial Reporting Framework

The Directors confirm compliance with the Corporate and Financial Reporting Framework of the Securities & Exchange Commission of Pakistan Code of Corporate Governance for the following:

- The financial statements prepared by the management present fairly the state of affairs of the Bank, the results of its operations, cash flow statement and statement of changes in equity.
- Proper books of accounts of the Bank have been maintained.
- Accounting policies as stated in the notes to the accounts have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards as applicable in Pakistan have been followed in preparation of the financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no doubts about the Bank's ability as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The details of outstanding statutory payments, if any, have been adequately disclosed in the financial statements.
- Outstanding statutory payments on account of taxes, duties, levies and changes have been fully disclosed in the financial statements.

Holding Company

Jahangir Siddiqui & Co. Limited, listed on the Pakistan Stock Exchange Limited, is the holding company of JS Bank Limited, owning 75.02% of the ordinary shares.

Subsidiary Companies

JS Global Capital Limited and JS Investments Limited are subsidiaries of JS Bank with shareholdings of 67.16% and 65.16% respectively. Performance of these companies has been reviewed under the consolidated Directors' Report.

Directors Remuneration

The remuneration of directors is fixed by the Board of Directors in accordance with applicable laws. The remuneration for attending meetings of the Board and/or Board Committees is within the scale as is reasonably determined by the Board of Directors, provided that Executive Director shall not be paid any remuneration for attending Board/Board Sub Committees meetings.

Attendance of Directors in the Board meetings

Five meetings of the Board of Directors were held during the year 2018. The attendance of directors at Board Meetings was as follows:

Name of Director	Eligible to attend	Meetings attended
Mr. Suleman Lalani*	2	2
Mr. Adil Matcheswala	5	5
Mr. Ashraf Nawabi	5	4

Mr. G.M. Sikandar	5	5
Mr. Kalim-ur-Rahman	5	5
Mr. Munawar Alam Siddiqui	5	5
Ms. Nargis Ghaloo	5	5
Mr. Shahab A. Khawaja	5	5
Mr. Basir Shamsie**, President & CEO	3	3
Mr. Ali Jehangir Siddiqui*	2	1
Mr. Khalid Imran**	2	2

The attendance of directors at Board Sub-Committees meetings was as follows:

Name of Director	Audit Committee		Risk Committee		HR Committee		IT Committee	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
Mr. Suleman Lalani*	-	-	-	-	-	-	1	1
Mr. Adil Matcheswala	4	4	-	-	-	-	3	3
Mr. Ashraf Nawabi	-	-	4	3	-	-	-	-
Mr. G.M Sikandar	4	4	-	-	2	2	-	-
Mr. Kalim-ur-Rahman	-	-	4	4	-	-	3	3
Mr. Munawar Alam Siddiqui	-	-	4	4	-	-	-	-
Ms. Nargis Ghaloo	-	-	-	-	2	2	3	3
Mr. Shahab A. Khawaja	4	4	-	-	-	-	-	-
Mr. Basir Shamsie** President & CEO	-	-	2	2	-	-	3	3
Mr. Ali Jehangir Siddiqui	-	-	-	-	1	1	-	-
Mr. Khalid Imran	-	-	2	2	-	-	-	-

*Mr. Ali Jehangir Siddiqui resigned as Director and Mr. Suleman Lalani appointed as Director on casual vacancy w.e.f. October 1, 2018.

**Mr. Basir Shamsie is appointed as President & CEO in place of Mr. Khalid Imran w.e.f. July 16, 2018.

Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2018 as required u/s 227(f) of the Companies Act, 2017 is given on page number ____.

Corporate & Social Responsibility

Statement of Corporate & Social Responsibility is disclosed in Annual Report.

Credit Ratings

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long term rating of the Bank at 'AA-' (Double A Minus) and the short-term rating of "A1+" (A One Plus) which is the highest possible short-term rating.

Dividend to Preference Shareholders

The Bank on February 19, 2014 issued 150 million un-listed, convertible, irredeemable, perpetual, non-cumulative preference shares at a par value of PKR 10 each with a fixed return of 12% per annum for a period of four years. The preference shares were redeemed and converted into ordinary shares of the Bank at a price of PKR 6.67 per share (a discount to face value of PKR 3.33 per share) on February 19, 2018. The distribution of dividend to preference shareholders is non-obligatory and non-cumulative and will be allowed only if the Bank has earned sufficient profit in the current year to pay dividend and is in compliance with all the regulatory capital and provisioning requirements.

Since all the conditions for payment of dividend are complied with, therefore the Board of Directors has recommended for the shareholders' approval at 13th Annual General Meeting payment of dividend of 12% to the preference shareholders for the period from January 1, 2018 to February 18, 2018, to the holders of Preference Shares as on February 18, 2018 pro-rated for the year ended December 31, 2018.

No dividend is being paid on ordinary shares for the year 2018.

Employee Benefit Schemes

JS Bank operates a Staff Provident Fund (the Fund) and funded Gratuity Scheme (the Scheme) covering all its permanent employees.

The contribution made toward the Fund during the year 2018 is PKR 177 million (2017 PKR 137 million). Un-audited balance as at December 31, 2018 of the Fund was PKR 1,428 million (2017: PKR 1,042 million).

The contribution to be made to the Scheme is PKR 102 million for 2018 (2017: PKR 175 million). The un-audited balance of the assets of the Scheme as at December 31, 2018 was PKR 570 million (2017: PKR 377 million).

Auditors

The current auditors, EY Ford Rhodes Chartered Accountants (a member firm of Ernst & Young Global Limited), being retired offered themselves for reappointment.

They have confirmed that the firm is fully compliant with the International Federation of Accountants' Guidelines of Code of Ethics, as adopted by Institute of Chartered Accountants of Pakistan (ICAP) and have satisfactory rating under Quality Control Review Program of the ICAP.

On the recommendation of the Board Audit Committee, the Board of Directors recommends the appointment of EY Ford Rhodes Chartered Accountants for the year ending December 31, 2019 at the upcoming Annual General Meeting of the Bank.

Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017

The requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 set out by SECP have been adopted by the Bank and have duly complied with. A Statement to this effect is annexed with the report.

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 enclosed financial statements.

Acknowledgements

On behalf of JS Bank, we would like to express our gratitude to our customers and stakeholders for their patronage. we would also like to thank the Ministry of Finance, the State Bank of Pakistan (SBP), the Securities & Exchange Commission of Pakistan (SECP) and other regulatory authorities for their guidance and support to our Bank. Finally, we extend our appreciation to the management team and staff for their persistent commitment to working together as a winning team.

For and on behalf of the Board,

Basir Shamsie
President & CEO

Suleman Lalani
Chairman

March 5, 2019

Chairman's Message

It is with great pleasure that I share that 2018 was yet another milestone year for JS Bank. In a short span of 12 years, we have grown from the smallest and newest entrant in the banking industry to a strong, stable and profitable financial institution.

During the year, we launched our first Perpetual Term Finance Certificate. The Bank was also the leading distributor of mutual funds, the second largest partner to the Prime Minister Youth Business Loans (PMYBL) program and the third principal Small Medium Enterprises (SME) lender in the financial sector. We continued to follow a conscious strategy of financial digitization to further the State Bank of Pakistan's (SBP's) vision of growing financial accessibility.

Continuing to exceed stakeholder expectations in terms of performance, product offerings and service delivery; the Bank entered into multiple partnerships to provide affordable and effective financial solutions while becoming an integral part of the lives of the people it serves.

In terms of direction and support, we remain indebted to the State Bank for guiding the responsible growth of the nation's banking sector. The course charted by the central bank over the years has greatly facilitated the progress of the Bank and allowed us to serve our customers in an effective and effectual manner.

Our credentials have been reaffirmed by the market with short-term credit rating standing at A1+, the highest benchmark attainable. Long-term credit rating stands at AA-. We are the first commercial bank in Pakistan to have been accredited by the Green Climate Fund (GCF), a global platform which assists development of practices to counter climate change. This is an important step in our efforts to work with public and private sector institutions to achieve positive social and environmental outcomes and a return on investment.

Here I would recognize the contribution of our Board of Directors which comprises of individuals with a diverse and wide-ranging mix of skills, experiences and knowledge. Cognizant of its responsibility towards the Bank's stakeholders, the Board continually reviews financial and operational soundness, governance, internal controls and significant policies as per regulatory requirements. Further, Sub-Committees were constituted with a prescribed mandate and respective terms of reference. The performance of the Board, its Committees and individual directors is evaluated annually in compliance with the Code of Corporate Governance and the Companies Act, 2017.

We are well positioned to continue to grow in the years ahead. Our experienced leadership can navigate the Bank's course in challenging times and has the acumen to seek out new opportunities for profitability and growth. Most of all, I would like to express heartfelt gratitude to our internal team members who have demonstrated a high level of integrity and commitment in their performance.

It is our uncompromising focus on our vision to be the most innovative, customer centric and responsible bank in Pakistan which defines us, and which will take us forward.

I look forward to your continued support as well as a year of new challenges and opportunities.

Sincerely,

Suleman Lalani

To the members of JS Bank Limited

Review Report on Statement of Compliance contained in the Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **JS Bank Limited** (the Bank) for the year ended **31 December 2018** in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review, whether the statement of compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is a limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

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

The Regulations requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions and also ensure compliance with the requirements of Section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Regulations as applicable to the Bank for the year ended 31 December 2018.



Chartered Accountants

Date: 05 March 2019

Place: Karachi

**Statement of Compliance with Listed Companies
(Code of Corporate Governance) Regulations, 2017**

Name of company: JS Bank Limited (the 'Bank')

Year ended: December 31, 2018

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are nine as per following:
 - a. Male: Eight (Including CEO)
 - b. Female: One
2. The composition of board is as follows

Category	Names
Independent Directors	Mr. G.M Sikander Ms. Nargis Ali Akbar Ghaloo Mr. Shahab Anwar Khawaja
Non-Executive Directors	Mr. Suleman Lalani* - Chairman of Board Mr. Ashraf Nawabi Mr. Adil Matcheswala Mr. Kalim-ur-Rahman Mr. Munawar Alam Siddiqui
Executive Director	Mr. Basir Shamsie - President & CEO (Non-elected deemed director)

*Joined as a director on October 1, 2018 (i.e. the date when approval from State Bank of Pakistan was received) in place of Mr. Ali Jehangir Siddiqui.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Bank (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and 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.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 (Act) and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors has a policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Seven directors have completed Directors' Training Program and two directors of the Bank are exempted from the requirement of Directors' Training Program.
10. No new appointment of CFO, Company Secretary and Head of Internal Audit has been made during the financial year. The Board has approved their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

a) Audit Committee:

Mr. Shahab Anwar Khawaja	Chairman
Mr. Adil Matcheswala	Member
Mr. G.M. Sikander	Member
Mr. Munawar Alam Siddiqui	Member

b) HR Remuneration & Nomination Committee:

Mr. G.M. Sikander	Chairman
Ms. Nargis Ghaloo	Member
Mr. Basir Shamsie	Member

c) Risk Management Committee:

Mr. Ashraf Nawabi	Chairman
Mr. Kalim ur Rehman	Member
Mr. Basir Shamsie	Member

d) IT Committee:

Mr. Adil Matcheswala	Chairman
Mr. Kalim ur Rehman	Member
Ms. Nargis Ghaloo	Member
Mr. Suleman Lalani	Member
Mr. Basir Shamsie	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to committee for compliance.

14. The frequency of meetings of the committee was as per following:

Committees	Meetings held during the year
Audit Committee	Four
HR Remuneration & Nomination Committee	Two
Risk Management Committee	Four
IT Committee	Three

15. The Board has set up an effective internal audit function comprising of suitably qualified and experienced persons for the purposes and are conversant with the policies and procedures of the Bank.

16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, 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.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

For and behalf of the Board

Basir Shamsie
President & CEO

Suleman Lalani
Chairman

Karachi: March 5, 2019

INDEPENDENT AUDITOR'S REPORT

To the members of JS Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **JS Bank Limited** (the Bank), which comprise the unconsolidated statement of financial position as at **31 December 2018**, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement for the year then ended, along with unaudited certified returns received from the branches except 20 branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2018 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<p>1. Provision against non-performing credit exposure</p> <p>The Bank's credit portfolios include loans and advances, and non-funded credit facilities. The credit portfolio is spread across various domestic branches and overseas operation.</p> <p>As per the Bank's accounting policy (refer note 4.7.1 to the financial statements), the Bank determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of loan loss provision against certain vulnerable corporate financing, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realisability of collateral held by the Bank.</p> <p>In view of the significance of this area in terms of its impact on the financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We tested Bank's compliance of Prudential Regulations relating to the identification and classification of non-performing loans into various categories including an analysis of downgrading of the classified loans and declassification from non-performing to regular. - We re-computed on test basis, the provision calculated by the Bank, to check compliance with the Prudential Regulations. We also reviewed, on a sample basis, the underlying independent valuations of the collaterals used against the outstanding exposures to calculate the amount of provision. - We also tested internal controls over the approval, recording and monitoring of loans and advances. In addition, we selected a representative sample of borrowers from the financing portfolios and other loans kept by the Bank in the watch list category and performed credit assessments. Our procedures includes review of credit documentation, repayment trends and ageing reports, borrowers financial statements to assess its financial condition, collateral held by the Bank and litigation status, if any. - We also reviewed the adequacy of disclosures made in the accompanying financial statements regarding non-performing loans and provisions in terms of the requirements of Prudential Regulation and applicable reporting framework.

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Key audit matters	How the matter was addressed in our audit
2. Impairment testing of goodwill allocated to a cash generating unit	
<p>As of the balance sheet date the Goodwill amounting to Rs. 1,463.624 million represents 0.32% of the total assets. Goodwill impairment testing of cash generating units ('CGUs') relies on estimates of value-in-use based on estimated future cash flows which involve used of various assumptions taking into account the factors such as economic and business conditions of the industry and environment in which entity operates. Due to the uncertainty of forecasting and discounting future cash flows, this is deemed significant risk.</p>	<p>We applied a range of audit procedures to address the risk as identified above including the following:</p> <ul style="list-style-type: none">- We assessed the reasonableness of cash flow projections and compared key inputs, such as discount rates and growth rates, to externally available industry, economic and financial data and the Bank's own historical data and performance.- We evaluated the assumptions, on which the valuation is based, are realistic and consistent with:<ul style="list-style-type: none">- the general economic environment, the economic environment of the specific industry, existing market information and the entity's economic circumstances- assumptions made in prior periods the risks associated with cash flows, including the potential variability in the amount and timing of the cash flows and the related effect on the discount rate.- We also assessed whether the financial statements disclosures of application of judgement in estimating CGU cash flows and the sensitivity of the results of those estimates adequately reflects the risk associated with goodwill impairment.- We used our own valuation specialists to test the assumptions used in valuation.
3. Assessment of contingencies	
<p>As disclosed in note 34.2 to the accompanying financial statements, the Bank's tax assessments are under consideration at different forums of the tax authorities and/or are subject matter of court proceedings. Consequently, settlement of these assessments may take considerable amount of time. For unsettled tax positions, although the management takes into account precedent and the advice of experts, there is a risk that the final outcome may significant differ from the estimates accounted for by the Bank. Since the assessment process is complex and requires careful consideration and judgment, we identified this area as a key audit matter.</p>	<p>We performed audit procedures on the completeness and accuracy of the amounts recognized as current and deferred tax.</p> <p>The audit team was supported by tax specialists in testing the tax positions and evaluating the assumptions used by the management.</p> <p>In our audit of the uncertain tax positions, we considered the correspondence with the relevant tax authorities, the appropriateness of management's assumptions and estimates in relation to uncertain tax positions, evaluated those assumptions and considering the advice management received from its tax advisor to support the accounting for the uncertain tax positions in accordance with applicable framework.</p> <p>We also assessed the adequacy of the Bank's disclosure in the financial statements in respect of tax and uncertain tax positions.</p>

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Key audit matters	How the matter was addressed in our audit
4. Revision in the presentation and disclosures requirements of the financial statements	
As referred to in notes 4.1.1 and 4.1.2 to the financial statements, State bank of Pakistan (SBP) vide its BPRD circular no. 02 of 2018, (the circular) revised the statutory forms of the annual financial statements of banks effective from the year ended 31 December 2018.	We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the revised forms for the preparation of such financial statements.
The revised statutory financial reporting framework as applicable to the Bank, prescribes the presentation format, nature and content of disclosures in relation to various elements of the financial statements.	We also evaluated the sources of information used by the management for the preparation of the financial statements disclosures and the internal consistency of the disclosures with other elements thereof.
The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements.	We considered the adequacy and appropriateness of the additional disclosures and changes in the presentation of the financial statements based on the requirements of the statutory forms.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditors' reports thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

EY



Building a better
working world

-: 6 :-

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:
 - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
 - b) the statement of financial position, the profit or loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flow (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
 - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
 - d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.

Chartered Accountants

Place: Karachi

Date: 05 March 2019

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

2018	2017	2016			2018	2017	2016
USD in '000					Rupees in '000		
(Restated)	(Restated)	(Restated)	Note		(Restated)	(Restated)	(Restated)
ASSETS							
231,243	124,828	111,686	Cash and balances with treasury banks	5	32,110,840	17,333,788	15,508,968
6,975	7,448	5,421	Balances with other banks - net	6	968,575	1,034,266	752,710
13,952	22,441	81,624	Lendings to financial institutions - net	7	1,937,347	3,116,199	11,334,414
1,070,776	1,221,441	963,019	Investments - net	8	148,689,974	169,611,558	133,726,610
1,814,687	1,326,063	675,449	Advances - net	9	251,990,918	184,139,582	93,794,134
44,975	36,981	29,124	Fixed assets	10	6,245,328	5,135,309	4,044,154
15,626	14,241	12,912	Intangible assets	11	2,169,877	1,977,512	1,793,027
2,067	-	-	Deferred tax assets - net	12	287,062	-	-
88,967	65,756	46,736	Other assets - net	13	12,354,155	9,131,035	6,489,877
3,289,268	2,819,199	1,925,971			456,754,076	391,479,249	267,443,894
LIABILITIES							
25,348	27,540	18,321	Bills payable	14	3,519,924	3,824,278	2,544,028
695,357	464,901	74,319	Borrowings	15	96,558,663	64,557,043	10,320,047
2,314,625	2,088,964	1,628,229	Deposits and other accounts	16	321,413,263	290,077,566	226,098,931
-	-	-	Liabilities against assets subject to finance lease		-	-	-
53,987	35,998	21,604	Subordinated debt	17	7,496,800	4,998,800	3,000,000
-	5,738	8,680	Deferred tax liabilities - net	12	-	796,803	1,205,362
87,487	76,015	54,917	Other liabilities	18	12,148,400	10,555,430	7,626,001
3,176,804	2,699,156	1,806,070			441,137,050	374,809,920	250,794,369
112,464	120,043	119,901	NET ASSETS		15,617,026	16,669,329	16,649,525
REPRESENTED BY							
72,873	62,071	62,071	Share capital - net	19	10,119,242	8,619,242	8,619,242
-	10,802	10,802	Preference shares	20	-	1,500,000	1,500,000
12,330	11,097	9,608	Reserves		1,712,171	1,540,988	1,334,122
(7,458)	3,531	8,806	(Deficit) / surplus on revaluation of assets - net of tax	21	(1,035,589)	490,279	1,222,820
34,719	32,542	28,614	Unappropriated profit		4,821,202	4,518,820	3,973,341
112,464	120,043	119,901			15,617,026	16,669,329	16,649,525

CONTINGENCIES AND COMMITMENTS

22

The annexed notes from 1 to 51 and annexure I form an integral part of these unconsolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

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

2018 ---- US Dollars in '000 ----	2017		Note	2018 ----- Rupees in '000 -----	2017
216,021	146,773	Mark-up / return / interest earned	24	29,997,028	20,381,171
152,581	101,822	Mark-up / return / interest expensed	25	21,187,732	14,139,220
63,440	44,951	Net mark-up / interest income		8,809,296	6,241,951
NON MARK-UP / INTEREST INCOME					
19,220	15,298	Fee and commission income	26	2,668,923	2,124,308
787	1,202	Dividend income		109,243	166,858
3,760	2,573	Foreign exchange income		522,181	357,347
1,192	675	Income from derivatives - net	27	165,561	93,711
(10,327)	8,884	(Loss) / gain on securities - net	28	(1,434,034)	1,233,675
785	543	Other income - net	29	108,964	75,441
15,417	29,175	Total non mark-up / interest income		2,140,838	4,051,340
78,857	74,126	Total Income		10,950,134	10,293,291
NON MARK-UP / INTEREST EXPENSES					
71,698	59,457	Operating expenses	30	9,956,060	8,256,335
(1,193)	233	Workers' Welfare Fund	31	(165,674)	32,411
117	96	Other charges	32	16,203	13,330
70,622	59,786	Total non-mark-up / interest expenses		9,806,589	8,302,076
8,235	14,340	Profit before provisions		1,143,545	1,991,215
1,720	2,669	Provisions and write offs - net	33	238,788	370,651
-	-	Extraordinary / unusual items		-	-
6,515	11,671	PROFIT BEFORE TAXATION		904,757	1,620,564
(2,466)	(4,662)	Taxation	34	(342,419)	(647,415)
4,049	7,009	PROFIT AFTER TAXATION		562,338	973,149
----- US Dollar -----				----- Rupee -----	
0.002	0.005	Basic earnings per share	35	0.30	0.74

The annexed notes from 1 to 51 and annexure I form an integral part of these unconsolidated financial statements.

**President and
Chief Executive Officer**

**Chief Financial
Officer**

Director

Director

Chairman

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

2018 ---- US Dollars in '000 ---- (Restated)	2017 (Restated)		2018 ----- Rupees in '000 ----- (Restated)	2017 (Restated)
4,049	7,009	Profit after taxation for the year	562,338	973,149
Other comprehensive income				
Items that may be reclassified to profit or loss account in subsequent periods:				
423	88	Effect of translation of net investment in foreign branches	58,715	12,236
(15,557)	(8,780)	Movement in deficit on revaluation of investments - net of tax	(2,160,313)	(1,219,262)
421	-	Movement in general provision under IFRS 9 - net of tax	58,510	-
(15,136)	(8,780)		(2,101,803)	(1,219,262)
(14,713)	(8,692)		(2,043,088)	(1,207,026)
Items that will not be reclassified to profit or loss account in subsequent periods:				
127	(400)	Remeasurement gain / (loss) on defined benefit obligations - net of tax	17,590	(55,602)
4,270	3,427	Movement in surplus on revaluation of operating fixed assets - net of tax	592,943	475,887
(15)	96	Movement in (deficit) / surplus on revaluation of non-banking assets - net of tax	(2,086)	13,396
4,382	3,123		608,447	433,681
(6,282)	1,440	Total comprehensive (loss) / income	(872,303)	199,804

The annexed notes from 1 to 51 and annexure I form an integral part of these unconsolidated financial statements.

**President and
Chief Executive Officer**

**Chief Financial
Officer**

Director

Director

Chairman

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

			Reserves		Surplus/(Deficit) on revaluation of			Unappropriated profit	Total
	Share capital	Preference shares	Statutory reserve *	Exchange translation reserve	Investments	Fixed Assets	Non Banking Assets		
	Rupees in '000								
Balance as at December 31, 2016	8,619,242	1,500,000	1,334,139	(17)	-	-	-	3,973,341	15,426,705
Effect of retrospective changes in accounting policies	-	-	-	-	-	-	-	-	-
Reclassification of surplus to equity (note 4.1.3)	-	-	-	-	1,140,952	-	81,868	-	1,222,820
Balance as at December 31, 2016 (restated)	8,619,242	1,500,000	1,334,139	(17)	1,140,952	-	81,868	3,973,341	16,649,525
Profit after taxation	-	-	-	-	-	-	-	973,149	973,149
Other comprehensive (loss) / income - net of tax	-	-	-	12,236	(1,219,262)	475,887	13,396	(55,602)	(773,345)
	-	-	-	12,236	(1,219,262)	475,887	13,396	917,547	199,804
Transfer to statutory reserve	-	-	194,630	-	-	-	-	(194,630)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax									
Fixed assets	-	-	-	-	-	(2,348)	-	2,348	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	(214)	214	-
Transaction with owners recorded directly in equity									
Preference dividend for the year ended December 31, 2016 @ 12% p.a	-	-	-	-	-	-	-	(180,000)	(180,000)
Balance as at December 31, 2017 (restated)	8,619,242	1,500,000	1,528,769	12,219	(78,310)	473,539	95,050	4,518,820	16,669,329
Profit after taxation	-	-	-	-	-	-	-	562,338	562,338
Other comprehensive income / (loss) - net of tax	-	-	-	58,715	(2,101,803)	592,943	(2,086)	17,590	(1,434,641)
	-	-	-	58,715	(2,101,803)	592,943	(2,086)	579,928	(872,303)
Transfer to statutory reserve	-	-	112,468	-	-	-	-	(112,468)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax									
Fixed assets	-	-	-	-	-	(14,816)	-	14,816	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	(106)	106	-
Transaction with owners recorded directly in equity									
Issuance of ordinary shares on conversion of preference shares during the year (note 19)	2,250,000	-	-	-	-	-	-	-	2,250,000
Discount on issue of ordinary shares during the year (note 19)	(750,000)	-	-	-	-	-	-	-	(750,000)
	1,500,000	-	-	-	-	-	-	-	1,500,000
Preference shares cancelled on conversion into ordinary shares during the year (note 20)	-	(1,500,000)	-	-	-	-	-	-	(1,500,000)
Preference dividend for the year ended December 31, 2017 @ 12% p.a	-	-	-	-	-	-	-	(180,000)	(180,000)
Balance as at December 31, 2018	10,119,242	-	1,641,237	70,934	(2,180,113)	1,051,666	92,858	4,821,202	15,617,026

* This represents reserve created under Section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes from 1 to 51 and annexure I form an integral part of these unconsolidated financial statements.

**President and
Chief Executive Officer**

Chief Financial Officer

Director

Director

Chairman

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

2018 -- US Dollars in '000 --	2017		Note	2018 ----- Rupees in '000 -----	2017 ----- (Restated) -----
CASH FLOWS FROM OPERATING ACTIVITIES					
6,515	11,671	Profit before taxation		904,757	1,620,564
(787)	(1,202)	Less: Dividend income		(109,243)	(166,858)
5,728	10,469			795,514	1,453,706
Adjustments					
4,951	4,218	Depreciation	10.2	687,568	585,785
4	9	Depreciation on non-banking assets	13.4.1	573	1,300
512	436	Amortisation of intangible assets	11	71,069	60,556
933	645	Charge for defined benefit plan	38.5	129,556	89,576
93	18	Unrealised loss on revaluation of investments classified as held-for-trading - net		12,906	2,488
1,720	2,669	Provisions and write offs - net		238,788	370,651
(1,193)	233	(Reversal) / provision for Workers' Welfare Fund	31	(165,674)	32,411
(1,579)	(475)	Unrealised gain on revaluation of derivative instruments - net	27	(219,248)	(66,026)
(785)	(543)	Gain on sale of fixed assets - net	29	(108,964)	(75,441)
4,656	7,210			646,574	1,001,300
10,384	17,679			1,442,088	2,455,006
(Increase) / decrease in operating assets					
8,458	59,183	Lendings to financial institutions		1,174,540	8,218,215
(238,311)	412,545	Held-for-trading securities		(33,092,268)	57,286,846
(491,627)	(652,074)	Advances		(68,268,318)	(90,548,262)
(16,813)	(19,353)	Other assets (excluding advance taxation)		(2,334,715)	(2,687,414)
(738,293)	(199,699)			(102,520,761)	(27,730,615)
Increase / (decrease) in operating liabilities					
(2,192)	9,220	Bills payable		(304,354)	1,280,250
228,277	389,441	Borrowings		31,698,987	54,078,528
225,661	460,736	Deposits		31,335,697	63,978,635
13,188	20,929	Other liabilities		1,831,268	2,906,234
464,934	880,326			64,561,598	122,243,647
(273,359)	680,627			(37,959,163)	94,513,032
(1,261)	(852)	Gratuity paid		(175,118)	(118,308)
(7,715)	(3,925)	Income tax paid		(1,071,290)	(545,087)
(271,951)	693,529	Net cash (used in) / flows from operating activities		(37,763,483)	96,304,643
CASH FLOWS FROM INVESTING ACTIVITIES					
376,026	(387,252)	Net investments in available-for-sale securities		52,215,746	(53,774,616)
(9,495)	(298,127)	Net investments in held-to-maturity securities		(1,318,447)	(41,398,485)
787	1,202	Dividend income received		109,243	166,858
(7,948)	(8,197)	Investments in fixed assets		(1,103,720)	(1,138,239)
(1,897)	(1,092)	Investments in intangible assets		(263,434)	(151,590)
1,125	780	Proceeds from sale of fixed assets		156,235	108,301
423	88	Effect of translation of net investment in foreign branches		58,715	12,236
359,021	(692,598)	Net cash flows / (used in) from investing activities		49,854,338	(96,175,535)
CASH FLOWS FROM FINANCING ACTIVITIES					
17,989	14,394	Subordinated debt		2,498,000	1,998,800
(1,296)	(1,296)	Dividend paid on preference shares		(180,000)	(180,000)
16,693	13,098	Net cash flows from financing activities		2,318,000	1,818,800
103,763	14,029	Increase in cash and cash equivalents		14,408,855	1,947,908
130,843	116,814	Cash and cash equivalents at beginning of the year		18,169,058	16,221,150
234,606	130,843	Cash and cash equivalents at end of the year	36	32,577,913	18,169,058

The annexed notes from 1 to 51 and annexure I form an integral part of these unconsolidated financial statements.

President and
Chief Executive Officer

Chief Financial
Officer

Director

Director

Chairman

JS BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. STATUS AND NATURE OF BUSINESS

- 1.1** JS Bank Limited (the Bank / JSBL) is a banking company incorporated in Pakistan as a public limited company on May 15, 2006. It commenced its banking operations on December 30, 2006. The Bank's ordinary shares are listed on Pakistan Stock Exchange Limited (PSX) and is a subsidiary company of Jahangir Siddiqui & Co. Ltd. (JSCL). The registered office of the Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi.

The Bank is a scheduled bank, engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and is operating through 344 (December 31, 2017: 322) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (December 31, 2017: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to AA- (Double A Minus) whereas short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

- 1.2** Jahangir Siddiqui Investment Bank Limited, JSIBL, (formerly Citicorp Investment Bank Limited which was acquired by JSCL on February 01, 1999), and its holding company, JSCL, entered into a Framework Agreement with American Express Bank Limited, New York (AMEX) on November 10, 2005 for acquisition of its American Express Bank Limited - Pakistan Branches, (AEBL). Consequently, a new banking company, JSBL was incorporated on March 15, 2006 and a restricted Banking License was issued by the State Bank of Pakistan (SBP) on May 23, 2006.

A Transfer Agreement was executed on June 24, 2006 between JSIBL and JSBL for the transfer of entire business and undertaking of JSIBL to JSBL and a separate Transfer Agreement was also executed on June 24, 2006, between AMEX and JSBL for the transfer of AEBL's commercial banking business in Pakistan with all assets and liabilities (other than certain excluded assets and liabilities) (AEBL business). The shareholders of JSIBL and JSBL in their respective extra ordinary general meetings held on July 31, 2006 approved a Scheme of Amalgamation (the Scheme) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme was initially approved by the Securities and Exchange Commission of Pakistan vide its letter No. SC/NBFC(J)-R/JSIBL/2006/517 dated September 28, 2006. Subsequently, the Scheme was sanctioned by the SBP vide its order dated December 02, 2006 and, in accordance therewith, the effective date of amalgamation was fixed at December 30, 2006.

2. BASIS OF PRESENTATION

2.1 Statement Of Compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the SBP and the Securities & Exchange Commission of Pakistan (SECP) from time to time.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies vide BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks vide its notification S.R.O 411(I)/2008 dated April 28, 2008. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

IFRS10 "Consolidated Financial Statements" was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS-10 "Consolidated Financial Statements" are not applicable in case of investment by companies in mutual funds established under trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

Through SRO 1007(I)/2017, dated October 4, 2017, the SECP had notified IFRS 9, replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 1, 2018. However, through S.R.O. 229 (I)/2019 dated February 14, 2019, the SECP has deferred the applicability of the IFRS 9 for all companies required to prepare their financial statements in accordance with the requirements of IFRS for reporting period/year ending on or after June 30, 2019 (earlier application is permitted).

- 2.2** These unconsolidated financial statements represents separate financial statements of the Bank in which the investments in subsidiaries and associates are stated at cost are accounted for on the basis of direct equity interest rather than on the basis of reported results.

- 2.3 These unconsolidated financial statements are presented in Pakistani Rupee, which is the Bank's functional and presentation currency.
- 2.4 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers and have not been subject to audit by the external auditors. For the purpose of conversion to US Dollars, the rate of Rs. 138.8619 to 1 US Dollar has been used for 2018 and 2017 as it was the prevalent rate as on December 31, 2018.
- 2.5 The amounts are rounded off to the nearest thousand rupees except as stated otherwise.
- 2.6 **Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.**

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

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

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

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

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application, other than IFRS 9 and IFRS 16. With regard to IFRS 9, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan (also see note 4.1.2 for IFRS 9 impact on Bank's Bahrain Branch). With regard to IFRS 16, the Bank is currently evaluating the impact of application of IFRS 16 on its financial statements.

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

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

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

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

2.8 Critical Accounting Estimates And Key Sources Of Estimation Uncertainty

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Classification of investments

- In classifying investments as 'held-for-trading' the Bank has determined securities which are acquired with an intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days of acquisition.
- In classifying investments as 'held-to-maturity' the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.
- The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

ii) Provision against non performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers, the value of securities and the requirements of the Prudential Regulations are considered. For portfolio impairment / provision on consumer advances, the Bank follows requirements set out in Prudential Regulations.

iii) Impairment on investments

The Bank determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in securities price. In addition, impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

iv) Income taxes

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Bank's future taxable profits are taken into account.

v) Fair value of derivatives

The fair value of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in effect at the balance sheet date and the contracted rates.

vi) Depreciation of fixed assets and amortization of intangible assets

In making estimates of the depreciation / amortisation method, the management uses a method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the underlying assets, the method is changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

vii) Defined benefits plans and other benefits

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method.

viii) Impairment of investment in subsidiaries

In assessing its investment in subsidiaries for impairment, the Bank determines if there is any objective evidence that investment may be impaired. Impairment loss is recognised as a difference between carrying amount of the investment and its recoverable amount which is determined as higher of value-in-use and fair value less cost to sell.

ix) Impairment of Goodwill

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The carrying amount of goodwill at the balance sheet date was Rs.1,464 million. The detailed assumptions underlying impairment testing of goodwill are given in note 12.3.1 to these unconsolidated financial statements.

3. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for:

- Certain classes of fixed assets and non-banking assets acquired in satisfaction of claims which are stated at revalued amounts less accumulated depreciation.
- Investments classified as held-for-trading and available-for-sale and derivative financial instruments, which are measured at fair value.
- Net obligations in respect of defined benefit schemes which are carried at their present values.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Changes in accounting policies

4.1.1 Change in reporting format

These unconsolidated financial statements have been prepared on the format prescribed by SBP under Second Schedule of the Banking Companies Ordinance, 1962 as defined Section 34 of the said Ordinance. During the year SBP has revised the format vide BPRD Circular No. 02 dated January 25, 2018. Accordingly, the Bank has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format contains recognition requirements, reclassification of comparative information and additional disclosures and accordingly a third statement of financial position as at the beginning of the preceding period (i.e. December 31, 2016) has been presented in accordance with the requirements of International Accounting Standard 1 – Presentation of Financial Statements. The amended format also introduced certain new disclosures and has resulted in the following significant changes:

- Acceptances amounting to Rs 3,217.002 million (2017: Rs 3,170.373 million, 2016: Rs 2,743.401 million) which were previously shown as part of contingencies and commitments are now recognised on unconsolidated statement of financial position both as assets and liabilities. They are included in other assets (note 13) and other liabilities (note 18);
- Intangibles (note 11) amounting to Rs 2,169.877 million (2017: Rs 1,977.512 million, 2016: Rs 1,793.027 million) which were previously shown as part of fixed assets (note 10) are now shown separately on the unconsolidated statement of financial position;

4.1.2 Surplus / Deficit on Revaluation of Fixed Assets

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

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

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets and, accordingly any surplus/deficit arising on revaluation of owned property is accounted for at individual assets level. The above change in accounting policy did not have any effect on these unconsolidated financial statements.

4.1.3 Adoption of IFRS 9 - 'Financial Instrument'

Expected Credit Losses - IFRS 9

As per the accounting policy of the Bank, provision against balances with other banks, lending to financial institutions, investments, advances and off-balance sheet obligations of the Bank's Bahrain operations is made as per the requirements of the respective regulatory regimes in which the branch operates. During the current year, provision requirement under IFRS 9, Financial Instruments: Classification and Measurement, became applicable for Bank's Bahrain operations. Under this accounting standard, provision against balances with other banks, lending to financial institutions, investments and advances is determined under the expected credit loss model whereas previously, it was determined under the incurred loss model. Accordingly, in respect of that branch, the Bank has changed its accounting policy and has followed the requirements of IFRS 9 while determining the requirements for recording provision against these financial assets.

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

The financial effects due to the adoption of IFRS 9 by the Bahrain branch on these unconsolidated financial statements are as follows:

		2018		
		Profit and loss account	Statement of comprehensive income	Statement of financial position
Note		Rupees in '000		
General provision - under IFRS-9				
Balances with other banks	6	111	16	127
Lendings to financial institutions	7	3,782	530	4,312
Investments	8	78,952	11,063	90,015
Advances	9	9,425	1,321	10,746
		92,270	12,930	105,200

4.2 Cash and cash equivalents

Cash and cash equivalents represent cash and balances with treasury banks and balances with other banks net of any overdrawn nostro accounts.

4.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of lendings to / borrowings from financial institutions at contracted rates for a specified period of time. These are recorded as under:

(a) Sale under repurchase obligation

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and liability to counter party is included in borrowings. The difference in sale and repurchase value is accrued over the period of the contract and recorded as an expense using effective interest rate method.

(b) Other lendings

Other lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision. Mark-up on such lendings is charged to profit and loss account on a time proportionate basis using effective interest rate method except mark-up on impaired/delinquent lendings, which are recognized on receipt basis in accordance with the requirements of the Prudential Regulations of the SBP.

(c) Purchase under resale obligation

Securities purchased under agreement to resell (reverse repo) are not included in statement of financial position as the Bank does not obtain control over the securities. Amount paid under these agreements is included in lendings to financial institutions or advances as appropriate. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income using effective interest method.

(d) Other borrowings

Other borrowings include borrowings from the SBP and unsecured call borrowings which are recorded at the proceeds received. Mark-up paid on such borrowings is charged to the profit and loss account over the period of borrowings on time proportionate basis using effective interest method.

4.4 Investments

4.4.1 Initial recognition and measurement

- 4.4.1.1 The Management determines the appropriate classification of its investments at the time of purchase in held-for-trading, available-for-sale or held-to-maturity as per SBP guidelines vide BSD circular No. 10 of 2004 dated July 13, 2004. These are initially recognised at cost, being the fair value of the consideration given plus, in the case of investments not held-for-trading, directly attributable acquisition costs.

(a) Held-for-trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists. These securities are carried at fair value with any related gain or loss being recognized in profit and loss account.

(b) Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the intention and ability to hold till maturity. Investments classified as held-to-maturity are carried at amortised cost.

(c) Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are initially recognised at cost, being the fair value of the consideration given including the acquisition cost. These securities are carried at fair value with any related surplus or deficit on revaluation shall be taken to other comprehensive income.

4.4.1.2 Associates

Associate is an entity over which the Bank has significant influence but not control. Investment in associate is carried at cost less accumulated impairment losses, if any.

4.4.1.3 Subsidiaries

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

4.4.1.4 Regular way contracts

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Bank. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

4.4.1.5 Premium or discount on acquisition of investments

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account using effective yield over the remaining period of the investment.

4.4.2 Subsequent measurement

In accordance with the requirements of the State Bank of Pakistan, SBP, quoted securities other than those classified as 'held-to-maturity' and investment in associates and subsidiaries, are subsequently remeasured on portfolio basis i.e. in case of Government securities at PKRV rates whereas in case of other securities at market value. Investments classified as 'held-to-maturity' are carried at amortised cost using the effective interest method (less impairment, if any).

Further, in accordance with the requirements of the SBP, gain or loss on revaluation of the Bank's held-for-trading investments is taken to the profit and loss account. In case of investments classified as available-for-sale, surplus or deficit is taken directly to equity. The surplus or deficit arising on these securities is taken to the profit and loss account when actually realised upon disposal.

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

4.4.3 Impairment / diminution in the value of securities

Impairment loss in respect of quoted equity securities classified as available for sale, associates, subsidiaries and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below average cost. A decline to be considered as:

- Significant if the fair value is below the weighted average cost by more than 30 percent.
- Prolonged if the fair value is below the weighted average cost for a period of more than one year.

(a) Available-for-sale

If an available-for-sale of equity security is impaired, the cumulative loss that had been recognised in equity, shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised, any further declines in the fair value at subsequent reporting dates are recognised as impairments. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments are recognised for the difference between the fair value and the original cost basis, less any previously recognised impairment.

If, in subsequent period, impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss except in case of derecognition.

(b) Held to maturity, Subsidiaries and Associates

Impairment losses are incurred if, and only if, there is objective evidence of impairment after initial recognition of the investment. The impairment loss is recognised in the profit and loss account. If, in a subsequent period, any indication that an impairment loss recognised in prior periods no longer exist or may have decreased, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

(c) Debt Securities

PTCs, TFCs, Sukuk and other debt securities will be classified on the valuation date on the basis of default in their repayment in line with the criteria prescribed for classification of medium and long-term facilities in accordance with the requirements of the Prudential Regulations issued by the SBP.

4.5 Financial instruments

4.5.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes 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 specified 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 at the time of de-recognition. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.5.2 Derivative financial instruments

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

4.6 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends either to settle the assets and liabilities on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are accordingly offset.

4.7 Advances

4.7.1 Loan and advances

Advances are stated net of general and specific provisions. General and specific provisions against funded loans are determined in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to the profit and loss account. Advances are written off when there are no realistic prospects of recovery.

4.7.2 Finance lease receivables

Leases, where the bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payment including any guaranteed residual value, if any. Net investment in finance lease is included in loans and advances to customers.

4.8 Fixed assets

4.8.1 Property and equipment

Operating fixed assets except office premises are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Office premises (which includes leasehold land and buildings) are stated at revalued amount less accumulated depreciation and impairment loss, if any.

Depreciation is calculated and charged to profit and loss account using the straight-line method so as to write down the cost of the assets to their residual values over their estimated useful lives at the rates given in **note 10**. A full month's depreciation is charged from the month in which assets are brought into use and no depreciation is charged for the month in which the disposal is made. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, annually.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is recognised in the profit and loss account in the year the asset is de-recognised.

4.8.2 Surplus / deficit on revaluation of fixed assets

The surplus arising on revaluation is credited to other comprehensive income. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss account.

The deficit arising on a particular property as a result of a revaluation is recognised in profit and loss account as an impairment. However, the decrease to be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation on buildings which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets Account" to unappropriated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

Gains or losses on disposal of assets are included in the profit and loss account currently, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to equity.

4.8.3 Capital work-in-progress

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

4.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised from the month when the assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Bank. The useful life and amortisation method are reviewed and adjusted, if appropriate, annually.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. Intangible assets having an indefinite useful life are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

4.10 Non-banking assets acquired in satisfaction of claims

- 4.10.1** Non-banking assets acquired in satisfaction of claims under Debt Property Swap (DPS) transactions, against the loans in category of loss, are initially carried at cost and subsequently at revalued amounts at each year-end date of the statement of financial position, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The valuation of properties acquired under this head is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value.

All direct cost including legal fees, valuation and transfer costs of acquiring title to property shall be expensed when incurred through profit and loss account.

Subsequent costs are included in the asset's carrying amounts only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other subsequent costs including repair and maintenance are charged to the profit and loss account as and when incurred.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account in line with the depreciation charged on operating fixed assets.

Any reductions in non-performing loans and corresponding reductions in provisions held against non-performing loans, as a result of the recognition of such assets, are disclosed separately in the notes to these unconsolidated financial statements.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of operating fixed assets in the notes to these consolidated financial statements. If such asset is subsequently used by the Bank for its own operations, the asset, along with any related surplus, is transferred to operating fixed assets.

4.10.2 Surplus / deficit on revaluation of non banking assets

Revaluation of non-banking assets acquired in satisfaction of claims under Debt Property Swap (DPS) transactions is carried out under criterias given in regulations for DPS issued by State Bank of Pakistan vide BPRD Circular 01 dated January 01, 2016 i.e. valuation of property shall be done on individual property basis and not on portfolio basis, whereas accounting treatment of revaluation is accounted for in accordance with applicable financial reporting standards i.e. International Accounting Standard (IAS) 16 as referred in note no. 4.8.2.

Furthermore, revaluation surplus on such assets shall not be admissible for calculating Bank's Capital Adequacy Ratio and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realization of sale proceeds.

4.11 Impairment

At each balance sheet date, the Bank reviews the carrying amounts of its assets (other than investment and deferred tax asset) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of net selling price (being fair value less cost to sell) and value-in-use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit and loss account immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

4.12 Borrowings / deposits and their cost

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

4.13 Subordinated loans

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

4.14 Taxation

4.14.1 Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any, or minimum tax on turnover, whichever is higher. The charge for current tax also includes adjustments, where considered necessary, relating to prior years arising from assessments made during the year.

4.14.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognized on taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / (deficit) arising on revaluation in accordance with the requirements of IAS-12 "Income Taxes".

4.15 Provisions

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

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to profit and loss account net of expected recovery.

4.16 Staff retirement benefits

4.16.1 Defined contribution plan

The Bank has established a provident fund scheme for all permanent employees effective from January 01, 2007. Equal monthly contributions are made, both by the Bank and the employees, to the fund at the rate of 10 percent of basic salary which has been revised to 7.1 percent with effect from July 01, 2015 due to change in salary structure. Contribution by the Bank is charged to profit and loss account.

4.16.2 Defined benefit plan

The Bank operates an approved funded gratuity scheme covering all its eligible employees who have completed minimum qualifying period. An actuarial valuation of defined benefit scheme is conducted at the end of every year or on occurrence of any significant change. The most recent valuation in this regard was carried out as at December 31, 2018, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

4.17 Revenue recognition

Revenue is recognized to the extent that economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognized as follows:

- **Advances and investments**

Mark-up income / interest / profit on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract.

Mark-up income / interest / profit on non-performing advances and debt securities is recognized on a receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Interest / returns / mark-up income/ profit on rescheduled / restructured advances and debt securities are recognised as permitted by the State Bank of Pakistan or by the regulatory authorities of the countries where the Bank operates, except where, in the opinion of the management, it would not be prudent to do so.

Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

- **Lease financing**

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

Unrealised finance income in respect of non-performing lease finance is held in suspense account, where necessary, 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.

- **Non Mark-up / interest income**

- Commission is recognised as income at the time of affecting the transaction to which it relates. Fees are recognised when earned.
- Financial advisory fee is recognised when the right to receive the fee is established.
- Dividend income from investments is recognised when the Bank's right to receive the dividend is established.

4.18 Dividend and appropriation to reserves

Dividend and appropriation to reserves, except for statutory reserves, are recognised in the financial statements in the periods in which these are approved.

4.19 Foreign currencies

4.19.1 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

4.19.2 Transactions and balances

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

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

4.19.3 Foreign operations

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

4.19.4 Translation gains and losses

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

4.19.5 Commitments

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

4.20 Goodwill

Goodwill acquired in a business combination before July 01, 2009 is initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units or groups of units.

4.21 Earnings per share

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

4.22 Segment reporting

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

Segment information is presented as per the Bank's functional structure and the guidance given under International Financial Reporting Standard (IFRS) 8. For management purposes, the Bank has been organised into five operating segments based on products and services, as follows:

4.22.1 Business segments

Corporate finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offers (IPOs), specialised financial advice and trading and secondary private

Trading and sales

This segment undertakes the Bank's treasury, money market and capital market activities.

Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and agricultural sector. It includes loans, deposits and other transactions with retail customers.

Commercial banking

This includes loans, deposits and other transactions with corporate customers.

Payment and settlement

This includes activities such as payment and collections, fund transfer, clearing and settlement etc.

The Executive Management Committee (ManCom) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, along with the gross income and expense

Transfer prices between operating segments are based on the Bank's internal pricing framework.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2017 or 2018.

4.22.2 Geographical segment

The Bank operates with 341 (December 31, 2017: 322) branches / sub-branches in Pakistan region and one wholesale banking branch in Bahrain (December 31, 2017: one).

4.23 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in statement of financial position.

	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		4,415,520	4,067,249
Foreign currencies		488,292	659,116
		<u>4,903,812</u>	<u>4,726,365</u>
With State Bank of Pakistan in:			
Local currency current account	5.1	22,166,628	8,594,102
Foreign currency current account - non remunerative	5.2	785,958	615,576
Foreign currency deposit accounts - remunerative	5.3	2,409,442	1,890,381
		<u>25,362,028</u>	<u>11,100,059</u>
With National Bank of Pakistan in:			
Local currency current accounts		1,839,396	1,506,393
National Prize Bonds		5,604	971
		<u>32,110,840</u>	<u>17,333,788</u>

- 5.1** These include local currency current accounts maintained with SBP as per the requirements of Section 22 of the Banking Companies Ordinance, 1962.
- 5.2** As per BSD Circular No. 9 dated December 03, 2007, cash reserve of 5% is required it be maintained with the State Bank of Pakistan in deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).
- 5.3** This represents deposit accounts maintained with SBP under the requirements of BSD Circular No. 14 dated June 21, 2008 and mandatory reserve maintained to facilitate collection and settlement of foreign currency accounts under FE-25, as prescribed by the SBP, carrying a mark-up rate 1.5% (2017: 0.56%) as per specific circular issued by SBP at year end.

	Note	2018 ----- Rupees in '000 -----	2017
6. BALANCES WITH OTHER BANKS - NET			
In Pakistan			
In current accounts		124,962	65,187
In deposit accounts		67	68
		<u>125,029</u>	<u>65,255</u>
Outside Pakistan			
In current accounts		733,889	780,092
In deposit accounts	6.1	109,784	188,919
		<u>843,673</u>	<u>969,011</u>
		<u>968,702</u>	<u>1,034,266</u>
Less: General provision under IFRS 9	6.2	(127)	-
Balances with other banks - net of provision		<u>968,575</u>	<u>1,034,266</u>

6.1 This represents deposit accounts / term placements outside Pakistan, carrying mark-up rate ranging between 1% to 2% p.a (2017: 0% to 1%).

6.2 This represents general provision held on adoption of IFRS 9 by Bahrain branch of the Bank (see note 4.1.2).

	Note	2018 ----- Rupees in '000 -----	2017
7. LENDINGS TO FINANCIAL INSTITUTIONS - NET			
Call money lendings	7.2	1,758,917	3,003,443
Due against bills re-discounting	7.3	182,742	112,756
		<u>1,941,659</u>	<u>3,116,199</u>
Less: General provision under IFRS 9	7.4	(4,312)	-
Lending to Financial Institutions - net of provision		<u>1,937,347</u>	<u>3,116,199</u>

7.1 Particulars of lendings

In foreign currencies	<u>1,937,347</u>	<u>3,116,199</u>
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7.2 These represent unsecured call money lendings to financial institutions carrying interest at the rates ranging from 2.85% to 8.06% (2017: 1.38% to 6.93%) per annum. These will mature between January 02, 2019 and September 23, 2019 (January 02, 2018 and June 07, 2018).

7.3 This represents the obligation of the foreign corresponding banks on the discounting of foreign documentary bills purchased by the Bank on discount. This will mature on April 25, 2019 (2017: January 02, 2018 and June 18, 2018) and carry interest at the rates of 4.7% per annum (2017: 3.75% to 4.29%).

7.4 This represents general provision held on adoption of IFRS 9 by Bahrain branch of the Bank (see note 4.1.2).

	2018				2017			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
8. INVESTMENTS - net								
8.1 Investments by type								
Held-for-trading securities								
Federal Government Securities	41,381,420	-	(12,906)	41,368,514	8,471,639	-	(2,488)	8,469,151
Available-for-sale securities								
Federal Government Securities	55,434,989	-	(2,893,867)	52,541,122	108,465,119	-	(542,648)	107,922,471
Shares	3,141,015	(478,346)	(94,766)	2,567,903	3,829,052	(642,994)	371,514	3,557,572
Non Government Debt Securities	1,898,582	(373,594)	606	1,525,594	2,388,918	(397,204)	-	1,991,714
Foreign Securities	6,326,797	-	(456,009)	5,870,788	4,334,040	(31,653)	50,657	4,353,044
	66,801,383	(851,940)	(3,444,036)	62,505,407	119,017,129	(1,071,851)	(120,477)	117,824,801
Held-to-maturity securities								
Federal Government Securities	42,716,932	-	-	42,716,932	41,398,485	-	-	41,398,485
Associates	180,000	-	-	180,000	-	-	-	-
Subsidiaries	1,919,121	-	-	1,919,121	1,919,121	-	-	1,919,121
General provision - under IFRS-9	-	-	-	-	-	-	-	-
Total Investments	152,998,856	(851,940)	(3,456,942)	148,689,974	170,806,374	(1,071,851)	(122,965)	169,611,558

8.1.1 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

	2018				2017			
	Cost / Amortised	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
8.2 Investments by segments:								
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills 8.4.1	41,376,995	-	(12,844)	41,364,151	7,761,767	-	(214)	7,761,553
Pakistan Investment Bonds 8.4.1	4,425	-	(62)	4,363	709,872	-	(2,274)	707,598
	41,381,420	-	(12,906)	41,368,514	8,471,639	-	(2,488)	8,469,151
Available-for-sale securities								
Federal Government Securities:								
Market Treasury Bills 8.5.1	3,010,920	-	(13)	3,010,907	14,492,697	-	15	14,492,712
Pakistan Investment Bonds 8.5.1	52,424,069	-	(2,893,854)	49,530,215	93,972,422	-	(542,663)	93,429,759
	55,434,989	-	(2,893,867)	52,541,122	108,465,119	-	(542,648)	107,922,471
Shares:								
Listed Companies								
Ordinary shares 8.5.2	2,993,426	(341,757)	(94,766)	2,556,903	3,681,463	(506,405)	371,514	3,546,572
Preference shares 8.5.2	136,589	(136,589)	-	-	136,589	(136,589)	-	-
Unlisted Companies								
Ordinary shares 8.5.2.4	11,000	-	-	11,000	11,000	-	-	11,000
	3,141,015	(478,346)	(94,766)	2,567,903	3,829,052	(642,994)	371,514	3,557,572
Non Government Debt Securities								
Listed								
Term Finance Certificates 8.5.3.1	308,727	(158,712)	(15)	150,000	182,322	(182,322)	-	-
Sukuk Certificates 8.5.3.2	529,000	-	621	529,621	-	-	-	-
Unlisted								
Term Finance Certificates 8.5.3.3	779,188	(214,882)	-	564,306	575,596	(214,882)	-	360,714
Sukuk Certificates 8.5.3.4	281,667	-	-	281,667	1,631,000	-	-	1,631,000
	1,898,582	(373,594)	606	1,525,594	2,388,918	(397,204)	-	1,991,714
Foreign Securities								
Government Debt Securities 8.5.4.1	3,434,089	-	(202,645)	3,231,444	656,413	-	18,715	675,128
Non Government Debt Securities 8.5.4.2	2,890,302	-	(253,364)	2,636,938	3,675,221	(31,653)	31,942	3,675,510
Ordinary shares 8.5.2.4	2,406	-	-	2,406	2,406	-	-	2,406
	6,326,797	-	(456,009)	5,870,788	4,334,040	(31,653)	50,657	4,353,044
Held-to-maturity securities								
Federal Government Securities:								
Pakistan Investment Bonds 8.6.1	42,716,932	-	-	42,716,932	41,398,485	-	-	41,398,485
Associates								
Omar Jibran Engineering Industries Limited 8.7	180,000	-	-	180,000	-	-	-	-
Subsidiaries								
JS Global Capital Limited 8.7	1,357,929	-	-	1,357,929	1,357,929	-	-	1,357,929
JS Investments Limited 8.7	561,192	-	-	561,192	561,192	-	-	561,192
	1,919,121	-	-	1,919,121	1,919,121	-	-	1,919,121
General provision - under IFRS 9 4.1.3	-	-	-	-	-	-	-	-
Total Investments	152,998,856	(851,940)	(3,456,942)	148,689,974	170,806,374	(1,071,851)	(122,965)	169,611,558

	2018		2017	
	Cost	Market value	Cost	Market value
	----- Rupees in '000 -----			
8.2.1 Investments given as collateral				
Held-for-trading securities				
Federal Government Securities				
Market Treasury Bills	19,927,891	19,922,073	926,032	926,018
Pakistan Investment Bonds	4,123	4,066	-	-
	19,932,014	19,926,139	926,032	926,018
Available-for-sale securities				
Federal Government Securities:				
Market Treasury Bills	-	-	2,991,504	2,991,645
Pakistan Investment Bonds	49,667,336	46,935,112	39,372,049	39,151,006
	49,667,336	46,935,112	42,363,553	42,142,651
Foreign Debt Securities				
Government Debt Securities	771,742	750,640	1,750,950	1,754,151
Non Government Debt Securities	1,896,806	1,779,204	680,982	703,200
	2,668,548	2,529,844	2,431,932	2,457,351
	72,267,898	69,391,095	45,721,517	45,526,020

		2018	2017
		----- Rupees in '000 -----	
8.3	Provision for diminution in value of investments		
8.3.1	Opening balance	1,071,851	948,820
	Charge for the year	30,032	506,405
	Reversals for the year	(23,610)	-
	Reversal on disposals	(226,333)	(383,374)
	(Charge) / reversals	(219,911)	123,031
	Closing Balance	851,940	1,071,851
8.3.2	Particulars of provision against debt securities		
	Category of classification	2018	2017
		NPI	Provision
		----- Rupees in '000 -----	
	Domestic		
	Other assets especially mentioned	-	-
	Substandard	-	-
	Doubtful	-	-
	Loss	373,594	373,594
		450,731	428,857
		373,594	373,594
		450,731	428,857

8.4 Quality of Held for Trading Securities

Details regarding quality of Held for Trading (HFT) securities are as follows:

	2018		2017	
	Cost	Market value	Cost	Market value
	----- Rupees in '000 -----			
8.4.1 Federal Government Securities - Government guaranteed				
Market Treasury Bills	41,376,995	41,364,151	7,761,767	7,761,553
Pakistan Investment Bonds	4,425	4,363	709,872	707,598
	41,381,420	41,368,514	8,471,639	8,469,151

8.4.1.1 Principal terms of investment in Federal Government Securities

Name of investment	Note	Maturity	Redemption	Coupon
Market treasury bills	8.4.1.2	January 03, 2019 to April 11, 2019	On maturity	On maturity
Pakistan investment bonds	8.4.1.3	July 19, 2022	On maturity	Half yearly

8.4.1.2 Market Treasury Bills are for the period of three to six months. The effective rates of profit on Market Treasury Bills range from 8.82% to 10.30% per annum (2017: 5.96% to 6.03% per annum).

