FINANCIAL STATEMENTS
OF THE SILK BANK LIMITED

FOR THE YEAR ENDED
DECEMBER 31, 2019.

SILKBANK

CHAIRMAN'S Message:

Dear Shareholders,

On behalf of the Directors of the Bank, it gives me immense pleasure to present this report, together with the financial statements of the Bank for the year ended December 31, 2019. The Bank's financial performance demonstrates our focus on building long-term customer franchise and delivering high value returns for its shareholders.

The Board ensures that the business of the Bank is conducted in an efficient and effective manner to promote the success of the Bank within an established framework of effective system of internal controls, robust risk management process and compliance with regulatory requirements. The Board also ensures that good corporate governance policies and practices are implemented within the Bank. While discharging its responsibilities, the Board acts in good faith, with due diligence and care, and in the best interests of the Bank and its shareholders.

The Bank will continue to invest in both, branches and digital technologies; as well as the organizational values and culture, building competencies that will enable us to lead the digital wave. Furthermore, the Bank is continuously improving digital processes and user experiences to cater to a larger ecosystem of services, which go beyond the products currently being offered by our competitor banks in the industry.

It is notable that the Bank has groomed and cultivated talent within the organization and several members of the senior management committee have ascended from the ranks through their hard work and dedication to a shared vision. We proudly acknowledge their accomplishments and their valuable contributory role in helping us achieve new heights in the banking industry.

Going forward in 2020, the Bank will continue its efforts to further improve the performance and enhance stakeholders' value. The Board has required the management to make efforts to revive, the mortgage assets business for further growth in the consumer banking business. Most importantly, the Bank will increasingly emphasize on its human capital by strengthening "a pay for performance culture" and improved succession planning process. In order to provide a platform to cater to the unbanked population, the Bank has piloted the launch of digital banking to increase its outreach. By introducing the "smart branch" concept, the Bank will also increase its distribution footprint. This will enhance the Bank's ability to mobilize deposits and invest increasingly in earning assets.

I join the Board in wishing the management every success in 2020, in making the Bank a top service provider in the industry and a profitable one for its shareholders.

Khalid Aziz Mirza
Chairman
June 30, 2020

CORPORATE INFORMATION
as of December 31, 2019

Board of Directors

Khalid Aziz Mirza	Acting Chairman
Rashid Akhtar Chughtai	Director
Shahzad Enver Murad	Director
Talha Saeed Ahmed	Director
Tariq Iqbal Khan, FCA	Director
Zubair Nawaz Chattha	Director
Masroor Ahmed Qureshi	Director
Azmat Shahzad Ahmed Tarin	Director- President & CEO

Company Secretary
Faiz Ul Hasan Hashmi

Chief Financial Officer
Khurram Khan

Audit Committee

Tariq Iqbal Khan, FCA	Chairman
Shahzad Enver Murad	Member
Masroor Ahmed Qureshi	Member
Wajih Zaidi	Secretary

Nomination, Remuneration & Human Resource Committee

Khalid Aziz Mirza	Chairman
Rashid Akhtar Chughtai	Member
Azmat Tarin	Invitee
Goharulayn Afzal	Secretary

Risk Management Committee

Shahzad Enver Murad	Chairman
Tariq Iqbal Khan, FCA	Member
Masroor Ahmed Qureshi	Member
Muhammad Atif Kauser	Secretary

Information Technology Committee

Zubair Nawaz Chattha	Chairman
Masroor Ahmed Qureshi	Member
Talha Saeed Ahmed	Member
Javed Yousuf Edhi	Secretary

Auditors
M/s. Grant Thornton Anjum Rahman (GTAR)
Chartered Accountants

Legal Advisor
M/s. Abdul Majeed & Co
Advocates & Corporate Consultants

Registered Office
Silkbank Limited,
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Islamabad.
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Email: companysecretary@silkbank.com.pk
Website: www.silkbank.com.pk

Share Registrar
M/s. CDC Share Registrar Services Limited
CDC House, 99 – B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400.
Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Silkbank Limited
Director's Report for the Year ended December 31, 2019

Dear Shareholders,
The Directors are pleased to present the 26th Annual Report and the audited financial statements for the year ended December 31, 2019.

Economic Review:
After achieving a 13-year high growth of 5.8% in FY18, Pakistan's economy in FY19 witnessed significantly lower growth of 3.29% against the ambitious target of 6.2% due to large current account deficit, monetary tightening, fragile government finances and limited foreign exchange reserves. In the light of this precarious position to continue in FY20, the SBP has projected GDP growth of mere 2.4% for FY20, which due to recent lockdowns and disruptions could be a negative growth number.

During entire 2019 underlying inflationary pressures remained strong and the twin deficits stayed at elevated levels, monetary policy was tightened with an increase in policy rate by 325 basis points to 13.25%. Average inflation in FY19 stood at 7.3% while 6MFY20 stood at 11.10%. SBP projects an average inflation of 11-12% for FY20. On the other hand, the fiscal deficit in FY19 stood at 8.9% of GDP as compared to the target of 4.9%. The target fiscal deficit for FY20 is 7.1% while SBP projects it to be 6.5-7.5%. Whereas, the actual numbers now would be much higher than this, again due to COVID-19.

Pakistan, in Dec 2019, received the second tranche of USD 453 million from IMF under $6 billion IMF bailout program spread over the span of three years. The current account deficit decreased substantially by 32% from $19.897billion in FY18 to $13.58billion in FY19 largely due to reduction of import bill and healthy growth in remittances from abroad. The improvement in external front resulted in 5.6% appreciation of PKR against USD after hitting the historic high of 164 against greenback in June 2019. The collective improvement in current account deficit, stability in exchange rate and rise in yield differentials have attracted USD 1.5 billion in foreign portfolio investment in government securities during 6MFY20. Due to multiple inflows, the country's FX reserves strengthened by 30% YoY and stood at USD 17.9 billion in Dec 2019 as compared to USD 13.7 billion in Dec 2018. Due to improvement in economic indicators, KSE 100 index after falling to lowest levels in Aug 2019 recovered sharply and stood at 40,887 points at the year-end.

However, the phase of optimism for Pakistan's economy receded rapidly after the outbreak of COVID-19 in the country which recorded its first case on February 26, 2020. In order to prevent the collapse of country's fragile healthcare system, the government announced complete country-wide lockdown on March 22, 2020 after the sharp rise in cases. Due to the adverse impact of lockdown on economy, the government announced a stimulus package of Rs 1.13 trillion (~ $7 billion). SBP also took drastic measures to keep monetary system afloat through monetary and quantitative easing. In the light of fall in projected inflation due to suppressed domestic demand, SBP slashed the policy rate by 525 basis points in two months' time; policy rate stands at 8% currently. Moreover, SBP also reduced the Special Cash Reserve Requirement to 10% from 15% on FE-25 deposits of the banks, which provided additional cushion to the monetary system. On the other hand, the situation of balance of payments deteriorated when the exports in April fall by 54% YoY due to cancellation in export orders and global slowdown in the business activities. In order to mitigate the impact of economic shock, government should come up with greater stimulus package coupled with more monetary easing.

Banking Sector:
Banking sector's profitability in recent years has been constrained by a series of one-offs and regulatory changes, including past pension costs, super and banking transaction taxes, deposit insurance, overseas penalties and provisions in addition to the dampening effects of narrowing spreads. During the 2019, bank's deposits grew by 12% YoY and stood at Rs 14.6 tn at the year-end while advances grew by mere 4% YoY and stood at Rs 8.1 tn in Dec 2019.

With the interest rate increasing from 5.75% to 13.25% in the span of one and a half year, the banking profitability was expected to surge in the upcoming years as spell of increases in interest rates had reversed the contraction cycle of net interest margin. However, 525 basis points cut in policy rates, post COVID 19, enabled commercial banks to book one-off capital gains on government securities but at the cost of narrowing spreads, which will put pressure on NII of the bank in coming years. Further, with the introduction of relief package for household and business by SBP, the risk of increase in Non-performing Loans (NPLs) for commercial banks has significantly reduced.

SILKBANK'S PERFORMANCE DURING 2019.

Financial Performance:
The Bank has posted an after-tax Loss of Rs. 3,953 million for the year ended December 31, 2019.

During this year, total deposits of the Bank grew by Rs. 16.19 billion to Rs.148.85 billion and gross advances increased by Rs.8.67 billion, to Rs.112.24 billion.

Summarized financial performance of Silkbank Limited for the year ended December 31, 2019, is as follows:

	2019	**2018**
	Rs. In million	
Net mark-up / return / profit / interest income	1,616	6,605
Provisions and write offs - net	(2,433)	(1,269)
Non mark-up / interest income	3,236	3,415
Non mark-up / interest expense	(8,248)	(6,874)
(Loss) / profit before Tax	(5,829)	1,877
Taxation	1,876	(547)
(Loss) / profit after Tax	(3,953)	1,330
		Rupee
Basic and diluted (Loss) / Earning per share	(0.44)	0.15

The loss declared by the Bank is primarily attributed to delay in payments from Real Estate customers of the Bank. The unexpected ban on construction of high-rise buildings in Karachi by the Supreme Court of Pakistan for a certain period of time adversely affected the Real Estate projects financed by the Bank.

As a result, the Bank had to classify lucrative Real Estate loans on prudent basis, with a concrete recovery plan in place.

Furthermore, the SBP during its last inspection identified a security shortfall in the real estate portfolio of the Bank. However, with the support of SBP, the shortfall so identified has been more than adequately covered through additional collateral valued by SBP nominated valuators. Those accounts stand classified as per SBP instructions.

SECTORAL PERFORMANCE.
Retail Banking:

- **Branch Banking**
  Branch Banking had an outstanding performance in the year 2019 with a spectacular deposit growth of approximately Rs 10 billion. This growth was reflected in core deposits which increased from PKR 42 billion in 2018 to PKR 52 billion in 2019, reflecting segments focus on building the stable deposits which also helped in reducing reliance from institutional deposits. Total deposit crossed PKR 87 billion with PKR 50.8 billion generated from CASA deposits, PKR 30.3 billion from Term deposits and PKR 6.47 billion from FCY deposits. .