8.4.1.3 Pakistan Investment Bonds (PIBs) is for the period of ten years. The rates of profit is 11.80% per annum (2017: 7.67% per annum).

8.5 Quality of Available for Sale Securities

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

	2018		2017	
	Cost	Market value	Cost	Market value
	----- Rupees in '000 -----			
8.5.1 Federal Government Securities - Government guaranteed				
Market Treasury Bills	3,010,920	3,010,907	14,492,697	14,492,712
Pakistan Investment Bonds	52,424,069	49,530,215	93,972,422	93,429,759
	55,434,989	52,541,122	108,465,119	107,922,471

8.5.1.1 Principal terms of investment in Federal Government Securities

Name of investment	Note	Maturity	Redemption	Coupon
Market treasury bills	8.5.1.2	January 03, 2019	On maturity	On maturity
Pakistan investment bonds	8.5.1.3	July 17, 2019 to December 29, 2026	On maturity	Half yearly

8.5.1.2 Market Treasury Bills are for the period of three months. The effective rate of profit on Market Treasury Bills is 10.20% per annum (2017: 5.91% to 6.10% per annum).

8.5.1.3 Pakistan Investment Bonds (PIBs) are for the period of three to twenty years. The rates of profit ranging from 6.30% to 10.42% per annum (2017: 6.02% to 10.42% per annum).

852 Shares

Listed Companies

Ordinary shares

Ordinary shares								
- Amreli Steels Limited	A	Engineering	4,302,200	761,200	283,707	205,989	71,244	70,533
- National Foods Limited	AA-	Food & Personal Care Products	470,940	265,900	127,291	92,069	95,885	86,194
- Matco Foods Limited	A-	Food & Personal Care Products	514,000	-	14,900	14,274	-	-
- Shifa International Hospitals	Unrated	Miscellaneous	264,300	118,700	68,273	54,557	35,720	35,610
- Power Cement Limited (note 8.5.2.1)	A-	Cement	33,002,500	33,602,500	600,167	258,410	611,078	293,686
- D.G. Khan Cement Limited (note 8.5.2.1)	AA-	Cement	-	1,759,500	-	-	424,293	235,280
- Fauji Fertilizer Company Limited	AA	Fertilizer	-	2,510,100	-	-	246,261	198,574
- Pakistan State Oil Limited	AA	Oil & Gas Marketing Companies	-	1,125,360	-	-	433,401	329,854
Investment in related parties								
- EFU General Insurance Limited	AA+	Insurance	4,077,375	3,943,875	507,848	407,738	488,978	603,018
- EFU Life Assurance Limited	AA+	Insurance	1,196,300	982,000	252,148	272,661	190,595	248,927
- Sitara Chemical Industries Limited	A+	Chemical	1,790,250	1,651,250	548,781	537,075	493,697	496,993
- TRG Pakistan Limited	Unrated	Technology & Communication	32,023,760	32,023,760	590,311	714,130	590,311	947,903
					2,993,426	2,556,903	3,681,463	3,546,572

Preference Shares

Preference Shares							
AgriTech Limited (note 8.5.2.2 & 8.5.2.4)	Unrated	Chemical	4,823,746	4,823,746	48,236	-	48,236
Chenab Limited (note 8.5.2.3 & 8.5.2.4)	Unrated	Textile Composite	12,357,000	12,357,000	88,353	-	88,353
					136,589	-	136,589

Foreign securities

Ordinary shares

Ordinary shares										
-	Society for Worldwide Interbank Financial Telecommunication (SWIFT) (note 8.5.2.6)	** 672,911	495,821	Mr. Gottfried Leibbrandt	6	6	<u>2,406</u>	<u>4,037</u>	<u>2,406</u>	<u>2,975</u>

* Based on audited accounts as of June 30, 2018

** Based on audited accounts as of December 31, 2017

8.5.2.1 The Bank has recognized impairment loss on Power Cement Limited and D.G. Khan Cement Limited of Rs.341.757 million (2017: Rs.317.392 million) and Rs.Nil (2017: Rs.189.013 million) respectively due to significant / prolong decline in the fair value of these securities.

8.5.2.2 These are non-voting cumulative preference shares, carrying preference dividend @ 10% p.a and are convertible into ordinary shares at the option of the Bank after five years from the date of issuance i.e. February 2012. The investee company also has the option to redeem these preference shares plus any unpaid dividend in full or in part, within ninety days after expiry of each anniversary of the issue date. The Bank has recognised full impairment on these shares amounting to Rs. 48.236 million (2017: Rs.48.236 million) due to weak financial position of the company.

8.5.2.3 These are cumulative preference shares, carrying preference dividend @ 9.25% p.a and are redeemable in part after four years from the date of issuance i.e. August 2008. The investee company also has an option to redeem, in part, cumulative preference shares after August 2008. The Bank has recognized full impairment on these shares amounting to Rs. 88.353 million (2017: Rs.88.353 million) due to weak financial position of the company.

8.5.2.4 Surplus arising due to re-measurement of these shares to the market value has not been recognized as the management believes that the market value may not be realized while selling them in open market.

8.5.2.5 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Bank has received 3,034,603 shares of Rs.10 each including trading right entitlement certificate (TREC) of the Islamabad Stock Exchange (ISE), in lieu of its Membership Card held by the Bank. Further, upon integration of Islamabad Stock Exchange under the "ISE Scheme of Integration" in 2016 TRE Certificates holders of ISE have been issued 1,213,841 shares of "ISE Towers REIT Management Limited".

8.5.2.6 The Bank qualified as a member based on the financial contribution to SWIFT for network-based services. The Bank has made an investment as per the requirements of By-Laws of SWIFT, under the Share Re-allocation Process, as a result becoming entitled to invest in for six shares. The participation is mandatory to avail the desired network-based services for financial message transmission for cross-border payments and receipt. Further, the share re-allocation occurs every three years and will result in either an increase, decrease, or a status quo in individual shareholding.

8.5.3 Non Government Debt Securities

Listed

Unrated
A
AAA

Cost	
2018	2017
----- Rupees in '000 -----	
158,712	182,322
150,015	-
529,000	-
837,727	182,322

Unlisted

AAA
AA+, AA, AA-
A+, A, A-
Unrated

214,286	966,714
340,020	280,000
291,667	745,000
214,882	214,882
1,060,855	2,206,596
1.898.582	2.388.918

8.5.3.1 Term finance certificates - listed *

* Secured and have a face value of Rs.5,000 each unless specified otherwise.

8.5.3.1.1 Other particulars of listed term finance certificates are as follows:

Name of the company	Repayment	Profit rate per annum	Maturity date
Worldcall Telecom Limited	Semi-annually	6 Month KIBOR ask rate plus 1.60%	October 15, 2021
Soneri Bank Limited	Semi-annually	6 Month KIBOR ask rate plus 2.00%	December 06, 2028

8.5.3.1.2 Due to weak financial position of the company the Bank has recognised full impairment loss on these term finance certificates.

	Number of certificates		Rating		Cost		Market value	
	2018	2017			2018	2017	2018	2017
	----- Numbers -----				----- Rupees in '000 -----		----- Rupees in '000 -----	
8.5.3.2 Sukuk certificates - listed								
Byco Petroleum Pakistan Limited	5,290	-	AAA	-	529,000	-	529,621	-
					529,000	-	529,621	-

8.5.3.2.1 Other particulars of unlisted sukuk certificates are as follows:

Name of the company	Repayment	Profit rate per annum	Maturity date
Byco Petroleum Pakistan Limited (Chief Executive: Mr. Amir Abbasciy)	Quarterly	3 Month KIBOR ask rate plus 1.05%.	January 18, 2022

	Number of certificates		Rating		Face value per certificate	Cost	
	2018	2017				2018	2017
	----- Rupees -----				----- Rupees -----	----- Rupees in '000 -----	
8.5.3.3 Term finance certificates - unlisted							
Azgard Nine Limited - related party (note 8.5.3.3.1)	29,998	29,998	Unrated	Unrated	5,000	65,022	65,022
Agritech Limited (note 8.5.3.3.1)	30,000	30,000	Unrated	Unrated	5,000	149,860	149,860
Pakistan Water & Power Development Authority (WAPDA)	100,000	100,000	AAA	AAA	5,000	214,286	285,714
Bank Al Habib Limited	40,000	-	AA-		5,000	200,020	-
Khushhali Microfinance Bank Limited	1,500	-	A		100,000	150,000	-
NRSP Microfinance Bank Limited	-	60,000	A	A	5,000	-	75,000
						779,188	575,596

8.5.3.3.1 Due to weak financial position of the company the Bank has recognised full impairment loss on these term finance certificates.

8.5.3.3.2 Other particulars of unlisted term finance certificates are as follows:

Name of the company	Repayment	Profit rate per annum	Maturity date
Azgard Nine Limited - related party (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.	December 04, 2017
Agritech Limited (Chief Executive: Mr. Faisal Muzammil)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.	November 29, 2019
Pakistan Water & Power Development Authority (WAPDA) (Chairman: Lieutenant General Muzammil Hussain (Retd.))	Semi-annually	6 Month KIBOR ask rate plus 1.00%.	September 27, 2021
Bank AL Habib Limited (Chief Executive: Mr. Mansoor Ali Khan)	Semi-annually	6 Month KIBOR ask rate plus 1.50%.	December 20, 2027
Khushhali Microfinance Bank Limited (President & CEO: Mr. Ghalib Nishtar)	Semi-annually	6 Month KIBOR ask rate plus 2.05%.	March 19, 2026

	Number of certificates		Rating		Face value per certificate	Cost	
	2018	2017				2018	2017
	----- Numbers -----				----- Rupees -----	----- Rupees in '000 -----	
8.5.3.4 Sukuk certificates - unlisted							
Engro Fertilizers Limited	80,000	80,000	AA	AA-	3,500	140,000	280,000
Ghani Gases Limited	2,000	2,000	A	A	87,500	141,667	175,000
Byco Oil Pakistan Limited	-	6,810		AAA	100,000	-	681,000
AGP Limited	-	5,500		A	90,000	-	495,000
						281,667	1,631,000

8.5.3.4.1 Other particulars of unlisted sukuk certificates are as follows:

Name of the company	Repayment	Profit rate per annum	Maturity date
Engro Fertilizers Limited (President & CEO: Mr. Ghias Khan)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.	July 09, 2019
Ghani Gases Limited (Chief Executive: Mr. Atique Ahmad Khan)	Quarterly	3 Month KIBOR ask rate plus 1.00%.	February 03, 2023

8.5.4 Foreign Securities

Name of Bond	Rating		Coupon rate per annum	Date of Maturity	Cost		Market Value	
	2018	2017			2018	2017	2018	2017
8.5.4.1 Government debt securities			%		----- Rupees in '000 -----			
Arab Republic of Egypt	B	-	4.75%	April 16, 2026	191,725	-	172,415	-
Islamic Republic of Pakistan	B	-	8.25%	September 30, 2025	439,712	-	417,536	-
Islamic Republic of Pakistan The 3rd Pakistan International Sukuk Company Limited	B	-	8.25%	April 15, 2024	435,814	-	419,831	-
Republic of Kenya	B-	-	5.50%	October 13, 2021	346,386	-	334,348	-
Saudi International Bond	B+	-	6.88%	June 24, 2024	288,956	-	260,463	-
Arab Republic of Egypt	A+	-	2.38%	October 26, 2021	405,743	-	401,218	-
Islamic Republic of Pakistan	B	-	5.58%	February 21, 2023	420,198	-	394,315	-
Arab Republic of Egypt	B	B	6.88%	December 5, 2027	336,731	55,209	314,491	55,354
Arab Republic of Egypt	B	B	7.50%	January 31, 2027	294,142	235,088	264,732	243,892
Arab Republic of Egypt	B	B	5.88%	June 11, 2025	274,682	218,116	252,095	222,727
Saudi International Bond	-	A+	2.88%	March 4, 2023	-	30,639	-	30,271
Republic of Kazakhstan	-	BBB	5.13%	July 21, 2025	-	117,360	-	122,883
					3,434,089	656,412	3,231,444	675,127
8.5.4.2 Non Government debt securities								
Turkiye Garanti Bankasi	B+	-	5.25%	September 13, 2022	284,844	-	261,280	-
Petrobras Global Finance	Ba2	-	6.25%	March 17, 2024	144,790	-	140,653	-
Turkiye Vakiflar Bankasi	B+	-	5.75%	January 30, 2023	277,211	-	243,428	-
Turkiye Is Bankasi A.S	B+	BB+	5.50%	April 21, 2022	630,283	389,917	563,822	389,799
Turkiye Is Bankasi A.S	B+	BB+	5.38%	October 6, 2021	69,257	55,025	63,234	55,655
Turkiye Is Bankasi A.S	B+	BB+	6.13%	April 25, 2024	281,758	224,545	233,480	222,519
State Oil Company of the Azerbaijan	BB+	BB+	4.75%	March 13, 2023	139,506	148,044	138,343	151,830
Export Credit Bank of Turkey	BB-	BB+	5.38%	October 24, 2023	137,180	108,844	126,166	111,566
PTA Bank	Baa3	Baa3	5.38%	March 14, 2022	141,063	112,662	137,297	115,171
Akbank Tas	B1	BB+	5.00%	October 24, 2022	210,725	168,014	194,783	166,663
Petrobras Global Finance	Ba2	BB	7.38%	January 17, 2027	148,456	118,759	143,160	121,354
Turkiye Garanti Bankasi A.S	BB-	BBB-	5.88%	March 16, 2023	144,603	115,941	130,854	114,418
African Export - Import Bank	Baa1	Baa1	4.13%	June 20, 2024	280,626	223,514	260,438	222,592
Gazprom via Gaz Capital SA	-	BBB-	4.25%	April 6, 2024	-	153,547	-	154,245
Banco BTG Pactual S.A.	-	Ba3	4.00%	January 16, 2020	-	65,010	-	65,551
DIB Sukuk Ltd.	-	A	3.66%	February 14, 2022	-	23,519	-	23,723
BOS Funding Ltd.	-	BBB+	4.23%	March 7, 2022	-	110,492	-	112,055
Turkiye Garanti Bankasi A.S	-	BBB-	5.25%	September 13, 2022	-	227,874	-	225,090
African Export - Import Bank	-	Baa1	4.00%	May 24, 2021	-	232,521	-	235,918
Rosneft International Finance DAC	-	Ba1	4.20%	March 6, 2022	-	178,092	-	178,227
Russian Federation	-	BBB-	4.25%	June 23, 2027	-	110,417	-	113,698
Deutches Bank AG	-	BBB+	3.38%	May 12, 2021	-	138,943	-	140,275
CBD (Cayman) Ltd.	-	A-	4.00%	November 17, 2020	-	224,056	-	226,086
Turkiye Is Bankasi A.S	-	BB+	5.50%	April 21, 2019	-	111,381	-	112,458
Akbank Tas	-	BB+	4.00%	January 24, 2020	-	54,883	-	55,327
Turkiye Garanti Bankasi A.S	-	BBB-	4.75%	October 17, 2019	-	55,623	-	56,017
Turkiye Halk Bankasi A.S	-	BB+	3.88%	February 5, 2020	-	68,761	-	65,894
Bankpozitif Kredi Ve Kalkinma Bankasi A.S	-	BBB-	5.00%	February 7, 2018	-	115,938	-	115,816
Samarco Mineracao SA	-	CC	5.38%	September 26, 2024	-	53,527	-	37,696
Abu Dhabi National Energy Company PJSC	-	A3	3.63%	June 22, 2021	-	30,181	-	30,717
Bankpozitif Kredi Ve Kalkinma Bankasi A.S	-	BBB-	5.00%	February 7, 2018	-	55,191	-	55,150
					2,890,302	3,675,221	2,636,938	3,675,510

8.6 Quality of Held to Maturity Securities

Details regarding quality of Held to Maturity (HTM) securities are as follows

		Cost	
		2018	2017
		--- Rupees in '000 ---	
8.6.1	Federal Government Securities - Government guaranteed		
	Pakistan Investment Bonds	42,716,932	41,398,485
8.6.1.1	Principal terms of investment in Federal Government Securities		
	Security type	Maturity	Redemption
	Pakistan investment bonds	April 21, 2019 to December 29, 2026	On maturity
8.6.1.2	Pakistan Investment Bonds (PIBs) having maturity of three to fifteen years. The rates of profits ranging from 6.21% to 11.95% per annum (2017: 6.21% to 8.02% per annum). The market value of securities as at December 31, 2018 amounted Rs. 39,836.881 million (2017: Rs. 41,033.889 million)		

8.7 Investment in subsidiary and associated companies

Note	Rating		Number of shares	Percentage holding		Cost	
	2018	2017		2018	2017	2018	2017
			--- Numbers ---			----- Rupees in '000 -----	
Subsidiary companies							
JS Global Capital Limited	AA	AA	25,525,169	67.16%	67.16%	1,357,929	1,357,929
JS Investments Limited	8.7.1	A+	52,236,978	65.16%	65.16%	561,192	561,192
						<u>1,919,121</u>	<u>1,919,121</u>
Associated company							
Omar Jibran Engineering Industries Limited	8.7.2	AA	7,200,000	9.60%	-	180,000	-

- 8.7.1 The Bank also controls JS ABAMCO Commodities Limited (JSACL) indirectly through its subsidiary JS Investments Limited which has 100% holding in JSACL.
- 8.7.2 During the year, the Bank has invested in the shares of an associated company, a public unlisted company. The Bank has classified the investment as an associate on account of it's significant influence over the investee company.
- 8.7.3 All subsidiaries and associated companies are incorporated in Pakistan.
- 8.7.4 The following is summarised audited financial information before inter-company eliminations with other companies in the group.

	Subsidiary companies				Associated company	
	JS Global Capital Limited		JS Investments Limited		Omar Jibran Engineering Industries Limited	
	December 31, 2018	December 31, 2018	December 31, 2018	December 31, 2018	June 30, 2018	June 30, 2017
	----- Rupees' in 000 -----					
Total income / sales	757,765	891,228	432,700	386,380	2,241,353	1,973,770
Profit after tax	25,637	85,530	41,728	32,216	129,548	121,463
Other comprehensive (loss) / income	(18,653)	(39,616)	(236,053)	(412,483)	-	125,460
Total assets	4,840,047	3,762,455	2,435,726	2,599,123	2,886,438	2,478,058
Total liabilities	2,231,646	1,161,038	285,049	254,122	1,508,899	1,565,522
Net assets	2,608,401	2,601,417	2,150,677	2,345,001	1,377,539	912,536
Cash flow from / (used in) operating activities	612,827	461,787	(51,761)	(99,084)	(83,651)	108,876
Cash flow (used in) / from investing activities	(719,825)	168,986	63,019	143,566	(149,197)	(218,478)
Cash flow from / (used in) financing activities	69	5	(3,779)	(40,092)	364,445	84,811
Net increase / (decrease) in cash and cash equivalents	(106,929)	630,778	7,479	4,390	131,597	(24,791)

9. ADVANCES - net	Note	Performing		Non Performing		Total	
		2018	2017	2018	2017	2018	2017
		----- Rupees in '000 -----					
Loans, cash credits, running finances, etc.	9.1	232,162,303	171,861,756	8,309,467	3,257,997	240,471,770	175,119,753
Bills discounted and purchased		14,675,443	11,759,142	-	-	14,675,443	11,759,142
Advances - gross		246,837,746	183,620,898	8,309,467	3,257,997	255,147,213	186,878,895
Provision against advances							
General		(155,661)	(100,353)	-	-	(155,661)	(100,353)
General provision - under IFRS-9	9.4.3	(10,746)	-	-	-	(10,746)	-
Specific		-	-	(2,989,888)	(2,638,960)	(2,989,888)	(2,638,960)
	9.4	(166,407)	(100,353)	(2,989,888)	(2,638,960)	(3,156,295)	(2,739,313)
Advances - net of provision		246,671,339	183,520,545	5,319,579	619,037	251,990,918	184,139,582

	2018				2017			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	----- Rupees in '000 -----							
9.1 Particulars of net investment in finance lease								
Lease rentals receivable	7,137,126	9,082,944	138,766	16,358,836	5,222,208	6,584,317	-	11,806,525
Guaranteed residual value	1,008,255	3,552,926	7,138	4,568,319	412,388	2,911,823	-	3,324,211
Minimum lease payments	8,145,381	12,635,870	145,904	20,927,155	5,634,596	9,496,140	-	15,130,736
Finance charges for future periods	(1,246,019)	(1,229,811)	(5,144)	(2,480,974)	(776,285)	(573,117)	-	(1,349,402)
Present value of minimum lease payments	6,899,362	11,406,059	140,760	18,446,181	4,858,311	8,923,023	-	13,781,334

9.2 Particulars of advances (gross)	2018	2017
	----- Rupees in '000 -----	
In local currency	247,577,882	180,504,654
In foreign currency	7,569,331	6,374,241
	<u>255,147,213</u>	<u>186,878,895</u>

9.3 Advances include Rs.8,309.468 million (2017: Rs.3,257.997 million) which have been placed under non-performing status as detailed below:

Category of Classification	2018		2017	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees in '000 -----			
Domestic	231,430	-	5,222	-
Other Assets Especially Mentioned	1,488,616	83,945	336,818	44,307
Substandard	3,189,709	146,592	131,328	7,333
Doubtful	3,399,712	2,759,351	2,784,629	2,587,320
Loss	8,309,467	2,989,888	3,257,997	2,638,960
Total				

9.4 Particulars of provision against advances

	2018				2017			
	Specific	General	General provision - under IFRS-9	Total	Specific	General	General provision - under IFRS-9	Total
	----- Rupees in '000 -----							
Opening balance	2,638,960	100,353	-	2,739,313	2,618,353	40,988	-	2,659,341
Exchange adjustments	-	-	1,321	1,321	-	-	-	-
Charge for the year	422,994	55,308	9,425	487,727	178,071	59,365	-	237,436
Reversals	(72,066)	-	-	(72,066)	(34,622)	-	-	(34,622)
	<u>350,928</u>	<u>55,308</u>	<u>9,425</u>	<u>415,661</u>	<u>143,449</u>	<u>59,365</u>	<u>-</u>	<u>202,814</u>
Amount written off from the opening balance	9.5	-	-	-	(122,842)	-	-	(122,842)
Closing balance	<u>2,989,888</u>	<u>155,661</u>	<u>10,746</u>	<u>3,156,295</u>	<u>2,638,960</u>	<u>100,353</u>	<u>-</u>	<u>2,739,313</u>

9.4.1 Particulars of provision against non-performing advances

	2018			2017		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	<u>2,989,888</u>	<u>155,661</u>	<u>3,156,295</u>	<u>2,638,960</u>	<u>100,353</u>	<u>2,739,313</u>

9.4.2 The general provision is maintained to create general reserves against following advances portfolios in accordance with the prudential regulations issued by State Bank of Pakistan as follows:

	2018	2017	2018	2017
	Secured portfolio	Unsecured portfolio	Secured portfolio	Unsecured portfolio
	----- Percentages -----			
Small enterprises financing	-	-	-	-
Consumer financing	1%	1%	4%	4%
Housing finance	0.5%	0.5%	-	-

9.4.3 This represents general provision held on adoption of IFRS 9 by Bahrain branch of the Bank (see note 4.1.2).

9.4.4 The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2018, the Bank has availed cumulative benefit of FSV of Rs.1,057.604 million (2017: Rs.295.536 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have been reduced by Rs.687.443 million (2017: Rs.192.098 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

9.5 Particulars of Write Offs:	2018	2017
	----- Rupees in '000 -----	
9.5.1 Against provisions	-	122,842
Directly charged to profit and loss account	-	-
	<u>-</u>	<u>122,842</u>
9.5.2 Write offs of Rs.500,000 and above - Domestic	-	122,703
Write offs of below Rs.500,000	-	139
	<u>-</u>	<u>122,842</u>

9.5.3 In 2017, the Board of Directors in their meeting held on April 27, 2017 authorised the Bank to write-off the fully provided non-performing loans amounting to Rs. 122.842 million. These loans are written-off as a book entry without prejudice to the Bank's right of recovery against the customers.

	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
10. FIXED ASSETS			
Capital work-in-progress	10.1	162,193	177,383
Property and equipment	10.2	6,083,135	4,957,926
		6,245,328	5,135,309

10.1 Capital work-in-progress

Civil works		133,928	110,247
Advance for purchase of furniture and fixtures		4,479	290
Advance for purchase of vehicles		14,182	59,190
Advance for purchase of equipment		9,604	7,656
		162,193	177,383

10.2 Property and equipment

	Note	2018 ----- Rupees in '000 -----					
		Leasehold land	Building on lease hold land	Lease hold improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles
At January 1, 2018							
Cost / Revalued amount		1,089,566	1,462,426	1,169,409	485,001	2,489,307	866,091
Accumulated depreciation		-	(112,743)	(537,810)	(243,329)	(1,370,954)	(339,038)
Net book value		1,089,566	1,349,683	631,599	241,672	1,118,353	527,053
Year ended December 2018							
Opening net book value		1,089,566	1,349,683	631,599	241,672	1,118,353	527,053
Additions		50,000	13,510	186,211	70,664	393,963	382,576
Movement in surplus on assets revalued during the year		317,723	420,204	-	-	-	-
Adjustments in surplus		-	3,210	-	-	-	-
Disposals - cost		-	-	(71,906)	(9,606)	(38,275)	(185,176)
Depreciation on disposal		-	-	61,990	8,005	32,499	155,198
Depreciation charge	29.1	-	(52,781)	(114,537)	(51,167)	(322,447)	(146,636)
Exchange rate adjustments - cost		-	-	5,045	1,514	1,058	868
Exchange rate adjustments - accumulated		-	-	(1,091)	(385)	(376)	(227)
Other adjustments		-	-	3,954	1,129	682	641
Cost		-	21,253	(3,685)	-	24	-
Accumulated		-	(2,053)	-	-	42	-
Closing net book value		1,457,289	1,753,026	693,626	260,697	1,184,841	733,656
At December 31, 2018							
Cost / Revalued amount		1,457,289	1,920,603	1,285,074	547,573	2,846,077	1,064,359
Accumulated depreciation		-	(167,577)	(591,448)	(286,876)	(1,661,236)	(330,703)
Net book value		1,457,289	1,753,026	693,626	260,697	1,184,841	733,656
Rate of depreciation (percentage)		-	1.01 - 4.78	10	12.5	12.5 - 33.3	20

	Note	2017 ----- Rupees in '000 -----					
		Leasehold land	Building on lease hold land	Lease hold improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles
At January 1, 2016							
Cost / Revalued amount		927,051	961,646	1,006,748	401,974	1,993,739	692,965
Accumulated depreciation		-	(86,465)	(440,030)	(196,454)	(1,106,184)	(313,505)
Net book value		927,051	875,181	566,718	205,520	887,555	379,460
Year ended December 2017							
Opening net book value		927,051	875,181	566,718	205,520	887,555	379,460
Additions		-	510	162,661	83,732	512,410	312,871
Movement in surplus on assets revalued during the year		124,654	540,358	-	-	-	-
Disposals - cost		-	-	-	(1,015)	(17,059)	(139,922)
Depreciation on disposal		-	-	-	717	14,981	109,125
Depreciation charge		-	(26,132)	(97,780)	(298)	(2,078)	(30,797)
Exchange rate adjustments - cost		-	1,078	-	310	217	177
Exchange rate adjustments - accumulated		-	(146)	-	(50)	(48)	(30)
Other adjustments / transfers		-	932	-	260	169	147
Closing net book value		1,089,566	1,349,683	631,599	241,672	1,118,353	527,053
At December 31, 2017							
Cost / Revalued amount		1,089,566	1,462,426	1,169,409	485,001	2,489,307	866,091
Accumulated depreciation		-	(112,743)	(537,810)	(243,329)	(1,370,954)	(339,038)
Net book value		1,089,566	1,349,683	631,599	241,672	1,118,353	527,053
Rate of depreciation (percentage)		-	1.01 - 4.78	10	12.5	12.5 - 33.3	20

10.2.1 Temporarily idle property and equipment

	Carrying value	
	2018	2017
Leasehold land	837,731	747,231
Building on lease hold land	508,897	309,662
	1,346,628	1,056,893

2018 2017
----- Rupees in '000 -----

Leasehold improvements	155,841	-
Furniture and fixture	113,313	44,426
Electrical, office and computer equipment	828,290	485,400
Vehicles	26,677	10,023
	<u>1,124,121</u>	<u>539,849</u>

10.2.4 The properties of the Bank are revalued by independent professional valuers as at December 31, 2017 and December 31, 2018. The revaluation was carried out by M/s. Tristar International Consultants Pvt Ltd. on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs. 741.138 million. The total surplus arising against revaluation of fixed assets as at December 31, 2018 amounts to Rs. 1,379,744 million.

Had there been no revaluation, the carrying value of revalued land and building on land as at December 31, 2018 would have been lower by Rs.442.377 million and Rs.937.366 million respectively, and net surplus on revaluation of fixed assets, deferred tax liability and incremental depreciation expense would have been lower by Rs. 1,051.665 million, Rs. 328.078 million and Rs. 22.794 million respectively.

	2018	2017
Note	----- Rupees in '000 -----	

Capital work-in-progress	11.1	75,760	118,590
Computer software and goodwill	11.2	<u>2,094,117</u>	<u>1,858,922</u>
		2,169,877	1,977,512

Advance for purchase software

75,760	118,590
--------	---------

2018		
Computer software	Goodwill	Total
----- Rupees in '000 -----		

Cost	
Accumulated amortisation and impairment	
Net book value	

673,321	1,463,624	2,136,945
(278,023)	-	(278,023)
<u>395,298</u>	<u>1,463,624</u>	<u>1,858,922</u>

Opening net book value

Additions:

- directly purchased

Amortisation charge

Exchange rate adjustments - cost

Exchange rate adjustments - accumulated

395,298	1,463,624	1,858,922
305,240	-	305,240
(71,069)	-	(71,069)
1,311	-	1,311
(287)	-	(287)
1,024	-	1,024
630,493	1,463,624	2,094,117

Closing net book value

Cost	
Accumulated amortisation and impairment	
Net book value	
Rate of amortisation (percentage)	
Useful life	

979,872	1,463,624	2,443,496
(349,379)	-	(349,379)
630,493	1,463,624	2,094,117
10		
10	See note 11.3	

2017		
Computer software	Goodwill	Total
----- Rupees in '000 -----		

Cost	
Accumulated amortisation and impairment	
Net book value	

521,692	1,463,624	1,985,316
(217,428)	-	(217,428)
<u>304,264</u>	<u>1,463,624</u>	<u>1,767,888</u>

Opening net book value
Additions:
- directly purchased
Amortisation charge
Exchange rate adjustments - cost
Exchange rate adjustments - accumulated

304,264	1,463,624	1,767,888
151,360	-	151,360
(60,556)	-	(60,556)
269	-	269
(39)	-	(39)
230	-	230
395,298	1,463,624	1,858,922

Closing net book value

Cost
Accumulated amortisation and impairment
Net book value
Rate of amortisation (percentage)
Useful life

673,321	1,463,624	2,136,945
(278,023)	-	(278,023)
<u>395,298</u>	<u>1,463,624</u>	<u>1,858,922</u>
10	See note 11.3	
10		

2018 2017
----- Rupees in '000 -----

11.3 Fully amortized computer software still in use

	100,938	-
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11.4 For impairment testing, goodwill has been allocated to 'Trading and Sales' Segment as Cash Generating Unit (CGU), which is also a reportable segment.

11.5 Key assumptions used in value in use calculation

The recoverable amount of the CGU has been determined based on value in use calculation, using cash flow projections based on business plan approved by the Board of Directors of the Bank covering a five year period. The discount rates applied to cash flows beyond five years are extrapolated using a terminal growth rate. The following rates are used by the Bank.

	2018	2017
	Percentages	
Discount rate	28.13	19.33
Terminal growth rate	10.00	10.00

The calculation of value in use is most sensitive to following assumptions:

a) Interest margins

Interest margins are based on prevailing industry trends and anticipated market conditions.

b) Discount rates

Discount rates reflect management estimates of the rate of return required for each business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using cost of equity of the Bank.

c) Key business assumptions

The assumptions are important as they represent management assessment of how the unit's position might change over the projected period. Based on the expansion plans, management expects aggressive growth in advances, investments and deposits during the projected periods and thereafter stabilisation in line with industry trends.

Management believes that any significant change in key assumptions, on which CGU's recoverable amount is based, may impact the carrying amount to further exceed its recoverable amount. Value in use calculation of the CGU are sensitive to changes in assumptions for interest rate spreads, Non Funded Income (NFI), long term growth rates and discount rates.

d) Sensitivity to changes in assumption

The estimated recoverable amount of the 'Trading and Sales' CGU exceeds its carrying amount by approximately Rs.144.5 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

	Changes required for carrying amount to equal recoverable amount (%)	
	2018	2017
- Discount rate	0.21	1.02
- Terminal growth rate	(0.30)	(1.49)

12. DEFERRED TAX ASSETS / (LIABILITIES) - NET

		2018	
	Balance as at January 01, 2018	Recognised in profit and loss account	Recognised in other comprehensive income
			Balance as at December 31, 2018
Deferred tax debits arising from:			
Provision against investments	57,149	-	-
Provision against loans and advances	3,523	30,755	-
Provision against other assets	15,682	108,396	-
General provision under IFRS-9 (note 4.1.2)	-	36,820	-
Intangible other than Goodwill	1,997	249	-
Unrealised loss on revaluation of investments classified as held for trading	871	3,646	-
Deficit on revaluation of investments classified assets as available for sale	42,167	-	1,131,740
Reversal for Workers' Welfare Fund	26,145	(26,145)	-
	147,534	153,721	1,131,740
Deferred tax credits arising due to:			
Fixed assets	(216,790)	(9,065)	-
Goodwill	(512,268)	-	-
Surplus on revaluation of operating fixed assets	(187,861)	7,978	(148,196)
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	(2,191)	57	1,124
Unrealized gain on revaluation of derivative instruments	(25,227)	(53,494)	-
	(944,337)	(54,524)	(147,072)
	(796,803)	99,197	984,668
			287,062
2017			
	Balance as at January 01, 2017	Recognised in profit and loss account	Recognised in other comprehensive income
			Balance as at December 31, 2017
Deferred tax debits arising from:			
Provision against investments	57,149	-	-
Provision against loans and advances	16,092	(12,569)	-
Provision against other assets	-	15,682	-
Intangible other than Goodwill	-	1,997	-
Unrealised loss on revaluation of investments classified as held for trading	454	417	-
Deficit / (surplus) on revaluation of investments classified assets as available for sale	(614,359)	-	656,526
Provision for Workers' Welfare Fund	26,145	-	-
	(514,519)	5,527	656,526
			147,534
Deferred tax credits arising due to:			
Operating fixed assets	(184,050)	(32,740)	-
Goodwill	(512,268)	-	-
Surplus on revaluation of operating fixed assets	-	1,264	(189,125)
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	(2,307)	116	-
Unrealized loss / (gain) on revaluation of derivative instruments	7,782	(33,009)	-
	(690,843)	(64,369)	(189,125)
	(1,205,362)	(58,842)	467,401
			(796,803)

		2018	2017
		----- Rupees in '000 -----	
13. OTHER ASSETS - NET	Note		
Income/ Mark-up accrued in local currency - net of provision	13.1	5,586,015	4,054,291
Income/ Mark-up accrued in foreign currency		133,707	67,337
Advances, deposits, advance rent and other prepayments		535,055	473,329
Acceptances		3,217,002	3,170,373
Taxation (payments less provision)		936,133	315,931
Receivable against bancassurance / bancatakaful	13.2	75,056	89,727
Stationery and stamps in hand		18,536	13,212
Receivable from other banks in respect of remittance	13.3	283,469	202,282
Non-banking assets acquired in satisfaction of claims	13.4	91,421	106,097
Mark to market gain on derivative instruments	23.2	224,916	72,078
Advance for subscription of TFC - unsecured	13.5	845,917	133,333
ATM settlement account		195,927	226,827
Others	13.6	132,992	164,643
		12,276,146	9,089,460
Less: Provision held against other assets	13.6	(15,860)	(55,667)
Other assets (net of provisions)		12,260,286	9,033,793
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		93,869	97,242
		12,354,155	9,131,035
13.1	This includes an amount of Rs.73.825 million (2017: Rs.25.199 million) due from related parties.		
13.2	This includes an amount of Rs.109.467 million (2016: Rs.74.240 million) due from related parties.		
13.3	This includes an amount of Rs.232.239 million (2017: Rs.136.391 million) receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.		
13.4	Market value of non-banking assets acquired in satisfaction of claims	185,290	203,339
13.4.1	Movement of Non banking assets acquired in satisfaction of claims at market value:		
	As at January 01	203,339	175,808
	Revaluation surplus arise during the year - net	-	13,395
	Addition during the year	1,295	15,436
	Transferred during the year	(18,771)	-
	Depreciation during the year	(573)	(1,300)
		185,290	203,339
13.4.2	Non-banking assets acquired in satisfaction of claims are carried at revalued amount according to the requirements of the 'Regulation for Debt Property Swap' (the regulations) issued by SBP vide the BPRD Circular No. 1 of 2016, dated January 01, 2016.		
	Non-banking assets acquired in satisfaction of claims have been revalued by independent professional valuers as at December 31, 2018 and resulted no change is observed in valuations of these assets with respect to last year. The revaluation was carried out by M/s. Tristar International Consultants Pvt Ltd., bfa (Pvt) Ltd. and Engineering Pakistan International (Pvt) Ltd. on the basis of professional assessment of present market values.		
	Had there been no revaluation, the carrying value of non-banking assets acquired in satisfaction of claims would have been lower by Rs.96.869 million (2017: Rs.97.242 million), and surplus on revaluation of assets net, deferred tax liability and depreciation expense would have been lower by Rs.92.858 million (2017: Rs.95.050 million), Rs.1,011 million (2017: Rs.2.192 million) and Rs.0.163 million (2017: Rs.0.329 million) respectively.		
		2018	2017
		----- Rupees in '000 -----	
	Lease hold land	88,640	88,640
	Building on lease hold land	2,781	17,457
		91,421	106,097
13.4.3	During the year the Bank incurred additional cost which is capitalized in the carrying value of non banking assets.		
13.4.4	During the year, the Bank has utilized a building for its own operations and transferred the asset, along with related surplus, to fixed assets.		
13.5	This represents advance against subscription for following Term Finance Certificates - unsecured.		
		2018	2017
		----- Rupees in '000 -----	
		Cost	
	Name of the company	Agreement date	Frequency
	Profit rate per annum		
	FINCA Microfinance Bank Ltd	November 2, 2017	Quarterly
	Pakistan Services Ltd.	March 14, 2018	Semi annually
			Three months KIBOR + 1.5% p.a
			Six months KIBOR + 1% p.a
			133,333
			133,333
			712,584
			-
			845,917
			133,333
13.6	Movement in provision held against other assets		
	Opening balance	55,667	10,861
	Charge for the year	2,561	44,806
	Reversal for the year	(42,368)	-
	Net charge for the year	(39,807)	44,806
	Closing balance	15,860	55,667
14. BILLS PAYABLE			
	In Pakistan	3,326,595	3,669,463
	Outside Pakistan	193,329	154,815
		3,519,924	3,824,278

15. BORROWINGS	Note	2018	2017
		----- Rupees in '000 -----	
Secured			
Borrowings from State Bank of Pakistan under:			
Export Refinancing Scheme (ERF)	15.2.1	15,329,309	10,970,007
Long-Term Finance Facility (LTFF)	15.2.2	1,055,928	1,390,366
Financing Facility for Storage of Agricultural Produce (FFSAP)	15.2.3	121,922	69,365
Repurchase agreement borrowings	15.2.4	12,609,714	20,146,040
		<u>29,116,873</u>	<u>32,575,778</u>
Borrowing from financial institutions			
Repurchase agreement borrowings	15.2.5	57,228,252	24,655,991
Total secured		<u>86,345,125</u>	<u>57,231,769</u>
Unsecured			
Call borrowings	15.2.6	8,323,290	5,637,284
Due against bills re-discounting	15.2.7	1,388,619	1,488,994
Overdrawn nostro accounts		501,629	198,996
Total unsecured		<u>10,213,538</u>	<u>7,325,274</u>
		<u>96,558,663</u>	<u>64,557,043</u>
15.1 Particulars of borrowings			
In local currency		89,413,109	59,291,448
In foreign currencies		7,145,554	5,265,595
		<u>96,558,663</u>	<u>64,557,043</u>

- 15.2.1** The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and to be matured between January 02, 2019 and February 08, 2027 (2017: January 09, 2018 and June 26, 2018). These carry mark-up at the rate from 1.00% to 4.50%% (2017: 1% to 2%) per annum.
- 15.2.2** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings will mature between November 30, 2020 and November 30, 2028 (2017: August 25, 2019 and October 18, 2027). These carry mark-up at rates ranging from 2% to 3.50% (2017: 3.5% to 6.0%) per annum.
- 15.2.3** These borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings will mature between May 09, 2020 and July 23, 2025 (2017: May 09, 2020 and July 31, 2024) and carry mark-up at the rate ranging from 2% to 2.50%% (2017: 2% to 2.50%) per annum.
- 15.2.4** This represents borrowing against Market Treasury Bills and Pakistan Investment Bonds (2017: Pakistan Investment Bonds) carrying mark-up at the rate of 10.18% (2017: 5.78%) per annum and will mature on January 04, 2019 (2017: January 05, 2018). The cost and market value of securities given as collateral of amounting to Rs. 12,609.714 million (2017: Rs. 20,280.717 million) and Rs. 12,634.148 million (2017: Rs. 20,147.804 million) respectively.
- 15.2.5** This represents borrowing against Market Treasury Bills, Pakistan Investment Bonds, Bai Muajjal and Foreign Currency Bonds (2017: Market Treasury Bills, Pakistan Investment Bonds and Foreign Currency Bonds) carrying mark-up at the rates ranging from 3.30% to 10.40% (2017: 2.30% to 6.20%) per annum and will mature between January 02, 2019 and April 19, 2019 (2017: January 02, 2018 and March 20, 2018). The cost and market value of securities given as collateral of amounting to Rs. 59,633.750 million (2017: Rs. 25,440.800 million) and Rs. 56,756.947 million (2017: Rs. 25,378.216 million) respectively.
- 15.2.6** These represent call money borrowings from financial institutions which will mature between January 02, 2019 and February 28, 2019 (2017: January 02, 2018 and January 29, 2018), carrying interest at the rates ranging from 0.90% to 10.30%% (2017: 1.10% to 5.8%) per annum.
- 15.2.7** This represents obligation to the foreign corresponding banks on the discounting of foreign documentary bills purchased by the Bank on discount. These will mature on March 06, 2019 (2017: January 19, 2018 to March 05, 2019) and carry interest at the rate of 4.22% (2017: 1.65% to 4.22%) per annum.

16. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	----- Rupees in '000 -----			----- Rupees in '000 -----		
Customers						
Current deposits	71,824,038	5,321,812	77,145,850	65,363,744	4,833,362	70,197,106
Savings deposits	61,444,549	2,576,579	64,021,128	45,163,103	2,103,313	47,266,416
Term deposits	118,807,475	11,430,120	130,237,595	126,867,634	5,034,788	131,902,422
Margin accounts	3,566,455	4,937	3,571,392	3,964,564	2,640	3,967,204
	<u>255,642,517</u>	<u>19,333,448</u>	<u>274,975,965</u>	<u>241,359,045</u>	<u>11,974,103</u>	<u>253,333,148</u>
Financial Institutions						
Current deposits	860,111	-	860,111	1,018,523	1,424	1,019,947
Savings deposits	27,428,098	-	27,428,098	14,392,345	-	14,392,345
Term deposits	16,608,212	1,540,877	18,149,089	20,152,318	1,179,808	21,332,126
	<u>44,896,421</u>	<u>1,540,877</u>	<u>46,437,298</u>	<u>35,563,186</u>	<u>1,181,232</u>	<u>36,744,418</u>
	<u>300,538,938</u>	<u>20,874,325</u>	<u>321,413,263</u>	<u>276,922,231</u>	<u>13,155,335</u>	<u>290,077,566</u>

	Note	2018 ----- Rupees in '000 -----	2017
16.1 Composition of deposits			
- Individuals		111,596,311	91,031,086
- Government (Federal and Provincial)		56,875,882	53,752,028
- Public Sector Entities		11,242,328	15,891,124
- Banking Companies		8,541,316	5,224,882
- Non-Banking Financial Institutions		33,406,690	23,804,834
- Private Sector		99,750,736	100,373,612
		<u>321,413,263</u>	<u>290,077,566</u>

16.2 This includes deposits eligible to be covered under insurance arrangements amounting to **Rs.** _____ million (2017: Rs.74,669.395 million).

17. SUBORDINATED DEBT

Term Finance Certificates - First Issue	17.1	2,997,600	2,998,800
Term Finance Certificates - Second Issue	17.2	1,999,200	2,000,000
Term Finance Certificates - Third Issue	17.3	2,500,000	-
		<u>7,496,800</u>	<u>4,998,800</u>

17.1 In 2016, the Bank has issued Rs.3 billion of rated, privately placed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 120 of the Companies Ordinance, 1984 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute toward the Bank's Tier II Capital for complying with the Capital Adequacy Ratio requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date	December 14, 2016
Tenor:	Up to Seven years from the Issue date.
Maturity Date:	December 14, 2023
Rating	A + (Single A Plus)
Profit Rate:	Floating rate of return at Base rate + 1.4 percent per annum; Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period
Profit payment:	Semi-annual
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last
Security:	The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.
Call Option:	Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.
Lock-in-clause:	Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.
Loss absorbency clause:	Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule vide BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger as declared by SBP of the non-viability event as declared by SBP. subject to a cap of 467.836.257 shares.

17.2 In 2017, the Bank has issued Rs.2 billion of rated, privately placed and listed (listing in process), unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66 of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute toward the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date	December 29, 2017
Tenor:	Up to Seven years from the Issue date.
Maturity Date:	December 29, 2024
Rating	A + (Single A Plus)
Profit Rate:	Floating rate of return at Base rate + 1.4 percent per annum; Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period

Profit payment:	Semi-annual
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last
Security:	The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.
Call Option:	Exercisable in part or in full on or after the 10th redemption, with prior approval of SBP.
Lock-in-clause:	Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.
Loss absorbency clause:	Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger of Point of Non-Viability (PONV) as declared by SBP, subject to a cap of 319,982,544 shares.

- 17.3** During the current year, the Bank has issued Rs.2.5 billion of rated, privately placed and listed (listing in process), unsecured, subordinated, perpetual and non-cumulative additional tier I capital term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66(1) of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 (the "Circular") and Basel III guidelines. Summary of terms and conditions of the Issue

Purpose:	To contribute toward the Bank's Tier I Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date	December 31, 2018
Maturity date:	Perpetual
Rating	A (Single A)
Profit Rate:	Floating rate of return at Base rate + 2.25 percent per annum; Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.
Profit payment frequency:	Semi-annually on a non-cumulative basis
Redemption:	Not applicable
Security:	The Issue is unsecured and subordinated as to payment of Principal and profit to all other claims except common shares.
Call Option:	Exercisable in part or in full at a par value on or after five years from the issue date, with prior approval of SBP. The Bank shall not exercise the call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause:	Payment of profit will be made from current year's earning and subject to compliance with MCR or CAR set by SBP.

Loss absorbency clause:

Pre-Specified Trigger ("PST")	<p>Upon the occurrence of a Pre-Specified Trigger as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013,, which stipulates that if an Issuer's Common Equity Tier 1 ("CET 1") ratio falls to or below 6.625% of Risk Weighted Assets ("RWA"), the Issuer will have full discretion to determine the amount of TFCs to be permanently converted into common shares or written off, subject to SBP regulations / instructions, and the cap specified below. The Bank will be able to exercise this discretion subject to:</p> <ul style="list-style-type: none"> - If and when Bank's CET 1 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 CET 1 ratio to above 6.625% of total RWA (if possible); - The converted amount should not exceed the amount needed to bring the CET 1 ratio to 8.5% of RWA (i.e. minimum CET 1 of 6.0% plus capital conservation buffer of 2.5%); and - 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 CET 1 of the Issuer.
Point of Non-Viability ("PONV")	<p>Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, which stipulates that SBP may, at its option, fully and permanently convert the TFCs into common shares of the Issuer and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Value of the TFCs' divided by market value per share of the Issuer's common / ordinary share on the date of the PONV trigger event as declared by SBP, subject to the cap specified below:</p>

The PONV trigger event is the earlier of:

- A decision made by SBP that a conversion or temporary / permanent write-off is necessary without which the Issuer would become non-viable;
- The decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by SBP; and
- The maximum number of shares to be issued to TFC holders at the Pre-Specified Trigger and / or Point of Non Viability (or otherwise as directed by SBP) will be subject to a specified cap of 329,595,476 ordinary shares, or such other number as may be agreed to in consultation with SBP.

	Note	2018 ----- Rupees in '000 -----	2017
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency	18.1	2,638,441	2,096,404
Mark-up / return / interest payable in foreign currency		107,641	47,076
Accrued expenses	18.2	575,943	694,761
Acceptances		3,217,002	3,170,373
Unclaimed dividends		4,214	4,207
Payable in respect of defined benefit obligation - net	38.5	102,494	175,118
Government duties		159,236	115,517
Donation payable	30.2.1	14,500	32,000
Lease key money deposit		4,568,145	3,320,317
Workers' Welfare Fund	18.3	72,712	238,385
Payable against remittance		442,811	361,808
Visa debit card payable		80,202	148,650
Retention money payable		35,053	29,245
Others		130,006	121,569
		<u>12,148,400</u>	<u>10,555,430</u>

18.1 Included herein is a sum of Rs.43.305 million (2017: Rs.72.114 million) payable to related parties.

18.2 Included herein is a sum of **Rs.1.907 million** (2017: Rs.1.907 million) payable to subsidiary companies.

18.3 The Honorable Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, declaring the insertion of amendments under the Workers' Welfare Ordinance, 1971, introduced in the Finance Act, 2008 pertaining to Federal WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution and restored the position prior to the amendments of Finance Acts of 2006 and 2008. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending for hearing.

In view of the above developments regarding the applicability of federal WWF on Banks, the Bank sought a legal opinion to conclude on the reversal of Federal WWF charge, where the Bank's legal advisor of the view that review petition of FBR is unlikely to succeed as the banks do not fall into definition of Industrial Undertaking and thus, not liable to pay federal WWF. Therefore, based on legal advice, the Bank has decided to reverse the charge of Federal WWF of Rs. 74.702 million which was accrued at 2% of higher of profit before tax as per these unconsolidated financial statements or taxable income as per the income tax return, whichever is higher up to financial year 2014.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh WWF Act, 2014, the Act. As per the Act, Banks are liable to pay SWWF. The Bank has challenged the issue of jurisdiction claimed by Sindh Revenue Board before the Honorable High Court of Sindh (the Court) through Constitutional Petition 1546/2017 i.e. the Act will be applied to trans-provincial companies to the extent that the obligation under the provincial law is to make distribution only to the proportionate profit of Sindh Province. The Court has restrained the Sindh Revenue Board to collect / recover Sindh Worker Welfare Fund till the next date of hearing.

During the year, the Bank reassessed the SWWF provision which was previously held on the entire operating results of the Bank (including other provinces, part of Pakistan, AJK and Bahrain Operations) and based on the above legal status and also based on the legal opinion, is of the view that the Bank will only liable to SWWF to the extent to its operations within Sindh and accordingly, have reversed the provision relating to operations outside Sindh (on best possible estimation) to the extent of Rs.98.210 million.

19. SHARE CAPITAL - NET**19.1 Authorised capital**

2018 ----- Number of shares -----	2017		Note	2018 ----- Rupees in '000 -----	2017
<u>2,350,000,000</u>	<u>1,850,000,000</u>	Ordinary shares of Rs.10 each	19.1.1	<u>23,500,000</u>	<u>18,500,000</u>

19.1.1 During the year, after having SBP approval vide its letter No. 'BPRD/LD-01/602-AM&AoA/16933/2018-8446', the shareholders of the Bank in their Annual General Meeting held on March 07, 2018 increased its authorised capital by Rs.5 billion, divided into 500 million ordinary shares of Rs.10 each.

19.2 Issued, subscribed and paid-up capital - net

2018	2017		2018	2017
Number of shares		Note	----- Rupees in '000 -----	
763,558,965	538,558,965	Ordinary shares		
533,905,297	533,905,297	Fully paid in cash	7,635,590	5,385,590
1,297,464,262	1,072,464,262	Issued for consideration other than cash	5,339,053	5,339,053
-	-		12,974,643	10,724,643
1,297,464,262	1,072,464,262	Less: Discount on issue of shares	(2,855,401)	(2,105,401)
			10,119,242	8,619,242

19.3 On February 19, 2018, issued, subscribed and paid-up capital of the Bank has also increased by Rs. 2,250 million divided into 225 million ordinary shares of Rs. 10 each. The increase was on account of conversion of unlisted preference shares of Rs. 1,500 million divided into 150 million shares of Rs. 10 each at a conversion ratio of 1:1.5 (i.e. for every one preference share one and half ordinary shares were issued). The ordinary shares are issued at Rs. 6.67 per share i.e. at a discount of Rs. 3.33 per share as per the approvals of Securities and Exchange Commission of Pakistan vide its letter No. EMD/CI/102/2010 dated December 19, 2013 and State Bank of Pakistan vide its letter No. BPRD/BA&CA/649/19755/2013 dated December 30, 2013.

19.4 As at December 31, 2018, Jahangir Siddiqui & Co. Ltd. (the parent company) held 973,307,324 (December 31, 2017: 755,245,007) ordinary shares of Rs.10 each i.e. 75.02% holding (December 31, 2017: 70.42%).

20. PREFERENCE SHARES**20.1 Authorised capital**

2018	2017		2018	2017
Number of shares		Note	----- Rupees in '000 -----	
150,000,000	150,000,000	Convertible preference shares of Rs.10 each	1,500,000	1,500,000

20.2 Issued, subscribed and paid-up capital

-	150,000,000	Issued for cash	-	1,500,000
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21. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

(Deficit) / surplus on revaluation of:

Available-for-sale securities

Fixed assets

Non-banking assets acquired in satisfaction of claims

8.1	(3,354,020)	(120,477)
21.1	1,379,744	661,400
21.2	93,869	97,242
	(1,880,407)	638,165

Deferred tax on (deficit) / surplus on revaluation of:

Available-for-sale securities

Fixed assets

Non-banking assets acquired in satisfaction of claims

1,173,907	42,167
(328,078)	(187,861)
(1,011)	(2,192)
844,818	(147,886)
(1,035,589)	490,279

21.1 Fixed assets

Surplus on revaluation as at January 01

Recognised during the year - net

661,400	-
741,138	665,012
1,402,538	665,012

Less: Transferred to unappropriated profit:

Incremental depreciation during the year

Related deferred tax liability

(14,816)	(2,348)
(7,978)	(1,264)
(22,794)	(3,612)

Surplus on revaluation as at December 31

1,379,744	661,400
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Less: Related deferred tax liability on:

Surplus on revaluation as at January 01

Recognised / transferred during the year

Transferred to profit and loss account on account of incremental depreciation

(187,861)	-
(148,195)	(189,125)
7,978	1,264
(328,078)	(187,861)
1,051,666	473,539

	Note	2018 ----- Rupees in '000 -----	2017
21.2 Non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 01		97,242	84,175
(Transferred) / recognized during the year		(3,210)	13,396
		94,032	97,571
Less: Transferred to unappropriated profit:			
Incremental depreciation during the year		(106)	(214)
Related deferred tax liability		(57)	(115)
		(163)	(329)
Surplus on revaluation as at December 31		93,869	97,242
Less: Related deferred tax liability on:			
Surplus on revaluation as at January 01		(2,192)	(2,307)
Transferred during the year		1,124	-
Transferred to profit and loss account on account of incremental depreciation		57	115
		(1,011)	(2,192)
		92,858	95,050
22. CONTINGENCIES AND COMMITMENTS			
Guarantees	22.1	41,116,520	45,019,600
Commitments	22.2	58,341,132	59,787,146
		99,457,652	104,806,746
22.1 Guarantees:			
Financial guarantees		3,552,003	4,680,143
Performance guarantees		19,549,043	18,094,043
Other guarantees		18,015,474	22,245,414
	22.1.1	41,116,520	45,019,600
22.1.1 Included herein the outstanding guarantees of Rs.19.201 million (2017: Rs.31.454 million) of related parties.			
22.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit	22.2.1	14,957,752	18,387,725
Commitments in respect of:			
- Forward foreign exchange contracts	22.2.2	34,627,442	11,649,460
- Forward government securities transactions	22.2.3	1,703,671	1,611,883
- Interest rate swaps (notional principal)	22.2.4	3,992,763	4,223,400
- Options (notional principal)	22.2.4	2,631,433	2,421,402
- Forward lending	22.2.5	284,137	21,398,301
Commitments for acquisition of:			
- Fixed assets	22.2.6	143,934	94,975
		58,341,132	59,787,146
22.2.1 Included herein the outstanding letter of credits of Rs.44.016 million (2017: Rs.44.016 million) of related parties.			
22.2.2 Commitments in respect of forward foreign exchange contracts			
Purchase		21,521,180	6,689,099
Sale		13,106,262	4,960,361
		34,627,442	11,649,460
The Bank utilises foreign exchange instruments to meet the needs of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk. At year end, all foreign exchange contracts have a remaining maturity of less than one year.			
22.2.3 Commitments in respect of forward government securities			
Purchase		209,471	1,496,072
Sale		1,494,200	115,811
		1,703,671	1,611,883
22.2.4 Commitments in respect of derivative instruments			
Interest rate swaps (notional principal)		3,992,763	4,223,400
Options (notional principal)		2,631,433	2,421,402
		6,624,196	6,644,802
22.2.5 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend		284,137	21,398,301
22.2.5.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.			
22.2.6 Commitments for acquisition of fixed assets		143,934	94,975
22.2.7 Tax related contingencies are disclosed in notes 34.2 to 34.5.			