  Silkbank Visa Debit Cards continued to show strong growth during 2019 increasing the total number of Cards to 172,490, with a growth of 27% compared to 2018. The usage of Debit Cards over Point of Sales during 2019 recorded a spend of PKR 1.8 billion against appx. 500,000 transactions reflecting a positive growth of 21% & 25% compared to 2018. The highest spend recorded in a month was PKR 173 million during December 2019. Silkbank ATM's dispensed more than PKR 23 billion exhibiting a positive growth of 10% compared to the previous year, through 2.1 mm transactions in 2019.

  The year of 2019 was the year of digitization for Branch Banking. It started with the initiation of Tab Based Banking Services with branches providing customers the convenience of Instant Biometric Verification Services at their doorstep. In addition to this, trials are underway to initiate Instant Account Opening through Tabs which will enable our front end teams to initiate new relationships at customer premises. This initiative is aligned with our long-term strategy of being customer centric while providing environment friendly banking services.

  Branch Banking also successfully completed the re-carding activity of Debit Cards by replacing all existing active plastics with Chip & Pin EMV compliant Debit Cards while introducing new variants of Platinum & Gold for High Net Worth Individuals and separate cards for our Ready Line and Eman Islamic customers.

- **ADC Business:**
  Silkbank Visa Debit Cards continued to show strong growth during 2019 increasing the total number of Cards to 172,490, with a growth of 27% compared to 2018. The usage of debit cards over point of sales during 2019 recorded a spend of Rs. 1.8 billion against appx. 500,000 transactions reflecting a positive growth of 21% & 25% compared to 2018. The highest spend recorded in a month was Rs. 173 million during December 2019. Silkbank ATM's dispensed more than Rs. 23 billion exhibiting a positive growth of 10% compared to the previous year, through 2.1 million transactions in 2019

Branch Banking also successfully completed the re-carding activity of Debit Cards by replacing all existing active plastics with Chip & Pin EMV compliant Debit Cards while introducing new variants of Platinum & Gold for High Net Worth Individuals and separate cards for our Ready Line and Eman Islamic customers.

- **Bancassurance:**
  Bancassurance business has shown a consistent growth in the year 2019 and stands at double digit growth of 11% from last year's performance. Total business issued in 2019 was Rs. 140 million as compared to issued business of Rs. 126 million in 2018. Moreover, Branch productivity has significantly increased through various attractive promos and a drive of "Participation from All" with total proposals generated in 2019 were 1,452 as compared to 1,299 of 2018.

Wholesale Banking:

Treasury & Financial Institutions.

Due to correct and timely anticipation of future policy rate cuts, Silkbank treasury accumulated GoP securities in 2019 and posted capital gains of Rs. 557 million from sale of PIBs, T-bills & Sukuks as compared to only Rs.24 million in CY18. Foreign Exchange desk also took utmost advantage from volatility in foreign exchange ready & forward market which enabled the bank to earn foreign exchange income of Rs.399 million compared to Rs. 350 million in CY18.

Through international and local correspondent banking network and arrangements, Financial Institutions (FI) Department made available treasury, trade and payment solutions for Conventional and Emaan Islamic banking and generated Rs. 70 million as non-funded earnings in 2019 as compared to Rs. 57 million in CY18.

FI also made available ample credit lines with counterparty institutions, resulting in smooth absorption of credit transactions under country and FI risks on account of Treasury, Trade Finance and Guarantee Businesses.

Corporate Banking Group

On the back of average advances of Rs. 40.00 billion, the net advances increased from Rs. 35.3 billion, an increase of 13.3%. Consequently YoY-18 net revenue increased to Rs. 3.92 billion, higher by 26.4%. Trade volumes showed expansion of Rs. 4.5 billion with 14% increment and stood at Rs. 37.7 billion in FY-18 from Rs. 33.1 billion in FY-2017.

Consumer Banking:

The Consumer Banking Division continues to perform exceptionally well, maintaining its growth momentum.

- **Unsecured Portfolio:**
  We kept our focus towards market development and exploring new opportunities through digitization and expanding reach into untapped markets. New acquisition channels of Branch acquisition channel, Employee Banking and Digital acquisition channel were introduced and made fully operational.

  2019 saw a steep rise in interest rates and inflation index, which hampered business growth & resulted in an overall economic slow-down. Consumer banking all over experienced high losses and focus shifted towards retention of good portfolio and keeping delinquencies under control.

The wining strategy revolved around capitalizing on market trends to timely execute new Segment Based features/product launches, Marketing Initiatives including Media Campaigns & Sales Promotions and a steadfast focus on providing our customers an unparallel Customer Experience across all touch points including enhanced focus on Digital Channels.

The game plan included various other initiatives which were taken such as prompt payment bonuses introduced, income and risk criteria was revised, low profile segments were identified based on performance and solicitation was stopped, top-up eligibility criteria was revised and rewards and incentive programs were introduced for collections staff.

All these initiatives aided Silkbank Consumer Banking to continue its tradition of over-achievement. In 2019 we booked 3 times more the number of loans and twice the more volume than our nearest competitor for PIL & RL and for the 4th consecutive year, we were the leading fresh credit card issuer in the market.

We booked a combined total of additional 72,462 accounts in 2019 with 16,045 Ready Line accounts, 11,267 Personal Installment loan accounts and 45,150 fresh credit cards. The total ENR increased to PKR 20 Billion for consumer banking, which resulted in us dominating the market with 38% market share among peer banks for PIL & RL.

- **Credit Cards:**
  2019 was another stellar year for Silkbank Credit Cards with all key indicators recording healthy gains. ENR (Ending Net Receivable) grew by PKR 1.2 Billion in 2019 compared to PKR 1.0 Billion in 2018, the largest yearly growth in ENR since launch of credit cards business. With 45,150 cards new cards, the CIF (Cards in Force) increased to 166,792. Retail spending on Silkbank Credit Cards in 2019 amounted to PKR 23.8 Billion, representing a year on year growth of 28% and this was further supplemented by FIP (Flexible Installment Plan) booking of PKR 3.3 Billion, an increase of 36% over last year. Portfolio health indicators also improved from last year with Credit Card activation rate increasing to 87% from 83%, which is the highest activation rate in the industry. Credit Card utilization rate also increased to 31% from 27% which is indicative that Silkbank Credit Cards are increasingly the preferred payment option for our customers compared to other alternatives. One of the biggest success stories of 2019 for Silkbank Credit Cards was the 237% improvement in value added service enrollments with 121,000 enrollments in 2019. Value Added Services are not only a vital source of generating non-funded income but improve customer value proposition. Total Alliances partners have grown to 450+, which has propelled Silkbank Credit Card Alliances Proposition to be the best in the market. One of the major programs launched was the free Gymnasium visits program for Silkbank Platinum Credit Card holders across multiple premium health clubs in Karachi, Lahore and Islamabad.

- **Ready Line:**
  During the year 2019, we successfully completed various critical tasks some of which were mandated by the regulator. Successful re-carding of entire portfolio with EMV

compliant debit cards, enrolment of all portfolio on digital transactions SMS alerts, and moving Ready Line to separate Bin were few of completed critical tasks.

Apart from various spend enhancement initiatives which included tactical promotions, cashback campaigns, targeted spend campaigns to channelize spend through SilkDirect Internet banking and Silk Mobile, many other value adding projects were initiated such as Verified by Visa (VBV) features on Visa Debit Card, Dual Interface VDC, EPP in Ready Line, Separate BTF rates, RL Platinum bin, Insurance products in Ready Line and Loyalty program which are under different stages of development.

We were able to close 2019 with Ready line ENR of Rs. 7.78 billion and a total customer base of 49,928 customers.

- **Personal Loans:**
  During the year 2019, the Consumer Banking Division decided to re-launch the successful '5 year loan, 4 year mark-up' campaign in Personal Loan as a market expansion initiative. The campaign was launched on radio and social mediums and proved to be a great success and aided in increasing acquisition, product awareness, as well as gaining market share. A new product variant "Smart Plan- End use defined" was also launched with 19 partners on-board.

  Simultaneously, to retain the existing customers, different campaigns & initiatives were launched such as top-up promotions and credit limit enhancement programs.

  As a result of these concerted efforts, the Bank has an active customer base of 25,620 taking the total ENR to Rs. 6.69 billion.

- **Secured Portfolio:**
  Fresh acquisition remained halted and focus was on retention of good portfolio. Silkbank M'Power, a running finance facility secured against residential and commercial properties stands at an ENR of Rs. 1.89 billion with 290 active customers at year end.

Emaan Islamic Banking (Emaan):
Emaan Islamic Banking is committed to play an active role in the growth of Islamic Banking industry by offering high standard Shariah compliant products and services through its fast growing banking network across country. Emaan Islamic deposit base has shown decent growth of Rs. 2,315 million reflecting 7% positive change versus last year, taking the total deposit base to Rs. 33,275 million with CASA TD Mix of 81:19. Advances registered a growth of Rs. 1,090 million with total footing at Rs. 27,991 million. Over 7,105 new to bank accounts were opened during the period, taking the total customer base to 29,188. Focus on Service & Quality was maintained throughout the year with "Good" rating. Emaan Islamic is fully committed to sustained growth by consistently focusing on best in class customer services and product suite along with prudent approach to building the balance sheet. The bank will continue to explore opportunities and invest in its digital capabilities and infrastructure to enrich our customer's banking experience through innovative banking solutions. We will continue to further strengthening our control and compliance environment by focusing on our people, culture and system.

Technology:
During the year 2019, Technology and Digital Innovation Division has taken various initiative in terms of technological advancements, introduction of services through seamless channels, improvements in existing systems as per mandates and regulation and business specified requirements. A number of technology-based initiatives were taken to support businesses, regulatory compliance and enhance customer services quality in 2019. IT complied with numerous SBP mandates in the year of 2019, such as Deposit Protection (DPC) Circular No. 01, 2019, Allow FCY Transactions on GL Accounts Filer / Non Filer, major enhancement in Anti Money Laundering System, Installation of Anti skimming Devices implementation on ATMs, Enhancement in Pool Management System for Islamic Banking, Interface with FBR System for submission of CRS Returns, Incorporation of Finance Act 2019. In addition, we have also fulfilled numbers of FBR, 1-Link & VISA mandates. We have also delivered numerous value-added products to business team. Major projects include Collection works (CWX), Introduction of multiple new VISA BINs, Biometric verification related services enhancement, ATM cards activation and PIN generation through Tab, EMV Chip & PIN Implementation on Cards and in- house chip personalization setup.