23 Derivative Instruments

Derivative instruments, such as Forward Exchange Contracts, Interest Rate Swaps, Interest Rate Swaps and Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business also provides risk solutions for the existing and potential customers of the Bank.

The Bank has entered into a Cross Currency Swap transaction with its customer on back-to-back basis with an Authorized Derivative Dealer (ADD) without carrying any open position in its books. Specific approvals for the transactions have been granted by State Bank of Pakistan. Policies in line with SBP instructions have been formulated and are operative.

The Bank has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities.

These transactions cover the aspects of both market making and hedging. The risk management related to derivative is disclosed in note 44.5 to the financial statements.

Accounting policies in respect of derivative financial instruments are described in note 4.5.2.

23.1 Product analysis

		2018							
		Interest Rate Swaps		Options		Forward exchange contracts		Forward securities	
		Notional principal	Mark to market	Notional principal	Mark to Market	Notional principal	Mark to Market	Notional principal	Mark to Market
		Rupees in '000							
With Banks for									
Hedging		3,992,763	16,931	-	-	-	-	-	-
Market making		-	-	2,631,433	(3,652)	34,627,442	211,933	1,703,671	(296)
With FIs other than banks									
Hedging		-	-	-	-	-	-	-	-
Market making		-	-	-	-	-	-	-	-
Total									
Hedging		3,992,763	16,931	-	-	-	-	-	-
Market making		-	-	2,631,433	(3,652)	34,627,442	211,933	1,703,671	(296)

		2017							
		Interest Rate Swaps		Options		Forward exchange contracts		Forward securities	
		Notional principal	Mark to market	Notional principal	Mark to Market	Notional principal	Mark to Market	Notional principal	Mark to Market
		Rupees in '000							
With Banks for									
Hedging		4,223,400	6,118	-	-	-	-	-	-
Market making		-	-	2,421,402	4,874	11,649,458	61,523	1,611,882	(437)
With FIs other than banks									
Hedging		-	-	-	-	-	-	-	-
Market making		-	-	-	-	-	-	-	-
Total									
Hedging		4,223,400	6,118	-	-	-	-	-	-
Market making		-	-	2,421,402	4,874	11,649,458	61,523	1,611,882	(437)

At the exchange rate prevailing at the end of the reporting period.

23.2 Maturity analysis

		2018				
		Number of contracts	Notional principal	Mark to market		
				Positive	Negative	Net
Remaining maturity of Contracts						
Upto 1 month		123	16,831,971	178,009	(71,065)	106,944
1 to 3 months		61	10,868,070	179,595	(72,610)	106,985
3 to 6 months		54	10,257,016	99,766	(120,138)	(20,372)
6 months to 1 year		20	3,171,089	32,045	(16,145)	15,900
1 to 2 years		-	-	-	-	-
2 to 3 years		4	1,827,163	67,492	(52,033)	15,459
3 to 5 years		-	-	-	-	-
5 to 10 years		-	-	-	-	-
Above 10 years		-	-	-	-	-
		262	42,955,309	556,907	(331,991)	224,916

		2017				
		Number of contracts	Notional principal	Mark to market		
				Positive	Negative	Net
Remaining maturity of Contracts						
Upto 1 month		101	9,074,420	112,801	(75,269)	37,532
1 to 3 months		56	2,537,559	10,865	(26,079)	(15,214)
3 to 6 months		37	1,253,820	31,561	(1,977)	29,584
6 months to 1 year		25	3,026,643	25,272	(11,063)	14,209
1 to 2 years		2	831,200	32,563	(30,458)	2,105
2 to 3 years		-	-	-	-	-
3 to 5 years		4	3,182,500	96,426	(92,565)	3,862
5 to 10 years		-	-	-	-	-
Above 10 years		-	-	-	-	-
		225	19,906,142	309,488	(237,411)	72,078

	Note	2018 ----- Rupees in '000 -----	2017
24. MARK-UP / RETURN / INTEREST EARNED			
On:			
Loans and advances		19,657,396	10,007,332
Investments		10,071,454	10,117,763
Lendings to financial institutions		111,081	78,244
Balance with banks		20,120	3,613
Securities purchased under resale agreements		136,977	174,219
		<u>29,997,028</u>	<u>20,381,171</u>
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		15,098,769	11,775,496
Borrowings	25.1	705,007	401,137
Securities sold under repurchase agreements		4,975,964	1,734,670
Sub-ordinated loans		407,992	227,917
		<u>21,187,732</u>	<u>14,139,220</u>
25.1 Borrowings			
Export Refinancing Scheme (ERF)		260,801	140,359
Long-Term Finance Facility (LTFF)		12,606	24,727
Financing Facility for Storage of Agricultural Produce (FFSAP)		2,249	1,897
Other short term borrowings		429,351	234,154
		<u>705,007</u>	<u>401,137</u>
26. FEE AND COMMISSION INCOME			
Branch banking customer fees		176,703	104,457
Consumer finance related fees		32,640	37,195
Card related fees (debit and credit cards)		291,035	238,038
Credit related fees		239,166	78,841
Investment banking fees		335,639	462,802
Commission on trade		468,623	372,540
Commission on guarantees		313,685	322,626
Commission on cash management		4,423	2,747
Commission on remittances including home remittances	26.1	116,004	57,523
Commission on bancassurance		188,040	164,861
Commission on distribution of mutual funds		183,824	296
Commission on online Services		157,052	147,642
Postage & Courier income		13,890	12,078
Rebate income		144,081	111,978
Rebate on primary dealership		4,118	9,096
Others		-	1,588
		<u>2,668,923</u>	<u>2,124,308</u>
26.1	This includes Rs.66.003 million (2017: Rs.33.462 million) in respect of commission income from home remittance services provided by the Bank. The amount is earned from State Bank of Pakistan at the rate of Saudi Riyal 20 (2017: Saudi Riyal 20) per transaction over USD 200 (2017: USD 200) and is shared between the Bank and various exchange companies as per terms of agreement with them.		
27. INCOME FROM DERIVATIVE INSTRUMENTS		2018 ----- Rupees in '000 -----	2017
Realised			
Options		9,392	-
Forward foreign exchange contracts		(63,079)	27,685
		<u>(53,687)</u>	<u>27,685</u>
Unrealised			
Interest rate swaps		10,815	66
Options		(3,204)	4,874
Forward foreign exchange contracts		211,933	61,524
Forward government securities		(296)	(438)
		<u>219,248</u>	<u>66,026</u>
		<u>165,561</u>	<u>93,711</u>

28. (LOSS) / GAIN ON SALE OF SECURITIES - NET	Note	2018	2017
		----- Rupees in '000 -----	
Realised	28.1	(1,421,128)	1,236,163
Unrealised - held for trading		(12,906)	(2,488)
		<u>(1,434,034)</u>	<u>1,233,675</u>
28.1 Realised gain on:			
Federal government securities			
Market treasury bills		(15,587)	6,677
Pakistan investment bonds		(1,042,947)	132,137
Ijara sukuk certificates		572	2,074
Shares			
Listed companies		(325,660)	312,492
Unlisted companies		-	599,215
Non Government Debt Securities			
Term finance certificates		-	(108)
Mutual fund units		1,367	(4,119)
Foreign currency bonds		(42,838)	187,795
Sukuk certificates		<u>3,965</u>	<u>-</u>
		<u>(1,421,128)</u>	<u>1,236,163</u>
29. OTHER INCOME - NET			
Gain on sale of operating fixed assets - net		<u>108,964</u>	<u>75,441</u>
29.1 This includes loss amounting of Rs. 0.862 million (2017: Rs. Nil) incurred due to transfer of furniture and electrical equipment at free of cost to Mr. Khalid Imran, Ex president of Bank, as approved in Board meeting dated April 25, 2018.			
30. OPERATING EXPENSES			
Total compensation expense	30.1	4,886,572	3,712,228
Property expense			
Rent & taxes		1,061,698	947,021
Insurance		8,144	8,584
Utilities cost		263,416	213,733
Security (including guards)		353,030	300,754
Repair & maintenance (including janitorial charges)		229,620	166,337
Depreciation		218,486	171,454
Depreciation on non banking assets		573	1,300
		<u>2,134,967</u>	<u>1,809,183</u>
Information technology expenses			
Software maintenance		125,023	113,309
Hardware maintenance		189,412	90,628
Depreciation		141,947	118,563
Amortisation		71,069	60,556
Network charges		104,620	75,996
		<u>632,071</u>	<u>459,052</u>
Other operating expenses			
Directors' fees and allowances		14,450	13,000
Legal & professional charges		59,126	57,184
Insurance		162,723	107,400
Outsourced services costs	37.1	123,375	457,337
Travelling & conveyance		91,168	88,504
NIFT clearing charges		35,228	32,329
Depreciation		327,135	295,768
Training & development		39,075	50,707
Postage & courier charges		72,422	56,832
Communication		95,557	50,462
Stationery & printing		212,657	188,120
Marketing, advertisement & publicity		362,558	307,461
Donations	30.2	21,244	32,000
Auditors Remuneration	30.3	17,444	11,560
Staff Auto fuel & maintenance		156,270	137,268
Bank Charges		47,996	33,755
Stamp Duty		27,698	25,373
Online verification charges		19,573	15,669
Brokerage, fee and commission		47,599	66,439
Card related fees (debit and credit cards)		6,683	5,561
CDC and other charges		5,692	4,763
Consultancy fee		61,887	64,020
Deposit protection corporation		59,736	-
Entertainment expenses		58,764	58,630
Fee and Subscription		58,205	35,834
Employees social security		7,147	4,020
Generator fuel & maintenance		79,162	54,931
Others		31,876	20,945
		<u>2,302,450</u>	<u>2,275,872</u>
		<u>9,956,060</u>	<u>8,256,335</u>

		2018	2017
		----- Rupees in '000 -----	
30.1 Total compensation expense	Note		
Fees and Allowances etc.		158,260	114,116
Managerial Remuneration			
i) Fixed		3,329,747	2,535,774
ii) Variable			
of which;			
a) Cash Bonus / Awards etc.	30.1.1	394,289	409,796
b) Commission		289,877	113,085
Charge for defined benefit plan		129,556	89,576
Contribution to defined contribution plan		177,360	137,059
Leaving indemnity		2,313	1,804
Medical		324,835	248,630
Conveyance		13,706	8,016
Insurance staff		66,629	54,372
		4,886,572	3,712,228
30.1.1	The Bank operates a short term employee benefit scheme which includes cash awards / special bonus for all employees. Under this scheme, the bonus for all employees, including the Chief Executive Officer (CEO) is determined on the basis of employees' evaluation and the Bank's performance during the year.		
30.2 Donations			
Future Trust		14,500	32,000
The Supreme Court of Pakistan and The Prime Minister of Pakistan			
Diamer-Bhasha And Mohmand Dams Fund		6,744	-
		21,244	32,000
30.2.1	This represents donation to a related party, wherein below mentioned persons are trustees. The registered office of the donee is located at 7th Floor, The Forum, Block 9, Clifton, Karachi.		
- Mr. Suleman Lalani, of the Bank	Chairman of the Bank and the Chief Executive Officer of Jahangir Siddiqui & Co. Ltd, the parent company		
- Mr. Ali Raza Siddiqui,	Director of Jahangir Siddiqui & Co. Ltd, the parent company		
- Mr. Kalim-ur-Rehman	Director of the Bank and Jahangir Siddiqui & Co. Ltd, the parent company		
- Mr. Hasan Shahid	Director Finance & Company Secretary		
- Mr. Najmulul Hoda Khan	Chief Financial Officer of the Bank		
- Mr. Tariq Hussain Bhati	Head of Money Market And Forex of JS Global Capital Limited		
30.3 Auditors' remuneration	Note	2018	2017
		----- Rupees in '000 -----	
Audit fee - Pakistan		1,631	1,450
Audit fee - Bahrain		1,131	2,030
Half-yearly review		563	500
Special certification and sundry advisory services		11,373	5,910
Taxation services		180	190
Out of pocket expenses and sales tax on services		2,566	1,480
	30.3.1	17,444	11,560
30.3.1 Geographical analysis			
Pakistan		13,175	7,575
Bahrain		4,269	3,985
		17,444	11,560
31. WORKERS' WELFARE FUND			
Sindh Workers' Welfare Fund			
Charge during the year	31.1	7,238	32,411
Reversal of prior years	18.3	(98,210)	-
		(90,972)	32,411
Reversal of Federal Workers' Welfare Fund	18.3	(74,702)	-
		(165,674)	32,411
31.1	Provision held at 2% of the higher of profit before tax or taxable income to the extent of operations carried out under Sindh Workers' Welfare Act, 2014.		
32. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		14,748	12,833
Others		1,455	497
		16,203	13,330
33. PROVISIONS AND WRITE OFFS - NET			
Reversal of diminution in value of investments		(219,911)	123,031
Provisions against loans & advances - specific		350,928	143,449
Provisions against loans & advances - general		55,308	59,365
Other reversals		(39,807)	44,806
General provision - under IFRS-9	4.1.2	92,270	-
		238,788	370,651
33.1	The SBP vide its letter no. OSER/ SEU-26/026(01)/4617/19 dated February 27, 2019 advised the Bank to make provision of Rs.792.327 million against certain classified loans, investments and other assets, in a phased manner spreading equally (i.e. Rs.264.109 million each) over three reporting periods of December 31, 2018, March 31, 2019 and June 30, 2019.		

	2018	2017
	----- Rupees in '000 -----	
34. TAXATION		
Current	(440,917)	(515,275)
Prior years	(699)	(73,298)
Deferred	99,197	(58,842)
	<u>(342,419)</u>	<u>(647,415)</u>

34.1 Relationship between income tax expense and accounting profit

Profit before taxation	<u>904,757</u>	<u>1,620,564</u>
Tax on income @ 35% (2016: 35%)	(316,665)	(567,197)
Effect of permanent differences	(5,162)	(4,947)
Effects of prior year deferred taxation	12,876	35,945
Effects of current and prior year Super tax	(33,468)	(111,216)
Tax charge for the year	<u>(342,419)</u>	<u>(647,415)</u>

34.2 Income Tax

The income tax returns filed under Section 114 of the Income Tax Ordinance, 2001 for the tax years 2007 through 2018. These returns filed were deemed to have been assessed in terms of the provisions prevailing under income tax laws as applicable in Pakistan. However, the Officers of Inland Revenue Services (OIR) conducted the proceedings for making certain amendments in the deemed assessments for tax years 2008 to 2015. This was done by taking recourse of conducting tax audit or alternatively a direct amendment in the assessment contending that certain matters in the deemed assessments were not admissible as not conforming to the law and prejudiced the interest of revenue.

Based on the amended assessments in tax year 2008 to tax year 2015, the department had made certain dis-allowances of expenses and tax deductible claims besides creating minimum tax and Workers' Welfare Fund liabilities in the tax years 2010, 2011 & 2012 and tax years 2009, 2012 & 2013 respectively.

In respect of WWF, the Supreme Court of Pakistan has held in Judgement, PLD 2017 SC 28, that the amendments made in the WWF Ordinance through Finance Act, 2006 and 2008 were illegal and without lawful authority i.e. the banks do not fall into definition of Industrial Undertaking and thus, not liable to pay WWF. Therefore based on this, the Bank's contention is mandated and it is likely that its pending appeals in this will be decided favorably. The Bank has obtained appeal effect orders of respective years except 2013 and resultantly no demand is payable in this respect.

As a consequence of introduction of Sindh Workers' Welfare Fund Act, the Bank is required to pay WWF to Sindh Revenue Board effective from tax year 2015. The Bank has filed petition before the Honourable High Court of Sindh to contest applicability of SWWF in its case who has granted stay against recovery of SWWF from the Bank.

In respect of minimum tax, the Commissioner Inland Revenue-Appeals (the CIRA) has not accepted the Bank's contentions of gross loss position and also decided that non-mark-up income is the fall in the definition of turnover including capital gains and dividend income. As result the demand of Rs. 38.907 million has been payable. The Bank has contesting the matter in further appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for hearing.

For tax year 2008-2015, the Bank has not accepted the amendments of Rs. 5.322 billion and have filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA).

CIRA has admitted the contention of the Bank in case of tax year 2008 that the amended order is barred by time and decided that any addition made in impugned order is annulled and not required to be further adjudicated. However, the department has filed an appeal against the decision of CIRA in ATIR where it is pending for hearing and decision.

With regard to appeals filed for tax year 2009 to 2014, the CIRA has decided the appeals accepting the Bank's contentions in respect of significant issues, and in 2015, not in favor of the Bank even on issues decided in favor in prior years. Whereas disallowance of amortization claim of goodwill have been decided in favor of department in all tax years. However, the Bank and the tax department are contesting the matters in further appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for hearing.

During the year, the tax department has passed appeal effect/rectification orders and allowed deleted and set-aside issues in the light of CIR(A) orders for tax year 2008 to 2014. As a result of these orders, the Bank's taxable losses has increased to Rs. 3.464 billion and reduced the demand of Rs. 1.212 billion in relevant tax years after adjustment of these losses.

Further for the tax year 2013, the ATIR has decided appeal filed by tax department in respect of calculating the amount of provisions against advances as allowable under Rule 1(c) of Seventh Schedule to the Income Tax Ordinance, 2001 and has maintained the CIRA decision that the allowability of provision for advances to be calculated at 1% of gross amount of advances as against the tax department contention that the same is to be calculated on net advances after deducting the amount of provisions created and allowed against advances.

The matter of allowability of amortization relating to goodwill is contentious issue, therefore based on the opinion of lawyer there are arguments available to contend that goodwill on merger is a tax claimable deduction. Especially in the recent decision given by the High Court of Sindh in the case of merger of other bank in Pakistan where the court has ruled favorably that goodwill generated in merger is 'intangible' and amortization relating to goodwill is allowable deduction.

The Bank has not been accepting levy of Super Tax and has been contesting the matter in high court and other appellate forums. However, the Bank has recognised full provision in these unconsolidated financial statements against this levy after amendments made through finance act 2016. Further, the Finance Supplementary (Second Amendment) Bill, 2019 issued dated January 23,

The management of Bank is confident that the appeals filed on various forums in respect of the above matters will be decided in the Bank's favor and accordingly no demand for payment would arise.

34.3 Withholding tax monitoring

Withholding tax monitoring was initiated against the Bank for tax year 2014-2018. Orders in respect of tax years 2014, 2015 and 2017 has been passed against which appeals have been filed before the CIR(A). CIR(A) has reminded back the matters for rectification in respect of tax years 2014 and 2015 against which rectified orders has been passed and demands have been rectified. Appeal for tax year 2017 has been heard and reserved for order. In respect of tax year 2018, proceedings are pending.

34.4 Sales tax

The Bank as a registered person under Sindh Sales Tax on Services Act, 2011 has been issued a Sales Tax Order from the Sindh Revenue Board (SRB) creating a demand of Rs.48.838 million (besides Rs.4.440 million is charged as penalty) against the Bank for allegedly non-payment of Sindh sales tax on certain 'presumed non-taxable services / incomes' amounting to Rs.277.488 million for the tax periods from July 2011 to December 2013. The issue is common amongst the banking industry. An appeal was filed by the Bank before Commissioner SRB (Appeals) which has been decided in favor of the tax department except tax imposed on FX gain on Western Union remittance. The Bank and tax department have filed appeals before Appellate Tribunal which are pending for hearing.

The management of Bank is confident that the appeals filed in respect of the above matter will be decided in the Bank's favor and accordingly no demand for payment would arise.

34.5 Azad Jammu & Kashmir Operations

The Bank has commenced operations in Azad Jammu & Kashmir from tax year 2009 and has filed returns for the tax years 2009 to 2018 with the tax authorities of such region. The Commissioner has issued notices for amendment of assessment under section 122 of the Income Tax Ordinance, 2001 (as adopted in AJK Region) for the tax year 2011 to 2017. All assessments orders are rectified and no additional demand has been raised.

35. BASIC EARNINGS PER SHARE	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
Profit after taxation for the year - attributable to ordinary equity holders of the Bank		562,338	973,149
Preference dividend paid for the year December 31, 2017 @ 12% p.a (2016: @ 12% p.a.)	35.1	(180,000)	(180,000)
Profit after taxation for the year - attributable to ordinary equity holders of the Bank for basic earnings		<u>382,338</u>	<u>793,149</u>
		----- Numbers -----	
Weighted average number of outstanding ordinary shares during the year for basic earnings		<u>1,267,258,783</u>	<u>1,072,464,262</u>
Basic earnings per share		<u>0.30</u>	<u>0.74</u>
35.1 The shareholders of the Bank in their meeting held on March 29, 2018 approved non-cumulative preference dividend of Rs.180 million (2017: Rs.180 million) for the preference shareholders. Since it was not recognised as a liability at reporting period as of December 31, 2017 due to non-adjusting event in accordance with International Accounting Standard - IAS 10 "Events after the Reporting Period", the basic earnings per share of the current period has been adjusted accordingly.			
35.2 Diluted earnings per share increases when taking the convertible preference shares into account, therefore the convertible preference shares are anti-dilutive and are excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.			
36. CASH AND CASH EQUIVALENTS	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
Cash and balances with treasury banks	5	32,110,840	17,333,788
Balances with other banks	6	968,702	1,034,266
Overdrawn nostro accounts	15	(501,629)	(198,996)
		<u>32,577,913</u>	<u>18,169,058</u>
		<u>(127)</u>	<u>-</u>
		<u>32,577,786</u>	<u>18169058</u>
37. STAFF STRENGTH			
Permanent		3,528	3,099
On Bank's contract		1,148	1,421
Bank's own staff strength at the end of the year		<u>4,676</u>	<u>4,520</u>
Third party contract (other guards and janitorial)		451	478
		<u>5,127</u>	<u>4,998</u>
37.1 Geographical segment analysis			
Pakistan		5,121	4,992
Bahrain		6	6
		<u>5,127</u>	<u>4,998</u>

38. DEFINED BENEFIT PLAN

38.1 General description

The Bank operates a recognized gratuity fund for all employees who opted for this scheme introduced by the management with effect from January 01, 2007.

The defined benefit is administered by a separate fund that is legally separate from the Bank. The plan is governed by the trust deed dated September 01, 2007. The trustees of the gratuity fund are composed of representatives from employers. The trustees of the gratuity fund are required by the trust deed to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and employers. The trustees of the gratuity fund are responsible for the investment policy with regard to the assets of the fund.

38.2 The plan in Pakistan typically exposes the Bank to actuarial risks such as: salary risk, discount rate risk, mortality risk and investment risk defined as follow:

- **Salary increase risk:**

This is a risk to the Bank, because the benefits are based on the final salary, if the final salary is higher it will impacts the liability accordingly.

- **Discount rate risk**

The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

- **Withdrawal risk:**

This is the risk that actual withdrawals experience is different than expected and will impact the obligation accordingly.

- **Longevity Risk**

This is the risk that actual lifetime of retirees is longer than expectation. The risk is measured at plan level over the entire population.

- **Investment risk**

This is the risk that the assets are under-performing and are not sufficient to meet the liabilities.

- **Maturity profile**

The weighted average duration of the defined benefit obligation works out to 11 years.

38.3 Number of employees under the schemes

The number of employees covered under defined benefit scheme (gratuity fund) is **3,522** (2017: 3,095).

38.4 Principal actuarial assumptions

Principal actuarial assumptions at the end of the reporting period expressed as weighted averages. The actuarial valuations were carried out on December 31, 2018 based on the Projected Unit Credit Method, using the following significant assumptions:

		2018	2017
Valuation discount rate for year end obligation	per annum	13.75%	9.50%
Valuation discount rate for interest cost for the year	per annum	9.50%	8.00%
Expected return on plan assets	per annum	13.75%	9.50%
Future salary increase rate			
- upto three years	per annum	10.50%	10.50%
- more than three years	per annum	13.75%	10.50%
Effective duration of the discounted future cash flows	years	11	11
Normal retirement age	years	60	60
Withdrawal rates		Moderate	Moderate
Mortality rates		SLIC 2001-2005, Setback 1 Year	SLIC 2001-2005, Setback 1 Year

38.5 Movement in defined benefit obligations, fair value of plan assets and their components

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability / (asset)	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Balance as at January 01	548,530	367,635	373,412	249,327	175,118	118,308
Included in profit or loss						
Current service cost	119,060	84,931	-	-	119,060	84,931
Past service cost	2,525	-	-	-	2,525	-
Interest cost / income	51,168	29,076	43,197	24,431	7,971	4,645
	172,753	114,007	43,197	24,431	129,556	89,576
Included in other comprehensive income						
Actuarial gains / losses arising from:						
- financial assumptions	(127,462)	611	(25,329)	(10,273)	(102,133)	10,884
- experience adjustments	75,071	74,658	-	-	75,071	74,658
	(52,391)	75,269	(25,329)	(10,273)	(27,062)	85,542
Other movements						
Contribution made during the year	-	-	175,118	118,308	(175,118)	(118,308)
Benefits paid during the year	(16,939)	(6,182)	(16,939)	(6,182)	-	-
Benefits payable during the year	(2,891)	(2,199)	(2,891)	(2,199)	-	-
	(19,830)	(8,381)	155,288	109,927	(175,118)	(118,308)
Balance as at December 31	649,062	548,530	546,568	373,412	102,494	175,118

38.6 The composition of the plan assets at the end of the reporting period for each category, are as follows:

Note	Cost		Fair value of plan assets		
	2018	2017	2018	2017	2018
	Rupees in '000		Rupees in '000		Percentage
Cash and cash equivalents	245,411	9,146	245,411	9,146	44.7%
Debt securities	315,000	368,046	304,063	366,465	55.3%
	560,411	377,192	549,474	375,611	100%

38.6.1 This represents investments held in Pakistan Investment Bonds (PIBs) and Term Finance Certificates (TFCs). The fair values of these securities are determined based on quoted market prices in active markets.

38.7 Maturity profile

38.7.1 Expected maturity analysis of undiscounted defined benefit obligation (benefit payments) for the gratuity fund is as follows:

	Up to one year	Over 1-2 years	Over 2- 5 years	Over 6-10 years	Over 10 and above	Total
	Rupees in '000					
Balance as at December 31, 2018	27,055	38,929	184,327	848,062	18,055,928	19,154,301
Balance as at December 31, 2017	17,411	21,450	130,589	469,756	9,092,944	9,732,150

38.8 Sensitivity analysis

38.8.1 Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Particulars	Rate	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
		Rupees in '000		
Current results	-	649,062	546,568	102,494
Discount rate				
1% Increase	14.75%	590,606	546,568	44,038
1% Decrease	12.75%	716,238	546,568	169,670
Salary Rate				
1% Increase	14.75%	717,386	546,568	170,818
1% Decrease	12.75%	588,581	546,568	42,013
Withdrawal rate				
10% Increase	Moderate + one year	632,272	546,568	85,704
10% Decrease	Moderate - one year	667,335	546,568	120,767
Mortality rate				
One year age set back	Adjusted SLIC 2001-2005 - one year	648,733	546,568	102,165
One year age set forward	Adjusted SLIC 2001-2005 + one year	649,413	546,568	102,845

Furthermore in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as applied in calculating the defined benefit obligation liability recognised in this unconsolidated statement of financial position.

38.9 Experience Adjustments

The re-measurement gains / losses arise due to actual experience varying from the actuarial assumptions for the year.

	2018	2017	2016	2015	2014
	Rupees in '000				
Particulars					
Defined benefit obligation	649,062	550,729	367,635	235,572	154,368
Fair value of plan assets	(546,568)	(375,611)	(249,327)	(171,567)	(133,019)
Net defined benefit liability	102,494	175,118	118,308	64,005	21,349
Re-measurement loss / (gain) on obligation	(52,391)	75,269	56,598	12,774	3,493
Re-measurement loss / (gain) on plan assets	25,329	10,273	393	(3,104)	3,655
Other comprehensive income	(27,062)	85,542	56,991	9,670	7,148

38.10 The average duration of the payment of benefit obligation at December 31, 2018 is with in one year.

38.11 The Bank contributes to the gratuity fund as per actuarial's expected charge for the next financial year. Based on actuarial advice and management estimates, the charge in respect of defined benefit obligation for the next one year works out to be **Rs.132.323** million. The amount of re-measurements to be recognised in other comprehensive income for year ending December 31, 2018 will be worked out as at the next valuation.

39. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund for all permanent employees. The employer and employee both contribute 7.1% of the basic salaries (2017: 7.1% of the basic salaries) to the funded scheme every month. Number of employees covered under this plan are 2,726 (2017: 2,481). During the year, employees made a contribution of Rs.177.359 million (2017: Rs.137.05 million) to the fund. The Bank has also made a contribution of equal amount to the fund.

40. COMPENSATION OF DIRECTORS AND EXECUTIVES

40.1 The aggregate amount charged in the financial statements for the year in respect of the remuneration and benefits to the President and Chief Executive Officer, Directors and Executives are as follows:

Items	2018				
	Directors		President /	Key	Other
	Chairman	Non-Executives	CEO	Management Personnel	Executives
	Rupees in '000				
Fees and Allowances etc.	600	13,850	-	-	-
Managerial Remuneration					
i) Fixed	-	-	38,331	234,960	1,158,103
ii) Total Variable	-	-	-	-	-
of which	-	-	-	-	-
a) Cash Bonus / Awards	-	-	-	-	-
b) Bonus & Awards in Shares	-	-	25,000	86,025	164,245
Charge for defined benefit plan	-	-	1,621	12,920	63,798
Contribution to defined contribution plan	-	-	4,185	21,689	110,461
Rent & house maintenance	-	-	-	-	-
Utilities	-	-	-	-	-
Medical	-	-	3,833	23,496	115,810
Conveyance	-	-	442	9,505	117,064
Others *	-	-	183	808	4,566
Total	600	13,850	73,595	389,403	1,734,047
Number of persons	1	7	1	27	502
Items	2017				
	Directors		President /	Key	Other
	Chairman	Non-Executives	CEO	Management Personnel	Executives
	Rupees in '000				
Fees and Allowances etc.	1,450	11,550	-	-	-
Managerial Remuneration					
i) Fixed	-	-	19,636	178,748	887,120
ii) Total Variable	-	-	-	-	-
of which	-	-	-	-	-
a) Cash Bonus / Awards	-	-	20,000	91,150	163,280
b) Bonus & Awards in Shares	-	-	-	-	-
Charge for defined benefit plan	-	-	-	9,502	50,160
Contribution to defined contribution plan	-	-	-	10,810	57,087
Rent & house maintenance	-	-	-	-	-
Utilities	-	-	-	-	-
Medical	-	-	1,964	17,875	88,712
Conveyance	-	-	-	6,437	77,341
Others *	-	-	26	896	4,168
Total	1,450	11,550	41,626	315,418	1,327,868
Number of persons	1	7	1	20	379

40.1.1 During the year Mr. Khalid Imran vacated his office as the President and CEO with effect from June 15, 2018 and Mr. Basir Shamsie was appointed as the President and CEO of the Bank with effect from July 16, 2018. Amounts reported include remuneration of both the current and former President and CEO.

The SBP, vide its BPRD Circular No. 01 January 25, 2017, issued "Guidelines and Disclosures on Governance and Remuneration Practices". Certain disclosure related to remuneration of Directors and management of the Bank were required to be presented in the financial statements in terms of such guidelines. Accordingly, revised format of the financial statement issued by the SBP incorporates such disclosure requirements. However, SBP through its circular number BPRD/R&PD/2018/17232 dated August 08, 2018 deferred the reporting of such disclosures till December 31, 2019. Therefore, the management has reported the remuneration disclosures in these unconsolidated financial statements in accordance with previous disclosure requirements of the SBP.

The Companies Act, 2017 has changed the definition of Executives from individuals with an annual basic salary exceeding Rs.0.500 million to individuals with an annual basic salary exceeding Rs 1.200 million. Pursuant to this change in definition, the comparative figures for executives have been restated.

The CEO is provided with free use of Bank maintained cars in accordance with their entitlement.

Managerial remuneration includes joining related payments made to the CEO and certain Executives in line with their terms of employment.

All Executives, including the CEO of the Bank, are also entitled to certain short term employee benefits which are disclosed in note 30.1 to these unconsolidated financial statements.

2018						
Board Committees						
Board Meetings	Audit Committee	Human Resource, Remuneration & Nomination Committee	Risk Management Committee	I.T Committee	Total Amount Paid	
Rupees in '000						
40.2 Meeting Fees and Allowances Paid						
Name of Director						
1 Mr. Ali Jehangir Siddiqui	500	-	100	-	100	
2 Mr. Adil Matcheswala	1,500	400	-	300	700	
3 Mr. Ashraf Nawabi	1,250	-	300	-	300	
4 Mr. G.M. Sikander	1,500	400	200	-	600	
5 Mr. Kalim-ur-Rahman	1,500	-	400	300	700	
6 Mr. Munawar Alam Siddiqui	1,500	-	400	-	400	
7 Ms. Nargis Ghaloo	1,500	-	200	300	500	
8 Mr. Shahab Anwar Khawaja	1,500	400	-	-	400	
Total amount paid	10,750	1,200	500	900	3,700	

40.2 Meeting Fees and Allowances Paid

2017						
Board Committees						
Human Resource, Remuneration & Nomination Committee						
Board Meetings	Audit Committee	Human Resource, Remuneration & Nomination Committee	Risk Management Committee	Total Amount Paid		
Rupees in '000						
Meeting Fees and Allowances Paid						
Name of Director						
1	Mr. Ali Jehangir Siddiqui	1,250	-	200	-	200
2	Mr. Adil Matcheswala	1,250	400	-	-	400
3	Mr. Ashraf Nawabi	1,250	-	-	400	400
4	Mr. G.M. Sikander	1,250	400	200	-	600
5	Mr. Kalim-ur-Rahman	1,250	-	-	400	400
6	Mr. Munawar Alam Siddiqui	1,250	-	-	400	400
7	Ms. Nargis Ghaloo	1,250	-	200	-	200
8	Mr. Shahab Anwar Khawaja	1,250	400	-	-	400
Total amount paid		10,000	1,200	600	1,200	3,000

Meeting Fees and Allowances Paid

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for 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 6.6.1 to these unconsolidated financial statements.

The repricing profile, effective rates and maturity are stated in note 42.3.4 to these financial statements.

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

Fair value hierarchy

IFRS 13 requires the Bank to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3:** Unobservable inputs for the asset or liability.

41.1 Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the Mutual Funds Association of Pakistan (MUFAP) as at the close of the business days.
Shares of listed companies	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV rates (Reuters page).
Term Finance Certificates and Bonds	Investments in debt securities (comprising Term Finance Certificates, Bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currencies involved, interest rates, yield curves, volatilities, contracts duration, etc.

41.2 Valuation techniques used in determination of fair values within level 3

Fixed assets - Land and building	Fixed assets and Non-banking assets under satisfaction of claims are carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 10 and 13 respectively. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.
Non-banking assets under satisfaction of claims	

- 41.3 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 the transfer occurred. There were no transfers between levels 1 and 2 during the year.
- 41.4 The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	2018			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
On balance sheet financial instruments				
Financial assets classified as 'held-for-trading securities'				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	41,368,514	-	41,368,514
Financial assets classified as 'available-for-sale securities'				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	52,541,122	-	52,541,122
Shares	2,556,903	-	-	2,556,903
Non Government Debt Securities	-	679,621	-	679,621
Foreign Securities	-	5,868,382	-	5,868,382
	2,556,903	59,089,125	-	61,646,028
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	39,836,881	-	39,836,881
	2,556,903	140,294,520	-	142,851,423
Non-Financial Assets				
Revalued fixed assets	-	-	1,371,977	1,371,977
Non-banking assets acquired in satisfaction of claims	-	-	185,290	185,290
	-	-	1,557,267	1,557,267
Off balance sheet financial instruments				
Commitments in respect of:				
Forward foreign exchange contracts				
Purchase	-	21,946,624	-	21,946,624
Sale	-	13,319,774	-	13,319,774
Forward government securities				
Purchase	-	209,530	-	209,530
Sale	-	1,494,554	-	1,494,554
Derivative instruments				
Cross currency swaps (notional principal)	-	5,254,792	-	5,254,792
Options (notional principal)	-	2,627,781	-	2,627,781

	2017			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
On balance sheet financial instruments				
Financial assets classified as 'held-for-trading securities'				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	8,469,151	-	8,469,151
Financial assets classified as 'available-for-sale securities'				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	107,922,471	-	107,922,471
Shares	3,546,572	-	-	3,546,572
Foreign Securities	-	4,350,638	-	4,350,638
	3,546,572	112,273,109	-	115,819,681
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	41,033,889	-	41,033,889
	3,546,572	161,776,149	-	165,322,721
Non-Financial Assets				
Revalued fixed assets	-	-	2,439,249	2,439,249
Non-banking assets acquired in satisfaction of claims	-	-	203,339	203,339
	-	-	2,642,588	2,642,588
Off balance sheet financial instruments				
Forward exchange contracts				
Purchase	-	6,851,332	-	6,851,332
Sale	-	5,061,071	-	5,061,071
Forward government securities				
Purchase	-	1,495,823	-	1,495,823
Sale	-	116,000	-	116,000
Cross currency swaps (notional principal)	-	4,489,958	-	4,489,958
Options (notional principal)	-	2,426,276	-	2,426,276

42. SEGMENT INFORMATION

42.1 Segment Details with respect to Business Activities

	2018					
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Others	Total
Profit & Loss	Rupees in '000					
Net mark-up/return/profit	-	4,594,203	(3,613,379)	7,828,472	-	8,809,296
Inter segment revenue - net	-	(5,978,814)	10,459,169	(4,480,355)	-	-
Non mark-up / return / interest income	335,946	(544,403)	1,526,940	713,390	108,965	2,140,838
Total Income	335,946	(1,929,014)	8,372,730	4,061,507	108,965	10,950,134
Segment direct expenses	111,513	172,382	5,010,617	1,414,121	389,851	7,098,484
Inter segment expense allocation	-	232,680	1,106,741	1,368,684	-	2,708,105
Total expenses	111,513	405,062	6,117,358	2,782,805	389,851	9,806,589
Provisions	-	(11,844)	92,534	197,904	(39,806)	238,788
Profit before tax	224,433	(2,322,232)	2,162,838	1,080,798	(241,080)	904,757
Balance Sheet						
Cash & Bank balances	-	26,330,603	6,748,812	-	-	33,079,415
Investments	-	148,689,974	-	-	-	148,689,974
Net inter segment lending	-	-	142,567,445	-	6,556,733	149,124,178
Lendings to financial institutions	-	1,937,347	-	-	-	1,937,347
Advances - performing	-	-	93,802,563	155,702,540	-	249,505,103
Advances - non-performing	-	-	1,647,085	3,995,026	-	5,642,111
Advances - (Provisions)/reversals - Net	-	-	(527,295)	(2,629,001)	-	(3,156,296)
	-	-	94,922,353	157,068,565	-	251,990,918
Others	-	2,622,494	1,707,032	2,587,220	14,139,676	21,056,422
Total Assets	-	179,580,418	245,945,642	159,655,785	20,696,409	605,878,254
Borrowings	-	80,051,504	4,290,751	12,216,408	-	96,558,663
Subordinated debt	-	7,496,800	-	-	-	7,496,800
Deposits & other accounts	-	-	232,859,517	88,553,746	-	321,413,263
Net inter segment borrowing	-	91,475,842	-	57,648,334	-	149,124,176
Others	-	556,272	8,795,373	1,237,296	5,079,384	15,668,325
Total liabilities	-	179,580,418	245,945,642	159,655,785	5,079,384	590,261,229
Equity	-	-	-	-	15,617,025	15,617,025
Total Equity & liabilities	-	179,580,418	245,945,642	159,655,785	20,696,409	605,878,254
Contingencies & Commitments	-	43,239,446	34,959,767	21,114,506	143,933	99,457,652

	2017					
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Others	Total
Profit & Loss	Rupees in '000					
Net mark-up/return/profit	-	8,301,107	(3,689,532)	1,630,376	-	6,241,951
Inter segment revenue - net	-	(8,720,051)	8,416,392	303,659	-	-
Non mark-up / return / interest income	460,281	1,752,498	1,176,590	586,845	75,126	4,051,340
Total Income	460,281	1,333,554	5,903,450	2,520,880	75,126	10,293,291
Segment direct expenses	96,476	136,188	4,281,203	1,098,780	529,218	6,141,865
Inter segment expense allocation	-	214,061	844,951	1,101,199	-	2,160,211
Total expenses	96,476	350,249	5,126,154	2,199,979	529,218	8,302,076
Provisions	-	295,621	6,111	24,113	44,806	370,651
Profit before tax	363,805	687,684	771,185	296,788	(498,898)	1,620,564
Balance Sheet						
Cash & Bank balances	-	12,134,325	6,233,729	-	-	18,368,054
Investments	-	169,611,558	-	-	-	169,611,558
Net inter segment lending	-	-	142,645,510	-	9,808,487	152,453,997
Lendings to financial institutions	-	3,116,199	-	-	-	3,116,199
Advances - performing	-	-	77,310,353	106,310,545	-	183,620,898
Advances - non-performing	-	-	613,448	2,644,549	-	3,257,997
Advances - (Provisions)/reversals - Net	-	-	(384,240)	(2,355,073)	-	(2,739,313)
	-	-	77,539,561	106,600,021	-	184,139,582
Others	-	2,510,844	927,867	855,763	11,949,382	16,243,856
Total Assets	-	187,372,926	227,346,667	107,455,784	21,757,869	543,933,246
Borrowings	-	52,127,305	3,311,398	9,118,340	-	64,557,043
Subordinated debt	-	4,998,800	-	-	-	4,998,800
Deposits & other accounts	-	-	216,128,764	73,948,802	-	290,077,566
Net inter segment borrowing	-	130,116,158	-	23,134,642	-	153,250,800
Others	-	130,663	7,906,506	1,253,998	5,088,541	14,379,708
Total liabilities	-	187,372,926	227,346,667	107,455,784	5,088,540	527,263,917
Equity	-	-	-	-	16,669,329	16,669,329
Total Equity & liabilities	-	187,372,926	227,346,667	107,455,784	21,757,869	543,933,246
Contingencies & Commitments	-	19,906,145	37,821,703	25,585,623	-	83,313,471

42.2 Segment details with respect to geographical locations

	2018		
	Pakistan	Bahrain	Total
	----- Rupees in '000 -----		
Profit & Loss			
Net mark-up/return/profit	8,588,720	220,576	8,809,296
Inter segment revenue - net	-	-	-
Non mark-up / return / interest income	2,120,744	20,094	2,140,838
Total Income	10,709,464	240,670	10,950,134
Segment direct expenses	6,977,037	121,447	7,098,484
Inter segment expense allocation	2,708,105	-	2,708,105
Total expenses	9,685,142	121,447	9,806,589
Provisions	174,802	63,986	238,788
Profit before tax	849,520	55,237	904,757
Balance Sheet			
Cash & Bank balances	32,764,053	315,362	33,079,415
Investments	143,172,048	5,517,926	148,689,974
Net inter segment lending	149,124,178	-	149,124,178
Lendings to financial institutions	(2,087,796)	4,025,143	1,937,347
Advances - performing	247,631,460	1,873,643	249,505,103
Advances - non-performing	5,642,111	-	5,642,111
Advances - (Provisions)/reversals - Net	(3,156,296)	-	(3,156,296)
	250,117,275	1,873,643	251,990,918
Others	20,928,974	127,448	21,056,422
Total Assets	594,018,732	11,859,522	605,878,254
Borrowings	89,602,007	6,956,656	96,558,663
Subordinated debt	7,496,800	-	7,496,800
Deposits & other accounts	316,687,391	4,725,872	321,413,263
Net inter segment borrowing	149,124,176	-	149,124,176
Others	15,567,761	100,564	15,668,325
Total liabilities	578,478,135	11,783,092	590,261,227
Equity	15,505,935	111,090	15,617,025
Total Equity & liabilities	593,984,070	11,894,182	605,878,252
Contingencies & Commitments	99,457,652	-	99,457,652
	2017		
	Commercial Banking	Bahrain	Total
	----- Rupees in '000 -----		
Profit & Loss			
Net mark-up/return/profit	6,228,959	12,992	6,241,951
Inter segment revenue - net	-	-	-
Non mark-up / return / interest income	4,057,032	(5,692)	4,051,340
Total Income	10,285,991	7,300	10,293,291
Segment direct expenses	6,130,986	10,879	6,141,865
Inter segment expense allocation	2,160,211	-	2,160,211
Total expenses	8,291,197	10,879	8,302,076
Provisions	379,985	(9,334)	370,651
Profit before tax	1,614,809	5,755	1,620,564
Balance Sheet			
Cash & Bank balances	18,028,300	339,754	18,368,054
Investments	166,567,515	3,044,043	169,611,558
Net inter segment lending	152,453,997	-	152,453,997
Lendings to financial institutions	-	3,116,199	3,116,199
Advances - performing	182,917,964	702,934	183,620,898
Advances - non-performing	3,257,997	-	3,257,997
Advances - (Provisions)/reversals - Net	(2,739,313)	-	(2,739,313)
	183,436,648	702,934	184,139,582
Others	16,159,303	84,553	16,243,856
Total Assets	536,645,763	7,287,483	543,933,246
Borrowings	58,599,704	5,957,339	64,557,043
Subordinated debt	4,998,800	-	4,998,800
Deposits & other accounts	289,301,885	775,681	290,077,566
Net inter segment borrowing	153,250,800	-	153,250,800
Others	14,331,677	48,031	14,379,708
Total liabilities	520,482,866	6,781,051	527,263,917
Equity	16,131,465	537,864	16,669,329
Total Equity & liabilities	536,614,331	7,318,915	543,933,246
Contingencies & Commitments	83,313,471	-	83,313,471

43. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

44. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associates, parent, subsidiaries, companies having common directors, companies in which parent holds more than 20% shares, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiaries and associates are stated in note 8.7 to these unconsolidated financial statements.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with terms of the contribution plans. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these unconsolidated financial statements are as follows:

	As at December 31, 2018 (Audited)						As at December 31, 2017 (Audited)					
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)											
Lendings to financial institutions												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	2,200,000	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	(2,200,000)	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Investments												
Opening balance	-	-	-	1,919,121	-	1,828,603	-	-	-	1,919,121	-	1,879,582
Investment made during the period / year	-	-	-	-	180,000	989,767	-	-	-	-	-	544,175
Investment redeemed / disposed off during the year	-	-	-	-	-	(854,260)	-	-	-	-	-	(595,154)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	1,919,121	180,000	1,964,110	-	-	-	1,919,121	-	1,828,603
Provision for diminution in value of investments	-	-	-	-	-	65,022	-	-	-	-	-	65,022
Advances												
Opening balance	-	5,505	394,773	-	-	2,114,695	-	5,883	301,543	-	-	1,737,578
Addition during the period / year	-	26,921	297,001	-	-	6,894,300	-	10,711	113,917	1,600,000	-	5,340,108
Repaid during the period / year	-	(25,203)	(259,373)	-	-	(6,351,154)	-	(11,089)	(89,601)	(1,600,000)	-	(4,962,991)
Transfer in / (out) - net	-	-	16,174	-	-	163,764	-	-	68,914	-	-	-
Closing balance	-	7,223	448,575	-	-	2,821,605	-	5,505	394,773	-	-	2,114,695
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets												
Purchase of Vehicle	-	-	7,223	-	-	-	-	-	-	-	-	-
Cost of disposal	-	-	4,546	-	-	-	-	-	-	-	-	-
Accumulated depreciation of disposal	-	-	(3,677)	-	-	-	-	-	-	-	-	-
WDV of disposal	-	-	869	-	-	-	-	-	-	-	-	-
Other Assets												
Interest mark-up accrued	-	241	612	-	-	72,735	-	52	428	-	-	24,128
Receivable against bancassurance / bancatakaful	-	-	-	-	-	74,935	-	-	-	-	-	74,240
Receivable from staff retirement funds	-	-	-	-	-	-	-	-	-	-	-	-
Acceptances	-	-	-	-	-	-	-	-	-	-	-	4,517
Prepaid insurance	-	-	-	-	-	3,468	-	-	-	-	-	8,012
Dividend Receivable	-	-	-	-	-	-	-	-	-	-	-	-
Other receivable	-	-	-	-	-	-	-	-	-	7,073	-	-

Provision against other assets	-	-	-	-	-	2,438	-	-	-	-	-	44,806
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	As at December 31, 2018 (Audited)						As at December 31, 2017 (Audited)					
	Key management personnel					Other related parties	Key management personnel					Other related parties
	Parent	Directors	Subsidiaries	Associates			Parent	Directors	Subsidiaries	Associates		
	(Rupees in '000)											
Borrowings												
Opening balance	-	-	-	-	-	4,000,000	-	-	-	-	-	-
Borrowings during the period / year	-	-	-	-	-	280,850,000	-	-	-	-	-	110,840,000
Settled during the period / year	-	-	-	-	-	(280,050,000)	-	-	-	-	-	(106,840,000)
Closing balance	-	-	-	-	-	4,800,000	-	-	-	-	-	4,000,000
Deposits and other accounts												
Opening balance	1,502,578	75,080	42,502	1,712,553	-	8,227,301	767,243	81,911	38,477	1,094,276	-	7,930,367
Received during the period / year	7,208,060	397,578	1,762,699	409,842,869	-	160,708,700	6,109,040	514,558	684,957	633,323,678	-	135,188,188
Withdrawn during the period / year	(8,374,123)	(444,420)	(1,728,031)	(409,949,009)	-	(159,396,796)	(5,373,705)	(521,389)	(687,887)	(632,705,401)	-	(131,892,575)
Transfer in / (out) - net	-	70	(2,220)	-	-	113,628	-	-	6,955	-	-	(2,998,679)
Closing balance	336,515	28,308	74,950	1,606,413	-	9,652,833	1,502,578	75,080	42,502	1,712,553	-	8,227,301
Subordinated loans	-	-	-	-	-	389,744	-	-	-	-	-	140,000
Other Liabilities												
Interest / return / mark-up payable on deposits	-	6	333	129	-	42,582	-	58	121	61	-	66,683
Interest / return / mark-up payable on borrowings	-	-	-	-	-	1,355	-	-	-	-	-	1,907
Interest / return / mark-up payable on subordinated loans	-	-	-	-	-	1,541	-	-	-	-	-	88
Acceptances	-	-	-	-	-	-	-	-	-	-	-	-
Payable to defined benefit plan	-	-	-	-	-	102,494	-	-	-	-	-	175,118
Others payable	-	-	-	835	-	-	-	-	-	1,907	-	-
Represented By												
Share Capital	9,733,073	17,417	900	-	-	81,678	7,552,450	2,005	-	-	-	26,090
Preference shares	-	-	-	-	-	-	1,453,749	-	-	-	-	-
Contingencies and Commitments												
Letter of guarantee	-	-	-	-	-	19,201	-	-	-	-	-	31,454
Letter of Credit	-	-	-	-	-	38,440	-	-	-	-	-	39,499
Mark-up / return / interest earned	-	1,113	26,412	-	-	282,622	-	506	16,146	999	-	204,971
Fee and commission income	-	99	240	21,000	-	404,468	-	-	206	4,057	-	192,457
Dividend income	-	-	-	-	-	42,661	-	-	-	26,118	-	78,505
Gain / (loss) on sale of securities - Net	-	-	-	-	-	1,617	-	-	-	-	-	2,018
Other income	-	-	(869)	7,499	-	-	-	-	-	7,593	-	-
Mark-up / return / interest paid	112,872	3,201	2,596	108,866	-	742,792	101,339	4,356	1,216	118,350	-	647,163
Remuneration paid	-	-	-	-	-	303,378	-	-	-	-	-	315,418
Commission / charges paid	-	-	-	1,543	-	-	-	-	-	2,180	-	-
Preference Dividend Paid	174,450	-	1,479	-	-	-	174,450	-	1,479	-	-	-
Non-executive directors' fee	-	14,450	-	-	-	-	-	13,000	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	-	3,329,747	-	-	-	-	-	2,535,774
Net charge / (reversal) for defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-
Donation	-	-	-	-	-	-	-	-	-	-	-	-
Rental expense	1,712	-	-	6,972	-	-	1,524	-	-	6,389	-	-
Advisory fee	-	-	-	-	-	55,500	-	-	-	-	-	42,000
Reimbursement of expenses	6,921	1,205	-	2,214	-	-	6,844	3,811	-	1,998	-	3,892
Other expenses	-	-	-	786	-	1,384	-	-	-	1,210	-	514
Insurance premium paid	-	-	-	-	-	306,985	-	-	-	-	-	214,754
Insurance claims settled	-	-	-	-	-	18,314	-	-	-	-	-	23,352

45 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2018 2017
----- Rupees in '000 -----

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)	<u>10,119,242</u>	<u>10,119,242</u>
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Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	<u>13,417,429</u>	13,042,675
Eligible Additional Tier 1 (ADT 1) Capital	<u>2,500,000</u>	1,308,088
Total Eligible Tier 1 Capital	<u>15,917,429</u>	14,350,763
Eligible Tier 2 Capital	<u>4,260,735</u>	4,592,639
Total Eligible Capital (Tier 1 + Tier 2)	<u>20,178,165</u>	18,943,402

Risk Weighted Assets (RWAs):

Credit Risk	<u>148,172,140</u>	141,368,006
Market Risk	<u>1,895,587</u>	2,103,043
Operational Risk	<u>17,914,593</u>	14,986,654
Total	<u>167,982,320</u>	158,457,703

Common Equity Tier 1 Capital Adequacy ratio

<u>7.99%</u>	<u>8.23%</u>
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Tier 1 Capital Adequacy Ratio

<u>9.48%</u>	<u>9.06%</u>
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Total Capital Adequacy Ratio

<u>12.01%</u>	<u>11.95%</u>
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Banks should specify the capital requirements applicable to them including the minimum capital adequacy ratio requirements.

Banks should also disclose the approach followed by them for determining credit risk, market risk and operational risk exposures in the capital adequacy calculation.

Leverage Ratio (LR):

Eligible Tier-1 Capital	<u>15,917,429</u>	14,350,762
Total Exposures	<u>484,967,925</u>	462,328,540
Leverage Ratio	<u>3.28%</u>	<u>3.10%</u>

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	<u>55,404,403</u>	123,802,091
Total Net Cash Outflow	<u>52,473,282</u>	47,605,907
Liquidity Coverage Ratio	<u>106%</u>	<u>260%</u>

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	<u>298,222,408</u>	237,773,400
Total Required Stable Funding	<u>281,407,483</u>	225,716,392
Net Stable Funding Ratio	<u>106%</u>	<u>105%</u>

45.1 The link to the full disclosure is available at <http://>

46 RISK MANAGEMENT

Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. At the Bank, it involves identification, measurement, monitoring and controlling risks to

- The individuals who take or manage risks clearly understand it;
- The Bank's Risk exposure is within the limits established by Board of Directors (BoD);
- Risk taking decisions are in line with the business strategy and objectives set by BoD;
- The expected payoffs compensate for the risks taken;
- Risk taking decisions are explicit and clear;
- Sufficient capital as a buffer is available to take risk; and
- Risk management function is independent of risk taking unit.

Bank has a comprehensive set of Risk Management Policies, practices and procedures which enable the Bank to take into consideration, in an appropriate manner, all major kinds of risks mainly credit, market, liquidity, operational and IT security risks. Keeping in view the dynamics of internal and external environment, we regularly review and update our Risk Management policies and procedures in accordance with regulatory environment and international standards.

Risk Management activities remain at the forefront of all activities of the Bank which places the highest priority on conducting its business in a prudent manner in line with the relevant laws and regulatory requirements.

Risk management framework of Bank includes:

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The bank, in addition to risk management functions for various risk categories, has instituted an Integrated Risk Management Committee (IRMC) as well as Central Credit Committee (CCC). IRMC oversees the overall risk management at the bank and provide guidance in setting strategic targets as well as concentration limits and monitor progress related to earnings growth, keeping in view the capital constraints and also adhere to the concentration limits. The IRMC monitors the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Bank. Whereas, Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. CCC meets regularly to actively supervise credit risk across its lending portfolio.
- c) An effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and
- d) A mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

While the overall responsibility of risk management rests with the BoD, it is the duty of Senior Management to devise risk management strategy by setting up well defined policies and procedures for mitigating / controlling risks, duly approved by the Board.

Giving due consideration to the above, the Bank has put in place the following hierarchy of Risk Management:

- Board Risk Management Committee (BRMC);
- Integrated Risk Management Committee (IRMC) which comprises of the President / Chief Executive Officer (CEO), Deputy CEO, Group Head Credit & Risk Management, Chief Financial Officer, Group Head Corporate & Retail Banking, Group Head Operations and Head of Compliance.
- Asset - Liability Committee which comprises of the President / Chief Executive Officer (CEO), Deputy CEO, Treasurer, Group Head Risk Management, Other Business Heads.
- Central Credit Committee comprising of the President / CEO, Deputy CEO, Chief Risk Officer, Head of Credit Risk, Chief Financial Officer, Country Head Branch Banking Operations and Head of Operational and Environmental Risk
- Operational Risk Steering Committee which comprises of the Group Head, Credit & Risk Management, Head of Operations, Head of Information Technology and Head of Compliance.
- Risk Management Group (RMG), a dedicated and independent set-up that comprises of Regional Credit Heads, Heads of Market & Liquidity Risks, Operational Risk and Treasury Middle Office.

RMG is managed by Chief Risk Officer to supervise the following Divisions:

- a) Credit Risk Management (CRM) covering Corporate / Commercial and Retail Banking Risks
- b) Operational Risk Management
- c) Market Risk Management (MRM)
- d) Treasury Middle Office
- e) Basel II / III Implementation Unit

- f) Credit Administration Department
- g) Special Assets Management (SAM)
- h) IT Risk Management

The Bank's RMG generates the requisite risk reporting for the different tiers of management. These are also subjected to internal audit review.

Risk Matrix / Categories

Bank, in common with other banks, generates its revenues by accepting Country, Credit, Liquidity, Interest Rate Risk in the Banking Book, Market, Operational and other risks. Effective management of these risks is the decisive factor in the Bank's profitability.

Risk Appetite

The Bank's risk appetite is reflected in its endeavours to maintain a favourable credit rating and encompasses the following:

- The business strategy
- The expectations of stakeholders at different time horizons
- The characteristics of the risk-bearing entities
- The nature and characteristics of the risks undertaken
- The possible spread of risk situations across organizational units, assets-at-risk, and future time horizons.

Risk appetite drives business activity. It combines anticipations in risk and profitability with management preferences to control capital and resource allocation, as well as the distribution of exposure across activities and portfolios.

Bank's hedging strategy is embedded in its risk management practices for addressing material categories of risk.

46.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk is managed in terms of credit policies, approved by the BoD and regulations issued by the SBP. The bank is exposed to credit risk on loans and advances, fund placements with financial institutions and certain investments.

Credit risk management is an ongoing process. The overall credit policy and the credit risk instructions are issued by the Board of Directors. In this regards, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. In order to maintain healthy growth of the credit portfolio, the Bank's Credit Risk Management processes are consistently upgraded and improved to meet future challenges.

The Bank's strategy is to minimise credit risk through product, geography, industry and customer diversification. Credit limits are established for all counter-parties after a careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents is in place and managed by Risk Management Group (RMG) & Credit Administration Department (CAD). The Bank maintains a sound portfolio diversified in nature to counter the risk of credit concentration and further confines risk through diversification of its assets by geographical and industrial sector. For managing impaired assets in the portfolio, the Bank follows the Prudential Regulations and Risk Management guidelines issued by SBP and the Remedial Management Policy approved by the Board.

46.1.2 Credit risk: Standardised approach

The Bank has adopted the Standardised Approach of Basel II for risk weighing its Credit Risk Exposures.

The following table illustrates the approved External Credit Assessment Institutions (ECAIs) whose ratings are being utilised by the Bank with respect to material categories of exposures:

Exposure	JCR-VIS	PACRA	MOODY'S	FITCH	S&P
Corp	✓	✓	-	-	-
Bank	✓	✓	✓	✓	✓
SME's (retail)					
ex	✓	✓	-	-	-
Sovereign	✓	✓	✓	✓	✓
Securitization	N/A	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A	N/A

The Bank has used Issue Specific Ratings for rating / risk weighing Issue Specific Exposures and Entity Ratings for rating / risk weighing claims against specific counterparties. Both short and long term ratings have been used to rate corresponding short and long term exposures. For this purpose, Mapping Grid provided by SBP as given below:

Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

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

46.1.3 Policies and processes for collateral valuation and management as regards Basel II;

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals under Comprehensive Approach of Credit Risk Mitigation under Standardised Approach as prescribed by SBP under Circular No. 8 of 2006, which includes Cash and Cash Equivalent Securities including Government Securities (like Cash Margins, Lien on Bank Accounts, Foreign Deposit Receipts, Term Deposit Receipts, Pledge of Defense Saving Certificates, Regular Income Certificates, Special Saving Certificates, T-Bills and Pakistan Investment Bonds etc.) and Shares listed on the Main Index.

Under Bank's policy all collaterals are subject to periodic valuations to monitor the adequacy of margins held. Shares / Marketable securities are valued by the Bank on daily basis to calculate the Drawing Power (DP). In case of any shortfall in the requisite margins, the DP is adjusted to the appropriate level and the business units are informed to take appropriate action as per the agreement with the customer.

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017

46.1.4 Lendings to financial institutions

----- Rupees in '000 -----

Credit risk by public / private sector

Public/ Government	-	-	-	-	-	-
Private	1,941,659	3,116,199	-	-	(4,312)	-
	<u>1,941,659</u>	<u>3,116,199</u>	<u>-</u>	<u>-</u>	<u>(4,312)</u>	<u>-</u>

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017

46.1.5 Investment in debt securities

----- Rupees in '000 -----

Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-
Textile	65,022	65,022	65,022	65,022	65,022	65,022
Chemical and Pharmaceuticals	149,860	149,860	149,860	149,860	149,860	149,860
Cement	-	-	-	-	-	-
Sugar	-	-	-	-	-	-
Footwear and Leather garments	-	-	-	-	-	-
Automobile and transportation equipment	-	-	-	-	-	-
Electronics and electrical appliances	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Power (electricity), Gas, Water, Sanitation	355,953	460,714	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-
Exports/Imports	-	-	-	-	-	-
Refinery	529,621	681,000	-	-	-	-
Fertilizer	140,000	280,000	-	-	-	-
Pharmaceuticals	-	495,000	-	-	-	-
Transport, Storage and Communication	158,712	182,322	158,712	182,322	158,712	182,322
Financial	137,126,588	157,865,107	-	-	-	-
Insurance	-	-	-	-	-	-
Services	-	-	-	-	-	-
Individuals	-	-	-	-	-	-
Others	5,868,382	4,382,291	-	53,527	-	31,653
	<u>144,394,138</u>	<u>164,561,316</u>	<u>373,594</u>	<u>450,731</u>	<u>373,594</u>	<u>428,857</u>

	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017

Credit risk by public / private sector

----- Rupees in '000 -----

Public/ Government	139,858,012	158,465,235	-	-	-	-
Private	4,536,126	6,096,081	373,594	450,731	373,594	428,857
	<u>144,394,138</u>	<u>164,561,316</u>	<u>373,594</u>	<u>450,731</u>	<u>373,594</u>	<u>428,857</u>

46.1.6 Advances	Gross Advances		Non-performing Advances		Provision held	
	2018	2017	2018	2017	2018	2017
	----- Rupees in '000 -----					
Credit risk by industry sector						
Agri finance	4,260,641	2,584,965	73,275	-	824	-
Automobile and transportation equipr	4,582,078	3,599,906	114,367	74,875	61,832	61,875
Brokerage	4,846,099	2,681,932	156,801	167,596	156801	167,596
Cement	1,606,779	209,356	-	-	-	-
Chemical	3,037,111	2,365,522	324,584	-	-	-
Construction	4,960,152	3,711,869	-	-	-	-
Electronics and electrical appliances	260,812	301,375	-	-	-	-
Engineering, IT and other services	5,591,012	4,639,050	27,598	21,683	2,600	16,857
Fertilizer	3,811,120	3,206,664	2,491,258	1,260,418	1,484,877	1,260,418
Financial	2,194,635	3,005,047	-	-	-	-
Food / confectionery / beverages	34,521,566	36,076,698	119,192	134,370	60,727	79,968
Individuals	32,991,120	20,136,724	658,355	364,142	122,619	75,397
Insurance and security	169,843	159,353	-	-	-	-
Metal and steel	10,075,944	6,477,004	840,334	154,067	42,426	23,161
Mining and quarrying	56,973	57,529	-	-	-	-
Paper / board / furniture	1,462,601	1,125,618	8,000	-	-	-
Petroleum, oil and gas	4,530,087	3,837,523	32,559	-	21,357	-
Pharmaceuticals	5,300,071	4,836,857	-	-	-	-
Plastic	2,128,861	1,898,580	-	-	-	-
Power and water	26,446,393	12,940,341	-	21,448	-	21,448
Real estate	2,305,823	1,767,479	1,300,000	-	-	-
Rubber	-	-	-	-	-	-
Shipbreaking	1,950,437	4,166,705	963,164	157,926	157,926	125,658
Storage	57,734	114,685	-	-	-	-
Sugar	2,819,626	2,176,604	200,000	200,000	200,000	200,000
Tele-communication	2,570,380	1,239,201	-	-	-	-
Textile	-	-	-	-	-	-
Composite	8,543,776	5,418,311	324,114	315,665	302,781	304,153
Ginning	1,669,933	1,310,409	48,949	29,999	3,270	-
Spinning	7,657,631	7,977,933	278,441	278,441	278,441	278,441
Weaving	10,360,474	8,600,624	46,650	3,500	-	-
	28,231,814	23,307,277	698,154	627,605	584,492	582,594
Transportation	44,020,624	24,214,240	21,341	22,928	18,901	17,681
Trust and non-profit organisations	478,904	361,330	-	-	-	-
Tyre	313,531	278,180	-	-	-	-
Wholesale and retail trade	13,490,993	11,037,390	81,463	14,361	14,255	6,308
Others	6,073,449	4,363,891	199,022	36,579	60,251	-
	255,147,213	186,878,895	8,309,467	3,257,997	2,989,888	2,638,960
	Gross Advances		Non-performing Advances		Provision held	
	2018	2017	2018	2017	2018	2017
	----- Rupees in '000 -----					
Credit risk by public / private sector						
Public/ Government	59,571,898	37,342,990	-	-	-	-
Private	195,575,315	149,535,905	8,309,467	3,257,997	2,989,888	2,638,960
	255,147,213	186,878,895	8,309,467	3,257,997	2,989,888	2,638,960

46.1.7 Credit risk by industry sector

	Contingencies and commitments	
	2018	2017
	----- Rupees in '000 -----	
Agri finance	-	-
Automobile and transportation equipment	1,845,624	2,680,780
Brokerage	226,400	625,700
Cement	700,638	1,357,619
Chemical	614,360	583,005
Construction	20,726,673	24,731,408
Electronics and electrical appliances	220,084	711,868
Engineering, IT and other services	5,822,923	2,850,006
Fertilizer	3,469,510	2,354,865
Financial	66,618,170	21,638,686
Food / confectionery / beverages	2,664,450	1,797,201
Individuals	1,496,003	2,796,610
Insurance and security	20,197	27,245
Metal and steel	1,948,289	3,220,008
Mining and quarrying	148,415	882,839
Paper / board / furniture	816,494	585,175
Petroleum, oil and gas	1,243,540	419,202
Pharmaceuticals	664,106	629,771
Plastic	453,318	350,709
Power and water	1,790,608	22,626,105
Real estate	3,000	68,352
Rubber	-	12,743
Shipbreaking	120,887	58,004
Storage	-	-
Sugar	43,198	117,518
Tele-communication	128,892	494,461
Textile		
Composite	1,629,969	1,759,328
Ginning	316,425	275,140
Spinning	1,106,620	1,875,447
weaving	1,280,623	1,200,908
	4,333,637	5,110,823
Transportation	-	-
Trust and non-profit organisations	5,666	49,233
Tyre	23,010	81,506
Wholesale and retail trade	3,021,803	4,369,688
Others	2,488,531	6,745,989
	<u>121,658,426</u>	<u>107,977,119</u>

Credit risk by public / private sector

	Contingencies and commitments	
	2018	2017
	----- Rupees in '000 -----	
Public/ Government	-	-
Private	121,658,426	107,977,119
	<u>121,658,426</u>	<u>107,977,119</u>

46.1.8 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 91,153.787 million (2017: Rs. 64,479.401 million) are as following:

	2018 ----- Rupees in '000 -----	2017
Funded	70,831,917	44,248,326
Non Funded	20,321,870	20,231,075
Total Exposure	<u>91,153,787</u>	<u>64,479,401</u>

The sanctioned limits against these top 10 exposures aggregated to Rs 95,322.310 million (2017: 88,532.430 million).

Total funded classified therein

	Amount	Provision	Amount	Provision
OAEM	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

46.1.9 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2018							
	Disbursements	Utilization						
		Punjab	Sindh	KPK & FATA	Balochistan	Islamabad	AJK & Gilgit-Baltistan	Bahrain
Punjab	44,031	44,031	-	-	-	-	-	-
Sindh	60,838	-	60,838	-	-	-	-	-
KPK including FATA	901	-	-	901	-	-	-	-
Balochistan	202	-	-	-	202	-	-	-
Islamabad	7,711	-	-	-	-	7,711	-	-
AJK including Gilgit-Baltistan	438	-	-	-	-	-	438	-
Bahrain	949	-	-	-	-	-	-	949
Total	<u>115,070</u>	<u>44,031</u>	<u>60,838</u>	<u>901</u>	<u>202</u>	<u>7,711</u>	<u>438</u>	<u>949</u>

Province/Region	2017							
	Disbursements	Utilization						
		Punjab	Sindh	KPK & FATA	Balochistan	Islamabad	AJK & Gilgit-Baltistan	Bahrain
Punjab	41,191	41,191	-	-	-	-	-	-
Sindh	60,032	-	60,032	-	-	-	-	-
KPK including FATA	336	-	-	336	-	-	-	-
Balochistan	44	-	-	-	44	-	-	-
Islamabad	6,035	-	-	-	-	6,035	-	-
AJK including Gilgit-Baltistan	185	-	-	-	-	-	185	-
Bahrain	2,566	-	-	-	-	-	-	2,566
Total	<u>110,389</u>	<u>41,191</u>	<u>60,032</u>	<u>336</u>	<u>44</u>	<u>6,035</u>	<u>185</u>	<u>2,566</u>

46.2 Market Risk

Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. From the perspective of the Bank, market risk comprises of interest rate risk, foreign exchange risk and equity position risk, which the Bank is exposed to in its trading book.

The Bank has an approved market risk policy wherein the governance structure for managing market risk, measurement tools used and the market risk exposure limits have been addressed. The Bank's strategy for managing market risk is to relate the level of risk exposures to their risk appetite and the capital at hand.

The Board of Directors (BoD) and the Asset and Liability Committee (ALCO) are responsible for addressing market risk from a strategic perspective and are assisted by the market risk function in meeting these objectives.

The Market Risk Unit reports directly to Chief Risk Officer and is responsible for ensuring the implementation of market risk policy in line with the Bank's strategy.

Risk reporting undertaken by the market risk function includes:

- a) Portfolio Reports
- b) Limit monitoring reports
- c) Sensitivity analysis ; and
- d) Stress testing of the portfolio

Currently, the Bank is using the market risk standardised approach for the purpose of computing regulatory capital, the details of which are set out above.

46.2.1 Balance sheet split by trading and banking books

2018			2017		
Banking book	Trading book	Total	Banking book	Trading book	Total
----- Rupees in '000 -----					
32,110,840	-	32,110,840	17,333,788	-	17,333,788
968,575	-	968,575	1,034,266	-	1,034,266
1,937,347	-	1,937,347	3,116,199	-	3,116,199
107,231,445	41,368,514	148,599,959	161,142,407	8,469,151	169,611,558
252,127,852	-	252,127,852	184,139,582	-	184,139,582
6,312,260	-	6,312,260	5,253,899	-	5,253,899
2,094,117	-	2,094,117	1,858,922	-	1,858,922
304,188	-	304,188	-	-	-
12,338,392	-	12,338,392	9,131,035	-	9,131,035
415,425,016	41,368,514	456,793,530	383,010,098	8,469,151	391,479,249

46.2.2 Foreign Exchange Risk

Main objective of foreign exchange risk management is to ensure that the foreign exchange exposure of the Bank lies within the defined appetite of the Bank.

Daily reports are generated to monitor the internal and regulatory limits with respect to the overall foreign currency exposures. The overall net open position, whether short or long has the potential to negatively impact the profit and loss depending upon the direction of movement in foreign exchange rates.

Foreign exchange open and mismatched positions are marked to market on a daily basis.

Currency risk arises where the value of financial instruments changes due to changes in foreign exchange rates. In order to manage currency risk exposure the bank enters into ready / spot, forward and swap transactions with SBP and in the interbank market. The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placement with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by SBP. Counter parties limit are also fixed to limit risk concentration. Appropriate segregation of duties exists between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

	2018			Net foreign
	Assets	Liabilities	Off-balance sheet items	currency exposure
	----- Rupees in '000 -----			
Pakistan Rupee	436,923,627	412,740,140	(8,613,126)	15,570,361
United States Dollar	17,831,833	24,723,033	7,101,304	210,104
Great Britain Pound	740,134	2,687,806	1,520,893	(426,779)
Euro	1,054,817	873,899	(226,641)	(45,723)
Other currencies	203,665	366,289	217,570	54,946
	19,830,449	28,651,027	8,613,126	(207,452)
	456,754,076	441,391,167	-	15,362,909

	2017			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan Rupee	370,136,791	352,992,264	(1,012,388)	16,132,139
United States Dollar	16,159,391	14,305,112	(1,405,232)	449,047
Great Britain Pound	1,147,121	3,735,250	2,546,068	(42,061)
Euro	778,748	738,975	(100,213)	(60,440)
Other currencies	86,825	137,143	(28,235)	(78,553)
	18,172,085	18,916,480	1,012,388	267,993
	388,308,876	371,908,744	-	16,400,132

2018		2017	
Banking book	Trading book	Banking book	Trading book
----- Rupees in '000 -----			

Impact of 1% change in foreign exchange rates on

- Profit and loss account	-	(2,624)	-	2,680
- Other comprehensive income	-	-	-	-

46.2.3 Equity position Risk

Equity positions in the banking book include Investment in equities that are available-for-sale or held for strategic investment purposes. These investments are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The Bank mitigates these risks through diversification and capping maximum exposures in a single company, compliance with regulatory requirement, following the guidelines laid down in the Bank's Investment Policy as set by the Board of Directors (BoD). The Bank follows a delivery versus payment settlement system thereby minimizing risk available in relation to settlement risk.

Equity price risk is managed by applying trading limit and scrip-wise and portfolio wise nominal limits.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	-
- Other comprehensive income	127,845	-	177,329	-

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

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. This also refers to the non-trading market risk. Apart from the gap analysis between the market rate sensitive assets and liabilities as per the table given below, the banks/DFIs are required to disclose as the following also:

- The nature of IRRBB and key assumptions, including assumptions regarding loan repayments and behavior of non-maturity deposits, and frequency of IRRBB measurements.
- The increase (decline) in earnings or economic value (or any other relevant measures used by management) for upward and downward shocks according to management's method for measuring IRRBB, broken down by currencies (if any, and then translated into Rupees).

	Banking book	Trading book	Banking book	Trading book
	----- Rupees in '000 -----			
Impact of 1% change in interest rates on				
- Profit and loss account	(487,440)	401,571	175,426	13,781
- Other comprehensive income	113,353	-	30,224	-

46.3.4 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The assets and liabilities committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

2018											
Effective yield interest rate - %	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instrument
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	32,110,840	2,409,442	-	-	-	-	-	-	-	-	29,701,398
Balances with other banks 1.00 - 2.00	968,575	109,724	-	-	-	-	-	-	-	-	858,851
Lendings to financial institutions 2.85 - 8.06	1,937,347	692,522	693,980	320,214	230,631	-	-	-	-	-	-
Investments 2.38 - 12.54	146,770,853	43,725,233	1,919,780	8,248,188	39,565,376	16,411,250	21,104,693	9,825,787	3,220,239	-	2,750,307
Advances 4.00 - 39.00	251,990,918	170,044,002	36,938,051	33,390,503	754,809	342,746	536,305	1,359,373	1,105,829	2,199,721	5,319,579
Other assets -	11,615,274	-	-	-	-	-	-	-	-	-	11,615,274
	445,393,807	216,980,923	39,551,811	41,958,905	40,550,816	16,753,996	21,640,998	11,185,160	4,326,068	2,199,721	50,245,409
Liabilities											
Bills payable -	3,519,924	-	-	-	-	-	-	-	-	-	3,519,924
Borrowings 1.00 - 10.40	96,558,663	62,931,449	21,953,065	9,423,293	141,529	29,827	216,947	963,707	898,846	-	-
Deposits and other accounts 0.75 - 11.00	321,413,263	138,825,036	47,897,606	24,357,189	30,664,239	1,187,357	265,347	210,529	-	-	78,005,960
Sub-ordinated loans 12.04 - 13.04	7,496,800	-	-	4,997,800	2,499,000	-	-	-	-	-	-
Other liabilities -	12,148,400	-	-	-	-	-	-	-	-	-	12,148,400
	441,137,050	201,756,485	69,850,671	38,778,282	33,304,768	1,217,184	482,294	1,174,236	898,846	-	93,674,284
On-balance sheet financial instruments	4,256,757	15,224,438	(30,298,860)	3,180,623	7,246,048	15,536,812	21,158,704	10,010,924	3,427,222	2,199,721	(43,428,875)
Commitments in respect of forward purchase, currency swaps, options and commitments to extent credits	23,726,533	9,244,215	8,427,285	4,054,070	743,298	530,417	727,248	-	-	-	-
Commitments in respect of forward sale, currency swaps and options	(16,597,344)	(7,427,832)	(2,648,585)	(4,802,946)	(459,317)	(530,417)	(728,248)	-	-	-	-
Off-balance sheet gap	7,129,189	1,816,383	5,778,700	(748,876)	283,981	-	(1,000)	-	-	-	-
Total yield / interest risk sensitivity gap		17,040,821	(24,520,160)	2,431,747	7,530,029	15,536,812	21,157,704	10,010,924	3,427,222	2,199,721	(43,428,875)
Cumulative yield / interest risk sensitivity gap		17,040,821	(7,479,339)	(5,047,591)	2,482,438	18,019,250	39,176,954	49,187,878	52,615,100	54,814,821	

2017

Effective yield interest rate - %	2017										Non-interest bearing financial instrument	
	Total	Up to 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		
	Rupees in '000											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		17,333,788	1,890,381	-	-	-	-	-	-	-	-	15,443,407
Balances with other banks	0 - 1.00	1,034,266	188,987	-	-	-	-	-	-	-	-	845,279
Lendings to financial institutions	1.38 - 6.93	3,116,199	1,281,177	1,181,464	653,558	-	-	-	-	-	-	-
Investments - net	2.88 - 12	167,692,437	10,674,489	10,828,812	2,935,205	1,368,048	87,647,283	17,976,785	30,268,133	2,433,702	-	3,559,980
Advances - net	4.00 - 40.00	184,139,582	125,640,807	17,565,311	23,956,131	3,363,019	4,565,945	3,360,475	2,390,429	925,085	1,753,343	619,037
Other assets	-	8,441,155	-	-	-	-	-	-	-	-	-	8,441,155
		381,757,427	139,675,841	29,575,587	27,544,894	4,731,067	92,213,228	21,337,260	32,658,562	3,358,787	1,753,343	28,908,858
Liabilities												
Bills payable	-	3,824,278	-	-	-	-	-	-	-	-	-	3,824,278
Borrowings	1.00 - 6.20	64,557,043	49,798,126	8,092,537	5,204,967	14,289	31,234	16,839	464,313	934,738	-	-
Deposits and other accounts	0.75 - 11.00	290,077,566	103,912,554	37,778,647	37,710,625	32,621,440	1,949,163	850,207	70,674	-	-	75,184,256
Sub-ordinated loans	7.57 - 7.61	4,998,800	-	-	4,998,800	-	-	-	-	-	-	-
Other liabilities	-	10,555,430	-	-	-	-	-	-	-	-	-	10,555,430
		374,013,117	153,710,680	45,871,184	47,914,392	32,635,729	1,980,397	867,046	534,987	934,738	-	89,563,964
On-balance sheet financial instruments		7,744,310	(14,034,839)	(16,295,597)	(20,369,498)	(27,904,662)	90,232,831	20,470,214	32,123,575	2,424,049	1,753,343	(60,655,106)
Commitments in respect of forward purchase contacts and commitments to extent credits												
		30,348,378	4,474,661	1,557,991	21,879,036	888,207	752,858	530,417	265,208	-	-	-
Commitments in respect of forward exchange contracts - sale												
		(9,344,185)	(4,100,495)	(1,187,368)	(58,117)	(2,464,363)	(738,217)	(530,417)	(265,208)	-	-	-
Off-balance sheet gap		21,004,193	374,166	370,623	21,820,919	(1,576,156)	14,641	-	-	-	-	-
Total yield / interest risk sensitivity gap			(13,660,673)	(15,924,974)	1,451,421	(29,480,818)	90,247,472	20,470,214	32,123,575	2,424,049	1,753,343	(60,655,106)
Cumulative yield / interest risk sensitivity gap			(13,660,673)	(29,585,647)	(28,134,226)	(57,615,044)	32,632,428	53,102,642	85,226,217	87,650,266	89,403,609	

	2018	2017
	Rupees in '000	
Reconciliation to total assets		
Balance as per balance sheet	456,754,076	391,479,249
Less: Non financial assets		
Investments - net	1,919,121	1,919,121
Fixed assets	6,245,328	7,112,821
Intangible assets	2,169,877	-
Deferred tax assets - net	287,062	-
Other assets	738,881	689,880
	11,360,269	9,721,822
	445,393,807	381,757,427

	2018	2017
	Rupees in '000	
Reconciliation to total liabilities		
Balance as per balance sheet	441,137,050	374,809,920
Less: Non financial liabilities		
Other liabilities	-	-
Deferred tax liabilities - net	-	796,803
	-	796,803
	441,137,050	374,013,117

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. The Bank's Asset and Liability Committee (ALCO) manages the liquidity position on a continuous basis.

Treasury is responsible for the managing liquidity risk under the guidance of Asset-Liability Committee of the Bank. The Bank's liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue and factoring in our access to the qualifying securities of State Bank of Pakistan. It then covers tactical liquidity risk management dealing with the access to unsecured funding sources and the liquidity characteristics of our asset inventory (asset liquidity). Finally, the strategic perspective comprises the maturity profile of all assets and liabilities on our statement of financial position.

For monitoring and controlling liquidity risk, the Bank generates a scenario sensitive maturity statement of financial position, and run controlled mismatches that are monitored and discussed by ALCO members regularly. The Bank prepares various types of reports and analysis for assisting ALCO in taking necessary strategic actions for managing liquidity risk in the Bank. These include liquidity ratios, Concentration analysis, Gap reports, Stress testing, Liquidity Coverage ratio & Net Stable Funding Ratio analysis etc.

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

[illegible]

[illegible]

46.4.2 Maturity of assets and liabilities - Based on working prepared by the Asset and Liability Committee (ALCO) of the Bank

	2018									
	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
	Rupees in '000									
Assets										
Cash and balances with treasury banks	32,110,840	32,110,840	-	-	-	-	-	-	-	-
Balances with other banks	968,575	968,575	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,937,347	692,522	693,980	320,214	230,631	-	-	-	-	-
Investments	148,689,974	43,125,610	1,498,269	10,503,797	39,768,546	16,677,589	21,551,032	10,262,365	3,370,239	1,932,527
Advances	251,990,918	26,323,214	38,636,999	37,347,407	46,723,916	29,110,196	27,903,133	35,955,762	6,485,478	3,504,813
Fixed assets	6,245,328	66,910	293,642	191,652	358,990	640,416	532,886	881,008	994,758	2,285,066
Intangible assets	2,169,877	7,265	90,290	21,699	41,430	82,530	80,518	155,753	226,768	1,463,624
Deferred tax assets - net	287,062	(37,504)	114,861	118,517	41,196	341,434	136,155	161,997	52,325	(641,919)
Other assets	12,354,155	10,903,885	-	109,108	56,347	443,945	358,535	422,454	59,881	-
	456,754,076	114,161,317	41,328,041	48,612,394	87,221,056	47,296,110	50,562,259	47,839,339	11,189,449	8,544,111
Liabilities										
Bills payable	3,519,924	3,519,924	-	-	-	-	-	-	-	-
Borrowings	96,558,663	62,931,449	21,953,065	9,423,293	141,529	29,827	216,947	963,707	898,846	-
Deposits and other accounts	321,413,263	53,100,064	55,998,171	34,916,968	41,419,807	16,857,435	14,600,423	104,520,395	-	-
Sub-ordinated loans	7,496,800	-	-	1,000	1,000	2,000	2,000	2,996,200	4,494,600	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	12,148,401	7,678,258	164,442	261,943	484,408	1,288,951	1,203,208	1,061,299	5,892	-
	441,137,051	127,229,695	78,115,678	44,603,204	42,046,744	18,178,213	16,022,578	109,541,601	5,399,338	-
Net assets	15,617,025	(13,068,378)	(36,787,637)	4,009,190	45,174,312	29,117,897	34,539,681	(61,702,262)	5,790,111	8,544,111
Share capital	10,119,242									
Preference Share	-									
Statutory reserve	1,712,171									
Surplus on revaluation of assets - net	(1,035,589)									
Unappropriated profit	4,821,202									
	15,617,026									

To identify the behavioural maturities of non-contractual assets and liabilities, the Bank has used the following methodology:

For determining the core portion of non contractual liabilities (non-volatile portion), the bank has used the average method whereby average balance maintained over past five year has been classified as core and has been placed in 'over 3 to 5 years' maturity bucket. Non contractual assets and remaining volatile portion of non contractual liabilities have been stratified in relevant maturity bucket using bucket wise percentages determined by using average volatility in respective period / bucket.

2017									
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
Rupees in '000									
Assets									
Cash and balances with treasury banks	17,333,788	17,333,788	-	-	-	-	-	-	-
Balances with other banks	1,034,266	1,034,266	-	-	-	-	-	-	-
Lending to financial institutions	3,116,199	1,281,177	1,181,464	653,558	-	-	-	-	-
Investments	169,611,558	10,464,489	13,468,003	3,009,415	1,547,184	87,494,803	18,422,055	30,852,786	1,919,121
Advances	184,139,582	26,049,257	32,529,303	32,298,182	32,006,484	13,087,047	14,986,272	24,276,269	2,803,945
Fixed assets	5,135,309	56,800	289,067	163,543	316,266	559,129	452,792	691,132	1,794,212
Intangible assets	1,977,512	5,477	129,485	14,983	29,523	54,267	51,875	98,191	130,086
Deferred tax assets - net	-	-	-	-	-	-	-	-	-
Other assets	9,131,035	7,354,950	1,407	35	51,231	527,294	443,771	740,982	11,365
	391,479,249	63,580,204	47,598,729	36,139,716	33,950,688	#####	34,356,765	56,659,360	9,490,344
									7,980,903
Liabilities									
Bills payable	3,824,278	3,824,278	-	-	-	-	-	-	-
Borrowings	64,557,043	49,798,126	8,092,537	5,204,967	14,289	31,234	16,839	464,313	934,738
Deposits and other accounts	290,077,566	46,170,685	43,579,674	48,699,165	39,643,889	12,176,863	13,514,535	86,292,755	-
Sub-ordinated loans	4,998,800	-	-	1,000	1,000	2,000	2,000	4,001	4,988,799
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	796,803	4,829	2,117	7,148	2,513	4,207	19,444	6,707	49,857
Other liabilities	10,555,430	7,254,124	51,778	105,545	232,333	1,020,464	1,280,411	610,775	-
	374,809,920	107,052,042	51,726,106	54,017,825	39,894,024	13,234,768	14,833,229	87,378,551	5,973,394
									699,981
Net assets	16,669,329	(43,471,838)	(4,127,377)	#####	(5,943,336)	88,487,772	19,523,536	(30,719,191)	3,516,950
									7,280,922
Share capital - net	8,619,242								
Preference shares	1,500,000								
Reserves	1,540,988								
(Deficit) / surplus on revaluation of assets - net of tax	490,279								
Unappropriated profit	4,518,820								
	16,669,329								

46.5 Operational risk

The Bank currently uses Basic Indicator Approach to Operational Risk for regulatory capital calculations. We define operational risk as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. With the evolution of Operational Risk Management into a separate distinct discipline, the Bank's strategy is to further strengthen its risk management system along new industry standards. Accordingly the Bank has set up a separate Operational Risk Management (ORM) Unit. ORM Unit resides within Risk Management Group (RMG). Its responsibility is to implement Operational Risk management tools across the bank for effective measurement and monitoring of operational risk faced by different areas of the Bank.

Bank's operational risk management process involves a structured and uniform approach across the bank. It includes risk identification and assessments, the monitoring of Key Risk Indicators (KRIs) and Risk Control Self-Assessment (RCSA) activities for key operational risks. In order to build a robust operational risk monitoring mechanism, an Operational Risk Steering Committee (ORSC) has been constituted to effectively address operational risk issues.

The bank has implemented a comprehensive "Operational Risk Management Framework" which has also been approved by the Board of Directors. The purpose of bank-wide Operational Risk Management Framework is aimed at laying out clearly defined roles and responsibilities of individuals / units across different functions of the bank that are involved in performing various operational risk management tasks. Operational risk is much more pervasive in a financial institution and every operating unit is exposed to operational risk, regardless of whether it is a business or a support function. This framework has been devised to explain the various building blocks of the operational risk management processes, and their inter-relationships. The framework also captures both qualitative and quantitative guidelines for managing and quantifying operational risks across the Bank.

The ORM Unit conducts operational risk profiling for all major operational areas of the bank and assists various functions of the bank in developing KRIs which are monitored against predefined thresholds. Findings from KRIs are used as predictive indicators of potential operational risks.

Operation risk loss data collection is governed by bank's Transaction in Difficulty (TID) Policy which has been developed and implemented to collate operational losses and near misses in a systematic and organized way.

The bank's Business Continuity (BCP) Policy includes risk management strategies to mitigate inherent risks and prevent interruption of mission critical services caused by disaster events. The resilience of BCP is tested and rehearsed on an annual basis by the bank.

47. DERIVATIVE RISK

The policy guidelines for taking derivative exposures are approved by the Board of Directors (BOD). Bank's Asset & Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

The nature, scope and purpose of derivatives business, for trading purposes or hedging purpose and the types of derivative in which they deal.

The overall responsibility for offering derivative products and sustaining profitability lies with the Treasurer and in his absence with his delegate. The Market Risk Unit / Treasury Middle Office of the Bank responsible for measurement & monitoring of the market risk exposures, analysis of present and potential risk factors.

The Market Risk Unit also monitors associated Credit, Market and Liquidity Risk in line with Board of Directors approved limit framework. The unit coordinates with the business regarding approvals for derivatives risk limits and produces various reports / analysis for ALCO / BRMC on periodic basis. These reports provide details of outstanding un-hedged positions, profitability and status of compliance with limits. Treasury Operations records derivatives activity in the Bank's books and is responsible for reporting to the SBP.

The derivative transaction such as Cross Currency Swaps carries credit risk which is the risk that a party to a derivative contract will fail to perform its obligation. There are two types of credit risk associated with derivative transactions; 1) settlement, and 2) pre-settlement risk. Bank's Central Credit Committee is responsible for reviewing and managing associated Counterparty Credit Risks of the transaction.

The Bank has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities. The Bank can hedge its risk by taking on & off-balance sheet position in interbank market, where available.

48. CUSTOMER SATISFACTION AND FAIR TREATMENT

We are committed to providing our customers with the highest level of service quality and satisfaction and have therefore set-up an independent service management function that oversees service quality, phone banking, problem resolution and the fair treatment of customers.

A total of 11,512 complaints were received by the Bank in 2017 and the average time taken to resolve these complaints was 5 days. Our complaint handling policy and grievance redressal mechanism ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at our Branches, phone banking center, the Bank's website and via email. Complaint management process is kept as transparent as possible through registration, acknowledgement, interim response where applicable, resolution and root cause analysis of recurring complaints. Customers are also given the option of contacting the Banking Mohtasib office in case they are dissatisfied with the response received from the Bank.

To create enhanced visibility of the recourse mechanism available to its customers, the Bank has incorporated awareness messages of its complaint handling function in several customer communications such as account statements, ATM screens, letters and SMS messages. Complete grievance redressal mechanism, contact channels and online feedback forms have been made available through the Bank website, and email broadcasts have been sent to the customers for customer education and awareness.

Fair Treatment of Customers is an integral part of our corporate culture. The Bank has institutionalized a 'Consumer Protection Framework'. Our priority is to keep customer benefits in mind while designing, selling and managing products and services, without any discrimination. Our focus is to maintain fairness in our customer dealings, clarity in communication, develop a service culture and design an effective grievance handling mechanism. We also focus on financial literacy of our customers, for promoting responsible conduct and informed financial decisions by consumers, through our consumer education and Financial Literacy Program.

49. GENERAL

49.1 These unconsolidated financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BPRD Circular no. 2 dated January 25, 2018 and related clarifications / modifications.

49.2 The figures in the unconsolidated financial statements have been rounded off to the nearest thousand.

50. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed cash preference dividend of 12% (December 31, 2017: 12%) amounting to Rs.24.164 million (December 31, 2017: Rs.180 million) in their meeting held on March 05, 2019. This appropriation will be approved in the fifth coming Annual General Meeting.

51. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on March 05, 2019.

**President and
Chief Executive
Officer**

**Chief Financial
Officer**

Director

Director

Chairman

As at December 31, 2018
As referred to in note 10.2.3 to the financial statements
Details of disposal of fixed assets made to related parties

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal	Buyers' particulars and relationship with Bank (if any)	
	Rupees in '000							
Building	2,370	539	1,831	81	(1,750)	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
<u>Electrical, office and computer equipment</u>								
Communication Equipment	2,181	1,291	890	695	(195)	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Office Machines and Equipments	4,107	2,286	1,821	2,412	591	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Office Machines and Equipments	892	308	584	-	(584)		Name Address CNIC	Khalid Imran H - 502, Creek Vista appartments, DHA, Karachi 35201-2969630-3
Computer	1,577	1,099	478	1,093	615	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Furniture & Fixture	44	7	37	109	72	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Furniture & Fixture	1,333	562	771	-	(771)		Name Address CNIC	Khalid Imran H - 502, Creek Vista appartments, DHA, Karachi 35201-2969630-3
	10,134	5,553	4,581	4,309	(272)			
<u>Vehicles</u>								
Suzuki Cultus	1,039	641	398	900	502	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Suzuki Cultus	1,391	153	1,238	1,200	(38)	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Suzuki Cultus	1129	169	960	1,035	75	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda Motorcycle	104	48	56	80	24	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda Motorcycle	103	62	41	80	39	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda Motorcycle	103	69	34	80	46	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	2,198	989	1,209	2,000	791	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda Civic	2,322	2,322	-	-	-		Name Address CNIC	Khalid Imran H - 502, Creek Vista appartments, DHA, Karachi 35201-2969630-3
	8,389	4,453	3,936	5,375	1,439			
Total	20,893	10,545	10,348	9,765	(583)			

DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENT

For the year ended December 31, 2018

On behalf of the Board of Directors, we are pleased to present the Annual Report on the audited consolidated financial statements of JS Bank Limited (the 'Bank') and its subsidiaries and the auditors' report thereon for the year ended December 31, 2018.

Consolidated financial highlights

	2018	2017
	(PKR Million)	
Profit before taxation	1,071	1,863
Taxation	(432)	(796)
Profit after taxation	639	1,067
Profit attributable to non-controlling interest	(24)	(40)
Profit attributable to equity holders of the Bank	615	1,027
Earnings per share - Basic (Rupees)	0.34	0.79
Investments – net	149,601	170,289
Total assets	460,541	394,124
Deposits	319,807	288,365
Shareholders' equity	18,439	19,668

Pattern of Shareholding

The pattern of shareholding as at December 31, 2018 is included in the annual report

Subsidiary Companies

JS Global Capital Limited

JS Global Capital Limited is one of the largest securities brokerage and investment banking firms in Pakistan with a leadership position in the domestic capital markets. It is in the business of equity, fixed income, currencies and commodities brokerage and investment banking. It was incorporated in Pakistan on June 28, 2000 and is the successor to the securities business of Jahangir Siddiqui & Co. Ltd. and Bear Stearns Jahangir Siddiqui Limited. JS Bank has 67.16% ownership in the company.

JS Global has a paid up capital of PKR 380 million and shareholder equity of PKR 2,608 million as at December 31, 2018. It is listed on the Pakistan Stock Exchange.

PACRA has assigned long-term and short-term entity ratings to JS Global of "AA" (Double A) and "A1+" (A One plus), respectively. The ratings denote a very low expectation of credit risk emanating from very strong capacity for timely payment of financial commitments.

Summarized results of the company are set out below:

PKR Million

Particulars	December 31,2018 (Audited)	December 31,2017 (Audited)
Profit Before Tax	99	198
Profit After Tax	26	86
EPS (Rupees)	0.67	2.25

JS Investments Limited

JS Investments has a paid-up capital of PKR 802 million and shareholder equity of PKR 2,151 million as on December 31, 2018. It is listed on the Pakistan Stock Exchange. JS Bank has 65.16% ownership in the company.

The Company holds a license of an Investment Adviser and Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, the Company is also a licensed Pension Fund Manager under the Voluntary Pension System Rules 2005, to manage voluntary pension schemes. Recently, JSIL has also acquired the Private Equity and Venture Capital Fund Management Services license from SECP

Summarized results of the Company are set out below:

PKR Million

Particulars	December 31,2018 (Audited)	December 31,2017 (Audited)
Profit before tax	57	68
Profit after tax	42	32
EPS (Rupees)	0.52	0.40

JS ABAMCO Commodities Limited (Sub-Subsidiary)

The Company has not yet commenced its commercial operations. The only source of income of the Company is short term investment in Collective Investment Schemes (CIS) and in bank saving account.

Summarized results of the company are set out below:

PKR Million

Particulars	December 31,2018 (Audited)	December 31,2017 (Audited)
Profit before tax	3.3	2.3
Profit after tax	2.7	2.1
EPS (Rupees)	0.71	0.56

For and on behalf of the Board,

Basir Shamsie
President & CEO

Suleman Lalani
Chairman

March 5, 2019

INDEPENDENT AUDITOR'S REPORT

To the members of JS Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **JS Bank Limited** (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at **31 December 2018**, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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



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-: 2 :-

Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
1. Provision against non-performing credit exposure	
<p>The Group's credit portfolios include loans and advances, and non-funded credit facilities. The credit portfolio is spread across various domestic branches and overseas operation.</p> <p>As per the Group's accounting policy (refer note 4.7.1 to the financial statements), the Group determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations of State Bank of Pakistan (SBP) in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning against loan losses on the basis of an age based criteria which should be supplemented by a subjective evaluation of Group's credit portfolio. The determination of loan loss provision against certain vulnerable corporate financing, therefore, involve use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers repayment behaviors and realisability of collateral held by the Group.</p> <p>In view of the significance of this area in terms of its impact on the financial statements and the level of involvement of management's judgment, we identified adequacy and completeness of loan loss provision as a significant area of audit judgment and a key audit matter.</p>	<p>We applied a range of audit procedures including the following:</p> <ul style="list-style-type: none"> - We tested Group's compliance of Prudential Regulations relating to the identification and classification of non-performing loans into various categories including an analysis of downgrading of the classified loans and declassification from non-performing to regular. - We re-computed on test basis, the provision calculated by the Group, to check compliance with the Prudential Regulations. We also reviewed, on a sample basis, the underlying independent valuations of the collaterals used against the outstanding exposures to calculate the amount of provision. - We also tested internal controls over the approval, recording and monitoring of loans and advances. In addition, we selected a representative sample of borrowers from the financing portfolios and other loans kept by the Group in the watch list category and performed credit assessments. Our procedures includes review of credit documentation, repayment trends and ageing reports, borrowers financial statements to assess its financial condition, collateral held by the Group and litigation status, if any. - We also reviewed the adequacy of disclosures made in the accompanying financial statements regarding non-performing loans and provisions in terms of the requirements of Prudential Regulation and applicable reporting framework.

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Key audit matters	How the matter was addressed in our audit
2. Impairment testing of goodwill allocated to a cash generating unit	
<p>As of the balance sheet date the Goodwill amounting to Rs.1,463.624 million represents 0.32% of the total assets. Goodwill impairment testing of cash generating units ('CGUs') relies on estimates of value-in-use based on estimated future cash flows which involve used of various assumptions taking into account the factors such as economic and business conditions of the industry and environment in which entity operates. Due to the uncertainty of forecasting and discounting future cash flows, this is deemed significant risk.</p>	<p>We applied a range of audit procedures to address the risk as identified above including the following:</p> <ul style="list-style-type: none"> - We assessed the reasonableness of cash flow projections and compared key inputs, such as discount rates and growth rates, to externally available industry, economic and financial data and the Group's own historical data and performance. - We evaluated the assumptions, on which the valuation is based, are realistic and consistent with: <ul style="list-style-type: none"> - the general economic environment, the economic environment of the specific industry, existing market information and the entity's economic circumstances. - assumptions made in prior periods the risks associated with cash flows, including the potential variability in the amount and timing of the cash flows and the related effect on the discount rate. - We also assessed whether the financial statements disclosures of application of judgement in estimating CGU cash flows and the sensitivity of the results of those estimates adequately reflects the risk associated with goodwill impairment. - We used our own valuation specialists to test the assumptions used in valuation.
3. Assessment of contingencies	
<p>As disclosed in note 35.2.1 to the accompanying financial statements, the Group's tax assessments are under consideration at different forums of the tax authorities and/or are subject matter of court proceedings. Consequently, settlement of these assessments may take considerable amount of time. For unsettled tax positions, although the management takes into account precedent and the advice of experts, there is a risk that the final outcome may significant differ from the estimates accounted for by the Group. Since the assessment process is complex and requires careful consideration and judgment, we identified this area as a key audit matter.</p>	<p>We performed audit procedures on the completeness and accuracy of the amounts recognized as current and deferred tax. The audit team was supported by tax specialists in testing the tax positions and evaluating the assumptions used by the management. In our audit of the uncertain tax positions, we considered the correspondence with the relevant tax authorities, the appropriateness of management's assumptions and estimates in relation to uncertain tax positions, evaluated those assumptions and considering the advice management received from its tax advisor to support the accounting for the uncertain tax positions in accordance with applicable framework. We also assessed the adequacy of the Group's disclosure in the financial statements in respect of tax and uncertain tax positions.</p>

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Key audit matters	How the matter was addressed in our audit
4. Preparation of Consolidated Financial Statements under BPRD Circular No. 02 of 2018	
As referred to in notes 4.1.1 and 4.1.2 to the consolidated financial statements, State Bank of Pakistan (SBP) vide its BPRD circular no. 02 of 2018, (the circular) revised the statutory forms of the annual financial statements of Group effective from the year ended 31 December 2018.	- We assessed the procedures applied by the management for identification of the changes required in the consolidated financial statements due to the application of the revised forms for the preparation of such consolidated financial statements.
The revised statutory financial reporting framework as applicable to the Group, prescribes the presentation format, nature and content of disclosures in relation to various elements of the consolidated financial statements.	- We also evaluated the sources of information used by the management for the preparation of the consolidated financial statements disclosures and the internal consistency of the disclosures with other elements thereof.
The above changes and enhancements in the consolidated financial statements are considered important and a key audit matter because of the volume and significance of the changes in the consolidated financial statements resulting from the transition to the new reporting requirements.	- We considered the adequacy and appropriateness of the additional disclosures and changes in the presentation of the consolidated financial statements based on the requirements of the statutory forms.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditors' reports thereon.

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

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

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

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

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

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

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

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

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

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

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

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Shaikh Ahmed Salman.

Chartered Accountants

Place: Karachi

Date: 05 March 2019

JS BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

2018	2017	2016		2018	2017	2016	
----- US Dollars in '000 -----				----- Rupees in '000 -----			
(Restated)	(Restated)			(Restated)	(Restated)	(Restated)	
ASSETS							
231,245	124,830	111,688	Cash and balances with treasury banks	5	32,111,176	17,334,111	15,509,263
7,043	7,558	5,529	Balances with other banks - net	6	978,024	1,049,496	767,747
13,952	22,441	81,624	Lendings to financial institutions - net	7	1,937,347	3,116,199	11,334,414
1,077,338	1,226,318	972,469	Investments - net	8	149,601,215	170,288,835	135,038,901
1,816,972	1,326,218	675,581	Advances - net	9	252,308,117	184,161,175	93,812,506
50,033	41,140	30,141	Fixed assets	10	6,947,725	5,712,715	4,185,376
15,890	13,517	13,223	Intangible assets	11	2,206,512	1,876,987	1,836,187
2,945	-	-	Deferred tax assets - net	12	408,992	-	-
101,123	76,225	65,422	Other assets - net	13	14,042,139	10,584,731	9,084,598
3,316,541	2,838,247	1,955,677			460,541,247	394,124,249	271,568,992
LIABILITIES							
25,348	27,540	18,321	Bills payable	14	3,519,924	3,824,278	2,544,028
695,357	464,901	74,319	Borrowings	15	96,558,663	64,557,043	10,320,047
2,303,057	2,076,632	1,620,348	Deposits and other accounts	16	319,806,852	288,365,014	225,004,655
			Liabilities against assets subject				
334	36	-	to finance lease	17	46,422	5,032	-
53,987	35,998	21,604	Subordinated debt	18	7,496,800	4,998,800	3,000,000
-	4,947	7,798	Deferred tax liabilities - net	12	-	686,941	1,082,885
105,673	86,556	70,969	Other liabilities	19	14,673,767	12,019,227	9,854,983
3,183,756	2,696,610	1,813,359			442,102,428	374,456,335	251,806,598
132,785	141,637	142,318	NET ASSETS		18,438,819	19,667,914	19,762,394
REPRESENTED BY							
72,873	62,071	62,071	Share capital - net	20	10,119,242	8,619,242	8,619,242
-	10,802	10,802	Preference shares	21	-	1,500,000	1,500,000
12,330	11,097	9,608	Reserves		1,712,170	1,540,987	1,334,121
			(Deficit) / Surplus on revaluation of				
(5,923)	6,306	12,528	assets - net of tax	22	(822,532)	875,648	1,739,675
41,953	39,344	34,989	Unappropriated profit		5,825,742	5,463,357	4,858,613
121,233	129,620	129,998			16,834,622	17,999,234	18,051,651
11,552	12,017	12,320	Non-controlling interest		1,604,197	1,668,680	1,710,743
132,785	141,637	142,318			18,438,819	19,667,914	19,762,394

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 52 and annexure I form an integral part of these consolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

JS BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2018

2018 ---- US Dollars in '000 ----	2017		Note	2018 ----- Rupees in '000 -----	2017
216,539	147,537	Mark-up / return / interest earned	25	30,068,981	20,487,216
152,007	101,379	Mark-up / return / interest expensed	26	21,107,974	14,077,742
64,532	46,158	Net mark-up / interest income		8,961,007	6,409,474
NON MARK-UP / INTEREST INCOME					
23,901	20,643	Fee, commission and brokerage income	27	3,318,985	2,866,534
1,406	1,813	Dividend income		195,185	251,733
3,761	2,573	Foreign exchange income		522,207	357,337
1,512	693	Income from derivatives - net	28	209,996	96,220
(9,644)	9,884	(Loss) / gain on securities - net	29	(1,339,160)	1,372,483
48	-	Share of profit from associate		6,674	-
1,128	729	Other income - net	30	156,632	101,206
22,112	36,335	Total non mark-up / interest income		3,070,519	5,045,513
86,644	82,493	Total Income		12,031,526	11,454,987
NON MARK-UP / INTEREST EXPENSES					
78,846	66,316	Operating expenses	31	10,948,842	9,208,732
(1,170)	272	Workers' Welfare Fund	32	(162,429)	37,831
117	96	Other charges	33	16,203	13,330
77,793	66,684	Total non-mark-up / interest expenses		10,802,616	9,259,893
8,851	15,809	Profit before provisions		1,228,910	2,195,094
1,140	2,394	Provisions and write offs - net	34	158,298	332,417
-	-	Extraordinary / unusual items		-	-
7,711	13,415	PROFIT BEFORE TAXATION		1,070,612	1,862,677
(3,108)	(5,731)	Taxation	35	(431,577)	(795,791)
4,603	7,684	PROFIT AFTER TAXATION		639,035	1,066,886
Attributable to:					
4,431	7,396	Equity holders of the Bank		615,152	1,026,839
172	288	Non-controlling interest		23,883	40,047
4,603	7,684			639,035	1,066,886
----- US Dollar -----					
0.002	0.010	Basic earnings per share	36	0.34	0.79
----- Rupee -----					

The annexed notes from 1 to 52 and annexure I form an integral part of these consolidated financial statements.

**President and
Chief Executive Officer**

**Chief Financial
Officer**

Director

Director

Chairman

JS BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

2018 ---- US Dollars in '000 ---- (Restated)	2017 (Restated)		2018 ----- Rupees in '000 ----- (Restated)	2017 (Restated)
4,603	7,684	Profit after tax for the year	639,035	1,066,886
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
423	88	Effect of translation of net investment in foreign branches	58,715	12,236
(17,392)	(11,558)	Movement in deficit on revaluation of investments - net of tax	(2,415,018)	(1,604,933)
421	-	Movement in general provision under IFRS 9 - net	58,510	-
(16,971)	(11,558)		(2,356,508)	(1,604,933)
(16,548)	(11,470)		(2,297,793)	(1,592,697)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
127	(400)	Remeasurement gain / (loss) on defined benefit obligations - net of tax	17,590	(55,602)
4,270	4,807	Movement in surplus on revaluation of fixed assets - net of tax	592,943	667,502
(15)	96	Movement in (deficit) / surplus on revaluation of non-banking assets - net of tax	(2,086)	13,396
9	-	Share of other comprehensive gain of an associate - net of tax	1,216	-
4,391	4,503		609,663	625,296
(7,554)	717	Total comprehensive (loss) / income	(1,049,095)	99,485
		Attributable to:		
(7,067)	941	Equity holders of the Bank	(981,418)	130,564
(487)	(224)	Non-controlling interest	(67,677)	(31,079)
(7,554)	717		(1,049,095)	99,485

The annexed notes from 1 to 52 and annexure I form an integral part of these consolidated financial statements.

**President and
Chief Executive Officer**

**Chief Financial
Officer**

Director

Director

Chairman

JS BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Attributable to shareholders of the Bank										
	Reserves				Surplus / (Deficit) on revaluation of						
	Share capital	Preference shares	Statutory reserve *	Exchange translation	Investments	Fixed assets	Non banking assets	Unappropriated profit	Sub-total	Non-controlling interest	Total
Rupees in '000											
Balance as at December 31, 2016	8,619,242	1,500,000	1,334,138	(17)	-	-	-	4,858,613	16,311,976	1,434,391	17,746,367
Effect of retrospective changes in accounting policies											
Reclassification of surplus to equity (note 4.1.1)	-	-	-	-	1,657,807	-	81,868	-	1,739,675	276,352	2,016,027
Balance as at December 31, 2016 (restated)	8,619,242	1,500,000	1,334,138	(17)	1,657,807	-	81,868	4,858,613	18,051,651	1,710,743	19,762,394
Profit after taxation	-	-	-	-	-	-	-	1,026,839	1,026,839	40,047	1,066,886
Other comprehensive income / (loss) net of tax	-	-	-	12,236	(1,467,048)	600,743	13,396	(55,602)	(896,275)	(71,126)	(967,401)
	-	-	-	12,236	(1,467,048)	600,743	13,396	971,237	130,564	(31,079)	99,485
Transfer to statutory reserve	-	-	194,630	-	-	-	-	(194,630)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax											
Fixed assets	-	-	-	-	-	(10,904)	-	7,923	(2,981)	2,981	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	(214)	214	-	-	-
Transaction with owners recorded directly in equity											
Preference dividend paid for the year ended December 31, 2016 @ 12% p.a.	-	-	-	-	-	-	-	(180,000)	(180,000)	-	(180,000)
Dividend paid to non controlling interest for the year ended December 31, 2016 @ Rs.0.5	-	-	-	-	-	-	-	-	-	(13,965)	(13,965)
Balance as at December 31, 2017 (restated)	8,619,242	1,500,000	1,528,768	12,219	190,759	589,839	95,050	5,463,357	17,999,234	1,668,680	19,667,914
Profit after taxation	-	-	-	-	-	-	-	615,152	615,152	23,883	639,035
Other comprehensive income / (loss) net of tax	-	-	-	58,715	(2,264,948)	592,943	(2,086)	18,806	(1,596,570)	(91,560)	(1,688,130)
	-	-	-	58,715	(2,264,948)	592,943	(2,086)	633,958	(981,418)	(67,677)	(1,049,095)
Transfer to statutory reserve	-	-	112,468	-	-	-	-	(112,468)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax											
Fixed assets	-	-	-	-	-	(23,983)	-	20,789	(3,194)	3,194	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	(106)	106	-	-	-
Transaction with owners recorded directly in equity											
Issuance of ordinary shares on conversion of preference shares during the period (note 20)	2,250,000	-	-	-	-	-	-	-	2,250,000	-	2,250,000
Discount on issue of ordinary shares during the period (note 20)	(750,000)	-	-	-	-	-	-	-	(750,000)	-	(750,000)
	1,500,000	-	-	-	-	-	-	-	1,500,000	-	1,500,000
Preference shares cancelled on conversion into ordinary shares during the period (note 20)	-	(1,500,000)	-	-	-	-	-	-	(1,500,000)	-	(1,500,000)
Preference dividend paid for the year ended December 31, 2017 @ 12% p.a.	-	-	-	-	-	-	-	(180,000)	(180,000)	-	(180,000)
Balance as at December 31, 2018	10,119,242	-	1,641,236	70,934	(2,074,189)	1,158,799	92,858	5,825,742	16,834,622	1,604,197	18,438,819

* This represents reserve created under Section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes from 1 to 52 and annexure I form an integral part of these consolidated financial statements.