Technology and Digital Innovation Division revamped CRM for call center to provide one window solution and give 360 view of the incoming caller, reduce agent's average handle time significantly, prevent to switch multiple windows for information gathering, lead capture and customer interaction capture as a call disposition.

One of the major initiative of 2019 was Unified e-banking (with Internet Banking and Mobile Banking) project, in order to provide customers with wide array of secure and seamless services through Internet Banking and Mobile Banking.

ITD is working as a team and continuously providing its assistance, support, and services to all the departments so that they could achieve their business goal and provide excellent service to the customers.

Human Resource:
In 2019, Human Resources Division (HRD) has been actively involved in employee recruitment, engagement, and development. To promote the Silkbank brand and achieve the status of Employer of Choice, the recruitment team participated in Career Fairs organized by leading business schools earlier this year. HRD also launched its Summer Internship program in June where 100 students were hired from top institutes across Pakistan, developing a pipeline for future hiring. The Learning and Development (L&D) unit has been actively involved in employee professional and skill development by organizing a number of new training workshops and programs, including Service Excellence, Anti-Harassment, Time & Stress Management, Personal Grooming, Personal Productivity Toolkit, and Advanced Excel. Till December end, 3,037 employees have been trained pan-Pakistan and 20,290 training hours have been completed. L&D has also launched the Training Needs Assessment (TNA) using a three-tier approach, in order to develop an even more productive 2020.

Customer Service & Quality (CS&Q):
Silkbank's focus has always been on providing exceptional services not only to its customers but also to non-customers who visits our branches. During the year in review, CSQ has reengineered processes, such as Self-Complaint Registration and the Staff Service Management System (SSMS). The SSMS was revamped to streamline internal complaints through a portal. CSQ has also empowered call center staff to resolve credit card financial charges issues to improve first call resolution. The CSQ has also updated the CRM at the Call

Center to improve PBO productivity and strengthened controls. The Call Center also handled additional calls of re-carding of VCC and VDC along with BAU calls.

During the year 2019, significant improvements were made by CSQ towards complaint resolution and resultantly, 96% complaint were resolved within 8 day.

While keeping ion view the expense management and cost savings, the Customer Management Unit of CSQ spent less on courier & stationery by switching to electronic correspondence with customers.

Criteria for mystery shopping program was revised and focused trainings were conducted, resultantly there was an upward trend in attributes like Cash Counter Services, which increased from 93% to 96%, Telephone Services from 84% to 92%, Welcome & Greeting from 78% to 89% and Product Knowledge improved from 65% to 76%

Competition Mystery Shopping was conducted in 2019, whereby, Silkbank's performance was much better when compared with peer banks. Cash Counter Services turned out to be our strength with a score of 95% for Conventional branches and 84% for Emaan Branches. Silkbank's Product Knowledge is comparatively better than its competitors. City-wise results showed that Silkbank performed better than other banks in Islamabad and Multan.

Corporate Social Responsibility & impact of business on environment:

Green banking is an emerging concept in the field of Banking. It is aimed at making Banking processes, use of IT and physical infrastructure more ecological and efficient with minimal impact on environment. State Bank of Pakistan has introduced Green Banking guidelines in 2017 and is constantly pursuing banks to adopt environment friendly practices and build a green portfolio. Silkbank in the same vein has also started environment friendly banking practices which include eco-friendly light system, implementation of Solar Powered ATMs, Solar power as an alternate source of Energy in few branches and digitalization of the branches to reduce paperwork in order to achieve long lasting sustainable growth.

The Bank installed solar systems which are currently being used by 36 branches to feed essential power requirements, which include ATM, IT systems, essential lighting and, alarm systems. These branches use solar power during daytime and switch automatically to the national grid at night. During power outages, these branches rely on solar energy to provide back-up support. The Bank plans to convert all its ATM booths to green ATMs eventually. These hybrid systems also help the Bank to save electricity during weekends and public holidays as the branches switch to solar power to save fuel cost.

An Array of Digital Banking services has also been introduced by the Bank which helps to reduce the dependence on paper. These services include eco-friendly digital initiatives like Internet Banking, Mobile Banking, SMS and E-Statements etc.

Board of Directors:

Mr. Munnawar Hamid, Chairman of the Board upon completing his 3 terms as an independent director of the Bank, tendered his resignation requesting the Board to appoint an independent director as the new Chairman of the Board of the Bank. The Board accepted his resignation with effect from January 02, 2019.

During the year Mr. Nasim Beg tendered his resignation with effect from September 05, 2019.

The Board has appointed Mr. Masroor Ahmed Qureshi as Non- Executive Director on the Board of the Bank with effect from November 12, 2019.

The Board extends its deepest appreciation to Mr. Munnawar Hamid and Mr. Nasim Beg for their valuable and consistently high-quality contribution to the Board and Board Committees. This went a long way in the effective direction of the successful development and management of the Bank through its various difficulties over the years, towards what is expected now to be a prosperous future. At present, the composition of the Board is as follows:

Types of Director	No of Directors
Independent Director	3
Non-Executive Director	3
Executive Director	2

Names of the persons who, at any time during the financial year, were directors of the Bank:

1. Mr. Khalid Aziz Mirza
2. Mr. Rashid Akhtar Chughtai
3. Mr. Shahzad Enver Murad
4. Mr. Tariq Iqbal Khan, FCA
5. Mr. Talha Ahmed Saeed
6. Mr. Zubair Nawaz Chattha
7. Mr. Masroor Ahmed Qureshi**
8. Mr. Azmat Tarin
9. Mr. Munnawar Hamid, OBE*
10. Mr. Nasim Beg*

** As stated above, Mr. Munnawar Hamid, OBE & Mr. Nasim Beg have resigned from the Board of the Bank.*

*** As stated above, Mr. Masroor Ahmed Qureshi was appointed as Non- Executive Director on the Board of the Bank.*

Composition of Board Committees:

In accordance with the SBP guidelines, the Board has formed following Committees, composition of which are as follows:

Audit Committee

Tariq Iqbal Khan, FCA	Chairman
Shahzad Enver Murad	Member
Masroor Ahmed Qureshi	Member
Wajih Zaidi	Secretary

Nomination, Remuneration & Human Resource Committee

Khalid Aziz Mirza	Chairman
Rashid Akhtar Chughtai	Member
Azmat Tarin	Invitee
Goharulayn Afzal	Secretary

Risk Management Committee

Shahzad Enver Murad	Chairman
Tariq Iqbal Khan, FCA	Member
Masroor Ahmed Qureshi	Member
Muhammad Atif Kauser	Secretary

Information Technology Committee

Zubair Nawaz Chattha	Chairman
Masroor Ahmed Qureshi	Member
Talha Ahmed Saeed	Member
Javed Yousuf Edhi	Secretary

The above-mentioned Board Committees has been reconstituted on June 18, 2020 due to the following changes during the year in Board of Directors:

- ***Mr. Naism Beg, resigned from the Board of the Bank with effect from September 05, 2019.***

- ***Mr. Masroor Ahmed Qureshi was appointed as Non- Executive Director on the Board of the Bank with effect from November 12, 2019.***

Performance Evaluation of Board of Directors:
In compliance with the guidelines on performance evaluation of Board of Directors, issued by the State Bank of Pakistan, a questionnaire formulated by the Pakistan Institute of Corporate Governance was placed before the Board. The questionnaire was divided into two parts: Board as a whole (which also includes the Board Committees) and individual director evaluation (undertaken by the Chairman). Apart from these, the Board members were also provided an opportunity to give their opinion on any emerging issue.

The questionnaire covered all aspects of Board structure, size, composition, responsibilities as well as the performance of individual directors and its committees. The results/feedbacks received from Directors on the basis of this questionnaire were compiled by means of quantitative techniques and have been considered by the Board to review its overall standards & performance.

Corporate and Financial Reporting Framework:
The Board is committed to its responsibilities under the Code of Corporate Governance of the SECP. In doing so, it wishes to make the following statements:

a) The financial statements prepared by the management of the Bank, present fairly its state of affairs, the result of its operation, cash flow and changes in equity.

b) Proper books of account of the Bank have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

e) The system of internal control is sound in design and has been effectively implemented and monitored. Management's statement on internal control is enclosed herewith which is endorsed by the Board as required by the State Bank of Pakistan. The Board is ultimately responsible for the Bank's system of internal control and reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives and by its nature can provide only reasonable and not absolute assurance against material misstatement or loss.

   The process used by the Board to review the effectiveness of the system of internal control includes, inter alia, the following:

   i) An audit committee has been formed with approved terms of reference and reports to the Board. It reviews the approach adopted by the Bank's internal audit department, as well as the scope of and its relationship with the external auditors. It also receives reports from the internal audit, and any material control weakness that is identified is discussed and agreed actions are taken in areas of concern.

   ii) An organization structure has been established which supports clear lines of communication and tiered levels of authority with the delegation of appropriate responsibility and accountability.

   iii) Business strategies agreed at divisional level are approved by the Board. In addition there is an annual budgeting and strategic planning process. These strategies are reviewed during the year to reflect any significant changes in the business environment.

   iv) The principal features of control framework include:

   - Evaluation and approvals procedures for major capital expenditure and other transactions.
   - Regular reporting and monitoring of financial performance using operating statistics and monthly managements accounts which highlight key performance indicators and variance from budget and quarterly forecasts.
   - Review of the health, safety, environment and contingency management processes and other significant policies.
   - Further, reviews of the system of internal control are also carried out by the internal audit department and management conclusions on internal control are confirmed by divisional management to the Board.
   - There are no significant doubts upon the Bank's ability to continue as a going concern.

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

f) The value of investments of Provident fund and Gratuity Fund is Rs. 763.00 million and Rs. 554.00 million, respectively, as per the un-audited financial statements of these funds for the year ended December 31, 2018.