President and
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

JS BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

2018	2017		Note	2018	2017
-- US Dollars in '000 --	----- Rupees in '000 -----				
(Restated)	(Restated)				
CASH FLOWS FROM OPERATING ACTIVITIES					
7,711	13,415	Profit before taxation		1,070,612	1,862,677
(1,406)	(1,813)	Less: Dividend income		(195,185)	(251,733)
(48)	-	Share of profit from associate		(6,674)	-
6,257	11,602			868,753	1,610,944
Adjustments:					
5,385	4,634	Depreciation	10.2	747,791	643,503
4	9	Depreciation on non-banking assets	13.5.1	573	1,300
538	463	Amortisation of intangible assets	11.2	74,660	64,242
933	645	Charge for defined benefit plan	39.5	129,556	89,576
402	29	Unrealised loss on revaluation of investments classified as held-for-trading - net		55,773	3,958
1,140	2,394	Provisions / write offs - net		158,298	332,417
(1,170)	272	(Reversal) / provision for Workers' Welfare Fund	32	(162,429)	37,831
(1,579)	(475)	Unrealised gain on revaluation of derivative instruments	28	(219,248)	(66,026)
75	300	Finance cost		10,441	41,698
(876)	(548)	Gain on sale of fixed assets - net	30	(121,599)	(76,156)
4,852	7,723			673,816	1,072,343
11,109	19,325			1,542,569	2,683,287
(Increase) / decrease in operating assets					
8,458	59,183	Lendings to financial institutions		1,174,540	8,218,215
(242,276)	414,414	Held-for-trading securities		(33,642,907)	57,546,369
(493,756)	(652,097)	Advances		(68,563,924)	(90,551,483)
(18,020)	(10,709)	Other assets (excluding advance taxation)		(2,502,254)	(1,487,027)
(745,594)	(189,209)			(103,534,545)	(26,273,926)
Increase / (decrease) in operating liabilities					
(2,192)	9,220	Bills payable		(304,354)	1,280,250
228,277	389,441	Borrowings		31,698,987	54,078,528
226,425	456,283	Deposits and other accounts		31,441,838	63,360,359
20,809	14,904	Other liabilities		2,889,593	2,069,599
473,319	869,848			65,726,064	120,788,736
(272,275)	680,639			(37,808,481)	94,514,810
(1,261)	(852)	Gratuity paid		(175,118)	(118,308)
(75)	(300)	Financial cost paid		(10,441)	(41,698)
(8,841)	(5,053)	Income tax paid		(1,227,666)	(701,666)
(271,343)	693,759	Net cash flows from / (used in) operating activities		(37,679,137)	96,336,425
CASH FLOW FROM INVESTING ACTIVITIES					
378,027	(387,397)	Net investment in available-for-sale securities		52,493,495	(53,794,682)
(9,495)	(298,127)	Net investment in held-to-maturity securities		(1,318,447)	(41,398,485)
(1,296)	-	Investment in associated company		(180,000)	-
1,392	1,756	Dividend income received		193,320	243,790
(23)	(8)	Capital repayment of finance lease obligations		(3,135)	(1,143)
(9,007)	(9,075)	Investments in fixed assets		(1,250,706)	(1,260,132)
(2,911)	(756)	Investments in intangible assets		(404,185)	(105,042)
423	88	Effect of translation of net investment in foreign branches		58,715	12,236
1,261	795	Proceeds from sale of fixed assets		175,167	110,327
358,371	(692,724)	Net cash flows from / (used in) investing activities		49,764,224	(96,193,131)
CASH FLOW FROM FINANCING ACTIVITIES					
(1,296)	(1,296)	Dividend paid on preference shares		(180,000)	(180,000)
17,989	14,394	Subordinated debt		2,498,000	1,998,800
-	(101)	Dividend paid to non controlling interest		-	(13,965)
16,693	12,997	Net cash flows used in financing activities		2,318,000	1,804,835
103,721	14,032	Increase in cash and cash equivalents		14,403,087	1,948,129
130,957	116,925	Cash and cash equivalents at beginning of the year		18,184,611	16,236,482
234,678	130,957	Cash and cash equivalents at end of the year	37	32,587,698	18,184,611

The annexed notes from 1 to 52 and annexure I form an integral part of these consolidated financial statements.

**President and
Chief Executive Officer**

Chief Financial Officer

Director

Director

Chairman

JS BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

1.1.1 Holding Company: JS Bank Limited, Pakistan

JS Bank Limited (the Holding Company / the Bank / JSBL) is a banking company incorporated in Pakistan as a public limited company on May 15, 2006. It commenced its banking operations on December 30, 2006. The Bank's ordinary shares are listed on Pakistan Stock Exchange Limited (PSX) and is a subsidiary company of Jahangir Siddiqui & Co. Ltd. (JSCL). The registered office of the Holding Company is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi.

The Holding Company is a scheduled bank, engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and is operating through 344 (December 31, 2017: 322) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (December 31, 2017: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to AA- (Double A Minus) whereas short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

1.1.2 Jahangir Siddiqui Investment Bank Limited, JSIBL, (formerly Citicorp Investment Bank Limited which was acquired by JSCL on February 01, 1999), and its holding company, JSCL, entered into a Framework Agreement with American Express Bank Limited, New York (AMEX) on November 10, 2005 for acquisition of its American Express Bank Limited - Pakistan Branches, (AEBL). Consequently, a new banking company, JSBL was incorporated on March 15, 2006 and a restricted Banking License was issued by the State Bank of Pakistan (SBP) on May 23, 2006.

A Transfer Agreement was executed on June 24, 2006 between JSIBL and JSBL for the transfer of entire business and undertaking of JSIBL to JSBL and a separate Transfer Agreement was also executed on June 24, 2006, between AMEX and JSBL for the transfer of AEBL's commercial banking business in Pakistan with all assets and liabilities (other than certain excluded assets and liabilities) (AEBL business). The shareholders of JSIBL and JSBL in their respective extra ordinary general meetings held on July 31, 2006 approved a Scheme of Amalgamation (the Scheme) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme was initially approved by the Securities and Exchange Commission of Pakistan vide its letter No. SC/NBFC(J)-R/JSIBL/2006/517 dated September 28, 2006. Subsequently, the Scheme was sanctioned by the SBP vide its order dated December 02, 2006 and, in accordance therewith, the effective date of amalgamation was fixed at December 30, 2006.

The ultimate parent of the Group is Jahangir Siddiqui & Co. Ltd. which holds 70.42% shares of the Bank.

1.1.3 Composition of the Group

	Ownership interest and voting power held by			
	2018		2017	
	The Group	NCI	The Group	NCI
Subsidiary				
JS Global Capital Limited	67.16%	32.84%	67.16%	32.84%
JS Investment Limited	65.16%	34.84%	65.16%	34.84%
JS ABAMCO Commodities Limited	65.16%	34.84%	65.16%	34.84%
Associates				
Omar Jibran Engineering Industries Limited	9.60%	-	-	-

1.1.4 Subsidiary Companies

JS Global Capital Limited (JSGCL)

JS Global Capital Limited, JSGCL, is principally owned by the Bank, holding 67.16% of its equity interest. The Bank acquired effective controlling interest in JSGCL on December 21, 2011 and April 15, 2016 of 51.05% and 16.11% respectively. The ownership interest has increased by 16.11%, without any change in the cost of investment, due to the fact that JSGCL has bought back its 11,993,000 ordinary shares out of its 50 million ordinary shares in 2016. JSGCL is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984. The shares of the JSGCL are listed on Pakistan Stock Exchange (PSX). Further, the JSGCL is a corporate member of PSX and member of Pakistan Mercantile Exchange. The principal business of the JSGCL is to carry out share brokerage, money market, forex and commodity brokerage, advisory and consultancy services. Other activities include investment in a mix of listed and unlisted equity and debt securities and reverse repurchase transactions. The registered office of the JSGCL is situated at 6th floor, Faysal House, Shahra-e-Faisal, Karachi, Pakistan.

JS Investments Limited (JSIL)

JS Investments Limited, JSIL, is principally owned by the Bank, holding 65.16% of its equity interest. The Bank acquired effective controlling interest in JSIL on November 01, 2012 and December 22, 2015 of 52.24% and 12.92% respectively. The ownership interest has increased by 12.92%, without any change in the cost of investment, due to the fact that JSIL has bought back its 19,828,182 ordinary shares out of its 100 million ordinary shares in 2016. JSIL is a public listed company incorporated in Pakistan on February 22, 1995 under the repealed Companies Ordinance, 1984. The shares of the JSIL are listed on the Pakistan Stock Exchange (PSX), formerly since April 24, 2007. The registered office of the JSIL is situated at 7th Floor, The Forum, Khayaban-e-Jami, Clifton, Karachi.

The JSIL has obtained the license of an "Investment Advisor" and "Asset Management Company" (AMC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, the Company has also obtained registration to act as Pension Fund Manager under the Voluntary Pension System Rules, 2005.

JSIL is an asset management company of the following funds:

Open end funds:

- JS Growth Fund
- JS Value Fund
- Unit Trust of Pakistan
- JS Income Fund
- JS Islamic Fund
- JS Fund of Funds
- JS Islamic Income Fund
- JS Cash Fund
- JS Large Cap Fund
- JS Islamic Hybrid Fund of Funds
- JS Islamic Hybrid Fund of Funds - 2
- JS Islamic Dedicated Equity Fund

Pension fund

- JS Pension Savings Fund
- JS Islamic Pension Savings Fund

These funds have been treated as related parties in these consolidated financial statements.

JS ABAMCO Commodities Limited

JS Bank owns JS ABAMCO Commodities Limited, JSACL, indirectly through its subsidiary JS Investment Limited (JSIL) which has 100% holding in JSACL. JSACL was incorporated on September 25, 2007 as a public unlisted company under the repealed Companies Ordinance, 1984 and is a wholly owned subsidiary company of JSIL (a subsidiary of Holding Company). The principal activities of JSACL are to deal and effectuate commodity contracts; to become member of commodity exchange including National Commodity Exchange Limited (NCEL) and to carry on the business as brokers, advisory and consultancy services, dealers and representative of all kinds of commodity contracts and commodity backed securities. The registered office of the Company is situated at 7th Floor, 'The Forum', Khayaban-e-Jami, Clifton, Karachi. The Company has not commenced its commercial operations up to the balance sheet date.

2. BASIS OF PRESENTATION

2.1 These consolidated financial statements represent financial statements of holding company - JS Bank Limited and its subsidiaries. The assets and liabilities of subsidiaries have been consolidated on a line-by-line basis and the investment held by the holding company is eliminated against the corresponding share capital of subsidiaries in these consolidated financial statements.

2.2 Statement of Compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the SBP and the Securities & Exchange Commission of Pakistan (SECP) from time to time.

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies vide BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks vide its notification S.R.O 411(I)/2008 dated April 28, 2008. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

IFRS10 "Consolidated Financial Statements" was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 228 of the Companies Act, 2017 and IFRS-10 "Consolidated Financial Statements" are not applicable in case of investment by companies in mutual funds established under trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

Through SRO 1007(I)/2017, dated October 04, 2017, the SECP had notified IFRS 9, replacing the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" with effect from reporting periods starting July 01, 2018. However, through S.R.O. 229 (I)/2019 dated February 14, 2019, the SECP has deferred the applicability of the IFRS 9 for all companies required to prepare their financial statements in accordance with the requirements of IFRS for reporting period/year ending on or after June 30, 2019 (earlier application is permitted).

2.3 BASIS OF CONSOLIDATION

2.3.1 Subsidiary

- The consolidated financial statements include the financial statements of the Bank (The Holding Company) and its subsidiary companies together - "the Group".
- Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its investment with investee and has the ability to effect those return through its power over the investee except investment in mutual funds established under trust structure where IFRS 10 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under Trust structure.
- These consolidated financial statements incorporate the financial statements of subsidiaries from the date that control commences until the date that control ceases.
- The financial statements of the subsidiary companies are prepared for the same reporting year as the holding company for the purpose of consolidation, using consistent accounting policies.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries attributable to interest which are not owned by the holding company.
- Material intra-group balances and transactions are eliminated.

2.3.2 Associate

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method.

2.3.3 Acquisition of business not under common control

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the bank, liabilities incurred by the bank to the former owners of the acquiree and the equity interests issued by the bank in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill on acquisition after July 01, 2009 is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill acquired in a business combination before July 01, 2009 is initially measured at cost, being the excess of the cost of business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation is measured at proportionate share of net assets of the acquiree at the date of the acquisition.

2.3.4 Acquisition of business under common control

Acquisition of business under common control are accounted for under 'pooling of interest method'. The assets and liabilities of the combining businesses for the period in which the combination occurs are merged on the date of combination at their respective book values. Appropriate adjustments are made to the book values to reflect application consistent accounting policies in the combining businesses. Any difference between the amount of net assets merged and consideration transferred in form of cash or other assets are adjusted against equity.

Expenditure incurred in relation to the business combination are recognized as expenses in the period in which they are incurred.

2.4 These consolidated financial statements are presented in Pakistani Rupee, which is the Group's functional and presentation currency.

2.5 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers and have not been subject to audit by the external auditors. For the purpose of conversion to US Dollars, the rate of Rs. 138.8619 to 1 US Dollar has been used for 2018 and 2017 as it was the prevalent rate as on December 31, 2018.

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

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

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

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

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
IFRS 9 – Financial Instruments: Classification and Measurement	July 01, 2019
IFRS 9 – Prepayment Features with Negative Compensation - (Amendments)	January 01, 2019
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
IFRS 15 – Revenue from Contracts with Customers	July 01, 2019
IFRS 16 – Leases	January 01, 2019
IFRIC 23 – Uncertainty over Income Tax Treatments	January 01, 2019
IAS 1/ IAS 8 – Definition of Material – Amendments to IAS 1 and IAS 8	January 01, 2020
IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application, other than IFRS 9 and IFRS 16. With regard to IFRS 9, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan (also see note 4.1.2 for IFRS 9 impact on Bank's Bahrain Branch). With regard to IFRS 16, the Bank is currently evaluating the impact of application of IFRS 16 on its financial statements.

There are certain new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 01, 2018 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these financial statements.

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

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

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

2.9 Critical Accounting Estimates And Key Sources Of Estimation Uncertainty

The preparation of these consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions in accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Classification of investments

- In classifying investments as 'held-for-trading' the Bank has determined securities which are acquired with an intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days of acquisition.
- In classifying investments as 'held-to-maturity' the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.
- The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

ii) Provision against non performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers, the value of securities and the requirements of the Prudential Regulations are considered. For portfolio impairment / provision on consumer advances, the Bank follows requirements set out in Prudential Regulations.

iii) Impairment on investments

The Bank determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in securities price. In addition, impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

iv) Income taxes

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Bank's future taxable profits are taken into account.

v) Fair value of derivatives

The fair value of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in effect at the balance sheet date and the contracted rates.

vi) Depreciation of fixed assets and amortization of intangible assets

In making estimates of the depreciation / amortisation method, the management uses a method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the underlying assets, the method is changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

vii) Defined benefits plans and other benefits

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method.

viii) Impairment of investment in subsidiaries

In assessing its investment in subsidiaries for impairment, the Bank determines if there is any objective evidence that investment may be impaired. Impairment loss is recognised as a difference between carrying amount of the investment and its recoverable amount which is determined as higher of value-in-use and fair value less cost to sell.

ix) Impairment of Goodwill

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The carrying amount of goodwill at the balance sheet date was Rs.1,464 million. The detailed assumptions underlying impairment testing of goodwill are given in **note 12.3.1** to these consolidated financial statements.

3. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for:

- Certain classes of fixed assets and non-banking assets acquired in satisfaction of claims which are stated at revalued amounts less accumulated depreciation.
- Investments classified as held-for-trading and available-for-sale and derivative financial instruments, which are measured at fair value.
- Net obligations in respect of defined benefit schemes which are carried at their present values.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Changes in accounting policies

4.1.1 Change in reporting format

These consolidated financial statements have been prepared on the format prescribed by SBP under Second Schedule of the Banking Companies Ordinance, 1962 as defined in Section 34 of the said Ordinance. During the year SBP has revised the format vide BPRD Circular No. 02 dated January 25, 2018. Accordingly, the Bank has prepared these financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format contains recognition requirements, reclassification of comparative information and additional disclosures and accordingly a third statement of financial position as at the beginning of the preceding period (i.e. December 31, 2016) has been presented in accordance with the requirements of International Accounting Standard 1 – Presentation of Financial Statements. The amended format also introduced certain new disclosures and has resulted in the following significant changes:

- Acceptances amounting to Rs.3,217.002 million (2017: Rs.3,170.373 million, 2016: Rs.2,743.401 million) which were previously shown as part of contingencies and commitments are now recognised on consolidated statement of financial position both as assets and liabilities. They are included in other assets (note 13) and other liabilities (note 18);
- Intangibles (note 11) amounting to Rs.2,169.877 million (2017: Rs.1,977.512 million, 2016: Rs.1,793.027 million) which were previously shown as part of fixed assets (note 10) are now shown separately on the consolidated statement of financial position;

4.1.2 Surplus / Deficit on Revaluation of Fixed Assets

The Companies Ordinance, 1984 (the repealed Ordinance) was repealed through the enactment of the Companies Act, 2017 on May 30, 2017. However, as directed by the Securities and Exchange Commission of Pakistan vide circular number 23 dated October 04, 2017, the financial reporting requirements of the Companies Act, 2017 were only made applicable for reporting periods starting from January 01, 2018.

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

Consequently, the Bank has changed its policy for accounting for a deficit arising on revaluation of fixed assets and, accordingly any surplus/deficit arising on revaluation of owned property is accounted for at individual assets level. The above change in accounting policy did not have any effect on these consolidated financial statements.

4.1.3 Adoption of IFRS 9 - 'Financial Instrument'

Expected Credit Losses - IFRS 9

As per the accounting policy of the Bank, provision against balances with other banks, lending to financial institutions, investments, advances and off-balance sheet obligations of the Bank's Bahrain operations is made as per the requirements of the respective regulatory regimes in which the branch operates. During the current year, provision requirement under IFRS 9, Financial Instruments: Classification and Measurement, became applicable for Bank's Bahrain operations. Under this accounting standard, provision against balances with other banks, lending to financial institutions, investments and advances is determined under the expected credit loss model whereas previously, it was determined under the incurred loss model. Accordingly, in respect of that branch, the Bank has changed its accounting policy and has followed the requirements of IFRS 9 while determining the requirements for recording provision against these financial assets.

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

The financial effects due to the adoption of IFRS 9 by the Bahrain branch on these consolidated financial statements are as follows:

		2018		
		Profit and loss account	Statement of comprehensive income	Statement of financial position
Note		----- Rupees in '000 -----		
General provision - under IFRS-9				
Balances with other banks	6	111	16	127
Lendings to financial institutions	7	3,782	530	4,312
Investments	8	78,952	11,063	90,015
Advances	9	9,425	1,321	10,746
		92,270	12,930	105,200

4.2 Cash and cash equivalents

Cash and cash equivalents represent cash and balances with treasury banks and balances with other banks net of any overdrawn nostro accounts.

4.3 Lendings to / borrowings from financial institutions

The Group enters into transactions of lendings to / borrowings from financial institutions at contracted rates for a specified period of time. These are recorded as under:

(a) Purchase under resale obligation

Securities purchased under agreement to resell (reverse repo) are not included in statement of financial position as the Bank does not obtain control over the securities. Amount paid under these agreements is included in lendings to financial institutions or advances as appropriate. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income using effective interest method.

(b) Other lendings

Other lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision. Mark-up on such lendings is charged to profit and loss account on a time proportionate basis using effective interest rate method except mark-up on impaired/delinquent lendings, which are recognized on receipt basis in accordance with the requirements of the Prudential Regulations of the SBP.

(c) Sale under repurchase obligation

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and liability to counter party is included in borrowings. The difference in sale and repurchase value is accrued over the period of the contract and recorded as an expense using effective interest rate method.

(d) Other borrowings

Other borrowings include borrowings from the SBP and unsecured call borrowings which are recorded at the proceeds received. Mark-up paid on such borrowings is charged to the profit and loss account over the period of borrowings on time proportionate basis using effective interest method.

4.4 Investments

4.4.1 Initial recognition and measurement

- 4.4.1.1 The Management determines the appropriate classification of its investments at the time of purchase in held-for-trading, available-for-sale or held-to-maturity as per SBP guidelines vide BSD circular No. 10 of 2004 dated July 13, 2004. These are initially recognised at cost, being the fair value of the consideration given plus, in the case of investments not held-for-trading, directly attributable acquisition costs.

(a) Held-for-trading

These are securities which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists. These securities are carried at fair value with any related gain or loss being recognized in profit and loss account.

(b) Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the intention and ability to hold till maturity. Investments classified as held-to-maturity are carried at amortised cost.

(c) Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are initially recognised at cost, being the fair value of the consideration given including the acquisition cost. These securities are carried at fair value with any related surplus or deficit on revaluation shall be taken to other comprehensive income.

4.4.1.2 Associates

Associates are all entities over which the Group has significant influence but not control. These are accounted for using the equity method of accounting.

Under the equity method, the investment in associates are initially recognised at cost and the carrying amount of investment is increased or decreased to recognise the investor's share of the post acquisition profits or losses, share of other comprehensive income or loss and share of the post acquisition movement in other reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. However, in case where associates are considered as fully impaired and financial statements are not available these investments are stated at cost less provision.

4.4.1.3 Regular way contracts

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Group. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

4.4.1.4 Premium or discount on acquisition of investments

Premium or discount on acquisition of investments is capitalised and amortised through the consolidated profit and loss account using effective yield over the remaining period of the investment.

4.4.2 Subsequent measurement

In accordance with the requirements of the State Bank of Pakistan, SBP, quoted securities other than those classified as 'held-to-maturity' and investment in associates and subsidiaries, are subsequently remeasured on portfolio basis i.e. in case of Government securities at PKRV rates whereas in case of other securities at market value. Investments classified as 'held-to-maturity' are carried at amortised cost using the effective interest method (less impairment, if any).

Further, in accordance with the requirements of the SBP, gain or loss on revaluation of the Group's held-for-trading investments is taken to the profit and loss account. In case of investments classified as available-for-sale, surplus or deficit is taken directly to equity. The surplus or deficit arising on these securities is taken to the profit and loss account when actually realised upon disposal.

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

4.4.3 Impairment / diminution in the value of securities

Impairment loss in respect of quoted equity securities classified as available for sale, associates, subsidiaries and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below average cost. A decline to be considered as:

- Significant if the fair value is below the weighted average cost by more than 30 percent.
- Prolonged if the fair value is below the weighted average cost for a period of more than one year.

(a) Available-for-sale

If an available-for-sale of equity security is impaired, the cumulative loss that had been recognised in equity, shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised, any further declines in the fair value at subsequent reporting dates are recognised as impairments. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments are recognised for the difference between the fair value and the original cost basis, less any previously recognised impairment.

If, in subsequent period, impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss except in case of derecognition.

(b) Held to maturity, Subsidiaries and Associates

Impairment losses are incurred if, and only if, there is objective evidence of impairment after initial recognition of the investment. The impairment loss is recognised in the profit and loss account. If, in a subsequent period, any indication that an impairment loss recognised in prior periods no longer exist or may have decreased, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

(c) Debt Securities

PTCs, TFCs, Sukuk and other debt securities will be classified on the valuation date on the basis of default in their repayment in line with the criteria prescribed for classification of medium and long-term facilities in accordance with the requirements of the Prudential Regulations issued by the SBP.

4.5 Financial instruments

4.5.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes 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 specified 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 at the time of de-recognition. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

4.5.2 Derivative financial instruments

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

4.6 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Group intends either to settle the assets and liabilities on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are accordingly offset.

4.7 Advances

4.7.1 Loan and advances

Advances are stated net of general and specific provisions. General and specific provisions against funded loans are determined in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to the profit and loss account. Advances are written off when there are no realistic prospects of recovery.

4.7.2 Finance lease receivables

Leases, where the bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payment including any guaranteed residual value, if any. Net investment in finance lease is included in loans and advances to customers.

4.8 Fixed assets

4.8.1 Property and equipment

Fixed assets except office premises are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Office premises (which includes leasehold land and buildings) are stated at revalued amount less accumulated depreciation and impairment loss, if any.

Depreciation is calculated and charged to profit and loss account using the straight-line method so as to write down the cost of the assets to their residual values over their estimated useful lives at the rates given in note 10. A full month's depreciation is charged from the month in which assets are brought into use and no depreciation is charged for the month in which the disposal is made. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, annually.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is recognised in the profit and loss account in the year the asset is de-recognised.

4.8.2 Surplus / deficit on revaluation of fixed assets

The surplus arising on revaluation is credited to other comprehensive income. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss account.

The deficit arising on a particular property as a result of a revaluation is recognised in profit and loss account as an impairment. However, the decrease to be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation on buildings which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets Account" to unappropriated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

Gains or losses on disposal of assets are included in the profit and loss account currently, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to equity.

4.8.3 Capital work-in-progress

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

4.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised from the month when the assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Group. The useful life and amortisation method are reviewed and adjusted, if appropriate, annually.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. Intangible assets having an indefinite useful life are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

4.10 Assets subject to finance leases

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease, net of financial charges allocated to future periods, are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a period rate of interest on the outstanding liability.

4.11 Non-banking assets acquired in satisfaction of claims

4.11.1 Non-banking assets acquired in satisfaction of claims under Debt Property Swap (DPS) transactions, against the loans in category of loss, are initially carried at cost and subsequently at revalued amounts at each year-end date of the statement of financial position, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The valuation of properties acquired under this head is conducted regularly, so as to ensure that their net carrying value does not materially differ from their fair value.

All direct cost including legal fees, valuation and transfer costs of acquiring title to property shall be expensed when incurred through profit and loss account.

Subsequent costs are included in the asset's carrying amounts only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other subsequent costs including repair and maintenance are charged to the profit and loss account as and when incurred.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account in line with the depreciation charged on operating fixed assets.

Any reductions in non-performing loans and corresponding reductions in provisions held against non-performing loans, as a result of the recognition of such assets, are disclosed separately in the notes to these unconsolidated financial statements.

These assets are generally intended for sale. Gains and losses realised on the sale of such assets are disclosed separately from gains and losses realised on the sale of fixed assets in the notes to these consolidated financial statements. If such asset is subsequently used by the Bank for its own operations, the asset, along with any related surplus, is transferred to fixed assets.

4.11.2 Surplus / deficit on revaluation of non banking assets

Revaluation of non-banking assets acquired in satisfaction of claims under Debt Property Swap (DPS) transactions are carried out under criteria given in regulations for DPS issued by State Bank of Pakistan vide BPRD Circular 01 dated January 01, 2016 i.e. valuation of property shall be done on individual property basis and not on portfolio basis, whereas accounting treatment of revaluation is accounted for in accordance with applicable financial reporting standards i.e. International Accounting Standard (IAS) 16 as referred in note no. 4.8.2.

Furthermore, revaluation surplus on such assets shall not be admissible for calculating Bank's Capital Adequacy Ratio and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realization of sale proceeds.

4.12 Impairment

At each balance sheet date, the Bank reviews the carrying amounts of its assets (other than investment and deferred tax asset) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of net selling price (being fair value less cost to sell) and value-in-use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit and loss account immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

4.13 Borrowings / deposits and their cost

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

4.14 Subordinated loans

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

4.15 Taxation

4.15.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income. For income covered under final tax regime, taxation is based on applicable tax rate under such regime. The charge for current tax also includes adjustments, where considered necessary, relating to prior years arising from assessments made during the year.

4.15.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the consolidated financial statements. Deferred tax liability is recognized on taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses, if any only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / (deficit) arising on revaluation in accordance with the requirements of IAS-12 "Income Taxes".

4.16 Provisions

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

Provision against identified non-funded losses is recognised when intimated and reasonable certainty exists for the Group to settle the obligation. The loss is charged to consolidated profit and loss account net of expected recovery.

4.17 Staff retirement benefits

Defined contribution plan - the Group

The Group has established a provident fund scheme for all its permanent employees in accordance with the trust deed and rules made there under. Equal monthly contributions are made, both by the Group and the employees, to the fund at the rate defined below of basic salary. Contribution by the Group is charged to profit and loss account.

- The Bank (Holding Company)	7.10%
- JS Global Capital Limited (Subsidiary)	7.33%
- JS Investment Limited (Subsidiary)	7.33%

4.17.1 Defined benefit plan as revised (Holding Company)

The Bank operates an approved funded gratuity scheme covering all its eligible employees who have completed minimum qualifying period. An actuarial valuation of defined benefit scheme is conducted at the end of every year or on occurrence of any significant change. The most recent valuation in this regard was carried out as at December 31, 2018, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

4.18 Revenue recognition

Revenue is recognized to the extent that economic benefits will flow to the Group and the revenue can be reliably measured. These are recognized as follows:

- **Advances and investments**
Mark-up income / interest / profit on performing advances and debt securities is recognized on a time proportion basis as per the terms of the contract.

Mark-up income / interest / profit on non-performing advances and debt securities is recognized on a receipt basis in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Interest / returns / mark-up income / profit on rescheduled / restructured advances and debt securities are recognised as permitted by the State Bank of Pakistan or by the regulatory authorities of the countries where the Bank operates, except where, in the opinion of the management, it would not be prudent to do so.

Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining maturity of the debt security using the effective yield method.

Unrealised interest income in respect of non-performing loans and advances are held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations issued by the SBP.

- **Lease financing**

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

Unrealised finance income in respect of non-performing lease finance is held in suspense account, where necessary, 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.

- **Non Mark-up / interest income**

- Commission is recognised as income at the time of affecting the transaction to which it relates. Fees are recognised when earned.
- Financial advisory fee is recognised when the right to receive the fee is established.
- Dividend income from investments is recognised when the Bank's right to receive the dividend is established.

4.19 Dividend and appropriation to reserves

Dividend and appropriation to reserves except for statutory reserves are recognised in the consolidated financial statements in the periods in which these are approved.

4.20 Foreign currencies

4.20.1 Functional and presentation currency

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 Pakistani Rupees, which is the Group's functional and presentation currency.

4.20.2 Transactions and balances

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

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

4.20.2 Foreign operations

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

4.20.4 Translation gains and losses

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

4.20.5 Commitments

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

4.21 Goodwill

Goodwill acquired in a business combination before July 01, 2009 is initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units or groups of units.

4.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding company by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4.23 Segment reporting

A segment is a distinguishable component of the Group that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment.

Segment information is presented as per the Group's functional structure and the guidance given under International Financial Reporting Standard (IFRS) 8. For management purposes, the **Group** has been organised into **Seven** operating segments based on products and services, as follows:

4.23.1 Business segments

Corporate finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offers (IPOs), specialised financial advice and trading and secondary private placements.

Trading and sales

This segment undertakes the Group's treasury, money market and capital market activities.

Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and agricultural sector. It includes loans, deposits and other transactions with retail customers.

Commercial banking

This includes loans, deposits and other transactions with corporate customers.

Payment and settlement

This includes activities such as payment and collections, fund transfer, clearing and settlement etc.

Brokerage

This includes brokerage commission earned on transactions in capital, money, foreign exchange and commodity markets.

Asset management

This includes fee for services rendered in connection with advisory and management of mutual funds.

	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
5. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		4,415,856	4,067,572
Foreign currencies		488,292	659,116
		4,904,148	4,726,688
With State Bank of Pakistan in:			
Local currency current account	5.1	22,166,628	8,594,102
Foreign currency current account - non remunerative	5.2	785,958	615,576
Foreign currency deposit account - remunerative	5.3	2,409,442	1,890,381
		25,362,028	11,100,059
With National Bank of Pakistan in:			
Local currency current accounts		1,839,396	1,506,393
National Prize Bonds		5,604	971
		32,111,176	17,334,111
5.1	These include local currency current accounts maintained with SBP as per the requirements of Section 22 of the Banking Companies Ordinance, 1962.		
5.2	As per BSD Circular No. 9 dated December 03, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan in deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).		
5.3	This represents deposit accounts maintained with SBP under the requirements of BSD Circular No. 14 dated June 21, 2008 and mandatory reserve maintained to facilitate collection and settlement of foreign currency accounts under FE-25, as prescribed by the SBP, carrying a mark-up rate of 1.5% (2017: 0.56%) as per specific circular issued by SBP at year end.		

	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
6. BALANCES WITH OTHER BANKS - NET			
In Pakistan			
On current accounts		130,055	68,304
On deposit accounts	6.1	4,423	12,181
		134,478	80,485
Outside Pakistan			
On current accounts		733,889	780,092
On deposit accounts	6.2	109,784	188,919
		843,673	969,011
Less: General provision under IFRS 9	6.3	978,151 (127)	1,049,496 -
Balances with other banks - net of provision		978,024	1,049,496

6.1 These carry mark-up at the rate of 0% to 9.6% (2017: 0% to 6.5%) per annum.

6.2 This represents deposit accounts / term placements outside Pakistan, carrying mark-up rate ranging between 1% to 2% (2017: 0% to 1%) per annum.

6.3 This represents general provision held on adoption of IFRS 9 by Bahrain branch of the Bank (see note 4.1.3).

	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
7. LENDINGS TO FINANCIAL INSTITUTIONS - NET			
Call money lendings	7.2	1,758,917	3,003,443
Due against bills re-discounting	7.3	182,742	112,756
		1,941,659	3,116,199
Less: General provision under IFRS 9	4.1.3	(4,312)	-
Lending to Financial Institutions - net of provision		1,937,347	3,116,199

7.1 Particulars of lendings

In foreign currencies	1,937,347	3,116,199
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7.2 These represent unsecured call money lendings to financial institutions carrying interest at the rates ranging from 2.85% to 8.06% (2017: 1.38% to 6.93%) per annum. These will mature between January 02, 2019 and September 23, 2019 (January 02, 2018 and June 07, 2018).

7.3 This represents the obligation of the foreign corresponding banks on the discounting of foreign documentary bills purchased by the Bank on discount. This will mature on April 25, 2019 (2017: January 02, 2018 and June 18, 2018) and carry interest at the rates ranging from 4.7% per annum (2017: 3.75% to 4.29%).

7.4 This represents general provision held on adoption of IFRS 9 by Bahrain branch of the Bank (see note 4.1.3).

	2018				2017			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
8. INVESTMENTS - NET								
8.1 Investments by type								
Held-for-trading securities								
Federal Government Securities	41,381,420	-	(12,906)	41,368,514	8,471,639	-	(2,488)	8,469,151
Shares	1,037,824	-	(44,012)	993,812	326,570	-	(4,156)	322,414
Non Government Debt Securities	133,616	-	(260)	133,356	69,775	-	(97)	69,678
Open end mutual funds	377,541	-	1,404	378,945	423,465	-	2,783	426,248
	42,930,401	-	(55,774)	42,874,627	9,291,449	-	(3,958)	9,287,491
Available-for-sale securities								
Federal Government Securities	55,434,989	-	(2,893,867)	52,541,122	108,465,119	-	(542,648)	107,922,471
Shares	3,164,076	(478,346)	(87,928)	2,597,802	3,852,113	(642,994)	397,799	3,606,918
Non Government Debt Securities	2,354,043	(700,050)	606	1,654,599	2,715,374	(723,660)	-	1,991,714
Open end mutual funds	971,353	(26,023)	212,125	1,157,455	1,378,107	(106,512)	457,117	1,728,712
Foreign Securities	6,326,797	-	(456,009)	5,870,788	4,334,040	(31,653)	50,657	4,353,044
	68,251,258	(1,204,419)	(3,225,073)	63,821,766	120,744,753	(1,504,819)	362,925	119,602,859
Held-to-maturity securities								
Federal Government Securities	42,716,932	-	-	42,716,932	41,398,485	-	-	41,398,485
Associates	187,890	-	-	187,890	-	-	-	-
Total Investments	154,086,481	(1,204,419)	(3,280,847)	149,601,215	171,434,687	(1,504,819)	358,967	170,288,835

8.1.1 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

8.1.2 Surplus / (deficit) includes revaluation gain on available for sale investments of subsidiaries amounting to Rs.80.378 million (2017: Rs.80.378 million) which represents the pre-acquisition surplus and has been included here only for meeting with requirement of the prescribed format of Banks / DFIs issued by the State Bank of Pakistan.

		2018				2017			
		Cost / Amortised	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000									
8.2 Investments by segments:									
Held-for-trading securities									
Federal Government Securities									
Market Treasury Bills	8.4.1	41,376,995	-	(12,844)	41,364,151	7,761,767	-	(214)	7,761,553
Pakistan Investment Bonds	8.4.1	4,425	-	(62)	4,363	709,872	-	(2,274)	707,598
		41,381,420	-	(12,906)	41,368,514	8,471,639	-	(2,488)	8,469,151
Shares:									
Listed Companies									
Ordinary shares	8.4.2	1,037,824	-	(44,012)	993,812	326,570	-	(4,156)	322,414
Non Government Debt Securities									
Listed									
Term Finance Certificates	8.4.3.1	130,307	-	(45)	130,262	14,263	-	44	14,307
Sukuk Certificates	8.4.3.2	3,309	-	(215)	3,094	55,512	-	(141)	55,371
		133,616	-	(260)	133,356	69,775	-	(97)	69,678
Open End Mutual Funds	8.4.4	377,541	-	1,404	378,945	423,465	-	2,783	426,248
Available-for-sale securities									
Federal Government Securities:									
Market Treasury Bills	8.5.1	3,010,920	-	(13)	3,010,907	14,492,697	-	15	14,492,712
Pakistan Investment Bonds	8.5.1	52,424,069	-	(2,893,854)	49,530,215	93,972,422	-	(542,663)	93,429,759
		55,434,989	-	(2,893,867)	52,541,122	108,465,119	-	(542,648)	107,922,471
Shares:									
Listed Companies									
Ordinary shares	8.5.2	3,016,487	(341,757)	(87,928)	2,586,802	3,704,524	(506,405)	397,799	3,595,918
Preference shares	8.5.2	136,589	(136,589)	-	-	136,589	(136,589)	-	-
Unlisted Companies									
Ordinary shares	8.5.2	11,000	-	-	11,000	11,000	-	-	11,000
		3,164,076	(478,346)	(87,928)	2,597,802	3,852,113	(642,994)	397,799	3,606,918
Non Government Debt Securities									
Listed									
Term Finance Certificates	8.5.3.1	323,727	(158,712)	(15)	165,000	182,322	(182,322)	-	-
Sukuk Certificates	8.5.3.2	643,005	-	621	643,626	-	-	-	-
Unlisted									
Term Finance Certificates	8.5.3.3	1,105,644	(541,338)	-	564,306	902,052	(541,338)	-	360,714
Sukuk Certificates-unlisted	8.5.3.4	281,667	-	-	281,667	1,631,000	-	-	1,631,000
		2,354,043	(700,050)	606	1,654,599	2,715,374	(723,660)	-	1,991,714
Open End Mutual Funds	8.5.4	971,353	(26,023)	212,125	1,157,455	1,378,107	(106,512)	457,117	1,728,712
Foreign Securities									
Government Debt Securities	8.5.5.1	3,434,089	-	(202,645)	3,231,444	656,413	-	18,715	675,128
Non Government Debt Securities	8.5.5.2	2,890,302	-	(253,364)	2,636,938	3,675,221	(31,653)	31,942	3,675,510
Ordinary shares	8.5.2	2,406	-	-	2,406	2,406	-	-	2,406
		6,326,797	-	(456,009)	5,870,788	4,334,040	(31,653)	50,657	4,353,044
Held-to-maturity securities									
Federal Government Securities:									
Pakistan Investment Bonds	8.6.1	42,716,932	-	-	42,716,932	41,398,485	-	-	41,398,485
Associates									
Omar Jibran Engineering Industries Limited	8.7	187,890	-	-	187,890	-	-	-	-
Total Investments		154,086,481	(1,204,419)	(3,280,847)	149,601,215	171,434,687	(1,504,819)	358,967	170,288,835

	2018		2017	
	Cost	Market value	Cost	Market value
	Rupees in '000			
8.2.1 Investments given as collateral				
Held-for-trading securities				
Federal Government Securities				
Market Treasury Bills	19,927,891	926,032	19,922,073	926,018
Pakistan Investment Bonds	4,123	-	4,066	-
	19,932,014	926,032	19,926,139	926,018
Available-for-sale securities				
Federal Government Securities:				
Market Treasury Bills	-	2,991,504	-	2,991,645
Pakistan Investment Bonds	49,672,011	39,372,049	46,939,177	39,151,006
	49,672,011	42,363,553	46,939,177	42,142,651
Foreign Securities				
Government Debt Securities	771,742	1,750,950	750,640	1,754,151
Non Government Debt Securities	1,896,806	680,982	1,779,204	703,200
	2,668,548	2,431,932	2,529,844	2,457,351
	72,272,573	45,721,517	69,395,160	45,526,020

8.3 Provision for diminution in value of investments

8.3.1	Opening balance		1,504,819	1,420,022
	Charge for the year		30,032	506,405
	Reversals for the year		(104,099)	-
	Reversal on disposals		(226,333)	(421,608)
	(Charge) / reversals		(300,400)	84,797
	Closing Balance		1,204,419	1,504,819

8.3.2 Particulars of provision against debt securities

Category of classification

Domestic

Other assets especially mentioned
Substandard
Doubtful
Loss

2018		2017	
NPI	Provision	NPI	Provision
Rupees in '000			
-	-	-	-
-	-	-	-
-	-	-	-
700,050	700,050	777,187	755,313
700,050	700,050	777,187	755,313

8.4 Quality of Held for Trading Securities

Details regarding quality of Held for Trading (HFT) securities are as follows

	2018		2017	
	Cost	Market Value	Cost	Market Value
	Rupees in '000			
8.4.1 Federal Government Securities - Government guaranteed				
Market Treasury Bills	41,376,995	41,364,151	7,761,767	7,761,553
Pakistan Investment Bonds	4,425	4,363	709,872	707,598
	41,381,420	41,368,514	8,471,639	8,469,151

8.4.1.1 Principal terms of investment in Federal Government Securities

Name of investment	Note	Maturity	Redemption	Coupon
Market treasury bills	8.4.1.2	January 03, 2019 to April 11, 2019	On maturity	On maturity
Pakistan investment bonds	8.4.1.3	July 19, 2022	On maturity	Half yearly

8.4.1.2 Market Treasury Bills are for the periods of three months, six months and one year. The effective rates of profit on Market Treasury Bills range from 8.82 % to 10.30 % per annum (2017: 5.96% to 6.03% per annum).

8.4.1.3 Pakistan Investment Bonds (PIBs) are for the period of ten years. The rates of profit is 11.80 % per annum (2017: 7.67 % per annum).

	Rating	Industry Sector	Number of Shares		2018		2017	
			2018	2017	Cost	Market value	Cost	Market value
			Numbers		Rupees in '000			
8.4.2 Shares								
Listed Companies								
Ordinary shares								
- Pak Elektron Limited	A+	Cable & Electrical Goods	2,849,500	1,736,000	75,232	70,953	87,437	82,443
- Cherat Cement Company Limited	A	Cement	86,000	-	5,900	5,990	-	-
- D.G. Khan Cement Limited	AA-	Cement	1,033,000	118,000	89,946	82,795	14,917	15,779
- Fauji Cement Company Limited	Unrated	Cement	92,000	165,500	1,904	1,926	4,132	4,139
- Lucky Cement Limited	Unrated	Cement	8,500	-	3,946	3,695	-	-
- Maple Leaf Cement Factory Limited	A+	Cement	138,500	27,000	6,068	5,630	1,915	1,848
- Pioneer Cement Limited	A	Cement	72,000	-	3,092	3,018	-	-
- Power Cement Limited	A-	Cement	1,069,000	-	8,295	8,370	-	-
- Descon Oxychem Limited	A	Chemical	9,000	-	267	259	-	-
- Engro Polymer & Chemicals Limited	AA-	Chemical	62,000	-	2,321	2,303	-	-
- Lotte Chemical Pakistan Limited	Unrated	Chemical	111,000	-	1,963	1,875	-	-
- Askari Bank Limited	AA+	Commercial Bank	85,000	-	1,981	2,033	-	-
- Habib Bank Limited	AAA	Commercial Bank	745,000	-	92,628	89,735	-	-
- National Bank of Pakistan Limited	AAA	Commercial Bank	1,401,000	21,500	63,087	58,884	1,045	1,044
- The Bank of Punjab	AA	Commercial Bank	3,988,500	-	50,322	47,742	-	-
- United Bank Limited	AAA	Commercial Bank	375,500	70,000	49,014	46,051	12,602	13,159
- International Steels Limited	A+	Engineering	638,000	1,000	43,445	41,961	100	106
- Engro Corporation Limited	AA+	Fertilizer	64,500	129,000	19,954	18,775	35,777	35,443
- Engro Fertilizer Limited	AA	Fertilizer	1,187,000	163,000	85,499	81,962	10,747	11,038
- Fatima Fertilizer Company Limited	AA-	Fertilizer	3,019,500	-	107,046	110,121	-	-
- Fauji Fertilizer Company Limited	AA+	Fertilizer	-	353,500	-	-	27,415	27,965
- Engro Foods Limited	Unrated	Food & Personal Care Products	22,500	-	1,906	1,794	-	-
- Fauji Foods Limited	Unrated	Food & Personal Care Products	197,000	-	6,142	5,965	-	-
- Oil & Gas Development Company Limited	AAA	Oil & Gas Exploration Companies	324,000	239,500	42,477	41,472	39,069	38,988
- Pakistan Oilfields Limited	Unrated	Oil & Gas Exploration Companies	3,000	-	1,248	1,274	-	-
- Pakistan State Oil Limited	AA	Oil & Gas Marketing Companies	27,000	263,500	6,508	6,087	78,352	77,234
- Sui Northern Gas Pipelines Limited	AA-	Oil & Gas Marketing Companies	1,453,000	-	115,146	111,983	-	-
- Sui Southern Gas Company Limited	A+	Oil & Gas Marketing Companies	962,000	-	23,672	22,222	-	-
- The Searle Company Limited	Unrated	Pharmaceuticals	37,000	-	8,805	9,087	-	-
- Nishat Chunian Limited	A	Power Generation And Distribution	1,162,000	-	60,710	56,450	-	-
- Attock Refinery Limited	AA	Refinery	210,000	56,500	34,527	30,979	13,062	13,228
- Gul Ahmed Textile Mills Limited	A	Textile Composite	5,000	-	235	231	-	-
- Nishat Mills Limited	AA	Textile Composite	1,000	-	133	127	-	-
- Unity Foods Limited	Unrated	Vanaspatti & Allied Industries	857,500	-	24,405	22,063	-	-
					1,037,824	993,812	326,570	322,414

		Cost	
		2018	2017
		----- Rupees in '000 -----	
8.4.3	Non Government Debt Securities		
	Listed		
	- AA+, AA, AA-	133,616	17,775
	- Unrated	-	52,000
		133,616	69,775

8.4.3.1 Details of investment in term finance certificates - listed *

Name of the company	Number of certificates		Rating		2018		2017	
	2018	2017	2018	2017	Cost	Market value	Cost	Market value
	----- Numbers -----				----- Rupees in '000 -----			
Jahangir Siddiqui & Co. Limited. - VIII	6,000	6,000	AA+	AA+	5,307	5,262	14,263	14,307
- related party								
Bank AL-Habib Limited	25,000	-	AA-	-	125,000	125,000	-	-
					130,307	130,262	14,263	14,307

* Secured and have a face value of Rs.5,000 each unless specified otherwise.

8.4.3.1.1 Other particulars of listed term finance certificates are as follows:

Name of the company	Repayment frequency	Rate per annum	Maturity date
Jahangir Siddiqui & Co. Limited. - VIII	Semi-annually	6 Months KIBOR ask rate plus 1.75%	April 08, 2019
- related party			
Bank AL-Habib Limited	Semi-annually	6 Months KIBOR + 1.50% per annum	Perpetual

8.4.3.2 Sukuk certificates - listed*

Name of the company	Number of certificates		Rating		2018		2017	
	2018	2017	2018	2017	Cost	Market value	Cost	Market value
	----- Numbers -----				----- Rupees in '000 -----			
Engro Corporation Limited - Islamic Rupiya II	597	597	AA+	AA+	3,309	3,094	3,512	3,371
Dawood Hercules Corporation Limited - Sukuk - I	-	520	-	Unrated	-	-	52,000	52,000
					3,309	3,094	55,512	55,371

8.4.3.2.1 Details of investments in listed sukuk certificate

Name of the company	Repayment frequency	Rate per annum	Maturity date
Engro Corporation Limited - Islamic Rupiya II	Per annum	13.50%	July 10, 2019

8.4.4 Open End Mutual Fund

Name of fund	Number of units		Rating		Net asset value per unit Rupees	2018		2017	
	2018	2017	2018	2017		Cost	Market value	Cost	Market value
	----- Numbers -----					----- Rupees in '000 -----			
ABL Cash Fund	-	21,806,577	-	AA (f)	-	-	-	225,000	225,000
Investment in related parties									
JS Cash Fund	2,358,284	418,688	AA+ (f)	AA (f)	102.18	240,737	241,040	42,501	43,619
JS Income Fund	924,642	552,774	A+ (f)	A+ (f)	98.96	91,365	91,503	53,000	54,415
JS Islamic Income Fund (Formerly: JS IGSF)	442,295	1,007,964	AA- (f)	Unrated	104.91	45,439	46,401	102,964	103,214
						377,541	378,944	423,465	426,248

8.5 Quality of Available for Sale Securities

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

		2018		2017	
		Cost	Market Value	Cost	Market Value
		----- Rupees in '000 -----			
8.5.1	Federal Government Securities - Government guaranteed				
	Market Treasury Bills	3,010,920	3,010,907	14,492,697	14,492,712
	Pakistan Investment Bonds	52,424,069	49,530,215	93,972,422	93,429,759
		55,434,989	52,541,122	108,465,119	107,922,471

8.5.1.1 Principal terms of investment in Federal Government Securities

Name of investment	Note	Maturity	Redemption	Coupon
Market treasury bills	8.5.1.2	January 03, 2019	On maturity	On maturity
Pakistan investment bonds	8.5.1.3	July 17, 2019 to December 29, 2026	On maturity	Half yearly

8.5.1.2 Market Treasury Bills are for the period of three months. The effective rate of profit on Market Treasury Bills is 10.20% per annum (2017: 5.91% to 6.10% per annum).

8.5.1.3 Pakistan Investment Bonds (PIBs) are for the periods of three to twenty years. The rates of profit ranging from 6.30% to 10.42% per annum (2017: 6.02% to 10.42% per annum).

8.5.2 Shares

Listed Companies	Rating	Industry Sector	Number of Shares		Cost	Market value	Cost	Market value
			2018	0	2018			0
			Numbers		Rupees in '000			
- Amreli Steels Limited	A	Engineering	4,302,200	761,200	283,707	205,989	71,244	70,533
- National Foods Limited	AA-	Food & Personal Care Products	470,940	265,900	127,291	92,069	95,885	86,194
- Matco Foods Limited	A-	Food & Personal Care Products	514,000	-	14,900	14,274	-	-
- Shifa International Hospitals	Unrated	Miscellaneous	264,300	118,700	68,273	54,557	35,720	35,610
- Power Cement Limited (note 8.5.2.1)	A-	Cement	33,002,500	33,602,500	600,167	258,410	611,078	293,686
- D.G. Khan Cement Limited (note 8.5.2.1)	Unrated	Cement	-	1,759,500	-	-	424,293	235,280
- Fauji Fertilizer Company Limited	AA	Fertilizer	-	2,510,100	-	-	246,261	198,574
- Pakistan State Oil Limited	AA	Oil & Gas Marketing Companies	-	1,125,360	-	-	433,401	329,854
- Pakistan Stock Exchange Limited (PSXL) (note 8.5.2.2)	Unrated	Investment Company	2,202,953	2,202,953	23,061	29,899	23,061	49,346
Investment in related parties								
- EFU General Insurance Limited	AA+	Insurance	4,077,375	3,943,875	507,848	407,738	488,978	603,018
- EFU Life Assurance Limited	AA+	Insurance	1,196,300	982,000	252,148	272,661	190,595	248,927
- Sitara Chemical Industries Limited	A+	Chemical	1,790,250	1,651,250	548,781	537,075	493,697	496,993
- TRG Pakistan Limited	Unrated	Technology & Communication	32,023,760	32,023,760	590,311	714,130	590,311	947,903
					3,016,487	2,586,802	3,704,524	3,595,918
Preference Shares								
- Agritech Limited (note 8.5.2.3 & 8.5.2.5)	Unrated	Chemical	4,823,746	4,823,746	48,236	-	48,236	-
- Chenab Limited (note 8.5.2.4 & 8.5.2.5)	Unrated	Textile Composite	12,357,000	12,357,000	88,353	-	88,353	-
					136,589	-	136,589	-

	Break-up value per share		Name of Chief Executive / Managing Director	Number of shares		Cost	Breakup value	Cost	Breakup value		
	2018	2017		2018	2017		2018		2017		
	----- Rupees in '000 -----										
Un-listed Companies											
Ordinary shares											
-	ISE Towers REIT Management Limited (formerly Islamabad Stock Exchange Limited) (note 8.5.2.6)		* 14.09	12.13	Mr. Aftab Ahmad Chaudhry	1,213,841	1,213,841	11,000	17,106	11,000	14,725
Foreign securities											
Ordinary shares											
-	Society for Worldwide Interbank Financial Telecommunication (SWIFT) (note 8.5.2.7)		** 672,911	495,821	Mr. Gottfried Leibbrandt	6	6	2,406	4,037	2,406	2,975

* Based on audited accounts as of June 30, 2018

** Based on audited accounts as of December 31, 2017

- 8.5.2.1 The Bank has recognized impairment loss on Power Cement Limited and D.G. Khan Cement Limited by Rs.311.725 million (2017: Rs.317.392 million) and Rs.Nil (2017: Rs.189.013 million) respectively due to significant / prolong decline in the fair value of these securities.
- 8.5.2.2 On June 23, 2017 SECP approved PSX's application for listing and thereafter, the shares were successfully listed on June 29, 2017. Accordingly, after that these are carried at market value.
- 8.5.2.3 These are non-voting cumulative preference shares, carrying preference dividend @ 10% p.a and are convertible into ordinary shares at the option of the Bank after five years from the date of issuance i.e. February 2012. The investee company also has the option to redeem these preference shares plus any unpaid dividend in full or in part, within ninety days after expiry of each anniversary of the issue date. The Bank has recognised full impairment on these shares amounting to Rs. 48.236 million (2017: Rs.48.236 million) due to weak financial position of the company.
- 8.5.2.4 These are cumulative preference shares, carrying preference dividend @ 9.25% p.a and are redeemable in part after four years from the date of issuance i.e. August 2008. The investee company also has an option to redeem, in part, cumulative preference shares after August 2008. The Bank has recognized full impairment on these shares amounting to Rs. 88.353 million (2017: Rs.88.353 million) due to weak financial position of the company.
- 8.5.2.5 Surplus arising due to re-measurement of these shares to the market value has not been recognized as the management believes that the market value may not be realized while selling them in open market.
- 8.5.2.6 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Bank has received 3,034,603 shares of Rs.10 each including trading right entitlement certificate (TREC) of the Islamabad Stock Exchange (ISE), in lieu of its Membership Card held by the Bank. Further, upon integration of Islamabad Stock Exchange under the "ISE Scheme of Integration" in 2016 TRE Certificates holders of ISE have been issued 1,213,841 shares of "ISE Towers REIT Management Limited".
- 8.5.2.7 The Bank qualified as a member based on the financial contribution to SWIFT for network-based services. The Bank has made an investment as per the requirements of By-Laws of SWIFT, under the Share Re-allocation Process, as a result becoming entitled to invest in for six shares. The participation is mandatory to avail the desired network-based services for financial message transmission for cross-border payments and receipt. Further, the share re-allocation occurs every three years and will result in either an increase, decrease, or a status quo in individual shareholding.