Risk Management Framework:
Consistent efforts have been carried out over the years for improvement in the overall Risk Management function, resulting in better control & risk environment plus creating an overall "Risk Culture" within the Bank. With the growing shift towards Basel Implementation on a successive basis and enhanced focus for management of risk on an integrated pattern, following are some important aspects of the Risk Management Function at Silk Bank Limited:

A. Credit Risk
Managing of credit risk is considered one of the key functions at RMG. Independent Risk Management Units catering to the Corporate / Commercial / SME and Consumer segments are fully operational and clearly follow the laid-out procedures formulated in the form of policies / Manuals and Product Programs. Credit Risk is thus continuously monitored by the respective sanctioning units. Broad based Credit Approval Authorities have also been delegated to various approvers for credit sign off. Additionally, Credit Administration units are in place for all segments of the Bank, effectively taking care of all documentation and safe keeping. The Bank has developed in- house Obligor Risk Rating (ORR) models / systems for Corporate, Commercial and SMEs, which are regularly reviewed/ updated. Besides RMG also has a robust Early Warning System (EWS) reporting in place. RMG had also put in place a facility risk rating (FRR) model which now stands fully implemented on a bank wide basis and effectively measures the risk in relation to each facility granted to all customers. These processes are capable of identifying problem loans at an early stage for timely remedial actions. Results for establishing these systems are now beginning to reflect in the management letter issued by the external auditors and the annual reports complied by the SBP inspection teams through reduced instances of system and procedure failures.

With major emphasis on the implementation of IFRS -9, RMG is geared up for meeting the additional requirements under this accounting standard as prescribed by the SBP. In addition, all business units have been issued clear instructions to comply with the remaining outstanding issues relating to SBP and the External auditors.

Under Consumer Banking, a separate collection unit operates for follow up and recovery of loans responsible for a strong recovery stream of written off consumer loans, thus ensuring a pivotal role in bolstering business growth for the bank during the year. A centralized Special Assets Management Unit is also in place and is primarily responsible for handling the NPL accounts and recovery process. The unit is performing its task in a professional and efficient manner. RMG has also kept a close watch on the accounts identified as having developed "Potential Weaknesses". Business units are required to provide quarterly updates on such accounts which are then comprehensively reviewed by RMG and strategies going forward are debated upon with all stake holders. As per practice, this list is also shared with the Risk committee of the board during quarterly meeting and their input is invariably sought for implementation.

Besides various management committees of the bank, Credit Risk is also overviewed by the Risk Committee of the Board on an ongoing basis. Regular guidance is sought from the Board on credit related matters and the findings are implemented in letter and spirit. During the year major emphasis was placed on Macro issues to ensure that the overall health of the credit portfolio remains intact.

In addition, RMG also kept a close watch on various industrial sectors to ensure that higher risk areas are avoided and prescribed limits are adhered to. Exceptions (If any) were duly reported to the Board.

B. Market Risk

A Middle Office function (independent of the Treasury) has been established within the Bank with the primary responsibility of monitoring the market risk function and onward reporting to the Head of Risk Management Group. Investment Committee (IC), Market Risk Policy Committee (MRPC) and Asset and Liabilities Committee (ALCO) are also functioning to supervise and approve Market Risk exposures. At Silk Bank, we have a well-defined Liquidity Policy, duly approved by the Board. Presently, various excel based tools are in use to generate MIS on Market Risk and reporting to the senior management and regulators. We have also successfully set up the "Web Tech system and T-Risk Module" which is capable of generating sophisticated modeling reports and independent monitoring of various treasury functions in a live environment.

C. Operational Risk

Under Operational Risk, appropriate Operational Policies and Procedures have been documented and disseminated for managing operational risk on a bank wide basis. Operational Risk Manual has since been prepared and approved by the Board. Risk Control self-assessment questionnaires have also been sent across to various segments of the bank and based on their feedback we plan to implement the process on a bank wide basis during the current year.

Operational Risk reporting under OLED has been initiated in the bank and a detailed procedural guideline has been duly approved by the Senior Management. All segments and departments of the bank have been advised for regular reporting. Workshops for the benefit and understanding of reporting units are being held for all related staff, enabling them to report all incidents to RMG for reporting and capturing of loss data within the bank.

After successful implementation of the framework, we have now started collection of the required loss event data on monthly basis and are now dealing with the issues, hands on. This data is the first step towards forming the historical pool which will help in improving our procedures further. Board's risk committee is regularly updated on the progress being made in this regard.

An Internal Control Unit is also operational with the primary task of over-viewing and ensuring implementation of various operational guidelines and monitoring tools and reconciliation across the Bank. Additionally, an independent Internal Audit function is also in place within the Bank, reporting to the Audit Committee of the Board. A Proper Compliance Department is also functional, inter alia to ensure that all legal and regulatory requirements are properly addressed in addition to the implementation of Anti Money Laundering and Know your Customer (AML/KYC) Policies.

In this respect, appropriate training to relevant staff has been imparted including training on strict monitoring of transactions and AML/KYC. Business Continuity Plan (BCP) is also in place to deal with any eventuality. Self-Assessment of Key Risk Indicators (KRI's) and compliance of standards, codes and guidelines is regularly carried out and documented

Directors' Training:

All Directors on the Board are fully conversant with their duties and responsibilities as Directors of the Bank. Three Directors of the Bank have obtained the required certification whereas, four Directors of the Bank stand exempted from the requirement of the said certification and the remaining Directors will obtain it within the prescribed time.

Board of Director's & Committees' Meetings during 2019:

During the year 2019, following Board and its Committees meetings were held. Attendances by the Directors & President &CEO were as follows:

S.No.	Directors	Board Meetings		Audit Committee Meetings		Human Resource Committee Meetings		Risk Committee Meetings		IT Committee Meetings	
		Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
1	Mr. Khalid Aziz Mirza	4	4	-	-	4	4	-	-	-	-
2	Mr. Nasim Beg*	4	3	4	3	-	-	-	-	1	1
3	Mr. Rashid Akhtar Chughtai	4	4	-	-	4	4	-	-	-	-
4	Mr. Shahzad Enver Murad	4	4	4	4	-	-	4	4	-	-
5	Mr. Tariq Iqbal Khan, FCA	4	4	4	4	-	-	4	4	-	-
6	Mr. Talha Saeed Ahmed	4	4	-	-	-	-	-	-	-	-
7	Mr. Zubair Nawaz Chattha	4	4	-	-	-	-	-	-	1	1
8	Mr. Masroor Ahmed Qureshi**	-	-	-	-	-	-	-	-	-	-
9	Mr. Azmat Shahzad Ahmed Tarin	4	4	-	-	-	-	-	-	-	-

Leave of absence was granted to the Directors who could not attend the meeting.

As stated above, Mr. Nasim Beg resigned from the Board of the Bank.

***** As stated above, Mr. Masroor Ahmed Qureshi was appointed as Non- Executive Director on the Board of the Bank.***

Pattern of Shareholding:

The pattern of shareholding as required under the Companies Act, 2019 and the Companies (Code of Corporate Governance) Regulations, 2019 is as follows:

Combined pattern of CDC and Physical Share Holding as at December 31, 2019

S. No.	Categories of Shareholders	Number of Shareholders	Shares Held	Percentage %
01	Directors, Chief Executive Officer and their spouse(s) and minor children	10	439,557,612	4.84
02	Associated Companies, undertakings and related Parties	9	5,666,262,093	62.39
03	Executives*	13	39,271,471	0.43
04	Public Sector Companies and Corporations	5	99,421,996	1.09
05	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	7	4,384,338	0.05
06	Mutual Funds	1	20,880,417	0.23
07	General Public – Foreign	25	259,296,515	2.86
08	General Public – Local	7415	2,133,188,488	23.49
09	Others	83	419,598,307	4.62
	Total:	**7568**	**9,081,861,237**	**100.00**

*In accordance with the Pakistan Stock Exchange (PSX) definition of the term "Executive" used in clause No. 5.6.1 (d) (Disclosure of Price-Sensitive Information To The Exchange) of Chapter 5 of PSX Rule Book, the Board of Directors of the Bank has passed a resolution in its 154th meetings held on October 28, 2016 & set the threshold for the term "Executive" as the CEO, COO, CFO, Head of Internal Audit and Company Secretary by whatever name called, and covering employees of the Bank of Grade - 8 and above.

The aggregate shares held by the Directors, Chief Executive and their spouse and minor children along with Associated Companies, Undertakings Related Parties and Mutual Funds as at December 31, 2019

S. No.	Categories of Shareholders	Number of Shares held	Category wise No. of Folios / CDC Acs.	Category wise Shares held	Percentage
	Directors, Chief Executive Officer and their Spouse and Minor Children		**10**	**439,557,612**	**4.84**
01	Mr. Khalid Aziz Mirza	500			
02	Mr. Rashid Akhter Chughtai	500			
03	Mr. Masroor Ahmed Qureshi	500			
04	Mr. Shahzad Enver Murad	500,000			
05	Mr. Tariq Iqbal Khan	16,997			
06	Mr. Zubair Nawaz Chattha	415,626,000			
07	Mr. Azmat Tarin	20,013,115			
08	Mrs. Farah Naz Tarin W/o Azmat Tarin	200,000			
09	Mrs. Saima Shahzad Murad W/o Shahzad Enver Murad	3,200,000			
	Associated Companies, Undertakings and Related Parties. (5% & above shareholding).		**9**	**5,666,262,093**	**62.39**
01	Arif Habib Corporation Limited	2,563,901,924			28.23
02	Mr. Shaukat Tarin*	1,049,091,791			11.55
03	International Finance Corporation	702,689,067			7.74
04	Mr. Zulqarnain Nawaz Chattha	678,126,000			7.47

05	Nomura European Investment Limited	356,676,342			3.93
06	Bank Muscat S.A.O.G	315,776,969			3.48
	Mutual Funds		**1**	**20,880,417**	**0.23**
01	CDC - Trustee National Investment (Unit) Trust	20,880,417			

* The total shareholding of Mr. Shaukat Tarin actually stands at 1,106,091,791 shares. i.e.12.18% in the Bank, out of which as of December 31, 2019, an amount of fifty-seven million (57,000,000) shares of Mr. Shaukat Tarin have been kept with Pearl Securities Limited.

During the Year, Mr. Masroor Ahmed Qureshi, Director Silkbank Limited has purchased 500 shares from open market required as qualification for shares being on the Board of the Bank.

Mr. Khurram Ali Malik, Area Manager – Branch Banking of Silkbank Limited, has sold 3,000 shares to the open market. The bank has reported the same to the Pakistan Stock Exchange in compliance of clause No. 5.6.1. (d) of PSX Regulations. Apart from this, there was no other trading in Silkbank shares carried out by any of the Directors and Executives or their spouses and minor children during the year.

Auditors.

The retiring auditors, being eligible, offer themselves for re-appointment till the conclusion of the next Annual General Meeting. The Audit Committee of the Board has recommended M/s. M/s. Grant Thornton Anjum Rahman (GTAR), Chartered Accountants, the retiring auditors, as the statutory auditors of the Bank for the financial year 2020.

Compliance with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR).

As at Dec 31, 2019, the equity of the Bank stood at Rs. 10.52 billion excluding surplus on revaluation of assets. This includes share capital (net of losses and discount on shares) of Rs. 9.69 billion. By virtue of this, the Capital Adequacy Ratio (CAR) of the Bank is 5.81%.

The Bank is pleased to report that in the declining interest rate scenario, the Bank has built up its PIB portfolio to ride the yield curve and record capital gains.

The said strategy of the Bank has reaped great results and helped the Bank to record major gains to the tune of Rs. 540 million in 4th quarter ended December 31, 2019.

Furthermore, the Board has given certain targets to the management that will ensure improvement in all key ratios of the Bank in 2020.

Key steps are enumerated below:

a. Reduction in Corporate / Real Estate portfolio of the Bank.

b. Reduction in non-earning assets (OREO, others).

c. Improvement in profitability of the Bank in 2020.

d. Reduction in advances in the Corporate / Islamic portfolio will be compensated by increase in Consumer and SME loans, the magnitude of which may not be large but will have a positive effect on profitability, due to bigger margins.

e. Closure / shifting of loss-making branches.

f. Fully integrated digital experience with physical distribution.

The Bank is confident of achieving CAR compliance in 2020.

Credit Rating:
The long-term entity rating of the Bank is A- (Single A Minus) and the short-term rating is A-2 (A-Two) as determined by "JCR VIS" Credit Rating Company Limited. The outlook on the assigned rating is "Stable".

Future Outlook:
The Bank's progress in 2019 was curtailed due to decline in real estate prices on account of the economic situation of the country.

The unexpected ban on construction of high rise buildings in Karachi by the Supreme Court of Pakistan for a certain period of time adversely affected the Real Estate projects financed by the Bank. As a result, the Bank had to classify lucrative Real Estate loans on prudent basis, with a concrete recovery plan in place.

Furthermore, the SBP during its last inspection identified a security shortfall in the real estate portfolio of the Bank. However, with the support of SBP, the shortfall so identified has been more than adequately covered through additional collateral valued by SBP nominated valuators.

The Bank expects substantial payment against these loans in 2020, which would make these accounts regular and improve the bottom line of the Bank. Letters of Intent evidencing the future sale of major real estate portfolio of the Bank already stand executed, with established timelines.

As a result of the declining interest rate in 2019 / 2020, the Bank after booking of approximately Rs. 1.5 billion from September 30th, 2019 to March 31st, 2020, has further booked an unreported gain of over Rs. 4.4 billion approximately in second quarter ended June 30th, 2020, on its PIB portfolio.

This portfolio may yield further gains for the Bank with further decrease in the discount rate.

The Board has additionally required the management to make efforts to revive, the mortgage assets business for further growth in the consumer banking business. Most importantly, the Bank will increasingly emphasize on its human capital by strengthening "a pay for performance culture" and improved succession planning process.

In order to provide a platform to cater to the unbanked population, the Bank has piloted the launch of digital banking to increase its outreach.

By introducing the "smart branch" concept, the Bank will also increase its distribution footprint. This will enhance the Bank's ability to mobilize deposits and invest increasingly in earning assets.

With the successful implementation of the strategies outlined above, your Directors are hopeful that the Bank will report profits in the years to come.

Acknowledgement:

We, once again, take this opportunity to express our deepest gratitude to our customers and business partners for their continued support and trust, and our sincere appreciation to the State Bank of Pakistan for their guidance and cooperation.

We are also equally thankful to our associates, staff and colleagues for their committed services, and look forward to their continued support.

For and on Behalf of the Board of Silkbank Limited

Azmat Tarin
President & CEO

Khalid Aziz Mirza
Acting Chairman

Karachi, June 30, 2020

SILKBANK

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Silk Bank Limited
For the Year ended December 31, 2019

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

1. The total number of directors are 8 as per the following:

   a. Male: 8
   b. Female: 0

2. The composition of the Board is as follows:

i.	Independent Directors	Mr. Khalid Aziz Mirza Mr. Shahzad Enver Murad Mr. Rashid Akhtar Chughtai
ii.	Non-Executive Directors	Mr. Tariq Iqbal Khan, FCA Mr. Zubair Nawaz Chattha Mr. Masroor Ahmed Qureshi
iii.	Executive Directors	Mr. Talha Ahmed Saeed Mr. Azmat Shahzad Ahmed Tarin

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.

4. The Bank has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the 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 the Board.

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. All the Directors on the Board are fully conversant with their duties and responsibilities as Directors of the Bank. The following four Directors have obtained certification from Pakistan Institute of Corporate Governance (PICG)/Institute of Chartered Accountants of Pakistan (ICAP)/ Lahore University of Management Sciences:

   - Mr. Shahzad Enver Murad
   - Mr. Tariq Iqbal Khan, FCA
   - Mr. Talha Ahmed Saeed
   - Mr. Zubair Nawaz Chattha.

   Whereas, the following two Directors of the Bank stand exempted from the requirement of the said certification:

   - Mr. Khalid Aziz Mirza
   - Mr. Rashid Akhtar Chughtai

   The remaining Directors will obtain required certification within the prescribed time.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, and complied with relevant requirements of the Regulations.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee

Tariq Iqbal Khan, FCA	Chairman
Shahzad Enver Murad	Member
Masroor Ahmed Qureshi	Member
Wajih Zaidi	Secretary

b) Nomination, Remuneration & Human Resource Committee

Khalid Aziz Mirza	Chairman
Rashid Akhtar Chughtai	Member
Azmat Tarin	Invitee
Goharulayn Afzal	Secretary

c) Risk Management Committee

Shahzad Enver Murad	Chairman
Tariq Iqbal Khan, FCA	Member
Masroor Ahmed Qureshi	Member
Muhammad Atif Kauser	Secretary

SILKBANK

d) Information Technology Committee

Zubair Nawaz Chattha	Chairman
Masroor Ahmed Qureshi	Member
Talha Saeed	Member
Javed Yousuf Edhi	Secretary

The above-mentioned Board Committees has been reconstituted on June 18, 2020 due to the following changes during the year in Board of Directors:

- ***Mr. Naism Beg, resigned from the Board of the Bank with effect from September 05, 2019.***
- ***Mr. Masroor Ahmed Qureshi was appointed as Non- Executive Director on the Board of the Bank with effect from November 12, 2019.***

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

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

a) Audit Committee	Quarterly
b) Nomination, Remuneration & Human Resource Committee	Quarterly
c) Risk Management Committee	Quarterly
d) Information Technology Committee	Quarterly

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

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Bank.

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 requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with.

For and on Behalf of the Board of
Silkbank Limited

Azmat Shahzad Ahmed Tarin
President & CEO

Khalid Aziz Mirza
Acting Chairman

Karachi, June 30, 2020

SILKBANK

SILKBANK LIMITED
Management's Statement on Internal Controls as of December 31, 2019

This statement is issued in compliance with the State Bank of Pakistan (SBP) BSD Circular No: 07 of 2004 on Internal Controls.

An internal control system is a set of process and procedures designed to identify and mitigate the risk of failure to meet the business objectives of the Bank It is the responsibility of the Bank's management to establish an internal control system to maintain an adequate and effective internal control environment. Maintaining effective controls is an integral part of the management and accountability function in Silkbank. The focus of internal control both as a concept and a management tool has evolved over the years to a broad-based risk assessment and mitigation system covering all areas of operations in the Bank.

As part of the strategy to ensure effective monitoring and improvement of internal controls, the Bank has implemented the COSO framework of internal controls, in line with regulatory guidelines (ICFR) and COSO implementation (BSD-7). With regular monitoring and improvement of the defined controls, the overall control environment in the Bank is now geared to provide reasonable assurance to the Bank's management and other stakeholders.

The Bank's Internal Controls System has been designed to provide reasonable assurance to the shareholders and the Board of Directors. The Bank endeavors to proactively follow the State Bank of Pakistan's guidelines on Internal Controls. During the year, the Management has further strengthened the day to day monitoring of control breaches for prompt corrective actions. Compliance and Internal Control Division conducted reviews of processes in branches to identify gaps in execution with special emphasis on the implementation of regulatory instructions.

The management has established a Compliance Committee of Management and a Controls Committee to monitor review and provide oversight of compliance and control related matters across all units and locations of the Bank Where known gaps exist, corrective action plans are in place to address them and are reviewed/ monitored by the respective Committee. In addition, the committee acts as an oversight authority and supports the Board in embedding a compliance and control culture in the Bank. Compliance function tracks progress of all significant issues raised in regulatory examinations and the status is reported at the Compliance Committee of Management.

The compliance function ensures Bank's compliance with all applicable laws, regulations and code of ethics. The Compliance role is to strengthen the compliance environment and minimize compliance risk across the institution through effective adherence to applicable laws, regulations, guidelines and the Bank's internal policies and procedures.

An organizational structure has been established which supports clear lines of communication and tiered levels of authority and segregation of duties commensurate with accountability.

The Bank has established an effective Internal Audit structure, reporting directly to the Audit Committee of the Board. Internal Audit conducts risk-based audits of activities and processes to evaluate the adequacy and effectiveness of the control environment of the Bank. All significant/material findings of Internal Audit and External Audit are reported to the Board Audit Committee (BAC) with agreed management actions and timelines. Internal Audit tracks closure of all findings through validation of agreed management actions and the status is regularly reported at the Management s Control Committee and at the BAC. BAC oversees implementation of internal controls to ensure that any identified risks are mitigated to safeguard the interest of the Bank.

The Bank follows the SBP s instructions on Internal Controls over Financial Reporting (ICFR) and has complied with the SBP s stage-wise implementation roadmap. As part of this exercise, the Bank has an Internal Control Department established to proactively monitor and validate Controls in line with Regulatory guidelines (ICFR) and COSO implementation (BSD-7).

The significant and material findings of the internal & external auditors and regulators were addressed on a priority basis by the management and their status was periodically reported to the Board Audit Committee

The Bank has implemented various key policies and procedure guidelines/manuals covering all the areas of management and operations including those related to Branch Banking Operations, Centralized Operations, Trade Business, Treasury, Credit Risk, HR, Finance, Compliance and Administration.