		Cost	
		2018	2017
		----- Rupees in '000 -----	
8.5.3 Non Government Debt Securities	Listed		
	AAA	531,000	-
	AA+, AA, AA-	127,005	-
	A+, A, A-	150,015	-
	Unrated	158,712	182,322
		966,732	182,322
	Unlisted		
	AAA	355,953	460,714
	AA+, AA, AA-	340,020	280,000
	A+, A, A-	150,000	1,251,000
	Unrated	541,338	541,338
		1,387,311	2,533,052
		2,354,043	2,715,374

		Number of certificates		Rating		2018		2017	
		2018	2017	2018	2017	Cost	Market value	Cost	Market value
		---- Numbers ----				----- Rupees in '000 -----			
8.5.3.1 Term finance certificates - listed *	Worldcall Telecom Limited (note 8.5.3.1.2)	90,650	90,650	Unrated	Unrated	158,712	-	182,322	-
	Jahangir Siddiqui & Co. Limited. - XI								
	- related party	3,000	-	AA+	-	15,000	15,000	-	-
	Soneri Bank Limited	30,000	-	A	-	150,015	150,000	-	-
						323,727	165,000	182,322	-

* Secured and have a face value of Rs.5,000 each unless specified otherwise.

8.5.3.1.1 Other particulars of listed term finance certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity date
Worldcall Telecom Limited	Semi-annually	6 Month KIBOR ask rate plus 1.60%	October 15, 2021
Jahangir Siddiqui & Co. Limited. - XI			
- related party	Semi-annually	6 Months KIBOR ask rate plus 1.75%	March 6, 2023
Soneri Bank Limited	Semi-annually	6 Month KIBOR ask rate plus 2.00%.	December 06, 2028

8.5.3.1.2 Due to weak financial position of the company the Bank has recognised full impairment loss on these term finance certificates.

		Number of certificates		Rating		2018		2017	
		2018	2017	2018	2017	Cost	Market value	Cost	Market value
		---- Numbers ----				----- Rupees in '000 -----			
8.5.3.2 Sukuk certificates - listed	Byco Petroleum Pakistan Limited	5,310	-	AAA	-	531,000	531,621	-	-
	Dawood Hercules Corporation Limited - Sukuk - I	520	-	AA	-	52,000	52,000	-	-
	Dawood Hercules Corporation Limited - Sukuk - II	600	-	AA	-	60,005	60,005	-	-
						643,005	643,626	-	-

8.5.3.2.1 Other particulars of listed sukuk certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity date
Byco Petroleum Pakistan Limited (Chief Executive: Mr. Amir Abbassciy)	Quarterly	3 Month KIBOR ask rate plus 1.05%.	January 18, 2022
Dawood Hercules Corporation Limited - Sukuk - I (Chief Executive: Inam ur Rahman)	Quarterly	3 month kibar +1.00%	November 16, 2022
Dawood Hercules Corporation Limited - Sukuk - II (Chief Executive: Inam ur Rahman)	Quarterly	3 month kibar +1.00%	March 01, 2023

		Number of certificates		Rating		Face value per certificate	Cost	
		2018	2017	2018	2017		2018	2017
		----- Rupees -----				----- Rupees -----	----- Rupees in '000 -----	
8.5.3.3 Term finance certificates - unlisted, secured	Azgard Nine Limited - related party (note 8.5.3.3.1)	29,998	29,998	Unrated	Unrated	5,000	65,022	65,022
	Azgard Nine Limited (related party) (privately placed TFCs) (note 8.5.3.3.2)	12	12	Unrated	Unrated	N/A	326,456	326,456
	Agritech Limited (note 8.5.3.3.1)	30,000	30,000	Unrated	Unrated	5,000	149,860	149,860
	Pakistan Water & Power Development Authority (WAPDA)	100,000	100,000	AAA	AAA	5,000	214,286	285,714
	Bank Al Habib Limited	40,000	-	AA-	-	5,000	200,020	-
	Khushhali Microfinance Bank Limited	1,500	-	A	-	100,000	150,000	-
	NRSP Microfinance Bank Limited	-	60,000	A	A	5,000	-	75,000
							1,105,644	902,052

8.5.3.3.1 Due to weak financial position of the company the Bank has recognised full impairment loss on these term finance certificates.

8.5.3.3.2 These PPTFCs are held by JS Global Capital Limited has recognised full provision considering the financial position of the issuer amounting to Rs.326.456 million (2017: Rs.326.456 million).

8.5.3.3.3 Other particulars of unlisted term finance certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity date
Azgard Nine Limited - related party (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Month KIBOR ask rate plus 1.75% and 11%.	December 04, 2017 and October 19, 2020
Agritech Limited (Chief Executive: Mr. Faisal Muzammil)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.	November 29, 2019
Pakistan Water & Power Development Authority (WAPDA) (Chairman: Lieutenant General Muzammil Hussain (Retd.))	Semi-annually	6 Month KIBOR ask rate plus 1.00%.	September 27, 2021
Bank Al Habib Limited (Chief Executive: Mr. Mansoor Ali Khan)	Semi-annually	6 Month KIBOR ask rate plus 1.50%.	December 20, 2027
Khushhali Microfinance Bank Limited (President & CEO: Mr. Ghalib Nishtar)	Semi-annually	6 Month KIBOR ask rate plus 2.05%.	March 19, 2026

	Number of certificates		Rating		Face value per certificate	Cost	
	2018	2017	2018	2017		2018	2017
	----- Numbers -----				----- Rupees -----	---- Rupees in '000 ----	
8.5.3.4 Sukuk certificates - unlisted							
Engro Fertilizers Limited	80,000	80,000	AA-	AA-	3,500	140,000	280,000
Ghani Gases Limited	2,000	2,000	AAA	AAA	87,500	141,667	175,000
Byco Oil Pakistan Limited	-	6,810	A	A	100,000	-	681,000
AGP Limited	-	5,500	A	A	90,000	-	495,000
						<u>281,667</u>	<u>1,631,000</u>

8.5.3.4.1 Other particulars of unlisted sukuk certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity date
Engro Fertilizers Limited (President & CEO: Mr. Ghias Khan)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.	July 09, 2019
Ghani Gases Limited (Chief Executive: Mr. Atique Ahmad Khan)	Quarterly	3 Month KIBOR ask rate plus 1.00%.	February 03, 2023

8.5.4 Open End Mutual Fund

Name of fund	Number of units		Rating		Net asset value per unit	2018		2017	
	2018	2017	2018	2017	Rupees	Cost	Market value	Cost	Market value
	----- Numbers -----					----- Rupees in '000 -----			
Related parties (note: 8.5.4.1)									
JS IAAP2	100,000	100,000	Unrated	Unrated	97.81	10,000	9,781	10,000	10,016
JS ICPAP4	150,000	-			100.36	15,000	15,054	-	-
JS Value Fund	1,716,379	2,565,210	Unrated	Unrated	203.56	349,798	349,386	465,731	514,145
JS Growth Fund	1,903,901	3,554,958	Unrated	Unrated	158.66	336,417	302,073	597,685	641,172
JS Fund of Funds	2,772,987	3,441,521	Unrated	Unrated	50.86	146,286	141,034	181,553	174,244
JS Islamic Pension Savings Fund - Equity	182,354	240,000	Unrated	Unrated	415.66	18,235	101,071	24,000	108,962
JS Islamic Pension Savings Fund - Debt	213,852	177,761	Unrated	Unrated	248.12	21,385	44,359	17,776	41,411
JS Islamic Pension Savings Fund - Money Market	222,303	177,463	Unrated	Unrated	199.08	22,230	39,990	17,746	33,230
JS Pension Savings Fund - Money Market	177,463	222,303	Unrated	Unrated	179.89	17,746	35,329	22,230	38,029
JS Pension Savings Fund - Debt	137,349	213,852	Unrated	Unrated	207.43	13,735	34,079	21,386	42,315
JS Pension Savings Fund - Equity	205,210	200,000	Unrated	Unrated	554.26	20,521	85,299	20,000	125,188
						<u>971,353</u>	<u>1,157,455</u>	<u>1,378,107</u>	<u>1,728,712</u>

8.5.4.1 The Group has recognised impairment on these units amounting to Rs.26.023 million (2017: Rs.106.513).

8.5.5 Foreign Securities

	Name of Bond	Rating		Coupon rate	Date of Maturity	2018		2017	
		2018	2017			Cost	Market value	Cost	Market value
----- Rupees in '000 -----									
8.5.5.1	Government Debt securities								
	Arab Republic of Egypt	B	-	4.75%	April 16, 2026	191,725	172,415	-	-
	Islamic Republic of Pakistan	B	-	8.25%	September 30, 2025	439,712	417,536	-	-
	Islamic Republic of Pakistan	B	-	8.25%	April 15, 2024	435,814	419,831	-	-
	The 3rd Pakistan International Sukuk Company Limited	B-	-	5.50%	October 13, 2021	346,386	334,348	-	-
	Republic of Kenya	B+	-	6.88%	June 24, 2024	288,956	260,463	-	-
	Saudi International Bond	A+	-	2.38%	October 26, 2021	405,743	401,218	-	-
	Arab Republic of Egypt	B	-	5.58%	February 21, 2023	420,198	394,315	-	-
	Islamic Republic of Pakistan	B	B	6.88%	December 5, 2027	336,731	314,491	55,209	55,354
	Arab Republic of Egypt	B	B	7.50%	January 31, 2027	294,142	264,732	235,088	243,892
	Arab Republic of Egypt	B	B	5.88%	June 11, 2025	274,682	252,095	218,117	222,728
	Saudi International Bond	-	A+	2.88%	March 4, 2023	-	-	30,639	30,271
	Republic of Kazakhstan	-	BBB	5.13%	July 21, 2025	-	-	117,360	122,883
						3,434,089	3,231,444	656,413	675,128

8.5.5.2 Non Government Debt securities

Türkiye Garanti Bankasi	B+	-	5.25%	September 13, 2022	284,844	261,280	-	-
Petrobras Global Finance	Ba2	-	6.25%	March 17, 2024	144,790	140,653	-	-
Türkiye Vakıflar Bankasi	B+	-	5.75%	January 30, 2023	277,211	243,428	-	-
Türkiye Is Bankasi A.S	B+	BB+	5.50%	April 21, 2022	630,283	563,822	389,917	389,799
Türkiye Is Bankasi A.S	B+	BB+	5.38%	October 6, 2021	69,257	63,234	55,025	55,655
Türkiye Is Bankasi A.S	B+	BB+	6.13%	April 25, 2024	281,758	233,480	224,545	222,519
State Oil Company of the Azerbaijan Republic	BB+	BB+	4.75%	March 13, 2023	139,506	138,343	148,044	151,830
Export Credit Bank of Turkey	BB-	BB+	5.38%	October 24, 2023	137,180	126,166	108,844	111,566
PTA Bank	Baa3	Baa3	5.38%	March 14, 2022	141,063	137,297	112,662	115,171
Akbank Tas	B1	BB+	5.00%	October 24, 2022	210,725	194,783	168,014	166,663
Petrobras Global Finance	Ba2	BB	7.38%	January 17, 2027	148,456	143,160	118,759	121,354
Türkiye Garanti Bankasi A.S	BB-	BBB-	5.88%	March 16, 2023	144,603	130,854	115,941	114,418
African Export - Import Bank	Baa1	Baa1	4.13%	June 20, 2024	280,626	260,438	223,514	222,592
Gazprom via Gaz Capital SA	-	BBB-	4.25%	April 6, 2024	-	-	153,547	154,245
Banco BTG Pactual S.A.	-	Ba3	4.00%	January 16, 2020	-	-	65,010	65,551
DIB Sukuk Ltd.	-	A	3.66%	February 14, 2022	-	-	23,519	23,723
BOS Funding Ltd.	-	BBB+	4.23%	March 7, 2022	-	-	110,492	112,055
Türkiye Garanti Bankasi A.S	-	BBB-	5.25%	September 13, 2022	-	-	227,874	225,090
African Export - Import Bank	-	Baa1	4.00%	May 24, 2021	-	-	232,521	235,918
Rosneft International Finance	-	Ba1	4.20%	March 6, 2022	-	-	178,092	178,227
Russian Federation	-	BBB-	4.25%	June 23, 2027	-	-	110,417	113,698
Deutsches Bank AG	-	BBB+	3.38%	May 12, 2021	-	-	138,943	140,275
CBD (Cayman) Ltd.	-	A-	4.00%	November 17, 2020	-	-	224,056	226,086
Türkiye Is Bankasi A.S	-	BB+	5.50%	April 21, 2019	-	-	111,381	112,458
Akbank Tas	-	BB+	4.00%	January 24, 2020	-	-	54,883	55,327
Türkiye Garanti Bankasi A.S	-	BBB-	4.75%	October 17, 2019	-	-	55,623	56,017
Türkiye Halk Bankasi A.S	-	BB+	3.88%	February 5, 2020	-	-	68,761	65,894
Bankpozitif Kredi Ve Kalkinma Bankasi A.S	-	BBB-	5.00%	February 7, 2018	-	-	115,938	115,816
Samarco Mineracao SA	-	CC	5.38%	September 26, 2024	-	-	53,527	37,696
Abu Dhabi National Energy Company PJSC	-	A3	3.63%	June 22, 2021	-	-	30,181	30,717
Bankpozitif Kredi Ve Kalkinma Bankasi A.S	-	BBB-	5.00%	February 7, 2018	-	-	55,191	55,150
					2,890,302	2,636,938	3,675,221	3,675,510

8.6 Quality of Held to Maturity Securities

Details regarding quality of Held to Maturity (HTM) securities are as follows

8.6.1 Federal Government Securities - Government guaranteed

	Cost	
	2018	2017
---- Rupees in '000 ----		
Pakistan Investment Bonds	42,716,932	41,398,485

8.6.1.1 Security type

Security type	Maturity	Redemption	Coupon
Pakistan investment bonds	April 21, 2019 to December 29, 2026	On maturity	Half yearly

8.6.1.2 Pakistan Investment Bonds (PIBs) having maturity of three to fifteen years. The rates of profits ranging from 6.21% to 11.95% per annum (2017: 6.21% to 8.02% per annum). The market value of securities as at December 31, 2018 amounted Rs. 39,836.881 million (2017: Rs. 41,033.889 million)

8.7 Investment in associated company

Note	Rating		Number of shares	Percentage holding		Cost	
	2018	2017		2018	2017	2018	2017
			--- Numbers ---	----- Rupees in '000 -----			
Omar Jibran Engineering Industries Limited	8.7.1	AA	7,200,000	9.60%	-	187,890	-

8.7.1 During the period, the Bank has invested in the shares of an associated company, a public unlisted company incorporated in Pakistan. The Bank has classified the investment as an associate on account of its significant influence over the investee company.

8.7.2 The following is summarised financial information before inter-company eliminations with other companies in the group:

	Associated company	
	Omar Jibran Engineering	
	June 30, 2018	June 30, 2017
	----- Rupees in '000 -----	
Total income / sales	2,241,353	1,973,770
Profit after tax	129,548	121,463
Total comprehensive income	131,640	125,460
Total assets	2,886,438	2,478,058
Total liabilities	1,508,899	1,565,522
Net assets	1,377,539	912,536
Cash flow from operating activities	(83,651)	108,876
Cash flow from investing activities	(149,197)	(218,478)
Cash flow from financing activities	364,445	84,811
Net increase / (decrease) in cash and cash equivalents	131,597	(24,791)

9. ADVANCES - NET

Note	Performing		Non Performing		Total	
	2018	2017	2018	2017	2018	2017
	----- Rupees in '000 -----					
Loans, cash credits, running finances, etc.	232,479,502	169,861,157	8,309,467	3,257,997	240,788,969	173,119,154
Bills discounted and purchased	14,675,443	13,781,334	-	-	14,675,443	13,781,334
Advances - gross	247,154,945	183,642,491	8,309,467	3,257,997	255,464,412	186,900,488
Provision against advances						
General	(155,661)	(100,353)	-	-	(155,661)	(100,353)
General provision - under IFRS-9	(10,746)	-	-	-	(10,746)	-
Specific	-	-	(2,989,888)	(2,638,960)	(2,989,888)	(2,638,960)
	(166,407)	(100,353)	(2,989,888)	(2,638,960)	(3,156,295)	(2,739,313)
Advances - net of provision	246,988,538	183,542,138	5,319,579	619,037	252,308,117	184,161,175

9.1 Particulars of net investment in finance lease

	2018				2017			
	Later than one and less than five years				Later than one and less than five years			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	----- Rupees in '000 -----				----- Rupees in '000 -----			
Lease rentals receivable	7,137,126	9,082,944	138,766	16,358,836	5,222,208	6,584,317	-	11,806,525
Guaranteed residual value	1,008,255	3,552,926	7,138	4,568,319	412,388	2,911,823	-	3,324,211
Minimum lease payments	8,145,381	12,635,870	145,904	20,927,155	5,634,596	9,496,140	-	15,130,736
Finance charges for future periods	(1,246,019)	(1,229,811)	(5,144)	(2,480,974)	(776,285)	(573,117)	-	(1,349,402)
Present value of minimum lease payments	6,899,362	11,406,059	140,760	18,446,181	4,858,311	8,923,023	-	13,781,334

9.2 Particulars of advances (gross)	2018		2017	
	----- Rupees in '000 -----		----- Rupees in '000 -----	
	2018	2017	2018	2017
In local currency	247,895,081	180,526,247	247,895,081	180,526,247
In foreign currency	7,569,331	6,374,241	7,569,331	6,374,241
	255,464,412	186,900,488	255,464,412	186,900,488

9.3 Advances include Rs.8,309.468 million (2017: Rs.3,257.997 million) which have been placed under non-performing status as detailed below:

Category of classification	2018		2017	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	----- Rupees in '000 -----			
Domestic	231,430	-	5,222	-
Other Assets Especially Mentioned	1,488,616	83,945	336,818	44,307
Substandard	3,189,709	146,592	131,328	7,333
Doubtful	3,399,713	2,759,351	2,784,629	2,587,320
Loss	8,309,468	2,989,888	3,257,997	2,638,960
Total	8,309,468	2,989,888	3,257,997	2,638,960

9.4 Particulars of provision against non-performing advances

Note	2018				2017			
	General provision - under IFRS-9				General provision - under IFRS-9			
	Specific	General		Total	Specific	General		Total
	Rupees in '000				Rupees in '000			
Opening balance	2,638,960	100,353	-	2,739,313	2,618,353	40,988	-	2,659,341
Exchange adjustments	-	-	1,321	1,321	-	-	-	-
Charge for the year	422,994	55,308	9,425	487,727	178,071	59,365	-	237,436
Reversals	(72,066)	-	-	(72,066)	(34,622)	-	-	(34,622)
	350,928	55,308	9,425	415,661	143,449	59,365	-	202,814
Amount written off from the opening balance	9.5	-	-	-	(122,842)	-	-	(122,842)
Closing Balance	2,989,888	155,661	10,746	3,156,295	2,638,960	100,353	-	2,739,313

9.4.1 Particulars of provision against non-performing advances

In local currency	2,989,888	155,661	10,746	3,156,295	2,638,960	100,353	-	2,739,313
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9.4.2 The general provision is maintained to create general reserves against following advances portfolios in accordance with the prudential regulations issued by State Bank of Pakistan as follows:

	2018	2017	2018	2017
	Secured portfolio	Unsecured portfolio	Secured portfolio	Unsecured portfolio
	Percentages			
Small enterprises financing	-	-	-	-
Consumer financing	1%	1%	4%	4%
Housing finance	0.5%	0.5%	-	-

9.4.3 This represents general provision held on adoption of IFRS 9 by Bahrain branch of the Bank (see note 4.1.3).

9.4.4 The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2018, the Bank has availed cumulative benefit of FSV of Rs.3,460.232 million (2017: Rs.295.536 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have reduced by Rs.1,057.204 million (2017: Rs.192.098 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

	2018	2017
	Rupees in '000	
9.5 Particulars of Write Offs:		
9.5.1 Against provisions	-	122,842
Directly charged to profit and loss account	-	-
	-	122,842
9.5.2 Write offs of Rs.500,000 and above	-	122,703
Write offs of below Rs.500,000	-	139
	-	122,842

9.5.3 In 2017, the Board of Directors in their meeting held on April 27, 2017 authorised the Bank to write-off the fully provided non-performing loans amounting to Rs.122.842 million. These loans are written-off as a book entry without prejudice to the Bank's right of recovery against the customers.

	Note	2018	2017
		Rupees in '000	
10. FIXED ASSETS			
Capital work-in-progress	10.1	439,199	315,285
Property and equipment	10.2	6,508,526	5,397,430
		6,947,725	5,712,715
10.1 Capital work-in-progress			
Civil works		388,449	125,840
Advance for purchase of furniture and fixtures		4,479	290
Advance for purchase of vehicles		18,175	59,190
Advance for purchase of equipment and software		28,096	129,965
		439,199	315,285

10.2 Property and equipment

2018							
Leasehold land	Building on free hold land	Building on lease hold land	Lease hold improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
----- Rupees in '000 -----							
1,089,566	372,660	1,462,426	1,172,840	542,750	2,707,824	990,170	8,338,236
-	(66,768)	(112,743)	(541,241)	(283,943)	(1,554,613)	(381,498)	(2,940,806)
<u>1,089,566</u>	<u>305,892</u>	<u>1,349,683</u>	<u>631,599</u>	<u>258,807</u>	<u>1,153,211</u>	<u>608,672</u>	<u>5,397,430</u>
1,089,566	305,892	1,349,683	631,599	258,807	1,153,211	608,672	5,397,430
50,000	-	13,510	186,211	74,616	411,975	413,020	1,149,332
317,723	-	420,204	-	-	-	-	737,927
-	-	3,210	-	-	-	-	3,210
-	-	-	(72,346)	(16,852)	(50,559)	(207,596)	(347,353)
-	-	-	62,430	15,225	44,767	171,363	293,785
-	-	-	(9,916)	(1,627)	(5,792)	(36,233)	(53,568)
-	(18,633)	(52,781)	(114,537)	(53,614)	(342,380)	(165,847)	(747,792)
-	-	-	5,045	1,514	1,058	868	8,485
-	-	-	(1,091)	(385)	(376)	(227)	(2,079)
-	-	-	3,954	1,129	682	641	6,406
-	-	21,253	(3,685)	-	24	-	17,592
-	-	(2,053)	-	-	42	-	(2,011)
-	-	19,200	(3,685)	-	66	-	15,581
<u>1,457,289</u>	<u>287,259</u>	<u>1,753,026</u>	<u>693,626</u>	<u>279,311</u>	<u>1,217,762</u>	<u>820,253</u>	<u>6,508,526</u>
1,457,289	372,660	1,920,603	1,288,065	602,028	3,070,322	1,196,462	9,907,429
-	(85,401)	(167,577)	(594,439)	(322,717)	(1,852,560)	(376,209)	(3,398,903)
<u>1,457,289</u>	<u>287,259</u>	<u>1,753,026</u>	<u>693,626</u>	<u>279,311</u>	<u>1,217,762</u>	<u>820,253</u>	<u>6,508,526</u>
-	-	1.01 - 4.78	10	12.5	12.5 - 33.3	20	

	2017						
	Leasehold land	Building on free hold land	Building on lease hold land	Lease hold improvements	Furniture and fixture	Electrical, office and computer equipment	Total
Rupees in '000							
At January 1, 2016							
Cost / Revalued amount	927,051	-	1,100,277	1,010,179	451,481	2,204,172	6,461,181
Accumulated depreciation	-	-	(174,265)	(443,462)	(234,499)	(1,276,170)	(2,468,370)
Net book value	927,051	-	926,012	566,717	216,982	928,002	3,992,811
Year ended December 2017							
Opening net book value	927,051	-	926,012	566,717	216,982	928,002	3,992,811
Additions	-	-	510	162,661	91,975	526,691	1,145,696
Movement in surplus on assets revalued during the year	124,654	-	814,053	-	-	-	938,707
Disposals - cost	-	-	-	-	(1,015)	(23,255)	(166,161)
Depreciation on disposal	-	-	313	-	717	20,974	131,990
Depreciation charge	-	-	313	-	(298)	(2,281)	(34,171)
	-	-	(44,765)	(97,780)	(50,111)	(299,369)	(643,503)
Exchange rate adjustments - cost	-	-	1,078	-	310	217	1,782
Exchange rate adjustments - accumulated	-	-	(146)	-	(50)	(48)	(274)
	-	-	932	-	260	169	1,508
Other adjustments / transfers	37,861	-	(41,479)	-	-	-	(3,618)
Closing net book value	1,089,566	-	1,655,576	631,598	258,808	1,153,212	5,397,430
At December 31, 2017							
Cost / Revalued amount	1,089,566	-	1,874,439	1,172,840	542,751	2,707,825	8,377,587
Accumulated depreciation	-	-	(218,863)	(541,242)	(283,943)	(1,554,613)	(2,980,157)
Net book value	1,089,566	-	1,655,576	631,598	258,808	1,153,212	5,397,430
Rate of depreciation (percentage)	-	-	1.01 - 4.78	10	12.5	12.5- 33.3	20

		Carrying value	
		2018	2017
		----- Rupees in '000 -----	
10.2.1 Temporarily idle property and equipment			
Leasehold land		837,731	747,231
Building on lease hold land		508,897	309,662
		<u>1,346,628</u>	<u>1,056,893</u>
10.2.2 Fully depreciated property and equipment still in use			
Lease hold improvements		155,841	-
Furniture and fixture		113,313	44,426
Electrical, office and computer equipment		828,290	485,400
Vehicles		26,677	10,023
		<u>1,124,121</u>	<u>539,849</u>

10.2.3 The details of disposals of assets to related parties are given in Annexure I of these consolidated financial statements.

10.2.4. The properties of the Group are revalued by independent professional valuers as at December 31, 2018. The revaluation was carried out by M/s. Tristar International Consultants Pvt Ltd. and KG Traders (Private) Limited on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs. 741.138 million. The total surplus arising against revaluation of fixed assets as at December 31, 2018 amounts to Rs. 1,628.992 million.

Had there been no revaluation, the carrying value of revalued land and building on land as at December 31, 2018 would have been lower by Rs.442.377 million and Rs.1,186.614 million respectively, and net surplus on revaluation of fixed assets, deferred tax liability and incremental depreciation expense would have been lower by Rs. 1,225.557 million, Rs. 403.434 million and Rs. 35.017 million respectively.

11

INTANGIBLE ASSETS

Capital work-in-progress

11.1

86,801

-

Computer software and goodwill

11.2

2,119,711

1,876,987

2,206,512

1,876,987

11.1

Capital work-in-progress

Advance for purchase software

86,801

-

2018

Trading right entitlement certificate (TREC)

Membership card - Pakistan Mercantile Exchange Limited

Computer software

Goodwill

Total

5,727

3,500

728,348

1,463,624

2,201,199

-

-

(324,212)

-

(324,212)

5,727

3,500

404,136

1,463,624

1,876,987

11.2

INTANGIBLE ASSETS

At January 1, 2018

Cost

5,727

3,500

728,348

1,463,624

2,201,199

Accumulated amortisation and impairment

-

-

(324,212)

-

(324,212)

Net book value

5,727

3,500

404,136

1,463,624

1,876,987

Year ended December 2018

Opening net book value

5,727

3,500

404,136

1,463,624

1,876,987

Additions:

- directly purchased

-

-

316,360

-

316,360

Disposals

-

-

-

-

-

Amortisation charge

-

-

(74,660)

-

(74,660)

Exchange rate adjustments - cost

-

-

1,311

-

1,311

Exchange rate adjustments - accumulated

-

-

(287)

-

(287)

Other adjustments

-

-

1,024

-

1,024

Closing net book value

5,727

3,500

646,860

1,463,624

2,119,711

At December 31, 2018

Cost

5,727

3,500

1,046,019

1,463,624

2,518,870

Accumulated amortisation and impairment

-

-

(399,159)

-

(399,159)

Net book value

5,727

3,500

646,860

1,463,624

2,119,711

Rate of amortisation (percentage)

-

-

10%

See note 11.7

2017

Trading right entitlement certificate (TREC)

Membership card - Pakistan Mercantile Exchange

Computer software

Goodwill

Total

5,727

3,500

568,327

1,463,624

2,041,178

-

-

(259,931)

-

(259,931)

5,727

3,500

308,396

1,463,624

1,781,247

At January 1, 2017

Cost

5,727

3,500

568,327

1,463,624

2,041,178

Accumulated amortisation and impairment

-

-

(259,931)

-

(259,931)

Net book value

5,727

3,500

308,396

1,463,624

1,781,247

Year ended December 2017

Opening net book value

5,727

3,500

308,396

1,463,624

1,781,247

Additions:

- directly purchased

-

-

159,752

-

159,752

Disposals

-

-

-

-

-

Amortisation charge

-

-

(64,242)

-

(64,242)

Exchange rate adjustments - cost

-

-

269

-

269

Exchange rate adjustments - accumulated

-

-

(39)

-

(39)

Closing net book value

5,727

3,500

404,136

1,463,624

1,876,987

At December 31, 2017

Cost

5,727

3,500

728,348

1,463,624

2,201,199

Accumulated amortisation and impairment

-

-

(324,212)

-

(324,212)

Net book value

5,727

3,500

404,136

1,463,624

1,876,987

Rate of amortisation (percentage)

-

-

10%

See note 11.7

Useful life

-

-

-

-

	2018	2017
	----- Rupees in '000 -----	
11.3 Fully amortized computer software still in use	100,938	-
11.4 This represents Trading Right Entitlement Certificate (TREC) received from PSX in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutalization and integration) Act, 2012 (the Act). The company has also received shares of PSX after completion of the demutualisation process.		
11.5 This represents membership cards of Pakistan Mercantile Exchange. It has an indefinite useful life and is carried at cost.		
11.6 For impairment testing, goodwill has been allocated to 'Trading and Sales' segment as Cash Generating Unit (CGU), which is also a reportable segment.		
11.7 Key assumptions used in value in use calculation		

The recoverable amount of the CGU has been determined based on value in use calculation, using cash flow projections based on business plan approved by the Board of Directors of the Bank covering a five year period. The discount rates applied to cash flows beyond five years are extrapolated using a terminal growth rate. The following rates are used by the Bank.

	2018	2017
	Percentages	
Discount rate	28.13	19.33
Terminal growth rate	10.00	10.00

The calculation of value in use is most sensitive to following assumptions:

a) Interest margins

Interest margins are based on prevailing industry trends and anticipated market conditions.

b) Discount rates

Discount rates reflect management estimates of the rate of return required for each business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using cost of equity of the Bank.

c) Key business assumptions

The assumptions are important as they represent management assessment of how the unit's position might change over the projected period. Based on the expansion plans, management expects aggressive growth in advances, investments and deposits during the projected periods and thereafter stabilisation in line with industry trends.

Management believes that any significant change in key assumptions, on which CGU's recoverable amount is based, may impact the carrying amount to further exceed its recoverable amount. Value in use calculation of the CGU are sensitive to changes in assumptions for interest rate spreads, Non Funded Income (NFI), long term growth rates and discount rates.

d) Sensitivity to changes in assumption

The estimated recoverable amount of the 'Trading and Sales' CGU exceeds its carrying amount by approximately Rs.144.5 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

	Changes required for carrying amount to equal recoverable amount (%)	
	2018	2017
- Discount rate	0.21	1.02
- Terminal growth rate	(0.30)	(1.49)

12. DEFERRED TAX ASSETS / (LIABILITIES) - NET

12.1 Movement in temporary differences during the year:

Deferred tax debits arising from:

	2018		
	Balance as at January 01, 2018	Recognised in profit and loss account	Recognised in other comprehensiv e income
	Rupees in '000		
Provision against investments	57,149	-	-
Provision against loans and advances	124,518	22,689	-
Provision against other assets	63,725	107,286	-
General provision under IFRS-9	-	36,820	-
Intangible other than Goodwill	1,997	238	-
Unrealised (loss) / gain on revaluation of investments classified as held for trading	620	3,356	-
Surplus / (deficit) on revaluation of investments classified assets as available for sale	46,941	-	1,141,474
Provision for donation	197	(11)	-
Provision for workers' welfare fund	46,332	(29,218)	-
	341,479	141,160	1,141,474

Deferred tax credits arising due to:

Operating fixed assets	(222,460)	(10,271)	-	(232,731)
Goodwill	(512,268)	-	-	(512,268)
Surplus on revaluation of operating fixed assets	(266,274)	24,079	(148,196)	(390,391)
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	(2,191)	57	1,124	(1,010)
Unrealized (loss) / gain on revaluation of derivative financial instruments	(25,227)	(53,494)	-	(78,721)
	(1,028,420)	(39,629)	(147,072)	(1,215,121)
	(686,941)	101,531	994,402	408,992

12.1.1 JS Investments limited, the subsidiary, has not recognised deferred tax asset of Rs. 28.575 million on account of carried forward tax losses in accordance with its accounting policy.

	2017		
	Balance as at January 01, 2017	Recognised in profit and loss account	Recognised in other comprehensiv e income
	Rupees in '000		
Provision against investments	57,149	-	-
Provision against loans and advances	137,558	(13,040)	-
Provision against other assets	30,541	33,184	-
Intangible Other than Goodwill	-	1,997	-
Unrealised (loss) / gain on revaluation of investments classified as held for trading	(215)	835	-
Surplus / (Deficit) on revaluation of investments classified assets as available for sale	(656,497)	262	703,176
Provision for donation	1,222	(1,025)	-
Provision for Workers' Welfare Fund	45,935	397	-
	(384,307)	22,610	703,176

Deferred tax credits arising due to:

Operating fixed assets	(191,785)	(30,675)	-	(222,460)
Goodwill	(512,268)	-	-	(512,268)
Surplus on revaluation of operating fixed assets	-	4,926	(271,200)	(266,274)
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	(2,307)	116	-	(2,191)
Unrealized (loss) / gain on revaluation of derivative financial instruments	7,782	(33,009)	-	(25,227)
	(698,578)	(58,642)	(271,200)	(1,028,420)
	(1,082,885)	(36,032)	431,976	(686,941)

13. OTHER ASSETS - NET	Note	2018	2017
		----- Rupees in '000 -----	
Income/ Mark-up accrued in local currency - net of provision	13.1	5,598,744	4,055,364
Income/ Mark-up accrued in foreign currency		133,707	67,337
Trade receivable from brokerage and advisory business - net	13.2	1,505,318	1,307,031
Advances, deposits, advance rent and other prepayments		723,901	725,902
Acceptances		3,217,002	3,170,373
Taxation (payments less provision)		1,147,526	462,440
Dividend receivable		1,865	7,943
Balances due from funds under management		112,825	110,222
Receivable against bancassurance / bancatakaful	13.3	75,056	89,727
Stationery and stamps in hand		18,536	13,212
Receivable from other banks in respect of remittance	13.4	283,469	202,282
Non-banking assets acquired in satisfaction of claims	13.5	91,421	189,944
Mark to market gain on derivative instruments		269,351	74,587
Advance for subscription of TFC - unsecured	13.6	845,917	133,333
ATM settlement account		195,927	226,827
Others		162,893	209,807
		<u>14,383,458</u>	<u>11,046,331</u>
Less: Provision held against other assets	13.7	(435,188)	(474,995)
Other assets (net of provisions)		<u>13,948,270</u>	<u>10,571,336</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		<u>93,869</u>	<u>13,395</u>
		<u>14,042,139</u>	<u>10,584,731</u>

13.1 This includes an amount of Rs.73.588 million (2017: Rs.24.890 million) due from related parties.

13.2 Included herein is a sum of Rs.326.567 million (2017: Rs.2.448 million) receivable from related parties.

13.3 This includes an amount of Rs.74.935 million (2017: Rs.74.240 million) due from related parties.

13.4 This includes an amount of Rs.232.239 million (2017: Rs.132.069 million) receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.

13.5 Non banking assets acquired in satisfaction of claims

Market value of non-banking assets acquired in satisfaction of claims	<u>185,290</u>	<u>203,339</u>
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13.5.1 Movement of Non banking assets acquired in satisfaction of claims at market value:

As at January 01		203,339	175,808
Revaluation surplus arise during the year - net		-	13,395
Addition during the year	13.5.2	1,295	15,436
Deletions during the year	13.5.4	(18,771)	-
Depreciation during the year		(573)	(1,300)
		<u>185,290</u>	<u>203,339</u>

13.5.2 Non-banking assets acquired in satisfaction of claims are carried at revalued amount according to the requirements of the 'Regulation for Debt Property Swap' (the regulations) issued by SBP vide the BPRD Circular No. 1 of 2016, dated January 01, 2016. Had there been no revaluation, the carrying value of non-banking assets acquired in satisfaction of claims would have been lower by Rs.96.869 million (2017: Rs.97.242 million), and surplus on revaluation of assets net, deferred tax liability and depreciation expense would have been lower by Rs. 92.858 million (2017: Rs.95.050 million), Rs.1,011 million (2017: Rs.2.192 million) and Rs. 0.163 million (2017: Rs.0.329 million) respectively.

Written down value:

Leasehold Land	88,640	88,640
Building	<u>2,781</u>	<u>17,457</u>
	<u>91,421</u>	<u>106,097</u>

13.5.3 During the year the Bank incurred an additional cost which is capitalized in the carrying value of non banking assets.

13.5.4 During the year, the Bank has utilized a building for its own operations and transferred the asset, along with related surplus, to fixed assets.

13.6 This represents advance against subscription for following Term Finance Certificates - unsecured.

Name of the company	Agreement date	Frequency	Profit rate per annum	2018	2017
				----- Rupees in '000 -----	Cost
FINCA Microfinance Bank	November 2, 2017	Quarterly	Three months KIBOR + 1.5% p.a	133,333	133,333
Pakistan Services Ltd.	March 14, 2018	Semi annually	Six months KIBOR + 1% p.a	<u>712,584</u>	-
				<u>845,917</u>	<u>133,333</u>

		2018	2017
	Note	----- Rupees in '000 -----	
13.7 Provision held against other assets			
Trade receivable from brokerage and advisory business - net		403,318	403,318
Others		31,870	71,677
		<u>435,188</u>	<u>474,995</u>
13.7.1 Movement in provision held against other assets			
Opening balance		474,995	430,189
Charge for the year		2,561	44,806
Reversal for the year		(42,368)	-
Net (reversal) / charge for the year		(39,807)	44,806
Closing balance		<u>435,188</u>	<u>474,995</u>
14. BILLS PAYABLE			
In Pakistan		3,326,595	3,669,463
Outside Pakistan		193,329	154,815
		<u>3,519,924</u>	<u>3,824,278</u>
15. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan under:			
Export refinancing scheme (ERF)	15.2.1	15,329,309	10,970,007
Long-Term Finance Facility (LTFF)	15.2.2	1,055,928	1,390,366
Financing Facility for Storage of Agricultural produce (FFSAP)	15.2.3	121,922	69,365
Repurchase agreement borrowings	15.2.4	12,609,714	20,146,040
		<u>29,116,873</u>	<u>32,575,778</u>
Borrowing from financial institutions			
Repurchase agreement borrowings	15.2.5	57,228,252	24,655,991
Total secured		<u>86,345,125</u>	<u>57,231,769</u>
Unsecured			
Call borrowings	15.2.6	8,323,290	5,637,284
Due against bills re-discounting	15.2.7	1,388,619	1,488,994
Overdrawn nostro accounts		501,629	198,996
Total unsecured		<u>10,213,538</u>	<u>7,325,274</u>
		<u>96,558,663</u>	<u>64,557,043</u>
15.1 Particulars of borrowings			
In local currency		89,413,109	59,291,448
In foreign currencies		7,145,554	5,265,595
		<u>96,558,663</u>	<u>64,557,043</u>
15.2.1	The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and will mature between January 02, 2019 and February 08, 2027 (December 31, 2018: January 09, 2018 and June 26, 2018). These carry mark-up at the rate from 1% to 4.50%% (December 31, 2017: 1% to 2%) per annum.		
15.2.2	These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings will mature between November 30, 2020 and November 30, 2028 (2017: August 25, 2019 and October 18, 2027). These carry mark-up at rates ranging from 2% to 3.50% (2017: 3.5% to 6.0%) per annum.		
15.2.3	These borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings will mature between May 09, 2020 and July 23, 2025 (December 31, 2018: May 09, 2020 and July 31, 2024) and carry mark-up at the rates ranging from 2% to 2.50%% (December 31, 2017: 2% to 2.50%) per annum.		
15.2.4	This represents collateralised borrowing from State Bank of Pakistan against Market Treasury Bills and Pakistan Investment Bonds (2017: Pakistan Investment Bonds) carrying mark-up at the rate of 10.18% (2017: 5.78%) per annum and will mature on January 04, 2019 (2017: January 05, 2018). The carrying value of securities given as collateral against these borrowings is given in note 10.1.		
15.2.5	This represents collateralised borrowing from various financial institutions against Market Treasury Bills, Pakistan Investment Bonds, Bai Muajjal and Foreign Currency Bonds (2017: Market Treasury Bills, Pakistan Investment Bonds and Foreign Currency Bonds) carrying mark-up at the rates ranging from 3.30% to 10.40% (2017: 2.30% to 6.20%) per annum and will mature between January 02, 2019 and April 19, 2019 (2017: January 02, 2018 and March 20, 2018). The carrying value of securities given as collateral against these borrowings is given in note 8.2.1.		
15.2.6	These represent call money borrowings from financial institutions which will mature between January 02, 2019 and February 28, 2019 (2017: January 02, 2018 and January 29, 2018), carrying interest at the rates ranging from 0.90% to 10.30%% (2017: 1.10% to 5.8%) per annum.		
15.2.7	This represents obligation to the foreign corresponding banks on the discounting of foreign documentary bills purchased by the Bank on discount. These will mature on March 06, 2019 (2017: January 19, 2018 to March 05, 2019) and carry interest at the rate of 4.22% (2017: 1.65% to 4.22%) per annum.		

16. DEPOSITS AND OTHER ACCOUNTS

	2018			2017		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Customers						
Current accounts	71,824,038	5,321,812	77,145,850	65,363,744	4,833,362	70,197,106
Savings deposits	61,444,549	2,576,579	64,021,128	45,163,103	2,103,313	47,266,416
Term deposits	118,807,475	11,430,120	130,237,595	126,867,634	5,034,788	131,902,422
Margin accounts	3,566,455	4,937	3,571,392	3,964,564	2,640	3,967,204
	<u>255,642,517</u>	<u>19,333,448</u>	<u>274,975,965</u>	<u>241,359,045</u>	<u>11,974,103</u>	<u>253,333,148</u>
Financial Institutions						
Current accounts	860,064	-	860,064	1,018,278	1,424	1,019,702
Savings deposits	26,021,734	-	26,021,734	14,392,345	-	14,392,345
Term deposits	16,408,212	1,540,877	17,949,089	18,440,011	1,179,808	19,619,819
	<u>43,290,010</u>	<u>1,540,877</u>	<u>44,830,887</u>	<u>33,850,634</u>	<u>1,181,232</u>	<u>35,031,866</u>
	<u>298,932,527</u>	<u>20,874,325</u>	<u>319,806,852</u>	<u>275,209,679</u>	<u>13,155,335</u>	<u>288,365,014</u>

16.1. Composition of deposits

	2018	2017
	----- Rupees in '000 -----	
- Individuals	26,718,549	23,707,274
- Government (Federal and Provincial)	53,529,410	49,068,231
- Public Sector Entities	11,242,328	15,891,124
- Banking Companies	2,071,695	2,751,822
- Non-Banking Financial Institutions	37,627,460	24,558,181
- Private Sector	188,617,410	172,388,382
	<u>319,806,852</u>	<u>288,365,014</u>

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2018			2017		
	Minimum lease payment	Financial charges for future periods	Principal outstanding	Minimum lease payment	Financial charges for future periods	Principal outstanding
	----- Rupees in '000 -----					
Not later than one year	14,801	3,014	11,787	1,837	313	1,524
Later than one year and not later than five years	38,666	4,031	34,635	3,785	277	3,508
	<u>53,467</u>	<u>7,045</u>	<u>46,422</u>	<u>5,622</u>	<u>590</u>	<u>5,032</u>

- 17.1 The liability against asset subject to finance lease represents the lease entered into with a Modaraba for 34 different vehicles. The periodic lease payments include profit rates ranging from KIBOR 3M to 6M plus 1% to 1.5% with floor of 7% to 7.5% and ceiling of 20% (2017: KIBOR 6M plus 1.5% with floor of 7.5% and ceiling of 20%) per annum. The Company, shall be subject to compliance with the conditions specified in the lease agreements, purchase the assets from the lessor. There are no financial restrictions in the lease agreements.

18. SUB-ORDINATED LOANS

	Note	2018	2017
		----- Rupees in '000 -----	
Term Finance Certificates - First Issue	18.1	2,997,600	2,998,800
Term Finance Certificates - Second Issue	18.2	1,999,200	2,000,000
Term Finance Certificates - Second Issue	18.3	2,500,000	-
		<u>7,496,800</u>	<u>4,998,800</u>

- 18.1 In 2016, the Bank has issued Rs.3 billion of rated, privately placed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 120 of the Companies Ordinance, 1984 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose: To contribute toward the Bank's Tier II Capital for complying with the Capital Adequacy Ratio requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date December 14, 2016

Tenor:	Up to Seven years from the Issue date.
Maturity Date:	December 14, 2023
Rating	A + (Single A Plus)
Profit Rate:	Floating rate of return at Base rate + 1.4 percent per annum; Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period
Profit payment:	Semi-annual
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.
Security:	The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.
Call Option:	Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.
Lock-in-clause:	Principal and profit will be payable subject to compliance with MCR or CAR set by
Loss absorbency clause:	Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule vide BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger as declared by SBP of the non-viability event as declared by SBP, subject to a cap of 467,836,257 shares.

- 18.2** In 2017, the Bank has issued Rs.2 billion of rated, over the counter listed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66 of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute toward the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date	December 29, 2017
Tenor:	Up to Seven years from the Issue date.
Maturity Date:	December 29, 2024
Rating	A + (Single A Plus)
Profit Rate:	Floating rate of return at Base rate + 1.4 percent per annum; Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.
Profit payment:	Semi-annual
Redemption:	The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.
Security:	The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.
Call Option:	Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.
Lock-in-clause:	Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.
Loss absorbency clause:	Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger of Point of Non-Viability (PONV) as declared by SBP, subject to a cap of 319,982,544 shares.

- 18.3** During the current year, the Bank has issued Rs.2.5 billion of rated, privately placed, unsecured, subordinated, perpetual and non-cumulative term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66(1) of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 (the "Circular") and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose:	To contribute toward the Bank's Tier I Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.
Issue date	December 31, 2018
Maturity Date:	Perpetual
Rating	A (Single A)
Profit Rate:	Floating rate of return at Base rate + 2.25 percent per annum;
	Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period
Profit payment frequency:	Semi-annually on a non-cumulative basis
Redemption:	Not applicable
Security:	The Issue is unsecured and subordinated as to payment of Principal and profit to all other claims except common shares.
Call Option:	Exercisable in part or in full at a par value on or after five years from the issue date, with prior approval of SBP. The Bank shall not exercise the call option unless the called instrument is replaced with capital of same or better quality.
Lock-in-clause:	Payment of profit will be made from current year's earning and subject to compliance with MCR or CAR set by SBP.

Loss absorbency clause:

Pre-Specified Trigger ("PST")	<p>Upon the occurrence of a Pre-Specified Trigger as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, which stipulates that if an Issuer's Common Equity Tier 1 ("CET 1") ratio falls to or below 6.625% of Risk Weighted Assets ("RWA"), the Issuer will have full discretion to determine the amount of TFCs to be permanently converted into common shares or written off, subject to SBP regulations / instructions, and the cap specified below. The Bank will be able to exercise this discretion subject to:</p> <ul style="list-style-type: none"> - If and when Bank's CET 1 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 CET 1 ratio to above 6.625% of total RWA (if possible); - The converted amount should not exceed the amount needed to bring the CET 1 ratio to 8.5% of RWA (i.e. minimum CET 1 of 6.0% plus capital conservation buffer of 2.5%); - 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 CET 1 of the Issuer;
Point of Non-Viability	<p>Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, which stipulates that SBP may, at its option, fully and permanently convert the TFCs into common shares of the Issuer and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Value of the TFCs' divided by market value per share of the Issuer's common / ordinary share on the date of the PONV trigger event as declared by SBP, subject to the cap specified below;</p>

The PONV trigger event is the earlier of:

- A decision made by SBP that a conversion or temporary / permanent write-off is necessary without which the Issuer would become non-viable;
- The decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by SBP.
- The maximum number of shares to be issued to TFC holders at the Pre-Specified Trigger and / or Point of Non Viability (or otherwise as directed by SBP) will be subject to a specified cap of 329,595,476 ordinary shares, or such other number as may be agreed to in consultation with SBP;

	Note	2018 ----- Rupees in '000 -----	2017
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency	19.1	2,679,843	2,121,637
Mark-up / return / interest payable in foreign currency		107,641	47,076
Accrued expenses		707,824	829,778
Acceptances		3,217,002	3,170,373
Trade payable from brokerage business	19.2	2,054,051	1,021,060
Payable in respect of defined benefit obligation - net	39.5	102,494	175,118
Unclaimed dividends		10,529	11,043
Donation payable	31.2.1	15,248	32,657
Lease key money deposit		4,568,145	3,320,317
Provision for Workers' Welfare Fund	19.3	179,890	342,377
Government duties		268,880	225,819
Payable against remittance		442,811	361,808
Retention money payable		35,053	29,245
Visa debit card payable		80,202	148,650
Others		204,154	182,269
		<u>14,673,767</u>	<u>12,019,227</u>

19.1 Included herein is a sum of Rs.43.305 million (2017: Rs.72.114 million) payable to related parties.

19.2 Included herein is a sum of Rs.32.234 million (2017: Rs.14.368 million) payable to related parties.

19.3 The Honorable Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, declaring the insertion of amendments under the Workers' Welfare Ordinance, 1971, introduced in the Finance Act, 2008 pertaining to Federal WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution and restored the position prior to the amendments of Finance Acts of 2006 and 2008. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending for hearing.

In view of the above developments regarding the applicability of federal WWF on Banks, the Bank sought a legal opinion to conclude on the reversal of Federal WWF charge, where the Bank's legal advisor of the view that review petition of FBR is unlikely to succeed as the banks do not fall into definition of Industrial Undertaking and thus, not liable to pay federal WWF. Therefore, based on legal advice, the Bank has decided to reverse the charge of Federal WWF of Rs. 74.702 million which was held at 2% of higher of profit before tax as per these unconsolidated financial statements or taxable income as per the income tax return, whichever is higher up to financial year 2014.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh WWF Act, 2014, the Act. As per the Act, Banks are liable to pay SWWF. The Bank has challenged the issue of jurisdiction claimed by Sindh Revenue Board before the Honorable High Court of Sindh (the Court) through Constitutional Petition 1546/2017 i.e. the Act will be applied to trans-provincial companies to the extent that the obligation under the provincial law is to make distribution only to the proportionate profit of Sindh Province. The Court has restrained the Sindh Revenue Board to collect / recover Sindh Worker Welfare Fund till the next date of hearing.

During the year, the Bank reassessed the SWWF provision which was previously held on the entire operating results of the Bank (including other provinces, part of Pakistan, AJK and Bahrain Operations) and based on the above legal status and also based on the legal opinion, is of the view that the Bank will only liable to SWWF to the extent to its operations within Sindh and accordingly, have reversed the provision relating to operations outside Sindh (on best possible estimation) to the extent of Rs.81.842 million.

20. SHARE CAPITAL

20.1 Authorised capital

2018	2017			2018	2017
----- Number of shares -----			Note	----- Rupees in '000 -----	
2,350,000,000	1,850,000,000	Ordinary shares of Rs.10 each	20.1.1	23,500,000	18,500,000

20.1.1 During the year, after having SBP approval vide its letter No. 'BPRD/LD-01/602-AM&AoA/16933/2018-8446', the shareholders of the Bank in their Annual General Meeting held on March 07, 2018 increased its authorised capital by Rs.5 billion, divided into 500 million ordinary shares of Rs.10 each.

20.2 Issued, subscribed and paid-up capital

		Ordinary shares		2018	2017
2018	2017			----- Rupees in '000 -----	
763,558,965	538,558,965	Fully paid in cash	20.3	7,635,590	5,385,590
533,905,297	533,905,297	Issued for consideration other than cash		5,339,053	5,339,053
1,297,464,262	1,072,464,262			12,974,643	10,724,643
-	-	Less: Discount on issue of shares	20.3	(2,855,401)	(2,105,401)
1,297,464,262	1,072,464,262			10,119,242	8,619,242

20.3 On February 19, 2018, issued, subscribed and paid-up capital of the Bank has also increased by Rs. 2,250 million divided into 225 million ordinary shares of Rs. 10 each. The increase was on account of conversion of unlisted preference shares of Rs. 1,500 million divided into 150 million shares of Rs. 10 each at a conversion ratio of 1:1.5 (i.e. for every one preference share one and half ordinary shares were issued). The ordinary shares are issued at Rs. 6.67 per share i.e. at a discount of Rs. 3.33 per share as per the approvals of Securities and Exchange Commission of Pakistan vide its letter No. EMD/CI/102/2010 dated December 19, 2013 and State Bank of Pakistan vide its letter No. BPRD/BA&CA/649/19755/2013 dated December 30, 2013.

- 20.4 As at December 31, 2018, Jahangir Siddiqui & Co. Ltd. (the parent company) held 973,307,324 (December 31, 2017: 755,245,007) ordinary shares of Rs.10 each i.e. 75.02% holding (December 31, 2017: 70.42%).

21. PREFERENCE SHARES

21.1 Authorised capital

2018 ----- Number of shares -----	2017 ----- Number of shares -----	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
<u>150,000,000</u>	<u>150,000,000</u>	Convertible preference shares of Rs.10 each	<u>1,500,000</u>	<u>1,500,000</u>

21.2 Issued, subscribed and paid-up capital

<u>-</u>	<u>150,000,000</u>	Issued for cash	20.3	<u>-</u>	<u>1,500,000</u>
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22. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

(Deficit) / surplus on revaluation of:

Available-for-sale securities	8.1	(3,215,435)	282,547
Operating fixed assets	22.1	1,628,992	922,871
Non-banking assets acquired in satisfaction of claims	22.2	<u>93,869</u>	<u>97,242</u>
		<u>(1,492,574)</u>	<u>1,302,660</u>

Deferred tax on (deficit) / surplus on revaluation of:

Available-for-sale securities	1,188,153	46,679
Operating fixed assets	(403,434)	(266,273)
Non-banking assets acquired in satisfaction of claims	<u>(1,011)</u>	<u>(2,192)</u>
	<u>783,708</u>	<u>(221,786)</u>
	<u>(708,866)</u>	<u>1,080,874</u>

22.1 Fixed assets

Surplus on revaluation as at January 01	922,871	-
Recognised during the year - net	<u>741,138</u>	<u>938,706</u>
	<u>1,664,009</u>	<u>938,706</u>

Less: Transferred to unappropriated profit:

Incremental depreciation during the year	(23,983)	(10,904)
Related deferred tax liability	<u>(11,034)</u>	<u>(4,931)</u>
	<u>(35,017)</u>	<u>(15,835)</u>
Surplus on revaluation as at December 31	<u>1,628,992</u>	<u>922,871</u>

Less: Related deferred tax liability on:

Surplus on revaluation as at January 01	(266,273)	-
Recognised / transferred during the year	<u>(148,195)</u>	<u>(271,204)</u>
Transferred to profit and loss account on account of incremental depreciation	<u>11,034</u>	<u>4,931</u>
	<u>(403,434)</u>	<u>(266,273)</u>
	<u>1,225,558</u>	<u>656,598</u>

22.2 Non-banking assets acquired in satisfaction of claims

Surplus on revaluation as at January 01	97,242	84,175
(Transferred) / recognized during the year	<u>(3,210)</u>	<u>13,396</u>
	<u>94,032</u>	<u>97,571</u>

Less: Transferred to unappropriated profit:

Incremental depreciation during the year	(106)	(214)
Related deferred tax liability	<u>(57)</u>	<u>(115)</u>
	<u>(163)</u>	<u>(329)</u>
Surplus on revaluation as at December 31	<u>93,869</u>	<u>97,242</u>

Less: Related deferred tax liability on:

Surplus on revaluation as at January 01	(2,192)	-
Transferred during the year	<u>1,124</u>	<u>(2,307)</u>
Transferred to profit and loss account on account of incremental depreciation	<u>57</u>	<u>115</u>
	<u>(1,011)</u>	<u>(2,192)</u>
	<u>92,858</u>	<u>95,050</u>

22.3 Group's share Non-controlling interest

(822,532)	875,648
<u>113,666</u>	<u>205,226</u>
<u>(708,866)</u>	<u>1,080,874</u>

	Note	2018 ----- Rupees in '000 -----	2017
23. CONTINGENCIES AND COMMITMENTS			
Guarantees	23.1	41,116,520	45,019,600
Commitments	23.2	61,714,941	60,515,307
		<u>102,831,461</u>	<u>105,534,907</u>
23.1 Guarantees:			
Financial guarantees		3,552,003	4,680,143
Performance guarantees		19,549,043	18,094,043
Other guarantees		18,015,474	22,245,414
	23.1.1	<u>41,116,520</u>	<u>45,019,600</u>
23.1.1 Included herein the outstanding guarantees of Rs.19.201 million (2017: Rs.31.454 million) of related parties.			
23.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit	23.2.1	-	18,387,725
Commitments in respect of:			
- forward foreign exchange contracts	23.2.2	47,733,704	11,649,460
- forward government securities transactions	23.2.3	4,201,239	1,935,515
-Cross currency swaps (notional principal)	23.2.4	2,631,433	4,223,400
-Options (notional principal)	23.2.4	6,624,196	2,421,402
- forward lending	23.2.5	-	21,398,301
- forward lending			
- Bank Guarantee from a commercial Bank in favor of National Clearing Company of Pakistan Limited	23.2.6	400,000	400,000
- Outstanding settlements against margin financing contracts - net	23.2.7	12,348	4,529
Commitments for acquisition of:			
- operating fixed assets	23.2.8	112,021	94,975
		<u>61,714,941</u>	<u>60,515,307</u>
23.2.1 Included herein the outstanding letter of credits of Rs.44.016 million (2017: Rs.44.016 million) of related parties.			
23.2.2 Commitments in respect of forward foreign exchange contracts			
Purchase		13,106,262	6,689,099
Sale		34,627,442	4,960,361
		<u>47,733,704</u>	<u>11,649,460</u>
The Holding company utilises foreign exchange instruments to meet the needs of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk. At year end, all foreign exchange contracts have a remaining maturity of less than one year.			
23.2.3 Commitments in respect of forward government securities			
Purchase		1,494,200	1,496,072
Sale		2,707,039	439,443
		<u>4,201,239</u>	<u>1,935,515</u>
23.2.4 Commitments in respect of derivative instruments			
Interest rate swaps (notional principal)		2,631,433	4,223,400
Options (notional principal)		6,624,196	2,421,402
		<u>9,255,629</u>	<u>6,644,802</u>
23.2.5 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend		-	21,398,301
23.2.5. These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.			
23.2.6 Bank Guarantee from a commercial Bank in favor of National Clearing Company of Pakistan Limited		<u>400,000</u>	<u>400,000</u>
23.2.7 Outstanding settlements against margin financing contracts - net		<u>12,348</u>	<u>4,529</u>
23.2.8 Commitments for acquisition of operating fixed assets		<u>112,021</u>	<u>94,975</u>
23.2.9 Tax related contingencies are disclosed in notes 35.2 to 35.5.			