Management gives due consideration to the recommendations made by the internal and external auditors for improvements in the internal control system and takes action to implement such recommendations.

The management has established evaluation and approval procedures for all major capital expenditure and other transactions.

There is an annual budgeting and strategic planning process in the Bank. Financial forecasts are reviewed on a periodical basis to reflect significant change in the business environment. Regular reporting and monitoring of financial performance of the departments and the Bank as a whole has been implemented, using statistics and monthly management accounts to highlight key performance indicators and variance from budgets and forecasts.

The Bank has implemented various significant policies covering all the areas of operations including those relating to employee's welfare and contingency management processes.

Management also emphasizes on imparting of training to enhance knowledge and understanding of the Bank's internal policies and procedures and prudential regulations. This has greatly contributed towards strengthening of the control environment.

The Bank is continuously making efforts to ensure that an effective and efficient Internal Controls System remains active and implemented through consistent and periodic monitoring that would help further strengthening of the overall control environment.

Azmat Tarin
President& CEO

Karachi, June 30, 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SILKBANK LIMITED

Report on the audit of the financial statements

Opinion

We have audited the annexed financial statements of **Silkbank Limited** (the Bank), which comprise the statement of financial position as at **December 31, 2019**, and the statement of profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 10 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 statement of financial position, statement of profit and loss account, the statement of comprehensive income, statement of changes in equity and 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 December 31, 2019 and of the loss and other comprehensive loss, 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.

Emphasis of Matters

1. As disclosed in note 1 to the financial statements, the Bank has not been able to meet the Capital Adequacy Ratio (CAR) and Minimum Capital Requirement (MCR) of the Bank prescribed by the State Bank of Pakistan (the SBP) as at year December 31, 2019.

2. We draw attention to note 15.3 to the financial statements that refers to the Bank's breach of Debt Property Swap Regulation.

3. As disclosed in note 14.1 to the financial statements which states that the deferred tax asset has been recognized in these financial statements on the basis of financial projections for the future years approved by the Board of Directors of the Bank. The preparation of financial projection involves management assumptions regarding future business and economic conditions and significant change in assumptions may have impact on recoverability of the deferred tax assets.

4. As disclosed in note 11.3.3 to the financial statements, the Bank has significant exposure in borrowers dealing in general trading and real estate business against which the Bank has made provision during the year.

Our opinion is not modified in respect of the above matters.

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.

Key Audit Matters	How our audit addressed the key audit matters
Provision against advances As described in note 11 to the financial statements, the Bank makes provision against advances on a time based criteria that involves ensuring all non-performing loans and advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP). In addition to the above time based criteria the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances. The PRs also require the creation of general provision for certain categories of advances. The Bank has recognized a net provision against advances amounting to Rs. 2,635.216 million in the profit and loss account in the current year. As at December 31, 2019, the Bank holds a provision of Rs. 6,861.935 million against advances.	Our audit procedures to verify provision against advances included, amongst others, the following: We obtained an understanding of the design and tested the operating effectiveness of key controls established by the Bank to identify loss events and for determining the extent of provisioning required against non - performing advances. We selected a sample of loan accounts and performed the following substantive procedures: • checked repayments of loan / mark-up installments and tested classification of non-performing loans based on the number of days overdue. • evaluated the management's assessment for classification of customers' loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and through discussions with the management.

The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall statement of financial position of the Bank, we considered the area of provision against advances as a key audit matter.	We checked the accuracy of specific provision made against non-performing advances and of general provision by recomputing the provision amount in accordance with the criteria prescribed under the PRs.
Gratuity obligation valuation As described in note 5.1.5 and note 22 to the financial statements, the Bank operates an approved defined benefit plan. The Bank recorded a net retirement obligation amounting million to Rs. 57.812 million (2018: Rs. 49.491 million). The gratuity valuation is dependent on market conditions and assumptions made. The risk specifically relates to the following key assumptions; discount rate, inflation expectations and other assumptions. The setting of these assumptions is complex and requires the exercise of significant actuarial assumptions.	We obtained detailed understanding and evaluated the design and implementation of controls that the Bank has established in relation to the book keeping process. We reviewed the data provided to actuary and results derived to obtain sufficient and appropriate audit evidence over the assumptions and valuation. We evaluated qualification of actuary. In testing the gratuity valuation, we reviewed the key actuarial assumptions used, both financial and demographic, and considered the methodology utilized to derive these assumptions.
IFRS 16 – Leases As described in note 6.1 to the financial statements, the Bank has adopted IFRS 16 "Leases" with effect from January 1, 2019. IFRS 16 introduces a single on balance sheet lease accounting model for leases entered into by the lessees. A lessee recognises a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. On adoption of IFRS 16, the Bank has changed its accounting policy for operating leases which are now recognised on the statement of financial position. The Bank has accordingly recorded right-of-use assets and lease liability amounting to Rs. 4,187.05 million and Rs. 4,297.28 million respectively as at	Our audit procedures included the following: Obtained an understanding of the management's process for identification of agreements which contain leasing arrangements. Evaluated the selection of accounting policies and methodology followed by the management for determination and measurement of right-of-use assets, corresponding lease liabilities and other related impacts. On a sample basis, tested the underlying data used by the management from the lease contracts for determination of the right-of-use assets and

January 01, 2019. The comparative figures for 2018 reporting period have not been restated, as permitted under the specific transitional provisions of the standard. The adoption of IFRS 16 involves estimation and judgement. Because of the significance of the impact of these judgements / estimates, we considered this area as a key audit matter.	corresponding lease liabilities. Further, performed re-computations on a test basis to assess accuracy of computations performed by the management. Assessed whether the presentation and disclosures relating to the adoption of IFRS 16 in the financial statements are in compliance with the applicable financial reporting framework.
Information Technology The Bank's key financial accounting and reporting processes are highly dependent on the automated controls due to the significant number of transactions that are processed daily over the Bank information systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. We have focused on user access management, segregation of duties and controls over system change over key financial accounting and reporting systems.	We evaluated the design and tested the operating effectiveness of the controls over the information systems that are critical and relevant to the financial reporting. We examined the framework of governance over the Bank's IT organization and the controls over access to programs and data, program changes, IT operations and program development. Where necessary, we carried out direct tests of certain aspects of the security of the Bank's IT systems including logical access management and segregation of duties. We tested the Bank's periodic review of access rights. We tested IT general controls operating over the Information Technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations. We obtained management's evaluation of the access rights granted to applications relevant to financial accounting and reporting systems and tested resolution of a sample of exceptions. We also assessed the operating effectiveness of controls over granting, removal and appropriateness of access rights.

Presentation of legal risks in the financial statements	
The Bank has 123 branches in different locations in Pakistan and in the normal course of business, potential exposures may arise from general legal proceedings, guarantees, recovery suits, product liability, government and regulatory investigation etc. The level of judgment required to establish the level of provisioning, increases the risk that provisions and contingent liabilities may not appropriately provided against or adequately disclosed. Accordingly, the matter is considered to be a key audit matter. Management's disclosures with regard to contingent liabilities are presented in note 25 of the financial statements.	On all significant legal cases, we reviewed the correspondence with Bank's external counsel accompanied by discussion and formal confirmation from that counsel. In addition, we read the summary of litigation matter provided by Bank's legal counsel team and discussed each of the material cases noted to determine the Bank's assessment of the likelihood and magnitude of any liability that may arise. In order to determine the facts and circumstances of the individual cases, we performed inspection of relevant documents and we inquired with the Bank's internal and external legal counsel. We assessed the material assumptions made and key judgments applied including the evaluation of disconfirming evidence. Specifically, for matters where potential obligations existed but the exposure was considered less than probable, we considered audit evidence regarding the lack of recognition and the disclosure thereof. We evaluated the recognition and valuation of material provisions and contingent liabilities of the Bank based on facts and circumstances available regarding compliance with the accounting standards. We read where applicable, external legal or regulatory advice sought by the Bank and reviewed related correspondence and minutes of Board of Directors and Audit Committee.

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

The management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement in the other information we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Bank/branches as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;

b) the statement of financial position, the statement of profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement (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 / branches and the transactions of the Bank/ branches which have come to our notice have been within the powers of the Bank / branches; 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.

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 **Muhammad Shaukat Naseeb.**

Grant Thornton Anjum Rahman
Karachi

Date:

SILKBANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Note	2019	2018
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	11,838,682	8,871,567
Balances with other banks	8	1,168,163	309,994
Lendings to financial institutions	9	18,101,837	12,612,156
Investments	10	36,245,350	28,924,993
Advances	11	105,374,947	98,354,002
Fixed assets	12	5,910,389	3,981,271
Intangible assets	13	217,077	226,840
Deferred tax assets	14	4,864,227	3,058,647
Other assets	15	19,737,679	20,231,529
Asset held for sale	16	2,229,729	-
		205,688,080	176,570,999
LIABILITIES			
Bills payable	17	2,483,658	2,866,568
Borrowings	18	31,973,231	18,051,854
Deposits and other accounts	19	148,853,513	132,664,084
Liabilities against assets subject to finance lease	20	-	2,663
Subordinated debt	21	2,125,418	1,999,600
Deferred tax liabilities		-	-
Other liabilities	22	9,480,373	6,599,483
		194,916,193	162,184,252
NET ASSETS		10,771,887	14,386,747
REPRESENTED BY			
Shareholders' equity			
Share capital - net	23	23,431,374	23,431,374
Reserves		820,890	820,890
Surplus / (deficit) on revaluation of assets - net of tax	24	256,510	(68,207)
Accumulated loss		(13,736,887)	(9,797,310)
		10,771,887	14,386,747

CONTINGENCIES AND COMMITMENTS 25

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

Chief Financial Officer

President & Chief Executive Officer

Director

Director

Director

SILKBANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		Rupees in '000	
Mark-up / return / profit / interest earned	27	16,697,901	15,596,213
Mark-up / return / profit / interest expensed	28	(15,081,744)	(8,990,735)
Net mark-up / return / profit / interest Income		1,616,157	6,605,478
NON MARK-UP / INTEREST INCOME			
Fee and commission income	29	2,284,214	1,739,877
Dividend income	30	4,824	2,190
Foreign exchange income		473,842	135,950
(Loss) / income from derivatives		(72,753)	214,517
Gain / (loss) on securities	31	537,974	(63,671)
Other income	32	8,133	1,386,009
Total non-markup / interest income		3,236,234	3,414,872
Total Income		4,852,391	10,020,350
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	33	(8,051,497)	(6,781,153)
Workers Welfare Fund		-	(38,303)
Other charges	34	(197,007)	(55,393)
Total non-markup / interest expenses		(8,248,504)	(6,874,849)
(Loss) / profit before provisions, extra ordinary / unusual item and taxation		(3,396,113)	3,145,501
Provisions and write offs - net	35	(2,432,830)	(1,268,673)
Extra ordinary / unusual items		-	-
(LOSS) / PROFIT BEFORE TAXATION		(5,828,943)	1,876,828
Taxation	36	1,875,940	(546,895)
(LOSS) / PROFIT AFTER TAXATION		(3,953,003)	1,329,933
		Rupee	
Basic and Diluted (Loss) / Earnings Per Share	37	(0.44)	0.15

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

Chief Financial Officer | President & Chief Executive Officer

Chief Financial Officer | President & Chief Executive Officer

Director | Director | Director

SILKBANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	Rupees in '000	
(Loss) / profit after taxation for the year	(3,953,003)	1,329,933
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments - net of tax	327,636	(109,225)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	8,936	(20,609)
Movement in surplus on revaluation of operating fixed assets - net of tax	(2,326)	(2,326)
Movement in surplus on revaluation of non-banking assets - net of tax	(593)	(9,379)
	6,017	(32,314)
Total comprehensive (loss) / income	(3,619,350)	1,188,394

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

Chief Financial Officer | **President & Chief Executive Officer**

Director | **Director** | **Director**

SILKBANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	Share Capital	Surplus / (deficit) on revaluation of		Capital Reserve	Revenue Reserve	Total Equity
			Investments	Fixed / Non Banking Assets	Statutory Reserve*	Accumulated Loss	
		Rupees in '000					
Opening balance as at January 01, 2018		23,431,374	(35,685)	88,408	554,903	(10,857,654)	13,181,346
Profit after taxation for the year ended December 31, 2018		-	-	-	-	1,329,933	1,329,933
Other comprehensive (loss) / income - net of tax		-	(109,225)	(11,705)	-	(20,609)	(141,539)
Transfer to statutory reserves		-	-	-	265,987	(265,987)	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	24.1	-	-	-	-	3,579	3,579
Transfer from surplus on revaluation of fixed assets on account of disposal of assets - net of tax	24.1	-	-	-	-	13,065	13,065
Transfer from surplus on revaluation of non-banking assets on account of transferred to fixed assets- net of tax	24.2	-	-	-	-	363	363
Closing balance as at December 31, 2018		23,431,374	(144,910)	76,703	820,890	(9,797,310)	14,386,747
Loss after taxation for the year ended December 31, 2019		-	-	-	-	(3,953,003)	(3,953,003)
Other comprehensive income / (loss) - net of tax		-	327,636	(2,919)	-	8,936	333,653
Transfer to statutory reserves		-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	24.1	-	-	-	-	3,579	3,579
Transfer from surplus on revaluation of non-banking assets on account of disposal of assets- net of tax	24.2	-	-	-	-	911	911
Transfer from surplus on revaluation of non-banking assets on account of transferred to fixed assets- net of tax	24.2	-	-	-	-	-	-
Closing balance as at December 31, 2019		23,431,374	182,726	73,784	820,890	(13,736,887)	10,771,887

* Statutory reserves represent amount set aside as per requirements of section 21 of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 61 and annexure I and II form an integral part of these financial statements.

Chief Financial Officer | **President & Chief Executive Officer**

Director | **Director** | **Director**

SILKBANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	2019	2018
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(5,828,943)	1,876,828
Less: Dividend income		(4,824)	(2,190)
		(5,833,767)	1,874,638
Adjustments:			
Depreciation on fixed assets	12.2 & 33	433,402	397,741
Depreciation on right-of-use assets	33	673,378	-
Depreciation on non-banking assets acquired in satisfaction of claims	33	67,153	80,351
Amortization of intangible assets	13.1 & 33	65,276	71,381
Amortization of premium on investments - net		(133,502)	181,059
Finance charges on right-of-use assets	28	477,701	-
Provisions against loans & advances	35	2,635,216	1,455,209
Gain on sale of fixed assets	32	(1,720)	(9,714)
Unrealized (gain) / loss on revaluation of investments - held-for-trading	10.1 & 31	(1,266)	2,423
Share of profit from associate	32	(5,227)	(8,642)
Loss / (gain) on sale of non-banking assets acquired in satisfaction of claims	32	190,881	(872,008)
Provision against other assets - net	35	(21,000)	-
Write offs against fixed assets	35	2,080	2,612
		4,382,372	1,300,412
		(1,451,395)	3,175,050
(Increase) / decrease in operating assets			
Lendings to financial institutions		(5,489,681)	(3,991,507)
Net investments in held-for-trading securities		10,049,287	(7,426,216)
Advances		(9,656,161)	(13,958,496)
Other assets (excluding advance taxation)		439,320	(421,712)
		(4,657,235)	(25,797,931)
(Decrease) / increase in operating liabilities			
Bills payable		(382,910)	(326,413)
Borrowings from financial institution		13,921,377	(17,530,146)
Deposits		16,189,429	22,386,277
Other liabilities (excluding current taxation)		(1,402,638)	1,070,253
		28,325,258	5,599,971
		22,216,628	(17,022,910)
Income tax paid		(569,685)	(279,150)
Net cash flow from / (used in) operating activities		21,646,943	(17,302,060)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(16,467,938)	16,419,182
Net investment in held-to-maturities securities		(257,658)	-
Dividend received		4,824	3,216
Net investment in fixed assets and intangible assets		(525,909)	(596,669)
Proceeds on disposal of non-banking assets acquired in satisfaction of claims		277,884	1,912,637
Proceeds on disposal of fixed assets		64,836	118,277
Net cash flow (used in) / from investing activities		(16,903,961)	17,856,642
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts / (repayments) of subordinated debts		125,818	(400)
Payment of finance lease obligation		(2,663)	(4,217)
Payment of lease liability against right-of-use assets		(1,040,853)	-
Net cash flow used in financing activities		(917,698)	(4,617)
Increase in cash and cash equivalents		3,825,284	549,965
Cash and cash equivalents at the beginning of the year		9,181,561	8,631,596
Cash and cash equivalents at the end of the year	38	13,006,845	9,181,561

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

Chief Financial Officer | **President & Chief Executive Officer**

Director | **Director** | **Director**

1 STATUS AND NATURE OF BUSINESS

Silk bank Limited ("the Bank") was incorporated in Pakistan on April 04, 1994 as a public limited company under the Companies Act, 2017. The Bank commenced commercial operations on May 7, 1995. The Bank's shares are quoted on Pakistan Stock Exchange Limited. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. The Bank operates through 123 branches (2018: 123 branches) including 30 (2018: 30) Islamic banking branches in Pakistan. The Bank's registered office is located at Silk bank Building, 13-L, F-7 Markaz, Islamabad. The short-term and long-term credit ratings of the Bank rated by JCR-VIS Credit Rating Company Limited in June 2019 are 'A-2' and 'A-' respectively.

Major shareholders of the Bank as on December 31, 2019 are Santhosh Capital (comprising of Mr. Shaukat Tarin, Mr. Sadiq Sayeed and Mr. Azmat Tarin), Aric Habib Corporation Limited, International Finance Corporation (IFC), Nomura European Investment Limited, Bank Muscat S.A.O.G and Mr. Zoolagnia Nawaz Chatter / Mr. Zubair Nawaz Chatter of Gourmet Group.

As at December 31, 2019, the equity of the Bank is Rs. 10.52 billion excluding surplus on revaluation of assets. This includes share capital (net of losses and discount on shares) of Rs. 9.69 billion against the Minimum Capital Requirement (MCR) of Rs. 10 billion as prescribed by State Bank of Pakistan (SBP). Further, the Capital Adequacy Ratio (CAR) of the Bank is 5.81% (2018: 10.92%) against the minimum CAR requirement of SBP of 12.50% (2018: 11.90%). However, this requirement has subsequently been reduced to 11.5% during the year 2020. Consequently, the Bank is non-compliant with MCR and CAR at year end which can expose the Bank to regulatory actions under the Banking laws.

The management of the Bank has taken following steps to improve the financial position of the Bank and to meet the requirement for MCR and CAR till the approval of the financial statements for the period ending June 30, 2020 as per the plan submitted by the Bank.

1. Subsequent to the year end, the Bank has realized capital gains amounting to approximately Rs. 5.5 billion from the sale of government securities and additional Rs. 1.4 billion approximately (based on the PKRV rate issued on June 26, 2020, applicable for June 29, 2020) also available as revaluation surplus.

2 Letters of Intent (LOI) have been signed between the Bank's borrowers dealing in real estate and Federal Government Employee Housing Authority (FGEHA) for the sale of certain underlying properties where substantial payment is expected shortly. Additionally, the government has announced a stimulus package to uplift and provide the necessary support to the real estate/construction sector. Based on these positive developments, the Bank is confident that the NPL's would be cured shortly.

3. The Bank continues to meet Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

4. The sponsor has prepared and submitted the capital plan to SBP in order to meet the capital shortfall, if any.

Sponsors/Directors are of the opinion that, taking into account the above mentioned plans and measures, the Bank would meet with the requirement of MCR and CAR till the approval of the financial statements for the period ending June 30, 2020.

Further SBP has allowed staggering of provision against non-performing loans (refer note 11.3.3) amounting to Rs 2.71 billion and allowed to treat the general provision held against consumer financing as part of Common Equity Tier I instead of Tier II for the purpose of CAR calculation. Had this benefit not been taken by the Bank, profit before tax and CAR would have been lower by Rs. 2.17 billion and 3.12% respectively.

2 BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

2.2 The Islamic banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Act, 2017 except for the adoption of IFAS-3 'Profit & Loss Sharing on Deposits' as disclosed in note 3.4.

2.3 The financial results of the Islamic banking branches have been included in these financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in Annexure II to these financial statements.