24. Derivative Instruments

Derivative instruments, such as Interest Rate Swaps, Options, Forward Exchange Contracts, Forward Government Securities are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business also provides risk solutions for the existing and potential customers of the Group.

The Group has entered into a Interest Rate Swap transaction with its customer on back-to-back basis with an Authorized Derivative Dealer (ADD) without carrying any open position in its books. Specific approvals for the transactions have been granted by State Bank of Pakistan. Policies in line with SBP instructions have been formulated and are operative.

The transaction carries credit risk which is the risk that a party to a derivative contract will fail to perform its obligation. There are two types of credit risk associated with derivative transactions; 1) settlement, and 2) pre-settlement risk. Bank's Central Credit Committee is responsible for reviewing and managing associated Counterparty Credit Risks of the transaction.

The Group has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities. The policy guidelines for taking derivative exposures are approved by the Board of Directors(BOD). Bank's Asset & Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

The transactions mainly carries credit risk (in the form of settlement & pre-settlement risk), market & liquidity risk and are managed by Treasury and monitored by Market Risk / Treasury Middle Office in line with Board of Directors approved limit framework. The Bank can hedge its risk by taking on & off balance sheet position in interbank market, where available.

Accounting policies in respect of derivative financial instruments are described in note 4.5.2.

24.1 Product Analysis

Counterparties	Cross currency swaps		Options		Forward rate agreements		Forward securities	
	Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market
	Rupees in '000		Rupees in '000		Rupees in '000		Rupees in '000	
With Banks								
Hedging	3,992,763	16,931	-	-	-	-	-	-
Market making	-	-	2,631,433	(3,652)	34,627,442	211,933	2,707,039	44,139
With Fis other banks								
Hedging	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	-	-
Total								
Hedging	3,992,763	16,931	-	-	-	-	-	-
Market making	-	-	2,631,433	(3,652)	34,627,442	211,933	2,707,039	44,139

2017								
Counterparties	Cross currency swaps		Options		Forward rate agreements		Forward securities	
	Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market
	Rupees in '000		Rupees in '000		Rupees in '000		Rupees in '000	
With Banks								
Hedging	4,223,400	6,118	-	-	-	-	-	-
Market making	-	-	2,421,402	4,874	11,649,458	61,523	1,611,882	(437)
With Fis other banks								
Hedging	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	-	-
Total								
Hedging	4,223,400	6,118	-	-	-	-	-	-
Market making	-	-	2,421,402	4,874	11,649,458	61,523	1,611,882	(437)

At the exchange rate prevailing at the end of the reporting period.

24.2 Maturity Analysis

		2018			
Remaining maturity of contracts	Number of contracts	Notional principal	Mark to market		
			Positive	Negative	Net
----- Rupees in '000 -----					
Upto 1 month	156	17,835,339	222,444	(71,065)	151,379
1 to 3 months	61	10,868,070	179,595	(72,610)	106,985
3 to 6 months	54	10,257,016	99,766	(120,138)	(20,372)
6 months to 1 year	20	3,171,089	32,045	(16,145)	15,900
1 to 2 years	-	-	-	-	-
2 to 3 years	4	1,827,163	67,492	(52,033)	15,459
3 to 5 years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 years	-	-	-	-	-
	<u>295</u>	<u>43,958,677</u>	<u>601,342</u>	<u>(331,991)</u>	<u>269,351</u>

		2017			
Remaining maturity of contracts	Number of contracts	Notional principal	Mark to market		
			Positive	Negative	Net
----- Rupees in '000 -----					
Upto 1 month	110	23,375,701	36,140	(34,574)	1,566
1 to 3 months	74	4,439,924	5,914	(32,416)	(26,502)
3 to 6 months	67	895,151	102	(3,857)	(3,755)
6 months to 1 year	30	658,792	5,675	(3,624)	2,051
1 to 2 years	2	209,700	13,859	(13,589)	270
2 to 3 years	2	1,039,000	59,989	(55,849)	4,140
3 to 5 years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 years	-	-	-	-	-
	<u>285</u>	<u>30,618,268</u>	<u>121,679</u>	<u>(143,909)</u>	<u>(22,230)</u>

25. MARK-UP / RETURN / INTEREST EARNED	Note	2018	2017
		Rupees in '000	
On:			
Loans and advances		19,717,645	10,106,910
Investments		10,082,335	10,120,875
Lendings to financial institutions		111,081	78,244
Balance with banks		20,943	6,968
Securities purchased under resale agreements		136,977	174,219
		30,068,981	20,487,216

26. MARK-UP / RETURN / INTEREST EXPENSED	Note	2018	2017
		2018	2017
Deposits		15,019,011	11,672,611
Borrowings	26.1	705,007	442,544
Securities sold under repurchase agreements		4,975,964	1,734,670
Sub-ordinated debt		407,992	227,917
		21,107,974	14,077,742

26.1 Borrowings	Note	2018	2017
		2018	2017
Export refinancing scheme (ERF)		260,801	140,359
Long-Term Finance Facility (LTFF)		12,606	24,727
Financing Facility for Storage of Agricultural produce (FFSAP)		2,249	1,897
Other short term borrowings		429,351	275,561
		705,007	442,544

27. FEE, COMMISSION AND BROKERAGE INCOME	Note	2018	2017
		2018	2017
Branch banking customer fees		174,419	104,457
Consumer finance related fees		32,640	37,195
Card related fees (debit and credit cards)		291,035	238,038
Credit related fees		239,166	78,841
Investment banking fees		401,959	469,287
Commission on trade		468,623	372,540
Commission on guarantees		313,685	322,626
Commission on cash management		4,423	2,747
Commission on remittances including home remittances	27.1	116,004	57,523
Commission on bancassurance		188,040	164,861
Commission on distribution of mutual funds		178,971	296
Commission on online Services		157,052	147,642
Postage & Courier income		13,890	12,078
Rebate income		144,081	111,978
Rebate on primary dealership		4,118	9,096
Brokerage income		387,025	523,139
Management fee		203,854	212,356
Others		-	1,834
		3,318,985	2,866,534

- 27.1 This includes Rs.66.003 million (2017: Rs.33.462 million) in respect of commission income from home remittance services provided by the Bank. The amount is earned from State Bank of Pakistan at the rate of Saudi Riyal 20 (2017: Saudi Riyal 20) per transaction over USD 200 (2017: USD 200) and is shared between the Bank and various exchange companies as per terms of agreement with them.

	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
28. INCOME FROM DERIVATIVES - NET			
Realised			
Options		53,827	2,509
Forward foreign exchange contracts		(63,079)	27,685
		(9,252)	30,194
Unrealised			
Interest rate swaps		10,815	66
Options		(3,204)	4,874
Forward foreign exchange contracts		211,933	61,524
Forward government securities		(296)	(438)
		219,248	66,026
		209,996	96,220
29. (LOSS) / GAIN ON SECURITIES - NET			
Realised	29.1	(1,283,387)	1,376,441
Unrealised - held for trading		(55,773)	(3,958)
		(1,339,160)	1,372,483
29.1 Realised gain on:			
Federal government securities			
Market treasury bills		(15,587)	6,681
Pakistan investment bonds		(1,042,574)	134,656
Ijara sukuk certificates		572	2,074
Shares			
Listed companies		(297,488)	319,239
Unlisted companies		4,488	652,889
Non Government Debt Securities			
Term finance certificates	29.1.1	6,383	15,295
Sukuk certificates		3,965	-
Mutual fund units	29.1.2	99,692	57,812
Foreign currency bonds		(42,838)	187,795
		(1,283,387)	1,376,441

29.1.1 This includes gain arising of Rs. 1,893 million (2017: Rs. 10 million) on sale of term finance certificates of related parties.

29.1.2 This includes gain arising of Rs. 98.033 million (2017: Rs. 61.414 million) on sale of units of related parties.

	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
30. OTHER INCOME - NET			
Rent on Property		16,063	15,813
Gain on sale of fixed assets - net	30.1	121,599	76,156
Others		18,970	9,237
		156,632	101,206

- 30.1 This includes loss amounting of Rs. 0.862 million (2017: Rs. Nil) incurred due to transfer of furniture and electrical equipment at free of cost to Mr. Khalid Imran, Ex president of Bank, as approved in Board meeting dated April 25, 2018.

	Note	2018 ----- Rupees in '000 -----	2017
31. OPERATING EXPENSES			
Total compensation expense	31.1	5,365,443	4,204,871
Property expense			
Rent & taxes		1,084,279	951,806
Insurance		8,610	9,208
Utilities cost		376,663	296,096
Security (including guards)		354,517	302,143
Repair & maintenance (including janitorial charges)		254,095	185,840
Depreciation		263,088	215,637
Depreciation on non banking assets		573	1,300
		2,341,825	1,962,030
Information technology expenses			
Software maintenance		131,238	114,697
Hardware maintenance		199,316	103,568
Depreciation		148,129	124,418
Amortisation		74,660	64,242
Network charges		113,113	82,287
		666,456	489,212
Other operating expenses			
Directors' fees and allowances		17,108	15,475
Fee and allowances to Shariah Board		79	209
Legal & professional charges		89,742	74,000
Insurance		162,723	107,400
Outsourced services costs	38.1	127,430	461,486
Travelling & conveyance		144,835	134,254
NIFT clearing charges		35,228	32,329
Depreciation		336,574	303,448
Training & development		40,458	52,450
Postage & courier charges		73,574	58,853
Communication		109,754	65,199
Stationery & printing		218,080	195,627
Marketing, advertisement & publicity		389,448	326,757
Donations	31.2	22,592	32,857
Auditors remuneration	31.3	21,927	14,649
Staff auto fuel & maintenance		160,373	140,696
Bank charges		50,519	40,660
Stamp duty		27,897	29,849
Online verification charges		19,573	15,669
Brokerage, fee and commission		46,689	66,314
Card related fees (debit and credit cards)		6,683	5,561
CDC and other charges		42,964	50,420
Consultancy fee		71,932	73,770
Deposit protection corporation		59,736	-
Entertainment expenses		64,456	63,595
Fee and Subscription		96,742	82,873
Insurance		8,908	6,917
Royalty	31.4	27,500	20,000
Ijarah rentals		3,284	287
Employees social security		8,479	5,161
Generator fuel & maintenance		79,289	55,011
Others		33,984	23,498
		2,598,560	2,555,274
		10,972,284	9,211,387
Add: Reimbursement of selling and distribution expenses	31.5	(23,442)	(2,655)
		10,948,842	9,208,732

	2018	2017
	----- Rupees in '000 -----	
31.1 Total compensation expense		
Fees and Allowances etc.	185,761	139,338
Managerial Remuneration:		
i) Fixed	3,685,405	2,845,729
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	421,789	473,108
b) Commission	320,611	173,536
Charge for defined benefit plan	129,556	89,576
Contribution to defined contribution Plan	200,790	157,299
Leaving indemnity	2,313	1,804
Medical	324,857	248,829
House rent allowance	1,456	1,366
Utilities	162	152
Conveyance	14,611	547
Insurance Staff	76,139	17,804
Others	1,993	55,783
	5,365,443	4,204,871

31.1.1 The Bank operates a short term employee benefit scheme which includes cash awards / special bonus for all employees. Under this scheme, the bonus for all employees, including the Chief Executive Officer (CEO) is determined on the basis of employees' evaluation and the Bank's performance during the year.

31.2 Donations

Future Trust	31.2.1	15,256	32,857
The Supreme Court of Pakistan and The Prime Minister of Pakistan			
Diamer-Bhasha And Mohmand Dams Fund		7,336	-
		22,592	32,857

31.2.1 This represents donation to a related party, wherein below mentioned persons are trustees. The registered office of the donee is located at 7th Floor, The Forum, Block 9, Clifton, Karachi.

- Mr. Suleman Lalani	Chairman of the Bank and the Chief Executive Officer of Jahangir Siddiqui & Co. Ltd, the parent company
- Mr. Ali Raza Siddiqui	Director of Jahangir Siddiqui & Co. Ltd, the parent company
- Mr. Kalim-ur-Rehman	Director of the Bank and Jahangir Siddiqui & Co. Ltd, the parent company
- Mr. Hasan Shahid	Director Finance & Company Secretary of the parent company
- Mr. Najmulul Hoda Khan	Chief Financial Officer of the parent company
- Mr. Tariq Hussain Bhati	Head of Money Market And Forex of JS Global Capital Limited

	Note	2018	2017
		----- Rupees in '000 -----	
31.3 Auditors' remuneration			
Audit fee - Pakistan		3,212	2,970
Audit fee - Bahrain		1,131	2,030
Half-yearly review		1,083	980
Special certification and sundry advisory services		12,973	6,587
Taxation services		180	190
Out of pocket expenses and sales tax on services		3,348	1,892
	31.3.1	21,927	14,649

31.3.1 Geographical analysis

Pakistan	20,296	10,664
Bahrain	1,631	3,985
	21,927	14,649

- 31.4** Royalty represents amounts payable to Mr. Jahangir Siddiqui on account of use of name in the subsidiaries of the Bank.
- 31.5** The SECP vide Circular 40/2016 dated December 30, 2016, prescribed certain conditions on Asset Management Companies (AMC) for charging of selling and marketing expenses to open end equity funds, for opening of new branches in cities, except Karachi, Lahore, Islamabad and Rawalpindi. Expenses can be charged to the extent of 0.4% per annum of net assets of fund or actual expenses whichever is lower.

32. Workers' Welfare Fund	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
Sindh Workers' Welfare Fund			
Charge during the year	32.1	10,483	37,831
Reversal of prior years	19.3	(98,210)	-
		(87,727)	37,831
Reversal of Federal Workers' Welfare Fund	19.3	(74,702)	-
		(162,429)	37,831

- 32.1** Provision held at 2% of the higher of profit before tax or taxable income to the extent of operations carried out under Sindh Workers' Welfare Act, 2014.

33. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	14,748	12,833
Others	1,455	497
	16,203	13,330

34. PROVISIONS AND WRITE OFFS - NET

Provisions for diminution in value of investments	(300,401)	84,797
Provisions against loans & advances - specific	350,928	143,449
Provisions against loans & advances - general	55,308	59,365
Other reversals	(39,807)	44,806
General provision - under IFRS-9	4.1.3	92,270
		158,298
		332,417

- 34.1.** The SBP vide its letter no. OSED/ SEU-26/026(01)/4617/19 dated February 27, 2019 advised the Bank to make provision of Rs.792.327 million against certain classified loans, investments and other assets, in a phased manner spreading equally (i.e. Rs.264.109 million each) over three reporting periods of December 31, 2018, March 31, 2019 and June 30, 2019.

35. TAXATION	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
Current		(537,643)	(671,821)
Prior years		4,535	(87,938)
Deferred		101,531	(36,032)
		(431,577)	(795,791)

35.1 Relationship between income tax expense and accounting profit

Profit before taxation		1,070,612	1,862,677
Tax at applicable rates in the Group		(362,828)	(647,154)
Effect of permanent differences		(71,020)	(91,253)
Tax effect of income charged at different tax rates-net		11,966	34,637
Tax effect of exempt capital gains		30,213	23,436
Effect of prior year deferred taxation		12,876	38,101
Effects of current and prior year super tax		(51,169)	(148,845)
Deferred tax recognised at higher rate		2,598	-
Others		(4,213)	(4,713)
	35.1.1	(431,577)	(795,791)

- 35.1.1** The Group has recognised taxation impact on the basis of deemed tax return to be file on applicable tax rate with tax authorities, which are as follows:

	Tax Rate	
	2018	2017
JS Bank Limited	35%	35%
JS Investments Limited	29%	30%
JS Global Capital Limited	29%	30%
JS ABAMCO Commodities limited	29%	30%

35.2 JS Bank Limited (Holding Company, the Bank)

35.2.1 Income tax

The income tax returns filed under Section 114 of the Income Tax Ordinance, 2001 for the tax years 2007 through 2018. These returns filed were deemed to have been assessed in terms the provisions prevailing under income tax laws as applicable in Pakistan. However, the Officers of Inland Revenue Services (OIR) conducted the proceedings for making certain amendments in the deemed assessments for tax years 2008 to 2015. This was done by taking recourse of conducting tax audit or alternatively a direct amendment in the assessment contending that certain matters in the deemed assessments were not admissible as not conforming to the law and prejudiced the interest of revenue.

Based on the amended assessments in tax year 2008 to tax year 2015, the department had made certain disallowances of expenses and tax deductible claims besides creating minimum tax and Workers' Welfare Fund liabilities in the tax years 2010, 2011 & 2012 and tax years 2009, 2012 & 2013 respectively.

In respect of WWF, the Supreme Court of Pakistan has held in Judgement, PLD 2017 SC 28, that the amendments made in the WWF Ordinance through Finance Act, 2006 and 2008 were illegal and without lawful authority i.e. the banks do not fall into definition of Industrial Undertaking and thus, not liable to pay WWF. Therefore based on this, the Bank's contention is mandated and it is likely that its pending appeals in this will be decided favorably. The Bank has obtained appeal effect orders of respective years except 2013 and resultantly no demand is payable in this respect.

As a consequence of introduction of Sindh Workers' Welfare Fund Act, the Bank is required to pay WWF to Sindh Revenue Board effective from tax year 2015. The Bank has filed petition before the Honourable High Court of Sindh to contest applicability of SWWF in its case who has granted stay against recovery of SWWF from the Bank.

In respect of minimum tax, the Commissioner Inland Revenue-Appeals (the CIRA) has the not accepted the Bank's contentions of gross loss position and also decided that non-mark-up income is the fall in the definition of turnover including capital gains and dividend income. As result the demand of Rs. 38.907 million has been payable. The Bank has contesting the matter in further appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for hearing.

For tax year 2008-2015, the Bank has not accepted the amendments of Rs. 5.322 billion and have filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA).

CIRA has admitted the contention of the Bank in case of tax year 2008 that the amended order is barred by time and decided that any addition made in impugned order is annulled and not required to be further adjudicated. However, the department has filed an appeal against the decision of CIRA in ATIR where it is pending for hearing and decision.

With regard to appeals filed for tax year 2009 to 2014, the CIR(A) has decided the appeals accepting the Bank's contentions in respect of significant issues, and in 2015, not in favor of the Bank even on issues decided in favor in prior years. Whereas disallowance of amortization claim of goodwill have been decided in favor of department in all tax years. However, the Bank and the tax department are contesting the matters in further appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for hearing.

During the year, the tax department has passed appeal effect/rectification orders and allowed deleted and set-aside issues in the light of CIR(A) orders for tax year 2008 to 2014. As a result of these orders, the Bank's taxable losses has increased to Rs. 3.464 billion and reduced the demand of Rs. 1.212 billion in relevant tax years after adjustment of these losses.

Further for the tax year 2013, the ATIR has decided that the appeal filed by tax department in respect of calculating the amount of provisions against advances as allowable under Rule 1(c) of Seventh Schedule to the Income Tax Ordinance, 2001 and has maintained the CIRA decision that the allowability of provision for advances to be calculated at 1% of gross amount of advances as against the tax department contention that the same is to be calculated on net advances after deducting the amount of provisions created and allowed against advances.

The matter of allowability of amortization relating to goodwill is a contentious issue, therefore based on the opinion of lawyer there are arguments available to contend that goodwill on merger is a tax claimable deduction. Especially in the recent decision given by the High Court of Sindh in the case of merger of other bank in Pakistan where the court has ruled favorably that goodwill generated in merger is 'intangible' and amortization relating to goodwill is allowable deduction.

The Bank has not been accepting levy of Super Tax and has been contesting the matter in high court and other appellate forums. However, the Bank has recognised full provision in these consolidated financial statements against this levy after amendments made through Finance act 2016.

The management of Bank is confident that the appeals filed on various forums in respect of the above matters will be decided in the Bank's favor and accordingly no demand for payment would arise.

35.2.2 Withholding tax monitoring

Withholding tax monitoring was initiated against the Bank for tax year 2014-2018. Orders in respect of tax years 2014, 2015 and 2017 has been passed against which appeals have been filed before the CIR(A). CIR(A) has reminded back the matters for rectification in respect of tax years 2014 and 2015 against which rectified orders have been passed and demands have been rectified. Appeal for tax year 2017 has been heard and reserved for order. In respect of tax year 2018, proceedings are pending.

35.2.3 Sales Tax

The Bank as a registered person under Sindh Sales Tax on Services Act, 2011 has been issued a Sales Tax Order from the Sindh Revenue Board (SRB) creating a demand of Rs. 48.838 million (besides Rs. 4.440 million is charged as penalty) against the Bank for allegedly non-payment of Sindh sales tax on certain 'presumed non-taxable services / incomes' amounting to Rs. 277.488 million for the tax periods from July 2011 to December 2013. The issue is common amongst the banking industry. An appeal was filed by the Bank before Commissioner SRB (Appeals) which has been decided in favor of the tax department except tax imposed on foreign exchange gain on Western Union remittance. The Bank and tax department have filed appeals before Appellate Tribunal which are pending for hearing.

The management of Bank is confident that the appeals filed in respect of the above matter will be decided in the Bank's favor and accordingly no demand for payment would arise.

35.2.4 Azad Jammu & Kashmir Operations

The Bank has commenced operations in Azad Jammu & Kashmir from tax year 2009 and has filed returns for the tax years 2009 to 2018 with the tax authorities of such region. The Commissioner has issued notices for amendment of assessment under Section 122 of the Income Tax Ordinance, 2001 (as adopted in AJK Region) for the tax year 2011 to 2017. All assessments orders are rectified and no additional demand has been raised.

35.3 JS Global Capital Limited (Subsidiary, the Company)

35.3.1 Except for tax year 2009, 2014, 2015, 2016, 2017 and 2018 income tax assessments have been filed and are deemed to have been assessed under the Income Tax Ordinance, 2001 (the Ordinance) unless selected by taxation authorities for audit purposes.

For tax year 2009, an ITRA no. 07/2013 was filed by the Commissioner Inland Revenue against an order passed by the Learned Appellate Tribunal Inland Revenue (ATIR) in ITA no. 923/KB/2011 dated August 28, 2012 which was related to the apportionment of expenses, allowability of expenses and claiming of tax deducted at source aggregating to Rs. 61.16 million. However, the same is pending for decision before the Sindh High Court (SHC).

For tax year 2014, an amended assessment order dated April 28, 2016, has been passed under section 122 (5A) of the Ordinance by the Additional Commissioner Inland Revenue (ACIR). Through said order, the ACIR raised demand amounting to Rs. 20.081 million. The Company has filed rectification application identifying various errors / details not considered by the ACIR and requested ACIR to rectify the same. In addition to that, the Company has also filed an appeal to the Commissioner Inland Revenue Appeals (CIRA) which is pending. The Company has also obtained stay against recovery of demand from SHC till the decision of CIR(A).

For tax year 2015, an order dated November 23, 2016 was passed under section 4B of the Ordinance by the Deputy Commissioner Inland Revenue (DCIR). Through said order, an income of Rs. 810.584 million was computed under section 4B of the Ordinance and resultant demand of super tax of Rs. 24.318 million was raised. An appeal was filed against the above order before CIR-A on December 01, 2016 identifying various errors / details not considered. The CIR-A, has confirmed DCIR's order vide his order dated May 30, 2017. In pursuance of the order of CIR-A, the Company has filed appeal before ATIR along with application for stay against recovery of demand. The appeal before ATIR has been heard and order is reserved whilst ATIR vide order dated July 18, 2017 has granted stay for 60 days and subsequently the said stay was further extended vide various orders by ATIR. Subsequently, recovery of aforesaid tax demand has now been stayed by the Hon'able SHC through C.P No 4915 of 2018 vide order dated June 28, 2018 with direction to the Department not to enforce recovery of tax demand till the decision of ATIR.

For tax year 2016 and 2017, notices dated December 27, 2016 and January 3, 2018 were issued under section 4B of the Ordinance by the DCIR. In the said notices the DCIR has contended that the Company is liable to pay Super Tax amounting to Rs. 24.483 million and Rs. 19.490 million on 'income' of Rs. 816.122 million and Rs. 649.676 million for Tax Years 2016 and 2017 respectively. The Company has challenged both notices through writ petition before SHC on constitutional grounds wherein the SHC has, vide its orders dated January 16, 2017 and January 11, 2018 for Tax Years 2016 and 2017 respectively, has stated that no coercive action shall be taken against the Company. The DCIR passed the orders under section 4B vide order dated April 23, 2018 and May 4, 2018 for tax years 2016 and 2017 respectively to levy Super tax of above mentioned amounts under the view that SHC has not restrained the department from passing an order. In pursuance of the said orders, Company filed appeals which were confirmed by CIR-A vide its order dated October 12, 2018 for both years. The Company has filed appeals before Appellant Tribunal Inland Revenue (ATIR) against the orders of CIR(A) which is pending. Meanwhile, the Company paid 50% of tax demand of both tax years to maintain the above suits in light of judgement of Hon'able Supreme Court of Pakistan (Civil Appeals No. 1171/2017 and other connected appeals) wherein, the pending suits are declared to be entertained on the condition that a minimum of 50% of tax demand is deposited with tax authorities during the pendency of appeal.

For tax year 2018, a notice under section 4B of the Ordinance by the DCIR dated December 7, 2018 was issued, contending that the Company is liable to pay Super Tax amounting to Rs. 45.211 million on 'income' of Rs. 1,507.039 million. The Company has challenged the notice on constitutional grounds before SHC through C.P. No. 8670 of 2018. The SHC, vide its order dated December 14, 2018, has stated that no coercive action shall be taken against the Company.

For tax year 2016, an amended assessment order has been passed under section 122(5A) of the Ordinance by the Additional Commissioner Inland Revenue (ACIR). Through the said order, the ACIR raised demand amounting to Rs. 241.217 million. Upon appeal filed, CIR-A confirmed the ACIR's order vide its order dated December 12, 2017. In pursuance of the order of CIR-A, the Company has filed appeal before ATIR which is pending for hearing. However, the recovery of aforesaid tax demands has been stayed by SHC through Suit No. 2675 of 2017 vide order dated December 26, 2017.

For tax year 2017, an amended assessment order has been passed under section 122(5A) of the Ordinance by the ACIR. Through the said order, the ACIR raised a demand amounting to Rs. 17.649 million. The Company has filed an appeal before CIR-A which has been heard, however, no order has been passed till date. The total tax demand was partially stayed by the order of SHC vide CP No. 5431 of 2017 dated August 16, 2017, while the remaining liability was adjusted from the available refunds as declared in the return for tax year 2017.

35.3.2 Sales Tax

During 2013, the Company received a show cause notice from the Sindh Revenue Board (SRB) under section 47 of the Sindh Sales Tax on Services Act, 2011. Subsequently, an order was passed reducing the demand to Rs. 9.86 million along with default surcharge. The Company filed an appeal before the CIR-A and after being decided against the Company, it subsequently filed an appeal before Appellate Tribunal SRB. During the year 2014, the Company paid an amount of Rs. 7.15 million in respect of the abovementioned liability before June 25, 2014 under the notification SRB 3-4/8/2014 to avail the exemption from application of penalty and 75% of default surcharge. Appellate Tribunal SRB vide order dated November 29, 2017 decided the issue of Sindh Sales Tax (SST) in favor of the Company. However, the issue of SST on advisory and consultancy services and commission earned on purchase/sale of mutual funds have been remanded back whilst the issue relating to SST on commission on foreign exchange dealing, services rendered outside Sindh and levy of default surcharge and penalty have been decided against the Company. The Company has filed a reference application before SHC in respect of the issues decided against the Company and remanded back.

During 2014, the Company also received another show cause notice from SRB under section 47 of the Sindh Sales Tax on Services Act, 2011. Subsequently, an order was passed raising a tax demand amounting to Rs. 10.77 million. The Company has filed an appeal against the order with CIR-A which is pending. Further, in respect of the same, rectification application has also been filed with the department. The Company and other stock brokers have also filed petition with the SHC and has been granted interim stay against recovery of demand. However, the Company has paid an amount of Rs. 9.24 million before June 25, 2014 under the notification SRB 3-4/8/2014 to avail the exemption of penalty and 75% of default surcharge.

Furthermore, for fiscal year 2014 and 2015, SRB alleged short payment of SST vide Notice dated February 02, 2017. The Company has submitted all the required details in response to the notice and no order in this respect has been passed.

35.3.3 Federal Excise Duty (FED)

Tax department has issued show cause notice dated June 08, 2015 confronting (alleged) non payment of Federal Excise Duty (FED) on Company's services under Federal Excise Act, 2005 and subsequently issued an order raising a demand amounting to Rs. 78.003 million for tax year 2010 to tax year 2013. The Company filed a rectification appeal, in addition, to filing an appeal in the SHC, through Stockbroker Association (of which the Company is also the member) against aforementioned order on the grounds that after 18th amendment to the Constitution, the services that were previously subjected to FED under the federal laws are now subject to the provincial sales tax and the Company has accordingly discharged its tax obligation. The SHC initially, stayed Federal Board of Revenue from demanding sales tax on services from stockbrokers and subsequently, disposed of the order in Company's favor. However, CIR-A on the matter of appeal filed by the Company issued an order in favor of the department vide its order dated January 31, 2017. In pursuance of the order of CIR-A the Company has filed an appeal before Appellate Tribunal SRB along with application for stay of demand which was granted initially for 30 days and was subsequently extended vide various orders. Appellate Tribunal SRB has decided the matter vide order dated December 20, 2017, received by us on April 09, 2018, whereby ATIR decided that FED is applicable only on the commission earned from trading of shares and no other type of commission comes under the ambit of FED. With this opinion, ATIR has remanded back the issue related to pre amendment era. For post amendment era, ATIR has relied upon the decision of SHC (stated above) and declared the charge of FED after July 01, 2011 null and void.

35.4 JS Investments Limited (Subsidiary, the Company)

- 35.4.1** In respect of the appeals filed by the Company before Commissioner Inland Revenue (Appeals) [CIR (Appeals)] against orders passed for tax years 2006 and 2009 against demand of Rs.162 million and 66 million respectively, the CIR (Appeals) had not accepted the basis of additions by tax authorities and set aside both the orders in respect of allocation of expenses between various sources of income for fresh proceedings with the directions to apportion the common expenditure according to actual incurrence of expenditure to the various sources of income.

In respect of above said order of CIR (Appeals) for tax year 2006 and 2009, the Company filed second appeal before the Appellate Tribunal Inland Revenue (ATIR) in respect of apportionment of expenses. The ATIR vide order dated April 20, 2017 deleted the additions on proration of expenses for tax year 2006 however, confirmed the CIR(A)'s order whereby CIR(A) remanded back / set-aside the issue of apportionment of expenses.

The Appellate Tribunal Inland Revenue vide order dated May 21, 2016 was deleted the additions of tax amortization of management rights and remand back the issues of disallowed provisions and advertisement expenses for the tax year 2009.

The tax authorities issued orders giving effect (hereinafter referred collectively as 'appeal effect orders') to the order of CIR (Appeals) for both tax year 2006 and 2009 whereby demands for these tax years were reduced at Rs.77.33 million and Rs.59.93 million respectively. As the allocation of expenditure in the said appeal effect orders were not made according to actual incurrence of expenditure to the various sources of income, therefore, the Company again filed appeals before the CIR (Appeals) against the said orders.

In respect of second appeal filed by the Company before CIR (Appeals) against appeal effect orders for tax year 2006 and 2009, the CIR (Appeals) for tax year 2006 confirmed apportionment of expenditure made by the tax authorities in appeal effect order, however, adjustment of allowable expenses were set aside. For tax year 2009, CIR (Appeals) had set aside the appeal effect order in entirety for fresh assessment, which is yet to be made by tax authorities.

The CIR (Appeals) also rectified the order passed by his predecessor for tax Year 2006, whereby the addition regarding the portion of capital gain included in dividend received from mutual funds was held deleted. Resulted appeal effect order reflects refund of Rs.29 million. The tax authorities have filed an appeal before ATIR against said order of CIR (Appeals) in respect of deletion of addition regarding the portion of capital gain included in dividend. The ATIR vide order dated December 07, 2016 set-aside with the direction that the ACIR should examine the issue in the light of FBR Circular letter dated September 10, 2002.

In respect of tax year 2006, management contends, based on views of its tax advisor, that amendment of assessment for such tax year by tax authorities is time barred. Accordingly, the Company has filed an appeal before the Appellate Tribunal Inland Revenue. The ATIR of the view that the amendment of assessment is not time bared however, the ATIR deleted the addition of tax amortization of management right vide order dated February 10, 2017.

Order under section 122(1)/(5) dated December 30, 2017 for the tax year 2015 passed by the DCIR created demand of Rs.40 million against which Company filed appeal before the CIR(A). The DCIR consider our request for rectification and passed order under section 221 dated February 27, 2017 as a result of the above order the demand reduced to Rs.36.904 million. The appeal was heard and reserved for order however the order is not received till date. The DCIR passed order under section 122(1)/(5) of the Income Tax Ordinance, 2001 dated June 23, 2014 to reduce the refund claimed of Rs.8.499 million to Rs.3.102 million. The Company submitted appeal against the above order before the CIR (Appeal), the appeal was heard and reserved for order, however, the order is not received till date.

Management, based on views of its legal counsel, is confident of a favorable outcome in respect of above matters.

	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
36. BASIC EARNINGS PER SHARE			
Profit after taxation for the year - attributable to ordinary equity holders of the Bank for diluted earnings		615,152	1,026,839
Preference dividend for the year December 31, 2017 @ 12% p.a (2016: @ 12% p.a.)	36.1	(180,000)	(180,000)
Profit after taxation for the year - attributable to ordinary equity holders of the Bank for basic earnings		<u>435,152</u>	<u>846,839</u>
		----- Numbers -----	
Weighted average number of basic outstanding ordinary shares during the year		<u>1,267,258,783</u>	<u>1,072,464,262</u>
		----- Rupee -----	
Basic earnings per share		<u>0.34</u>	<u>0.79</u>

36.1 The shareholders of the Bank in their meeting held on March 29, 2018 approved non-cumulative preference dividend of Rs.180 million (2017: Rs.180 million) for the preference shareholders. Since it was not recognised as a liability at reporting period as of December 31, 2017 due to non-adjusting event in accordance with International Accounting Standard - IAS 10 "Events after the Reporting Period", the basic earnings per share of the current period has been adjusted accordingly.

36.2 Diluted earnings per share increases when taking the convertible preference shares into account, therefore the convertible preference shares are anti-dilutive and are excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

	Note	2018 ----- Rupees in '000 -----	2017 ----- Rupees in '000 -----
37. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	32,111,176	17,334,111
Balances with other banks	6	978,151	1,049,496
Overdrawn nostro account	15	(501,629)	(198,996)
		<u>32,587,698</u>	<u>18,184,611</u>
Less: General provision under IFRS 9		<u>(127)</u>	-
		<u>32,587,571</u>	<u>18,184,611</u>

38. STAFF STRENGTH

Permanent		321	3,420
On Group's contract		3,528	1,421
Group's own staff strength at the end of the year		<u>3,849</u>	<u>4,841</u>
Outsourced services	38.1	4,721	523
		<u>8,570</u>	<u>5,364</u>

38.1. This represents third party contracts other than guards and janitorial services.

38.2. Geographical segment analysis

Pakistan		8,564	5,358
Bahrain		6	6
		<u>8,570</u>	<u>5,364</u>

39. DEFINED BENEFIT PLAN

39.1 General description

The Bank operates a recognized gratuity fund for all employees who opted for this scheme introduced by the management with effect from January 01, 2007.

The defined benefit is administered by a separate fund that is legally separate from the Bank. The plan is governed by the trust deed dated September 01, 2007. The trustees of the gratuity fund are composed of representatives from employers. The trustees of the gratuity fund are required by the trust deed to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and employers. The trustees of the gratuity fund are responsible for the investment policy with regard to the assets of the fund.

39.2 The plan in Pakistan typically exposes the Bank to actuarial risks such as: salary risk, discount rate risk, mortality risk and investment risk defined as follow:

- **Salary increase risk:**

This is a risk to the Bank, because the benefits are based on the final salary, if the final salary is higher it will impacts the liability accordingly.

- **Discount rate risk**

The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

- **Withdrawal risk:**

This is the risk that actual withdrawals experience is different than expected and will impact the obligation accordingly.

- **Longevity Risk**

This is the risk that actual lifetime of retirees is longer than expectation. The risk is measured at plan level over the entire population.

- **Investment risk**

This is the risk that the assets are under-performing and are not sufficient to meet the liabilities.

- **Maturity profile**

The weighted average duration of the defined benefit obligation works out to 11 years.

39.3 Number of employees under the schemes

The number of employees covered under defined benefit scheme (gratuity fund) is 3,522 (2017: 3,095).

39.4 Principal actuarial assumptions

Principal actuarial assumptions at the end of the reporting period expressed as weighted averages. The actuarial valuations were carried out on December 31, 2018 based on the Projected Unit Credit Method, using the following significant assumptions:

		2018	2017
Valuation discount rate for year end obligation	per annum	13.75%	9.50%
Valuation discount rate for interest cost for the year	per annum	9.50%	8.00%
Expected return on plan assets	per annum	13.75%	9.50%
Future salary increase rate			
- upto three years	per annum	10.50%	10.50%
- more than three years	per annum	13.75%	10.50%
Effective duration of the discounted future cash flows	years	11	11
Normal retirement age	years	60	60
Withdrawal rates		Moderate	Moderate
Mortality rates		SLIC 2001-2005, Setback 1 Year	SLIC 2001-2005, Setback 1 Year

39.5 Movement in defined benefit obligations, fair value of plan assets and their components

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability (asset)	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
Balance as at January 01	548,530	367,635	373,412	249,327	175,118	118,308
Included in profit or loss						
Current service cost	119,060	84,931	-	-	119,060	84,931
Past service cost	2,525	-	-	-	2,525	-
Interest cost / income	51,168	29,076	43,197	24,431	7,971	4,645
	172,753	114,007	43,197	24,431	129,556	89,576
Included in other comprehensive income						
Actuarial gains / losses arising from:						
- financial assumptions	(127,462)	611	(25,329)	(10,273)	(102,133)	10,884
- experience adjustments	75,071	74,658	-	-	75,071	74,658
	(52,391)	75,269	(25,329)	(10,273)	(27,062)	85,542
Other movements						
Contribution made during the year	-	-	175,118	118,308	(175,118)	(118,308)
Benefits paid during the year	(16,939)	(6,182)	(16,939)	(6,182)	-	-
Benefits payable during the year	(2,891)	(2,199)	(2,891)	(2,199)	-	-
	(19,830)	(8,381)	155,288	109,927	(175,118)	(118,308)
Balance as at December 31	649,062	548,530	546,568	373,412	102,494	175,118

39.6 The composition of the plan assets at the end of the reporting period for each category, are as follows:

Note	Cost		Fair value of plan assets			
	2018	2017	2018	2017	2018	2017
	Rupees in '000		Rupees in '000		Percentage	
Cash and cash equivalents	245,411	9,146	245,411	9,146	43.8%	2.4%
Debt securities	315,000	368,046	304,063	366,465	56.2%	97.6%
	560,411	377,192	549,474	375,611	100%	100%

39.6.1 This represents investments held in Pakistan Investment Bonds (PIBs) and Term Finance Certificates (TFCs). The fair values of these securities are determined based on quoted market prices in active markets.

39.7 Maturity profile

39.7.1 Expected maturity analysis of undiscounted defined benefit obligation (benefit payments) for the gratuity fund is as follows:

	Up to one year	Over 1-2 years	Over 2-5 years	Over 6-10 years	Over 10 and above years	Total
	Rupees in '000					
Balance as at December 31, 2018	27,055	38,929	184,327	848,062	18,055,928	19,154,301
Balance as at December 31, 2017	17,411	21,450	130,589	469,756	9,092,944	9,732,150

39.8 Sensitivity analysis

39.8.1 Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Particulars	Rate	Present value of defined benefit obligation	Fair value of any plan assets	Net defined benefit liability
			Rupees in '000	
Current results	-	649,062	546,568	102,494
Discount rate				
1% Increase	14.75%	590,606	546,568	44,038
1% Decrease	12.75%	716,238	546,568	169,670
Salary Rate				
1% Increase	14.75%	717,386	546,568	170,818
1% Decrease	12.75%	588,581	546,568	42,013
Withdrawal rate				
10% Increase	Moderate + one year	632,272	546,568	85,704
10% Decrease	Moderate - one year	667,335	546,568	120,767
Mortality rate				
One year age set back	Adjusted SLIC 2001-2005 - one year	648,733	546,568	102,165
One year age set forward	Adjusted SLIC 2001-2005 + one year	649,413	546,568	102,845

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as applied in calculating the defined benefit obligation liability recognised in this consolidated statement of financial position.

39.9 Experience Adjustments

The re-measurement gains / losses arise due to actual experience varying from the actuarial assumptions for the year.

	2018	2017	2016	2015	2014
	Rupees in '000				
Particulars					
Defined benefit obligation	649,062	550,729	367,635	235,572	154,368
Fair value of plan assets	(546,568)	(375,611)	(249,327)	(171,567)	(133,019)
Net defined benefit liability	102,494	175,118	118,308	64,005	21,349
Re-measurement loss / (gain) on obligation	(52,391)	75,269	56,598	12,774	3,493
Re-measurement loss / (gain) on plan assets	25,329	10,273	393	(3,104)	3,655
Other comprehensive income	(27,062)	85,542	56,991	9,670	7,148

39.10 The average duration of the payment of benefit obligation at December 31, 2018 is within one year.

39.11 The Bank contributes to the gratuity fund as per actuarial's expected charge for the next financial year. Based on actuarial advice and management estimates, the charge in respect of defined benefit obligation for the next one year works out to be Rs. 132.323 million. The amount of re-measurements to be recognised in other comprehensive income for year ending December 31, 2018 will be worked out as at the next valuation.

40. DEFINED CONTRIBUTION PLAN

The Group operates a contributory provident fund scheme for all permanent employees. The employer and employee both make a contribution of equal amount to the fund as follows:

	Contribution basic salary	Number of employees		Contribution made during the year	
		2018	2017	2018	2017
	Percentages	Numbers	Numbers	Rupees in '000	
Holding company					
- JS Bank Limited	7.1%	2,746	2,481	177,359	137,059
Subsidiary companies					
- JS Global Capital Limited	10.0%	195	174	14,400	13,059
- JS Investments Limited	8.0%	103	101	9,030	7,181

41. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year in respect of the remuneration and benefits to the President / Chief Executive, Directors and Executives are as follows:

Items	2018				
	Directors		President / CEO	Key Management Personnel	Other Executives
	Chairman	Non- Executives			
	Rupees in '000				
Fees and Allowances etc.	600	13,850	-	-	-
Managerial Remuneration					
i) Fixed	-	2,658	38,331	266,597	1,327,444
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	25,000	91,025	171,902
b) Bonus & Awards in Shares	-	-	-	-	-
Charge for defined benefit plan	-	-	1,621	15,239	75,596
Contribution to defined contribution plan	-	-	4,185	21,689	110,461
Rent & house maintenance	-	-	-	1,473	-
Utilities	-	-	-	197	3,115
Medical	-	-	3,833	25,494	132,744
Conveyance	-	-	442	9,505	117,095
Others *	-	-	183	808	4,566
Total	600	16,508	73,595	432,027	1,942,923
Number of persons	1	21	1	29	568

Items	2017				
	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers/
	Chairman	Non- Executives			
	Rupees in '000				
Fees and Allowances etc.	1,450	11,550	-	-	-
Managerial Remuneration					
i) Fixed	-	2,475	19,636	209,316	1,018,404
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	20,000	103,650	177,488
b) Bonus & Awards in Shares	-	-	-	-	-
Charge for defined benefit plan	-	-	-	11,655	59,566
Contribution to defined contribution plan	-	-	-	10,810	57,087
Rent & house maintenance	-	-	-	1,375	-
Utilities	-	-	-	156	2,014
Medical	-	-	1,964	19,470	101,840
Conveyance	-	-	-	6,437	77,755
Others *	-	-	26	896	4,168
Total	1,450	14,025	41,626	363,765	1,498,322
Number of persons	1	14	1	23	433

- 41.1. During the year Mr. Khalid Imran vacated his office as the President and CEO with effect from June 15, 2018 and Mr. Basir Shamsie was appointed as the President and CEO of the Bank with effect from July 16, 2018. Amounts reported include remuneration of both the current and former President and CEO.

The SBP, vide its BPRD Circular No. 01 January 25, 2017, issued "Guidelines and Disclosures on Governance and Remuneration Practices". Certain disclosure related to remuneration of Directors and management of the Bank were required to be presented in the financial statements in terms of such guidelines. Accordingly, revised format of the financial statement issued by the SBP incorporates such disclosure requirements. However, SBP through its circular number BPRD/R&PD/2018/17232 dated August 08, 2018 deferred the reporting of such disclosures till December 31, 2019. Therefore, the management has reported the remuneration disclosures in these consolidated financial statements in accordance with previous disclosure requirements of the SBP.

The Companies Act, 2017 has changed the definition of Executives from individuals with an annual basic salary exceeding Rs.0.500 million to individuals with an annual basic salary exceeding Rs 1.200 million. Pursuant to this change in definition, the comparative figures for executives have been restated.

The CEO is provided with free use of Bank maintained cars in accordance with their entitlement.

Managerial remuneration includes joining related payments made to the CEO and certain Executives in line with their terms of employment.

All Executives, including the CEO of the Bank, are also entitled to certain short term employee benefits which are disclosed in note 31.1 to these consolidated financial statements.

		2018						
		Board Committees						
		Board Meetings	Audit Committee	Human Resource, Remuneration & Nomination Committee	Risk Management Committee	I.T Committee	Executive Committee	Total Amount Paid
Meeting Fees and Allowances Paid		Rupees in '000						
Name of Director								
1	Mr. Ali Jehangir Siddiqui	-	-	-	-	-	-	-
2	Mr. Adil Matcheswala	-	-	-	-	-	-	-
3	Mr. Ashraf Nawabi	-	-	-	-	-	-	-
4	Mr. G.M. Sikander	-	-	-	-	-	-	-
5	Mr. Kalim-ur-Rahman	-	-	-	-	-	-	-
6	Mr. Munawar Alam Siddiqui	-	-	-	-	-	-	-
7	Ms. Nargis Ghaloo	-	-	-	-	-	-	-
8	Mr. Shahab Anwar Khawaja	-	-	-	-	-	-	-
9	Mr. Abdul Hamid Mihrez	300	-	100	-	-	100	200
10	Mr. Munir Hassan	300	-	-	-	-	100	100
11	Mr. Ammar Talib Hajeyah	300	100	-	-	-	-	100
12	Mr. Khurshid Hadi	300	400	136	-	-	-	536
13	Mr. Asif Raza Sana	275	-	-	-	-	-	-
14	Mr. Ahsen Ahmed	175	-	75	-	-	-	75
Total amount paid		1,650	500	311	-	-	200	1,011

		2017						
		Board Committees						
		Board Meetings	Audit Committee	Human Resource, Remuneration & Nomination Committee	Risk Management Committee	I.T Committee	Executive Committee	Total Amount Paid
Meeting Fees and Allowances Paid		Rupees in '000						
	Name of Director							
1	Mr. Ali Jehangir Siddiqui	1,250	-	200	-	-	-	200
2	Mr. Adil Matcheswala	1,250	400	-	-	-	-	400
3	Mr. Ashraf Nawabi	1,250	-	-	400	-	-	400
4	Mr. G.M. Sikander	1,250	400	200	-	-	-	600
5	Mr. Kalim-ur-Rahman	1,250	-	-	400	-	-	400
6	Mr. Munawar Alam Siddiqui	1,250	-	-	400	-	-	400
7	Ms. Nargis Ghaloo	1,250	-	200	-	-	-	200
8	Mr. Shahab Anwar Khawaja	1,250	400	-	-	-	-	400
9	Mr. Abdul Hamid Mihrez	300	-	100	-	-	100	200
10	Mr. Ammar Talib Hajeyah	300	100	-	-	-	-	100
11	Mr. Khurshid Hadi	600	800	-	-	-	-	800
12	Mr. Farid Arshad Masood	262	-	-	-	-	-	-
13	Mr. Fouad Fahmi Darwish	300	-	-	-	-	100	100
14	Mr. Asif Raza Sana	200	-	-	-	-	25	25
15	Mr. Ahsen Ahmed	150	-	100	-	-	-	100
Total amount paid		12,112	2,100	800	1,200	-	225	4,325

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.5 to these consolidated financial statements.

The repricing profile, effective rates and maturity are stated in note 42.3.4 to these financial statements.

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

Fair value hierarchy

IFRS 13 requires the Bank to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels:

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3** Unobservable inputs for the asset or liability.

42.1 Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the Mutual Funds Association of Pakistan (MUFAP) as at the close of the business days.
Shares of listed companies	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV rates (Reuters page).
Term Finance Certificates and Bonds	Investments in debt securities (comprising Term Finance Certificates, Bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currencies involved, interest rates, yield curves, volatilities, contracts duration, etc.

42.2 Valuation techniques used in determination of fair values within level 3

Fixed assets - Land and building	Fixed assets and Non-banking assets under satisfaction of claims are carried at revalued amounts determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 10 and 13 respectively. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.
Non-banking assets under satisfaction of claims	

42.3 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 the transfer occurred. There were no transfers between levels 1 and 2 during the year.

42.4 The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

As at December 31, 2018				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
On balance sheet financial instruments				
Items carried at fair value				
Financial assets classified as 'held-for-trading securities'				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	41,368,514	-	41,368,514
Shares	993,812	-	-	993,812
Non Government Debt Securities	-	133,356	-	133,356
Open end mutual funds	-	378,945	-	378,945
	993,812	41,880,815	-	42,874,627
Financial assets classified as 'available-for-sale securities'				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	52,541,122	-	52,541,122
Shares	2,586,797	-	-	2,586,797
Non Government Debt Securities	-	808,626	-	808,626
Open end mutual funds	-	1,157,455	-	1,157,455
Foreign Securities	-	5,868,382	-	5,868,382
	2,586,797	60,375,585	-	62,962,382
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	39,836,881	-	39,836,881
	-	39,836,881	-	39,836,881
	3,580,609	142,093,281	-	145,673,890
Non-Financial Assets				
Revalued fixed assets	-	-	1,659,236	1,659,236
Non-banking assets acquired in satisfaction of claims	-	-	185,290	185,290
	-	-	1,844,526	1,844,526
Off balance sheet financial instruments				
Commitments in respect of:				
Forward foreign exchange contracts				
Purchase	-	21,946,624	-	21,946,624
Sale	-	13,319,774	-	13,319,774
Forward government securities				
Purchase	-	209,530	-	209,530
Sale	-	1,494,554	-	1,494,554
Derivative instruments				
Cross currency swaps (notional principal)	-	5,254,792	-	5,254,792
Options (notional principal)	-	2,627,781	-	2,627,781

As at December 31, 2017

Level 1	Level 2	Level 3	Total
Rupees in '000			

On balance sheet financial instruments**Items carried at fair value****Financial assets classified as 'held-for-trading securities'****Financial assets - measured at fair value**

Investments

Federal Government Securities	-	8,469,151	-	8,469,151
Shares	322,414	-	-	322,414
Non Government Debt Securities	-	69,678	-	69,678
Open end mutual funds	-	426,248	-	426,248
	322,414	8,965,077	-	9,287,491

Financial assets classified as 'available-for-sale securities'**Financial assets - measured at fair value**

Investments

Federal Government Securities	-	107,922,471	-	107,922,471
Shares	3,595,918	-	-	3,595,918
Non Government Debt Securities	-	-	-	-
Open end mutual funds	-	1,728,712	-	1,728,712
Foreign Securities	-	4,350,638	-	4,350,638
	3,595,918	114,001,821	-	117,597,739

Financial assets - disclosed but not measured at fair value

Investments

Federal Government Securities	-	41,033,889	-	41,033,889
	-	41,033,889	-	41,033,889
	3,918,332	164,000,787	-	167,919,119

Non-Financial Assets

Revalued fixed assets	-	-	2,745,141	2,745,141
Non-banking assets acquired in satisfaction of claims	-	-	203,339	203,339
	-	-	2,948,480	2,948,480

Off balance sheet financial instruments**Commitments in respect of:****Forward foreign exchange contracts**

Purchase	-	6,851,332	-	6,851,332
Sale	-	5,061,071	-	5,061,071

Forward government securities

Purchase	-	1,495,823	-	1,495,823
Sale	-	116,000	-	116,000

Derivative instruments

Cross currency swaps (notional principal)	-	4,489,958	-	4,489,958
Options (notional principal)	-	2,426,276	-	2,426,276

43. SEGMENT INFORMATION

43.1. Segment Details with respect to Business Activities

	2018							
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Brokerage	Asset management	Others	Total
Profit & Loss	----- Rupees in '000 -----							
Net mark-up / return / profit	-	4,594,203	(3,613,379)	7,828,472	149,229	2,482	-	8,961,007
Inter segment revenue - net	-	(5,978,814)	10,459,169	(4,480,355)	-	-	-	-
Non mark-up / return / interest income	335,946	(537,729)	1,526,940	713,390	581,425	341,582	108,965	3,070,519
Total Income	335,946	(1,922,340)	8,372,730	4,061,507	730,654	344,064	108,965	12,031,526
Segment direct expenses	111,513	172,382	5,010,617	1,414,121	658,927	376,230	389,851	8,133,641
Inter segment expense allocation	-	232,680	1,106,741	1,368,684	(27,111)	(12,019)	-	2,668,975
Total expenses	111,513	405,062	6,117,358	2,782,805	631,816	364,211	389,851	10,802,616
Provisions	-	(11,844)	92,534	197,904	-	(80,490)	(39,806)	158,298
Profit before tax	224,433	(2,315,558)	2,162,838	1,080,798	98,838	60,343	(241,080)	1,070,612
Balance Sheet								
Cash & Bank balances	-	26,330,603	6,748,812	-	7,357	2,428	-	33,089,200
Investments	-	148,696,648	-	-	(196,862)	1,100,208	-	149,599,994
Net inter segment lending	-	-	142,567,445	-	-	-	6,556,733	149,124,178
Lendings to financial institutions	-	1,937,347	-	-	-	-	-	1,937,347
Advances - performing	-	-	93,802,563	155,702,540	313,609	3,590	-	249,822,302
Advances - non-performing	-	-	1,647,085	3,995,026	-	-	-	5,642,111
Advances - (provisions) / reversals - net	-	-	(527,295)	(2,629,001)	-	-	-	(3,156,296)
	-	-	94,922,353	157,068,565	313,609	3,590	-	252,308,117
Others	-	2,622,494	1,707,032	2,587,220	1,785,157	763,789	14,139,676	23,605,368
Total Assets	-	179,587,092	245,945,642	159,655,785	1,909,261	1,870,015	20,696,409	609,664,204
Borrowings	-	80,051,504	4,290,751	12,216,408	-	-	-	96,558,663
Subordinated debt	-	7,496,800	-	-	-	-	-	7,496,800
Deposits & other accounts	-	-	232,859,517	88,553,746	(1,583,204)	(23,207)	-	319,806,852
Net inter segment borrowing	-	91,475,842	-	57,648,334	-	-	-	149,124,176
Others	-	556,272	8,795,373	1,237,296	2,253,646	318,136	5,079,384	18,240,107
Total Liabilities	-	179,580,418	245,945,641	159,655,784	670,442	294,929	5,079,384	591,226,598
Equity	-	-	-	-	2,608,404	2,211,628	13,617,572	18,437,604
Total Equity & Liabilities	-	179,580,418	245,945,641	159,655,784	3,278,846	2,506,557	18,696,956	609,664,202
Contingencies & Commitments	-	43,239,446	34,959,767	21,114,506	-	-	143,933	99,457,652

	2017							
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Brokerage	Asset management	Others	Total
Profit & Loss	Rupees in '000							
Net mark-up / return / profit	-	8,301,107	(3,689,532)	1,630,376	165,887	1,636	-	6,409,474
Inter segment revenue - net	-	(8,720,051)	8,416,392	303,659	-	-	-	-
Non mark-up / return / interest income	460,281	1,752,498	1,176,590	586,845	677,698	316,475	75,126	5,045,513
Total Income	460,281	1,333,554	5,903,450	2,520,880	843,585	318,111	75,126	11,454,987
Segment direct expenses	96,476	136,188	4,281,203	1,098,780	651,376	319,356	529,218	7,112,597
Inter segment expense allocation	-	214,061	844,951	1,101,199	(6,237)	(6,678)	-	2,147,296
Total expenses	96,476	350,249	5,126,154	2,199,979	645,139	312,678	529,218	9,259,893
Provisions	-	295,621	6,111	24,113	-	(38,233)	44,805	332,417
Profit before tax	363,805	687,684	771,185	296,788	198,446	43,666	(498,897)	1,862,677
Balance Sheet								
Cash & Bank balances	-	12,134,325	6,233,729	-	13,616	1,937	-	18,383,607
Investments	-	169,611,558	-	-	(691,492)	1,368,769	-	170,288,835
Net inter segment lending	-	-	142,645,510	-	-	-	9,808,487	152,453,997
Lendings to financial institutions	-	3,116,199	-	-	-	-	-	3,116,199
Advances - performing	-	-	77,310,353	106,310,545	15,346	6,247	-	183,642,491
Advances - non-performing	-	-	613,448	2,644,549	-	-	-	3,257,997
Advances - (Provisions)/reversals - net	-	-	(384,240)	(2,355,073)	-	-	-	(2,739,313)
	-	-	77,539,561	106,600,021	15,346	6,247	-	184,161,175
Others	-	2,510,844	927,867	855,763	1,269,594	660,983	11,949,382	18,174,433
Total Assets	-	187,372,926	227,346,667	107,455,784	607,064	2,037,936	21,757,869	546,578,246
Borrowings	-	52,127,305	3,311,398	9,118,340	-	-	-	64,557,043
Subordinated debt	-	4,998,800	-	-	-	-	-	4,998,800
Deposits & other accounts	-	-	216,128,764	73,948,802	(1,684,785)	(27,767)	-	288,365,014
Net inter segment borrowing	-	130,116,158	-	23,134,642	-	-	-	153,250,800
Others	-	130,663	7,906,506	1,253,998	1,060,015	298,952	5,885,344	16,535,478
Total Liabilities	-	187,372,926	227,346,668	107,455,782	(624,770)	271,185	5,885,344	527,707,135
Equity	-	-	-	-	2,601,418	2,403,291	14,663,205	19,667,914
Total Equity & Liabilities	-	187,372,926	227,346,668	107,455,782	1,976,648	2,674,476	20,548,549	547,375,049
Contingencies & Commitments	-	19,906,145	37,821,703	25,585,623			-	83,313,471

43.2. Segment details with respect to geographical locations

Profit & Loss

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

Segment direct expenses
Inter segment expense allocation
Total expenses
Provisions
Profit before tax

Balance Sheet

Cash & Bank balances
Investments
Net inter segment lending
Lendings to financial institutions
Advances - performing
Advances - non-performing
Advances - (Provisions)/reversals - Net

Others

Total Assets

Borrowings
Subordinated debt
Deposits & other accounts
Net inter segment borrowing
Others

Total Liabilities

Equity

Total Equity & Liabilities**Contingencies & Commitments**

2018		
Pakistan	Bahrain	Total
----- Rupees in '000 -----		
8,740,431	220,576	8,961,007
-	-	-
3,050,425	20,094	3,070,519
11,790,856	240,670	12,031,526
8,012,194	121,447	8,133,641
2,668,975	-	2,668,975
10,681,169	121,447	10,802,616
94,312	63,986	158,298
1,015,375	55,237	1,070,612
32,773,838	315,362	33,089,200
144,082,068	5,517,926	149,599,994
149,124,178	-	149,124,178
(2,087,796)	4,025,143	1,937,347
247,948,659	1,873,643	249,822,302
5,642,111	-	5,642,111
(3,156,296)	-	(3,156,296)
250,434,474	1,873,643	252,308,117
23,477,920	127,448	23,605,368
597,804,682	11,859,522	609,664,204
89,602,007	6,956,656	96,558,663
7,496,800	-	7,496,800
315,080,980	4,725,872	319,806,852
149,124,176	-	149,124,176
18,139,543	100,564	18,240,107
579,443,506	11,783,092	591,226,598
18,326,514	111,090	18,437,604
597,770,020	11,894,182	609,664,202
99,457,652	-	99,457,652

Profit & Loss

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

Segment direct expenses
 Inter segment expense allocation
 Total expenses
 Provisions
 Profit before tax

Balance Sheet

Cash & Bank balances
 Investments
 Net inter segment lending
 Lendings to financial institutions
 Advances - performing
 Advances - non-performing
 Advances - (Provisions)/reversals - Net

Others

Total Assets

Borrowings
 Subordinated debt
 Deposits & other accounts
 Net inter segment borrowing
 Others

Total liabilities

Equity

Total Equity & liabilities**Contingencies & Commitments**

2017		
Pakistan	Bahrain	Total
----- Rupees in '000 -----		
6,396,482	12,992	6,409,474
-	-	-
5,051,205	(5,692)	5,045,513
11,447,687	7,300	11,454,987
7,101,718	10,879	7,112,597
2,147,296	-	2,147,296
9,249,014	10,879	9,259,893
341,751	(9,334)	332,417
1,856,922	5,755	1,862,677
18,043,853	339,754	18,383,607
167,244,792	3,044,043	170,288,835
152,453,997	-	152,453,997
-	3,116,199	3,116,199
182,939,557	702,934	183,642,491
3,257,997	-	3,257,997
(2,739,313)	-	(2,739,313)
183,458,241	702,934	184,161,175
18,089,880	84,553	18,174,433
539,290,763	7,287,483	546,578,246
58,599,704	5,957,339	64,557,043
4,998,800	-	4,998,800
287,589,333	775,681	288,365,014
153,250,800	-	153,250,800
16,487,447	48,031	16,535,478
520,926,084	6,781,051	527,707,135
19,130,050	537,864	19,667,914
540,056,134	7,318,915	547,375,049
83,313,471	-	83,313,471

44. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities.

45. RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associates, parent, subsidiaries, companies having common directors, companies in which parent holds more than 20% shares, employee benefit plans, and its key management personnel (including their associates).

Contributions to the accounts in respect of staff retirement benefits are made in accordance with terms of the contribution plans. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements are as follows:

	As at December 31, 2018 (Audited)					As at December 31, 2017 (Audited)				
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)									
Lendings to financial institutions										
Opening balance	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	1,100,000	-	-	-	-	-
Repaid during the year	-	-	-	-	(1,100,000)	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-
Investments										
Opening balance	14,307	-	-	-	3,245,662	21,013	-	-	-	3,343,147
Investment made during the period / year	24,000	-	-	180,000	2,507,393	-	-	-	-	1,118,687
Investment redeemed / disposed off during the period / year	(18,057)	-	-	-	(2,522,930)	(6,706)	-	-	-	(1,216,172)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	20,250	-	-	180,000	3,230,125	14,307	-	-	-	3,245,662
Provision for diminution in value of investments	-	-	-	-	65,022	-	-	-	-	65,022
Advances										
Opening balance	-	5,505	394,773	-	2,114,695	-	5,883	301,543	-	1,737,578
Addition during the period / year	-	26,921	297,001	-	6,894,300	-	10,711	113,917	-	5,340,108
Repaid during the period / year	-	(25,203)	(259,373)	-	(6,351,154)	-	(11,089)	(89,601)	-	(4,962,991)
Transfer in / (out) - net	-	-	16,174	-	163,764	-	-	68,914	-	-
Closing balance	-	7,223	448,575	-	2,821,605	-	5,505	394,773	-	2,114,695
Provision held against advances	-	-	-	-	-	-	-	-	-	-
Fixed Assets										
Purchase of vehicle	-	-	7,223	-	-	-	-	-	-	-
Cost of disposal	-	-	4,546	-	-	-	-	-	-	-
Accumulated depreciation of disposal	-	-	(3,677)	-	-	-	-	-	-	-
WDV of disposal	-	-	869	-	-	-	-	-	-	-
Other Assets										
Interest mark-up accrued	618	241	612	-	72,735	260	52	428	-	24,128
Receivable against bancassurance / bancatakaful	-	-	-	-	74,935	-	-	-	-	74,240
Trade receivable from brokerage and advisory business - net	199,088	99	-	-	127,200	-	167	-	-	2,231
Acceptances	-	-	-	-	-	-	-	-	-	4,517
Prepaid insurance	-	-	-	-	3,468	-	-	-	-	8,012
Prepaid rent	-	-	-	-	-	-	-	-	-	27,317
Other receivable	258	-	-	-	8,611	564	-	-	-	7,901
Provision against other assets	-	-	-	-	2,438	-	-	-	-	44,806

	As at December 31, 2018 (Audited)					As at December 31, 2017 (Audited)				
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)									
Borrowings										
Opening balance	-	-	-	-	4,000,000	-	-	-	-	-
Borrowings during the period / year	-	-	-	-	280,850,000	-	-	-	-	110,840,000
Settled during the period / year	-	-	-	-	(280,050,000)	-	-	-	-	(106,840,000)
Closing balance	-	-	-	-	4,800,000	-	-	-	-	4,000,000
Overdrawn nostros	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	1,502,578	75,080	42,502	-	8,227,301	767,243	81,911	38,477	-	7,930,367
Received during the period / year	7,208,060	397,578	1,762,699	-	160,708,700	6,109,040	514,558	684,957	-	135,188,188
Withdrawn during the period / year	(8,374,123)	(444,420)	(1,728,031)	-	(159,396,796)	(5,373,705)	(521,389)	(687,887)	-	(131,892,575)
Transfer in / (out) - net	-	70	(2,220)	-	113,628	-	-	6,955	-	(2,998,679)
Closing balance	336,515	28,308	74,950	-	9,652,833	1,502,578	75,080	42,502	-	8,227,301
Subordinated loans	-	-	-	-	389,744	-	-	-	-	140,000
Other Liabilities										
Interest / return / mark-up payable on deposits	-	6	333	-	42,582	-	58	121	-	66,683
Interest / return / mark-up payable on borrowings	-	-	-	-	1,355	-	-	-	-	1,907
Interest / return / mark-up payable on subordinated loans	-	-	-	-	1,541	-	-	-	-	88
Acceptances	-	-	-	-	-	-	-	-	-	-
Trade payable from brokerage business	-	804	46	-	20,947	-	8	7	-	14,353
Accrued expenses	160	-	-	-	6,070	-	-	-	-	-
Payable to defined benefit plan	-	-	-	-	102,494	-	-	-	-	175,118
Others payable	-	-	-	-	-	-	-	-	-	9
Represented By										
Share Capital	9,733,073	17,417	900	-	81,678	7,552,450	2,005	-	-	26,090
Preference shares	-	-	-	-	-	1,453,749	-	-	-	-
Contingencies and Commitments										
Letter of guarantee	-	-	-	-	19,201	-	-	-	-	31,454
Letter of Credit	-	-	-	-	38,440	-	-	-	-	39,499
Mark-up / return / interest earned	1,592	1,113	26,412	-	282,622	1,083	506	16,146	-	204,971
Fee, commission and brokerage income	13,162	259	240	-	627,585	3,069	104	206	-	424,023
Dividend income	-	-	-	-	46,543	-	-	-	-	119,251
Gain / (loss) on sale of securities - Net	160	-	-	-	182,025	-	-	-	-	110,370
Rental income	-	-	-	-	14,894	-	-	-	-	15,316
Other income	-	(869)	-	-	-	-	-	-	-	-
Mark-up / return / interest paid	112,872	3,201	2,596	-	742,792	101,339	4,356	1,216	-	647,163
Remuneration paid	-	-	123,478	-	391,498	-	-	75,382	-	389,297
Preference Dividend Paid	174,450	-	1,479	-	-	174,450	-	1,479	-	-
Non-executive directors' fee	-	16,586	-	-	525	-	15,000	-	-	475
Net charge for defined contribution plans	-	-	-	-	200,790	-	-	-	-	157,299
Net charge / (reversal) for defined benefit plans	-	-	-	-	129,556	-	-	-	-	89,576
Donation	-	-	-	-	21,244	-	-	-	-	32,000
Rental expense	1,712	-	-	-	-	1,524	-	-	-	-
Advisory fee	-	-	-	-	55,500	-	-	-	-	42,000
Reimbursement of expenses	6,921	1,205	-	-	-	6,844	3,811	-	-	3,892
Royalty	-	-	-	-	27,500	-	-	-	-	20,000
Other expenses	-	-	-	-	1,632	-	-	-	-	719
Insurance premium paid	-	-	-	-	322,087	-	-	-	-	225,165
Insurance claims settled	-	-	-	-	18,517	-	-	-	-	23,603

46 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

(Current Year) (Prior Year)
Rupees in '000**Minimum Capital Requirement (MCR):**

Paid-up capital (net of losses)

10,119,242	10,119,242
------------	------------

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

15,127,080	13,042,675
------------	------------

Eligible Additional Tier 1 (ADT 1) Capital

2,332,784	1,308,088
-----------	-----------

Total Eligible Tier 1 Capital

17,459,864	14,350,763
------------	------------

Eligible Tier 2 Capital

4,678,095	4,592,639
-----------	-----------

Total Eligible Capital (Tier 1 + Tier 2)

22,137,959	18,943,402
------------	------------

Risk Weighted Assets (RWAs):

Credit Risk

145,566,525	141,368,006
-------------	-------------

Market Risk

6,427,147	2,103,043
-----------	-----------

Operational Risk

19,783,433	14,986,654
------------	------------

Total

171,777,105	158,457,703
-------------	-------------

Common Equity Tier 1 Capital Adequacy ratio

8.81%	8.23%
-------	-------

Tier 1 Capital Adequacy Ratio

10.16%	9.06%
--------	-------

Total Capital Adequacy Ratio

12.89%	11.95%
--------	--------

Banks should specify the capital requirements applicable to them including the minimum capital adequacy ratio requirements.

Banks should also disclose the approach followed by them for determining credit risk, market risk and operational risk exposures in the capital adequacy calculation.

Leverage Ratio (LR):

Eligible Tier-1 Capital

17,459,864	14,350,762
------------	------------

Total Exposures

523,972,136	462,328,540
-------------	-------------

Leverage Ratio

3.33%	3.10%
-------	-------

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

55,404,403	123,802,091
------------	-------------

Total Net Cash Outflow

52,473,282	47,605,907
------------	------------

Liquidity Coverage Ratio

106%	260%
------	------

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

298,222,408	237,773,400
-------------	-------------

Total Required Stable Funding

281,407,483	225,716,392
-------------	-------------

Net Stable Funding Ratio

106%	105%
------	------

46.1 [The link to the full disclosure is available at http://](#)

47. RISK MANAGEMENT

Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. At the Bank, it involves identification, measurement, monitoring and controlling risks to ensure that:

- The individuals who take or manage risks clearly understand it;
- The Bank's Risk exposure is within the limits established by Board of Directors (BoD);
- Risk taking decisions are in line with the business strategy and objectives set by BoD;
- The expected payoffs compensate for the risks taken;
- Risk taking decisions are explicit and clear;
- Sufficient capital as a buffer is available to take risk; and
- Risk management function is independent of risk taking unit.

Bank has a comprehensive set of Risk Management Policies, practices and procedures which enable the Bank to take into consideration, in an appropriate manner, all major kinds of risks mainly credit, market, liquidity, operational and IT security risks. Keeping in view the dynamics of internal and external environment, we regularly review and update our Risk Management policies and procedures in accordance with regulatory environment and international standards.

Risk Management activities remain at the forefront of all activities of the Bank which places the highest priority on conducting its business in a prudent manner in line with the relevant laws and regulatory requirements.

Risk management framework of Bank includes:

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The bank, in addition to risk management functions for various risk categories, has instituted an Integrated Risk Management Committee (IRMC) as well as Central Credit Committee (CCC). IRMC oversees the overall risk management at the bank and provide guidance in setting strategic targets as well as concentration limits and monitor progress related to earnings growth, keeping in view the capital constraints and also adhere to the concentration limits. The IRMC monitors the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Bank. Whereas, Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. CCC meets regularly to actively supervise credit risk across its lending portfolio.
- c) An effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and
- d) A mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

While the overall responsibility of risk management rests with the BOD, it is the duty of Senior Management to devise risk management strategy by setting up well defined policies and procedures for mitigating / controlling risks, duly approved by the Board.

Giving due consideration to the above, the Bank has put in place the following hierarchy of Risk Management:

- Board Risk Management Committee (BRMC);
- Integrated Risk Management Committee (IRMC) which comprises of the President / Chief Executive Officer (CEO), Deputy CEO, Group Head Credit & Risk Management, Chief Financial Officer, Group Head Corporate & Retail Banking, Group Head Operations and Head of Compliance.
- Asset - Liability Committee which comprises of the President / Chief Executive Officer (CEO), Deputy CEO, Treasurer, Group Head Risk Management, Other Business Heads.
- Central Credit Committee comprising of the President / CEO, Deputy CEO, Chief Risk Officer, Head of Credit Risk, Chief Financial Officer, Country Head Branch Banking Operations and Head of Operational and Environmental Risk.
- Operational Risk Steering Committee which comprises of the Group Head, Credit & Risk Management, Head of Operations, Head of Information Technology and Head of Compliance.
- Risk Management Group (RMG), a dedicated and independent set-up that comprises of Regional Credit Heads, Heads of Market & Liquidity Risks, Operational Risk and Treasury Middle Office.

RMG is managed by Chief Risk Officer to supervise the following Divisions:

- a) Credit Risk Management (CRM) covering Corporate / Commercial and Retail Banking Risks
- b) Operational Risk Management
- c) Market Risk Management (MRM)
- d) Treasury Middle Office

- e) Basel II / III Implementation Unit
- f) Credit Administration Department
- g) Special Assets Management (SAM)
- h) IT Risk Management

The Bank's RMG generates the requisite risk reporting for the different tiers of management. These are also subjected to internal audit review.

Risk Matrix / Categories

Bank, in common with other banks, generates its revenues by accepting Country, Credit, Liquidity, Interest Rate Risk in the Banking Book, Market, Operational and other risks. Effective management of these risks is the decisive factor in the Bank's profitability.

Risk Appetite

The Bank's risk appetite is reflected in its endeavours to maintain a favourable credit rating and encompasses the following:

- The business strategy
- The expectations of stakeholders at different time horizons
- The characteristics of the risk-bearing entities
- The nature and characteristics of the risks undertaken
- The possible spread of risk situations across organizational units, assets-at-risk, and future time horizons.

Risk appetite drives business activity. It combines anticipations in risk and profitability with management preferences to control capital and resource allocation, as well as the distribution of exposure across activities and portfolios.

Bank's hedging strategy is embedded in its risk management practices for addressing material categories of risk.

47.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk is managed in terms of credit policies, approved by the BOD and regulations issued by the SBP. The bank is exposed to credit risk on loans and advances, fund placements with financial institutions and certain investments.

Credit risk management is an ongoing process. The overall credit policy and the credit risk instructions are issued by the Board of Directors. In this regards, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. In order to maintain healthy growth of the credit portfolio, the Bank's Credit Risk Management processes are consistently upgraded and improved to meet future challenges.

The Bank's strategy is to minimise credit risk through product, geography, industry and customer diversification. Credit limits are established for all counter-parties after a careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents is in place and managed by Risk Management Group (RMG) & Credit Administration Department (CAD). The Bank maintains a sound portfolio diversified in nature to counter the risk of credit concentration and further confines risk through diversification of its assets by geographical and industrial sector. For managing impaired assets in the portfolio, the Bank follows the Prudential Regulations and Risk Management guidelines issued by SBP and the Remedial Management Policy approved by the Board.

47.1.1 Credit risk: Standardised approach

The Bank has adopted the Standardised Approach of Basel II for risk weighing its Credit Risk Exposures.

The following table illustrates the approved External Credit Assessment Institutions (ECAIs) whose ratings are being utilised by the Bank with respect to material categories of exposures:

Exposures	JCR-VIS	ACR	MOODY'S	FITCH	S&P
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
SME's (retail exposures)	✓	✓	-	-	-
Sovereigns	✓	✓	✓	✓	✓
Securitisations	N/A	N/A	N/A	N/A	N/A
Others (specify)	N/A	N/A	N/A	N/A	N/A

The Bank has used Issue Specific Ratings for rating / risk weighing Issue Specific Exposures and Entity Ratings for rating / risk weighing claims against specific counterparties. Both short and long term ratings have been used to rate corresponding short and long term exposures. For this purpose, Mapping Grid provided by SBP as given below:

Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

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

47.1.2 Policies and processes for collateral valuation and management as regards Basel II;

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals under Comprehensive Approach of Credit Risk Mitigation under Standardised Approach as prescribed by SBP under Circular No. 8 of 2006, which includes Cash and Cash Equivalent Securities including Government Securities (like Cash Margins, Lien on Bank Accounts, Foreign Deposit Receipts, Term Deposit Receipts, Pledge of Defense Saving Certificates, Regular Income Certificates, Special Saving Certificates, T-Bills and Pakistan Investment Bonds etc.) and Shares Listed on the Main Index.

Under Bank's policy all collaterals are subject to periodic valuations to monitor the adequacy of margins held. Shares / Marketable securities are valued by the Bank on daily basis to calculate the Drawing Power (DP). In case of any shortfall in the requisite margins, the DP is adjusted to the appropriate level and the business units are informed to take appropriate action as per the agreement with the customer.

47.1.3 Lendings to financial institutions	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
	----- Rupees in '000 -----					

Credit risk by public / private sector

Public/ Government	-	-	-	-	-	-
Private	1,941,659	3,116,199	-	-	(4,312)	-
	<u>1,941,659</u>	<u>3,116,199</u>	<u>-</u>	<u>-</u>	<u>(4,312)</u>	<u>-</u>

47.1.4 Investment in debt securities	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	----- Rupees in '000 -----					

Credit risk by industry sector

Textile	391,478	391,478	391,478	391,478	391,478	391,478
Chemical and Pharmaceuticals	149,860	149,860	149,860	149,860	149,860	149,860
Construction	141,667	175,000	-	-	-	-
Power (electricity), Gas, Water, Sanitary	214,286	285,714	-	-	-	-
Refinery	531,621	681,000	-	-	-	-
Fertilizer	255,099	335,371	-	-	-	-
Pharmaceuticals	-	495,000	-	-	-	-
Transport, Storage and Communication	158,712	182,322	158,712	182,322	158,712	182,322
Financial	137,271,850	157,879,414	-	-	-	-
Others	5,868,382	4,382,291	-	53,527	-	31,653
	<u>144,982,955</u>	<u>164,957,450</u>	<u>700,050</u>	<u>777,187</u>	<u>700,050</u>	<u>755,313</u>

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
	----- Rupees in '000 -----					
Public/ Government	139,858,012	158,465,235	-	-	-	-
Private	5,124,943	6,492,215	700,050	777,187	700,050	755,313
	<u>144,982,955</u>	<u>164,957,450</u>	<u>700,050</u>	<u>777,187</u>	<u>700,050</u>	<u>755,313</u>

47.1.5 Advances	Gross Advances		Non-performing Advances		Provision held	
	2018	2017	2018	2017	2018	2017
	----- Rupees in '000 -----					
Credit risk by industry sector						
Agri finance	4,260,641	2,584,965	73,275	-	824	-
Automobile and transportation equipment	4,582,078	3,599,906	84,018	74,875	61,832	61,875
Brokerage	4,846,099	2,681,932	156,801	167,596	156801	167,596
Cement	1,606,779	209,356	-	-	-	-
Chemical	3,037,111	2,365,522	324,584	-	-	-
Construction	4,960,152	3,711,869	-	-	-	-
Electronics and electrical appliances	260,812	301,375	-	-	-	-
Engineering, IT and other services	5,591,012	4,639,050	27,598	21,683	2,600	16,857
Fertilizer	3,811,120	3,206,664	1,348,383	1,260,418	1,348,943	1,260,418
Financial	2,194,635	3,005,047	-	-	-	-
Food / confectionery / beverages	34,521,566	36,076,698	119,192	134,370	60,728	79,968
Individuals	33,308,319	20,158,317	658,355	364,142	114,847	75,397
Insurance and security	169,843	159,353	-	-	-	-
Metal and steel	10,075,944	6,477,004	1,933,978	154,067	120,648	23,161
Mining and quarrying	56,973	57,529	-	-	-	-
Paper / board / furniture	1,462,601	1,125,618	8,000	-	-	-
Petroleum, oil and gas	4,530,087	3,837,523	32,559	-	21,357	-
Pharmaceuticals	5,300,071	4,836,857	-	-	-	-
Plastic	2,128,861	1,898,580	-	-	-	-
Power and water	26,446,393	12,940,341	-	21,448	-	21,448
Real estate	2,305,823	1,767,479	1,300,000	-	-	-
Rubber	-	-	-	-	-	-
Shipbreaking	1,950,437	4,166,705	963,164	157,926	220,048	125,658
Storage	57,734	114,685	-	-	-	-
Sugar	2,819,626	2,176,604	279,579	200,000	203,363	200,000
Tele-communication	2,570,380	1,239,201	-	-	-	-
Textile						
Composite	8,543,776	5,418,311	324,114	315,665	302,781	304,153
Ginning	1,669,933	1,310,409	48,949	29,999	3,270	-
Spinning	7,657,631	7,977,933	278,441	278,441	278,441	278,441
Weaving	10,360,474	8,600,624	46,650	3,500	-	-
	28,231,814	23,307,277	698,154	627,605	584,492	582,594
Transportation services	44,020,624	24,214,240	21,341	22,928	18,901	17,681
Trust and non-profit organisations	478,904	361,330	-	-	-	-
Tyre	313,531	278,180	-	-	-	-
Wholesale and retail trade	13,490,993	11,037,390	81,462	14,361	14,255	6,308
Others	6,073,449	4,363,891	199,024	36,579	60,249	-
	255,464,412	186,900,488	8,309,467	3,257,997	2,989,888	2,638,960
	Gross Advances		Non-performing Advances		Provision held	
	2018	2017	2018	2017	2018	2017
	----- Rupees in '000 -----					
Credit risk by public / private sector						
Public/ Government	59,571,898	37,342,990	-	-	-	-
Private	195,892,514	149,557,498	8,309,467	3,257,997	2,989,888	2,638,960
	255,464,412	186,900,488	8,309,467	3,257,997	2,989,888	2,638,960

47.1.6 Credit risk by industry sector

		Contingencies and commitments	
		2018	2017
		----- Rupees in '000 -----	
Agri finance		-	-
Automobile and transportation equipment		1,845,619	2,680,780
Brokerage		226,400	625,700
Cement		700,638	1,357,619
Chemical		614,360	583,005
Construction		20,726,673	24,731,408
Electronics and electrical appliances		220,084	711,868
Engineering, IT and other services		5,822,923	2,850,006
Fertilizer		3,469,510	2,354,865
Financial		45,956,350	22,362,318
Food / confectionery / beverages		2,664,450	1,797,201
Individuals		1,496,003	2,796,610
Insurance and security		20,197	27,245
Metal and steel		1,944,885	3,220,008
Mining and quarrying		148,415	882,839
Paper / board / furniture		816,494	585,175
Petroleum, oil and gas		1,243,540	419,202
Pharmaceuticals		664,106	629,771
Plastic		453,318	350,709
Power and water		1,790,608	22,626,105
Real estate		3,000	68,352
Rubber		-	12,743
Shipbreaking		120,887	58,004
Sugar		43,198	117,518
Tele-communication		128,892	494,461
Textile			
Composite		1,629,969	1,759,328
Ginning		316,425	275,140
Spinning		1,098,879	1,875,447
weaving		1,280,623	1,200,908
		4,325,896	5,110,823
Transportation		-	-
Trust and non-profit organisations		5,666	49,233
Tyre		23,010	81,506
Wholesale and retail trade		3,021,803	4,369,688
Others		2,488,464	6,750,518
		<u>100,985,389</u>	<u>108,705,280</u>

Credit risk by public / private sector

		Contingencies and commitments	
		2018	2017
		----- Rupees in '000 -----	
Public/ Government		-	-
Private		100,985,389	107,977,119
		<u>100,985,389</u>	<u>107,977,119</u>

47.1.7 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs.91,153.787 million (2017: Rs.64,479.401 million) are as following:

	2018 ----- Rupees in '000 -----	2017
Funded	70,831,917	44,248,326
Non Funded	20,321,870	20,231,075
Total Exposure	<u>91,153,787</u>	<u>64,479,401</u>

The sanctioned limits against these top 10 exposures aggregated to Rs.95,322.310 million (2017: Rs.88,532.430 million).

47.1.8 Advances - Province/Region-wise Disbursement & Utilization

Province/Region	2018							
	Disburs- ements	Utilization						
		Punjab	Sindh	KPK & FATA	Balochistan	Islamabad	AJK & Gilgit - Baltistan	Bahrain
Punjab	44,031	44,031	-	-	-	-	-	-
Sindh	60,838	-	60,838	-	-	-	-	-
KPK including FATA	901	-	-	901	-	-	-	-
Balochistan	202	-	-	-	202	-	-	-
Islamabad	7,711	-	-	-	-	7,711	-	-
AJK including Gilgit-Baltistan	438	-	-	-	-	-	438	-
Bahrain	949	-	-	-	-	-	-	949
Total	<u>115,070</u>	<u>44,031</u>	<u>60,838</u>	<u>901</u>	<u>202</u>	<u>7,711</u>	<u>438</u>	<u>949</u>

Province/Region	2017							
	Disburs- ements	Utilization						
		Punjab	Sindh	KPK & FATA	Balochistan	Islamabad	AJK & Gilgit- Baltistan	Bahrain
Punjab	41,191	41,191	-	-	-	-	-	-
Sindh	60,032	-	60,032	-	-	-	-	-
KPK including FATA	336	-	-	336	-	-	-	-
Balochistan	44	-	-	-	44	-	-	-
Islamabad	6,035	-	-	-	-	6,035	-	-
AJK including Gilgit-Baltistan	185	-	-	-	-	-	185	-
Bahrain	2,566	-	-	-	-	-	-	2,566
Total	<u>110,389</u>	<u>41,191</u>	<u>60,032</u>	<u>336</u>	<u>44</u>	<u>6,035</u>	<u>185</u>	<u>2,566</u>

47.2 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk is managed in terms of credit policies, approved by the BOD and regulations issued by the SBP. The bank is exposed to credit risk on loans and advances, fund placements with financial institutions and certain investments.

Credit risk management is an ongoing process. The overall credit policy and the credit risk instructions are issued by the Board of Directors. In this regards, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. In order to maintain healthy growth of the credit portfolio, the Bank's Credit Risk Management processes are consistently upgraded and improved to meet future challenges.

The Bank's strategy is to minimise credit risk through product, geography, industry and customer diversification. Credit limits are established for all counter-parties after a careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents is in place and managed by Risk Management Group (RMG) & Credit Administration Department (CAD). The Bank maintains a sound portfolio diversified in nature to counter the risk of credit concentration and further confines risk through diversification of its assets by geographical and industrial sector. For managing impaired assets in the portfolio, the Bank follows the Prudential Regulations and Risk Management guidelines issued by SBP and the Remedial Management Policy approved by the Board.

47.2.1 Credit risk: Standardised approach

The Bank has adopted the Standardised Approach of Basel II for risk weighing its Credit Risk

The following table illustrates the approved External Credit Assessment Institutions (ECAIs) whose ratings are being utilised by the Bank with respect to material categories of exposures:

Exposures	JCR-VIS	PACRA	MOODY'S	FITCH	S&P
Corporate	P	P	-	-	-
Banks	P	P	P	P	P
SME's (retail exposures)	P	P	-	-	-
Sovereigns	P	P	P	P	P
Securitisations	N/A	N/A	N/A	N/A	N/A
Others (specify)	N/A	N/A	N/A	N/A	N/A

The Bank has used Issue Specific Ratings for rating / risk weighing Issue Specific Exposures and Entity Ratings for rating / risk weighing claims against specific counterparties. Both short and long term ratings have been used to rate corresponding short and long term exposures. For this purpose, Mapping Grid provided by SBP as given below:

Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

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

47.2.2 Policies and processes for collateral valuation and management as regards Basel II;

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals under Comprehensive Approach of Credit Risk Mitigation under Standardised Approach as prescribed by SBP under Circular No. 8 of 2006, which includes Cash and Cash Equivalent Securities including Government Securities (like Cash Margins, Lien on Bank Accounts, Foreign Deposit Receipts, Term Deposit Receipts, Pledge of Defense Saving Certificates, Regular Income Certificates, Special Saving Certificates, T-Bills and Pakistan Investment Bonds etc.) and Shares Listed on the Main Index.

Under Bank's policy all collaterals are subject to periodic valuations to monitor the adequacy of margins held. Shares / Marketable securities are valued by the Bank on daily basis to calculate the Drawing Power (DP). In case of any shortfall in the requisite margins, the DP is adjusted to the appropriate level and the business units are informed to take appropriate action as per the agreement with the customer.

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

	2018			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	----- Rupees in '000 -----			
Pakistan Rupee	440,710,798	413,451,401	228,778	27,488,175
United States Dollar	17,831,833	24,723,033	7,101,304	210,104
Great Britain Pound	740,134	2,687,806	1,520,893	(426,779)
Euro	1,054,817	873,899	(226,641)	(45,723)
Other currencies	203,665	366,289	217,570	54,946
	19,830,449	28,651,027	8,613,126	(207,452)
	<u>460,541,247</u>	<u>442,102,428</u>	<u>8,841,904</u>	<u>27,280,723</u>

	2017			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	----- Rupees in '000 -----			
Pakistan Rupee	372,781,791	352,638,679	228,778	20,371,890
United States Dollar	16,159,391	14,305,112	(1,405,232)	449,047
Great Britain Pound	1,147,121	3,735,250	2,546,068	(42,061)
Euro	778,748	738,975	(100,213)	(60,440)
Other currencies	86,825	137,143	(28,235)	(78,553)
	18,172,085	18,916,480	1,012,388	267,993
	<u>390,953,876</u>	<u>371,555,159</u>	<u>1,241,166</u>	<u>20,639,883</u>

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on:				
- Profit and loss account	-	(2,624)	-	2,680
- Other comprehensive income	-	-	-	-

47.2.3 Equity position Risk

Equity positions in the banking book include Investment in equities that are available-for-sale or held for strategic investment purposes. These investments are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The Bank mitigates these risks through diversification and capping maximum exposures in a single company, compliance with regulatory requirement, following the guidelines laid down in the Bank's Investment Policy as set by the Board of Directors (BoD). The Bank follows a delivery versus payment settlement system thereby minimizing risk available in relation to settlement risk.

Equity price risk is managed by applying trading limit and scrip-wise and portfolio wise nominal limits.

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	-
- Other comprehensive income	127,845	-	177,329	-

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

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. This also refers to the non-trading market risk. Apart from the gap analysis between the market rate sensitive assets and liabilities as per the table given below, the banks/DFIs are required to disclose as the following also:-

- The nature of IRRBB and key assumptions, including assumptions regarding loan repayments and behavior of non-maturity deposits, and frequency of IRRBB measurements.
- The increase (decline) in earnings or economic value (or any other relevant measures used by management) for upward and downward shocks according to management's method for measuring IRRBB, broken down by currencies (if any, and then translated into Rupees).

	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates on:				
- Profit and loss account	(487,440)	401,571	175,426	13,781
- Other comprehensive income	113,353	-	30,224	-

47.2.5 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The assets and liabilities committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

2018											
Effective yield interest rate - %	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instrument
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	-	32,111,176	2,409,529	-	-	-	-	-	-	-	29,701,647
Balances with other banks	1.00 - 2.00	978,024	115,256	-	-	-	-	-	-	-	862,768
Lendings to financial institutions	2.85 - 8.06	1,937,347	692,522	693,980	320,214	230,631	-	-	-	-	-
Investments	2.38 - 12.54	149,601,215	43,725,233	1,927,670	8,253,450	39,568,470	16,411,250	21,104,693	9,954,792	3,220,239	5,310,418
Advances	4.00 - 39.00	252,308,117	170,361,201	36,938,051	33,390,503	754,809	342,746	536,305	1,359,373	1,105,829	5,319,579
Other assets	-	13,114,412	-	-	-	-	-	-	-	-	13,114,412
		450,050,291	217,303,741	39,559,701	41,964,167	40,553,910	16,753,996	21,640,998	11,314,165	4,326,068	54,308,824
Liabilities											
Bills payable	-	3,519,924	-	-	-	-	-	-	-	-	3,519,924
Borrowings	1.00 - 10.40	96,558,663	62,931,449	21,953,065	9,423,293	141,529	29,827	216,947	963,707	898,846	-
Deposits and other accounts	0.75 - 11.00	319,806,852	137,418,672	47,697,606	24,357,189	30,664,239	1,187,357	265,347	210,529	-	78,005,913
Sub-ordinated loans	12.04 - 13.04	7,496,800	-	-	4,997,800	2,499,000	-	-	-	-	-
Liabilities against assets subject to finance lease	7.71	46,422	-	-	46,422	-	-	-	-	-	-
Other liabilities	-	14,673,767	238,628	-	-	-	-	-	-	-	14,435,139
		442,102,428	200,588,749	69,650,671	38,824,704	33,304,768	1,217,184	482,294	1,174,236	898,846	95,960,976
On-balance sheet financial instruments		7,947,863	16,714,992	(30,090,970)	3,139,463	7,249,142	15,536,812	21,158,704	10,139,929	3,427,222	(41,652,152)
Commitments in respect of forward purchase and commitments to extend credits		23,726,533	9,244,215	8,427,285	4,054,070	743,298	530,417	727,248	-	-	-
Commitments in respect of forward exchange contracts - sale		(16,597,344)	(7,427,832)	(2,648,585)	(4,802,946)	(459,317)	(530,417)	(728,248)	-	-	-
Off-balance sheet gap		7,129,189	1,816,383	5,778,700	(748,876)	283,981	-	(1,000)	-	-	-
Total yield / interest risk sensitivity gap		18,531,375	(24,312,270)	2,390,587	7,533,123	15,536,812	21,157,704	10,139,929	3,427,222	2,324,721	(41,652,152)
Cumulative yield / interest risk sensitivity gap		18,531,375	(5,780,895)	(3,390,307)	4,142,816	19,679,628	40,837,332	50,977,261	54,404,483	56,729,204	

2017											
Effective yield interest rate - %	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instrument
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	-	17,334,111	1,890,381	-	-	-	-	-	-	-	15,443,730
Balances with other banks	-	1,049,496	188,987	-	-	-	-	-	-	-	860,509
Lendings to financial institutions	0.17 - 6.1	3,116,199	1,281,177	1,181,464	653,558	-	-	-	-	-	-
Investments	2.92 - 12.00	170,288,835	10,674,488	10,828,812	2,944,155	1,378,498	87,666,361	17,987,185	30,288,933	2,433,702	6,086,701
Advances	0.4 - 39	184,161,175	125,644,234	17,567,979	23,960,133	3,371,024	4,567,373	3,361,651	2,391,316	925,085	1,753,343
Other assets	-	9,642,278	-	-	-	-	-	-	-	-	9,642,278
		385,592,094	139,679,267	29,578,255	27,557,846	4,749,522	92,233,734	21,348,836	32,680,249	3,358,787	1,753,343
											32,652,255
Liabilities											
Bills payable	-	3,824,278	-	-	-	-	-	-	-	-	3,824,278
Borrowings	1.8 - 6.00	64,557,043	49,798,126	8,092,537	5,204,967	14,289	31,234	16,839	464,313	934,738	-
Deposits and other accounts	0.1 - 9.11	288,365,014	103,912,554	37,778,647	37,710,625	32,621,440	1,949,163	850,207	70,674	-	73,471,704
Sub-ordinated loans	7.53	4,998,800	-	-	4,998,800	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	5,032	94	191	290	590	1,225	636	2,006	-	-
Other liabilities	-	12,019,227	-	-	-	-	-	-	-	-	12,019,227
		373,769,394	153,710,774	45,871,375	47,914,682	32,636,319	1,981,622	867,682	536,993	934,738	89,315,209
On-balance sheet financial instruments		(189,608,219)	(28,066,540)	(28,303,396)	(23,954,549)	(29,265,295)	2,585,751	2,493,969	1,854,323	(9,653)	(88,696,172)
Commitments in respect of forward purchase and commitments to extend credits											
		30,348,378	4,474,661	1,557,991	21,879,036	888,207	752,858	530,417	265,208	-	-
Commitments in respect of forward exchange contracts - sale											
		(9,344,185)	(4,100,495)	(1,187,368)	(58,117)	(2,464,363)	(738,217)	(530,417)	(265,208)	-	-
Off-balance sheet gap		21,004,193	374,166	370,623	21,820,919	(1,576,156)	14,641	-	-	-	-
Total yield / interest risk sensitivity gap			(27,692,374)	(27,932,773)	(2,133,630)	(30,841,451)	2,600,392	2,493,969	1,854,323	(9,653)	1,753,343
											(88,696,172)
Cumulative yield / interest risk sensitivity gap			(27,692,374)	(55,625,147)	(57,758,777)	(88,600,228)	(85,999,836)	(83,505,867)	(81,651,544)	(81,661,197)	(79,907,854)

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. The Bank's Asset and Liability Committee (ALCO) manages the liquidity position on a continuous basis.

Bank's policy to liquidity management is to maintain adequate liquidity at all times and in all currencies under both normal and stress conditions, to meet our contractual and potential payment obligations without incurring additional and unacceptable cost to the business.

Treasury is responsible for the managing liquidity risk under the guidance of Asset-Liability Committee of the Bank. The Bank's liquidity risk management approach starts at the intraday level (operational liquidity) managing the daily payments queue and factoring in our access to the qualifying securities of State Bank of Pakistan. It then covers tactical liquidity risk management dealing with the access to unsecured funding sources and the liquidity characteristics of our asset inventory (asset liquidity). Finally, the strategic perspective comprises the maturity profile of all assets and liabilities on our statement of financial position.

For monitoring and controlling liquidity risk, the Bank generates a scenario sensitive maturity statement of financial position, and run controlled mismatches that are monitored and discussed by ALCO members regularly. The Bank prepares various types of reports and analysis for assisting ALCO in taking necessary strategic actions for managing liquidity risk in the Bank. These include liquidity ratios, Concentration analysis, Gap reports, Stress testing, Liquidity Coverage ratio & Net Stable Funding Ratio analysis etc.

2018

	2018													
	Total	Upto 1 day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	Rupees in '000													
Assets														
Cash and balances with treasury banks	32,111,176	32,111,176	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	978,024	978,024	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,937,347	-	-	-	692,522	-	693,980	320,214	230,631	-	-	-	-	-
Investments	149,601,215	693,505	29,193,124	70,000	13,772,470	35,738	1,470,422	10,509,059	703,587	39,068,053	16,677,589	21,551,032	10,391,370	5,465,266
Advances	252,308,117	86,874,414	1,567,111	2,690,265	6,989,923	10,548,317	13,326,240	15,592,229	4,384,676	7,375,561	29,110,196	27,903,133	35,955,762	9,990,290
Fixed assets	6,947,725	704,797	15,611	32,600	66,852	295,690	202,210	402,818	611,322	364,677	896,294	688,756	371,840	2,294,258
Intangible assets	2,206,512	36,877	1,695	3,390	7,265	90,485	21,770	43,165	64,536	76,129	156,892	125,146	114,330	1,464,832
Deferred tax assets - net	408,992	(167)	(2,742)	-	(9,814)	107,766	111,629	128,277	56,961	185,793	220,647	164,934	194,068	(748,359)
Other assets	14,042,139	12,591,869	-	-	-	-	-	109,108	33,252	23,095	443,945	358,535	422,454	59,881
	460,541,247	133,990,495	30,774,799	2,796,255	21,519,218	11,077,996	15,826,251	27,104,870	6,084,965	47,093,308	47,505,563	50,791,536	47,449,824	18,526,168
Liabilities														
Bills payable	3,519,924	3,519,924	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	96,558,663	501,628	53,797,467	1,081,509	7,550,844	2,913,396	19,039,670	9,423,293	133,726	7,803	29,827	216,947	963,707	898,846
Deposits and other accounts	319,806,852	171,421,737	10,500,849	11,722,567	21,579,433	27,798,853	20,098,752	24,357,189	5,427,169	25,237,070	1,187,357	265,347	210,529	-
Subordinated debt	7,496,800	(1)	-	-	-	-	-	1,000	-	1,000	2,000	2,000	2,996,200	4,494,601
Liabilities against assets subject to finance lease	46,422	32	226	452	982	982	1,965	2,947	2,947	1,254	11,783	10,727	12,125	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	14,673,762	10,106,196	-	-	97,423	-	164,442	261,943	-	484,408	1,288,951	1,203,208	1,061,299	5,892
	442,102,423	185,549,516	64,298,542	12,804,528	29,228,682	30,713,231	39,304,829	34,046,372	5,563,842	25,731,535	2,519,918	1,698,229	5,243,860	5,399,339
Net assets	18,438,824	(51,559,021)	#####	#####	(7,709,464)	#####	#####	(6,941,502)	521,123	21,361,773	44,985,645	49,093,307	42,205,964	13,126,829
Share capital - net	10,119,242													
Preference shares	-													
Reserves	1,712,170													
Deficit on revaluation of assets - net of tax	(822,532)													
Unappropriated profit	5,825,742													
Non-controlling interest	1,604,197													
	18,438,819													

[illegible]

47.3.2 Maturity of assets and liabilities - Based on working prepared by the Asset and Liability Committee (ALCO) of the Bank

	2018									
	Total	Up to 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
	----- Rupees in '000 -----									
Assets										
Cash and balances with treasury banks	32,111,176	32,111,176	-	-	-	-	-	-	-	-
Balances with other banks	978,024	978,024	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,937,347	692,522	693,980	320,214	230,631	-	-	-	-	-
Investments	149,601,215	45,685,721	1,506,159	10,509,059	39,771,640	16,677,589	21,551,032	10,391,370	3,495,239	13,406
Advances	252,308,117	26,640,413	38,636,999	37,347,407	46,723,916	29,110,196	27,903,133	35,955,762	6,485,478	3,504,813
Fixed assets	6,947,725	348,935	303,680	206,708	389,103	700,640	577,021	950,386	1,186,186	2,285,066
Intangible assets	2,206,512	19,631	90,835	22,517	43,065	85,800	92,015	162,257	226,768	1,463,624
Deferred tax assets - net	408,992	(37,671)	114,861	118,517	41,196	463,531	136,155	161,997	52,325	(641,919)
Other assets	14,042,139	12,591,869	-	109,108	56,347	443,945	358,535	422,454	59,881	-
	460,541,247	119,030,620	41,346,514	48,633,530	87,255,898	47,481,701	50,617,891	48,044,226	11,505,877	6,624,990
Liabilities										
Bills payable	3,519,924	3,519,924	-	-	-	-	-	-	-	-
Borrowings	96,558,663	62,931,449	21,953,065	9,423,293	141,529	29,827	216,947	963,707	898,846	-
Deposits and other accounts	319,806,852	51,493,653	55,998,171	34,916,968	41,419,807	16,857,435	14,600,423	104,520,395	-	-
Subordinated debt	7,496,800	-	-	1,000	1,000	2,000	2,000	2,996,200	4,494,600	-
Liabilities against assets subject to finance lease	46,422	982	1,964	2,946	5,895	11,783	10,727	12,125	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	14,673,768	10,203,625	164,442	261,943	484,408	1,288,951	1,203,208	1,061,299	5,892	-
	442,102,429	128,149,633	78,117,642	44,606,150	42,052,639	18,189,996	16,033,305	109,553,726	5,399,338	-
Net assets	<u>18,438,818</u>	<u>(9,119,013)</u>	<u>(36,771,128)</u>	<u>4,027,380</u>	<u>45,203,259</u>	<u>29,291,705</u>	<u>34,584,586</u>	<u>(61,509,500)</u>	<u>6,106,539</u>	<u>6,624,990</u>
Share capital - net	10,119,242									
Preference shares	-									
Reserves	1,712,170									
Deficit on revaluation of assets - net of tax	(822,532)									
Unappropriated profit	5,825,742									
Non-controlling interest	1,604,197									
	18,438,819									

To identify the behavioural maturities of non-contractual assets and liabilities, the Bank has used the following methodology:

For determining the core portion of non contractual liabilities (non-volatile portion), the bank has used the average method whereby average balance maintained over past five year has been classified as core and has been placed in 'over 3 to 5 years' maturity bucket. Non contractual assets and remaining volatile portion of non contractual liabilities have been stratified in relevant maturity bucket using bucket wise percentages determined by using average volatility in respective period / bucket.

2017									
Total	Up to 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
Rupees in '000									
Assets									
Cash and balances with treasury banks	15,509,263	15,509,263	-	-	-	-	-	-	-
Balances with other banks	1,950,297	1,950,297	-	-	-	-	-	-	-
Lending to financial institutions	11,334,414	10,654,523	522,993	156,898	-	-	-	-	-
Investments	135,038,901	23,230,464	52,806,311	1,135,734	8,399,139	11,227,289	28,209,435	7,794,633	2,235,896
Advances	93,812,506	17,885,620	18,592,126	19,874,179	18,185,931	5,504,828	5,115,687	3,980,740	2,534,935
Operating fixed assets	6,021,563	73,643	340,206	164,884	325,949	545,490	415,376	591,637	614,264
Deferred tax assets - net	-	-	-	-	-	-	-	-	-
Other assets	6,341,199	5,257,435	-	-	304,036	272,131	387,678	96,310	23,609
	270,008,143	74,561,245	72,261,636	21,331,695	27,215,055	17,549,738	34,128,176	12,463,320	5,408,704
								5,088,574	
Liabilities									
Bills payable	2,544,028	2,544,028	-	-	-	-	-	-	-
Borrowings	11,502,597	3,631,700	4,194,410	2,910,121	10,211	20,422	31,437	234,580	469,716
Deposits and other accounts	225,004,655	38,354,975	37,279,275	40,437,231	22,447,700	8,688,923	11,930,947	65,865,604	-
Sub-ordinated loans	3,000,000	-	-	600	600	1,200	1,200	2,400	2,994,000
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	1,082,885	-	-	-	-	-	1,082,885	-	-
Other liabilities	7,111,584	2,228,984	3,022,496	31,814	101,218	424,195	941,680	267,282	93,915
	250,245,749	46,759,687	44,496,181	43,379,766	22,559,729	9,134,740	13,988,149	66,369,866	3,557,631
Net assets	19,762,394	27,801,558	27,765,455	(22,048,071)	4,655,326	8,414,998	20,140,027	(53,906,546)	1,851,073
									5,088,574
Share capital - net	8,619,242								
Preference shares	1,500,000								
Reserves	1,540,987								
Deficit on revaluation of assets - net of tax	-								
Unappropriated profit	875,648								
Non-controlling interest	5,463,357								
	1,668,680								
	19,667,914								

47.4 Operational risk

The Bank currently uses Basic Indicator Approach to Operational Risk for regulatory capital calculations. We define operational risk as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. With the evolution of Operational Risk Management into a separate distinct discipline, the Bank's strategy is to further strengthen its risk management system along new industry standards. Accordingly the Bank has set up a separate Operational Risk Management (ORM) Unit. ORM Unit resides within Risk Management Group (RMG). Its responsibility is to implement Operational Risk management tools across the bank for effective measurement and monitoring of operational risk faced by different areas of the Bank.

Bank's operational risk management process involves a structured and uniform approach across the bank. It includes risk identification and assessments, the monitoring of Key Risk Indicators (KRIs) and Risk Control Self-Assessment (RCSA) activities for key operational risks. In order to build a robust operational risk monitoring mechanism, an Operational Risk Steering Committee (ORSC) has been constituted to effectively address operational risk issues.

The bank has implemented a comprehensive "Operational Risk Management Framework" which has also been approved by the Board of Directors. The purpose of bank-wide Operational Risk Management Framework is aimed at laying out clearly defined roles and responsibilities of individuals / units across different functions of the bank that are involved in performing various operational risk management tasks. Operational risk is much more pervasive in a financial institution and every operating unit is exposed to operational risk, regardless of whether it is a business or a support function. This framework has been devised to explain the various building blocks of the operational risk management processes, and their inter-relationships. The framework also captures both qualitative and quantitative guidelines for managing and quantifying operational risks across the Bank.

The ORM Unit conducts operational risk profiling for all major operational areas of the bank and assists various functions of the bank in developing KRIs which are monitored against predefined thresholds. Findings from KRIs are used as predictive indicators of potential operational risks.

Operation risk loss data collection is governed by bank's Transaction in Difficulty (TID) Policy which has been developed and implemented to collate operational losses and near misses in a systematic and organized way.

The bank's Business Continuity (BCP) Policy includes risk management strategies to mitigate inherent risks and prevent interruption of mission critical services caused by disaster events. The resilience of BCP is tested and rehearsed on an annual basis by the bank.

48. DERIVATIVE RISK

The policy guidelines for taking derivative exposures are approved by the Board of Directors (BOD). Bank's Asset & Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

The nature, scope and purpose of derivatives business, for trading purposes or hedging purpose and the types of derivative in which they deal.

The overall responsibility for offering derivative products and sustaining profitability lies with the Treasurer and in his absence with his delegate. The Market Risk nit / Treasury Middle Office of the Bank responsible for measurement & monitoring of the market risk exposures, analysis of present and potential risk factors.

The Market Risk Unit also monitors associated Credit, Market and Liquidity Risk in line with Board of Directors approved limit framework. The unit coordinates with the business regarding approvals for derivatives risk limits and produces various reports / analysis for ALCO / BRMC on periodic basis. These reports provide details of outstanding un-hedged positions, profitability and status of compliance with limits. Treasury Operations records derivatives activity in the Bank's books and is responsible for reporting to the SBP.

The derivative transaction such as Cross Currency Swaps carries credit risk which is the risk that a party to a derivative contract will fail to perform its obligation. There are two types of credit risk associated with derivative transactions; 1) settlement, and 2) pre-settlement risk. Bank's Central Credit Committee is responsible for reviewing and managing associated Counterparty Credit Risks of the transaction.

The Bank has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities. The Bank can hedge its risk by taking on & off-balance sheet position in interbank market, where available.

49. CUSTOMER SATISFACTION AND FAIR TREATMENT

We are committed to providing our customers with the highest level of service quality and satisfaction and have therefore set-up an independent service management function that oversees service quality, phone banking, problem resolution and the fair treatment of customers.

A total of 11,512 complaints were received by the Bank in 2017 and the average time taken to resolve these complaints was 5 days. Our complaint handling policy and grievance redressal mechanism ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at our branches, phone banking center, the Bank's website and via email. Complaint management process is kept as transparent as possible through registration, acknowledgement, interim response where applicable, resolution and root cause analysis of recurring complaints. Customers are also given the option of contacting the Banking Mohtasib office in case they are dissatisfied with the response received from the Bank.

To create enhanced visibility of the recourse mechanism available to its customers, the Bank has incorporated awareness messages of its complaint handling function in several customer communications such as account statements, ATM screens, letters and SMS messages. Complete grievance redressal mechanism, contact channels and online feedback forms have been made available through the Bank website, and email broadcasts have been sent to the customers for customer education and awareness.

Fair Treatment of Customers is an integral part of our corporate culture. The Bank has institutionalized a 'Consumer Protection Framework'. Our priority is to keep customer benefits in mind while designing, selling and managing products and services, without any discrimination. Our focus is to maintain fairness in our customer dealings, clarity in communication, develop a service culture and design an effective grievance handling mechanism. We also focus on financial literacy of our customers, for promoting responsible conduct and informed financial decisions by consumers, through our consumer education and Financial Literacy Program.

50. GENERAL

50.1 These consolidated financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BPRD Circular no. 2 dated January 25, 2018 and related clarifications / modifications.

50.2 The figures in the consolidated financial statements have been rounded off to the nearest thousand.

51. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed cash preference dividend of ____% (December 31, 2017: 12%) amounting to Rs._____ million (December 31, 2017: Rs.180 million) and in their meeting held on _____. This appropriation will be approved in the forth coming Annual General Meeting.

52. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on March 05, 2019.

President and
Chief Executive Officer

Chief Financial
Officer

Director

Director

Chairman

As at December 31, 2018
As referred to in note 10.2.3 to the financial statements
Details of disposal of fixed assets made to related parties

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal	Buyers' particulars and relationship with Bank (if any)	
	Rupees in '000							
Building	2,370	539	1,831	81	(1,750)	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
<u>Electrical, office and computer equipment</u>								
Communication Equipment	2,181	1,291	890	695	(195)	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Office Machines and Equipments	4,107	2,286	1,821	2,412	591	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Office Machines and Equipments	892	308	584	-	(584)		Name Address CNIC	Khalid Imran H - 502, Creek Vista appartments, DHA, Karachi 35201-2969630-3
Computer	1,577	1,099	478	1,093	615	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Furniture & Fixture	44	7	37	109	72	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Furniture & Fixture	1,333	562	771	-	(771)		Name Address CNIC	Khalid Imran H - 502, Creek Vista appartments, DHA, Karachi 35201-2969630-3
	10,134	5,553	4,581	4,309	(272)			
<u>Vehicles</u>								
Suzuki Cultus	1,039	641	398	900	502	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Suzuki Cultus	1,391	153	1,238	1,200	(38)	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Suzuki Cultus	1129	169	960	1,035	75	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda Motorcycle	104	48	56	80	24	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda Motorcycle	103	62	41	80	39	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda Motorcycle	103	69	34	80	46	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	2,198	989	1,209	2,000	791	Insurance	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda Civic	2,322	2,322	-	-	-		Name Address CNIC	Khalid Imran H - 502, Creek Vista appartments, DHA, Karachi 35201-2969630-3
	8,389	4,453	3,936	5,375	1,439			
<u>The subsidiary companies</u>								
Office Equipments	327	311	16	203	187	Insurance Claim	Name Address	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Total	21,220	10,856	10,364	9,968	(396)			