3 STATEMENT OF COMPLIANCE

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

- The accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accounts of Pakistan (ICAP), as are notified under the Companies Act, 2017;

- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;

- Directives issued by the SBP and the Securities and 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 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Further, the SECP has deferred the applicability of IFRS 7 'Financial Instruments: Disclosures' on banks through S.R.O. 411(1) / 2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting periods beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD circular letter No. 02 of 2018 dated January 25, 2018, 'Revised Forms of Annual Financial Statements' (as updated from time to time), effective from the accounting year ended December 31, 2018. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

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

4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO ACCOUNTING AND REPORTING STANDARDS

4.1 Standards, amendments and interpretations to the published standards that are relevant to the Bank and adopted in the current year

The Bank has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
- IFRS 16 - Leases	January 01, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
- IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 01, 2019
- Annual Improvements to IFRSs 2015 - 2017 Cycle	January 01, 2019
- IAS 19 - Plan Amendment, Curtail or Settlement (Amendments to IAS 19)	January 01, 2019
- IFRS 11 - Joint Venture - (Amendments to IFRS 11)	January 01, 2019

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended December 31, 2019.

- IFRS 15 - Revenue from Contracts with Customers

IFRS 15 introduces a single five step revenue recognition model for all contracts with customers, unless those contracts are in the scope of other standards and, accordingly, has superseded IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The adoption of IFRS 15 does not have any material impact on the financial statements of the Bank.

- IFRS 16 - Leases

During the year, IFRS 16, Leases, became effective from annual periods beginning on or after January 01, 2019. The impact of the adoption of IFRS 16 on the Bank's financial statements is disclosed in note 6.1

4.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2019 are considered not to be relevant or to have any significant effect on the Bank's financial reporting and operations and are therefore not presented here.

4.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Bank

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020
- IAS 1 - Presentation of Financial Statements (Amendments)	January 01, 2020
- Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
- IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2021

- IFRS 3 - Business Combinations (Amendments)	January 01, 2020

The Bank is in the process of assessing the impact of these standards, amendments and interpretations to the published standards on the financial statements of the Bank.

4.4 Standards, amendments and interpretations to the published standards that are not yet notified by SECP

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

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
- IFRS 14 - Regulatory Deferral Accounts	January 01, 2016
- IFRS 17 - Insurance Contracts	January 01, 2021

5 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that certain fixed assets and non-banking assets acquired under satisfaction of claims are stated at revalued amounts less accumulated depreciation and accumulated impairment losses (where applicable) and certain investments and derivative financial instruments have been measured at fair value and net obligations in respect of defined benefit scheme are carried at their present value.

These financial statements have been prepared in Pakistani Rupee which is the functional and presentation currency of the Bank. The amounts are rounded off to the nearest thousand rupee, unless otherwise stated.

5.1 Use of critical accounting estimates and judgments

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

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:

5.1.1 Provision against non-performing loans and advances and debt securities (note 10.3.2 and note 11.3)

The Bank reviews its loan portfolio and debt securities (classified as investments) to assess the amount of non-performing loans and advances and debt securities and determine provision required there-against on regular basis. While assessing this requirement, various factors including the past dues, delinquency in the account, financial position of the borrower, the forced sale value of collateral held and requirements of the Prudential Regulations issued by the SBP are considered, except for loans and advances where relaxation has been allowed by SBP. For portfolio impairment provision on consumer advances and small enterprise finance, the Bank follows the general provision requirements set out in Prudential Regulation.

5.1.2 Fair value of derivatives (note 26)

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 reporting date and the rates contracted.

5.1.3 Classification of investments (note 10.1)

In classifying investments, the Bank follows the guidance provided in SBP circulars:

- Investments classified as 'held-for-trading' are 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.

- Investments classified as 'held-to-maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

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

5.1.4 Impairment of 'available-for-sale' equity investments

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates, among other factors, the normal volatility in share price. In addition, the 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 / financial cash flows.

5.1.5 Defined benefit plan (note 40)

The liability of the defined benefit plan (gratuity) is determined using actuarial advice using the Projected Unit Credit Method. The actuarial valuation involves making certain actuarial assumptions as disclosed in note 40. Actuarial assumptions are Bank's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Changes in these assumptions in future years may affect the liability / asset under the plan in those years.

5.1.6 Income taxes (note 36)

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax laws and the decisions of Appellate Authorities on certain issues in the past. For recovery of deferred tax asset recognized on unused tax losses, management projects and determines future taxable profits that are probable and will be available against which these unused tax losses can be utilized.

5.1.7 Depreciation, amortization and revaluation of fixed assets (note 12 and note 13)

In making estimates of the depreciation / amortization method, management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year-end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Such change is accounted for as change in accounting estimate in accordance with IAS - 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers listed on the panel of Pakistan Banks' Association (PBA), under the market conditions.

5.1.8 Fair value hierarchy of assets and liabilities (note 43)

The fair value of the assets and liabilities is 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 Bank categorizes fair value measurements within the following fair value hierarchy;

a) **Level 1:**

These are inputs at quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement

b) **Level 2:**

These are inputs other than quoted prices included within Level 1 inputs that are observable for the asset or liability, either directly or indirectly.

c) **Level 3:**

These are unobservable inputs for the asset or liability.

5.1.9 Depreciation, amortization and revaluation of non-banking assets acquired under satisfaction of claims (note 15.1)

In making estimates of the depreciation method for non-banking assets acquired under satisfaction of claims, management uses the method which is consistent with depreciation method of fixed assets. Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers listed on the panel of PBA, under the market conditions.

5.1.10 Right-of-use assets and their related lease liability (note 12)

The Bank applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term which significantly affects the amount of lease liabilities and right-of-use assets recognized.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are consistent with those of the previous financial year, except for changes in note 6.1:

6.1 Change in accounting policies

During the year, IFRS 16 - Leases became applicable for the Bank. IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases - Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS 16 from January 01, 2019 using the modified retrospective restatement approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate of 10.75% per annum at January 01, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	December 31, 2019	January 01 2019
	Rupees in '000	
Total lease liability recognised	4,297,275	4,539,401

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The recognised right-of-use assets relate to the following type of asset:	Note	December 31, 2019	January 01 2019
		Rupees in '000	
Building		4,187,049	4,860,427
The effect of this change in accounting policy is as follows:			
Impact on Statement of Financial Position			
Increase in fixed assets - right-of-use assets	12	4,187,049	4,860,427
Decrease in other assets - advances, deposits, advance rent and other prepayments		(287,362)	(321,026)
Increase in other assets - advance taxation		139,156	-
Increase in Total assets		4,038,843	4,539,401
Increase in other liabilities - lease liability against right-of-use assets	6.1	(4,297,275)	(4,539,401)
Decrease in net assets		(258,432)	-

Impact on Profit and Loss account		**2019**
		Rupees in '000
Increase in mark-up expense - lease liability against right-of-use assets		**(477,701)**
(Increase) / decrease in administrative expenses:		
---Depreciation on right-of-use assets	33	**(673,378)**
---Rent expense		**753,491**
Decrease in profit before tax		**(397,588)**
Decrease in tax		**139,156**
Decrease in profit after tax		**(258,432)**

While implementing IFRS 16, the Bank has used a single discount rate methodology for a portfolio of leases with similar characteristics. The Bank has opted not to recognise right-of-use assets for short term and for leases of low value. The payments associated with such leases are recognised as an expense on a straight line basis over the lease term.

6.2 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks in current and deposit accounts.

6.3 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowings (re-purchase) from and lendings (reverse re-purchase) to financial institutions at contracted rates for a specified period of time. These are recorded as under:

6.3.1 Sale under repurchase agreements (repo)

Securities sold subject to a re-purchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The differential in sale and re-purchase value is accrued over the period of the agreement and recorded as expense.

6.3.2 Purchase under resale agreements (reverse repo)

Securities purchased under agreement to resale (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortised over the period of the agreement and recorded as income.

Securities held as collateral are not recognised in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

6.3.3 Other lendings

Other lendings include term lendings and unsecured lendings to financial institutions.

All lendings are stated net of provision, if any. Mark-up / interest income on such lendings is recorded on time proportion basis using effective interest rate method except mark-up on impaired / delinquent lendings, which are recognised on receipt basis.

6.3.4 **Other borrowings**

Other borrowings including borrowings from SBP are recorded at proceeds received. Mark-up expense on such borrowings is recognised on accrual basis and is' 'charged to the profit and loss account on time proportion basis using effective interest method.

6.4 **Trade and settlement date accounting**

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Bank commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

6.5 **Investments**

The Bank classifies its investments as follows:

a) **Held-for-trading**

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

b) **Held-to-maturity**

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

c) **Available-for-sale**

These are investments, other than investment in associate, which do not fall under the "held-for-trading" or "held-to-maturity" categories.

6.5.1 **Initial measurement**

Investments are initially recognised at acquisition cost, which in case of investments other than "held-for-trading" includes transaction costs associated with the investments.

6.5.2 **Subsequent measurement**

Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Held-to-maturity

These are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Available-for-sale

Quoted securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a other comprehensive income and taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment losses, if any.

6.5.3 **Investment in associates**

Investment in associates in which the Bank has significant influence, but not control, over the financial and operating policies are accounted for using the equity method.

Companies where there are common directors but the Bank does not have significant influence are accounted for as ordinary investments.

6.5.4 Gains or losses on disposal of investments are included in the profit and loss account.

6.5.5 Impairment

Provision for diminution in the value of securities (except Debentures, Participation Term Certificates and Term Finance Certificates) is made after considering impairment, if any, in their value. Impairment is recognised when there is an objective evidence of significant and prolonged decline in the value of such securities. Provisions for diminution in the value of debentures, Participation Term Certificates and Term Finance Certificates are made as per the requirements of the Prudential Regulations issued by the SBP.

6.6 Advances

Advances including Islamic financing are stated net of specific and general provisions. Specific and general provisions against advances are determined on the basis of Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Advances are written off when there are no realistic prospects of recovery.

6.6.1 Murabaha

Murabaha financings are reflected as receivables at the invoiced amount. The profit on that sale revenue not due for payment is deferred by recording a credit to the "Deferred Murabaha Income" account. Profit is taken to the profit and loss account over the period of the Murabaha. Goods purchased but remaining unsold at the reporting date are recorded as inventories.

6.6.2 Diminishing Musharaka

In Diminishing Musharaka financing, the Bank enters into Musharaka based on Shirkat-ul-milk for financing an agreed share of fixed asset (for example; house, land, plant or machinery) with its customers and enters into periodic profit / rental payment agreement for the utilisation of the Bank's Musharaka share by the customer.

6.6.3 Musawammah

Musawammah financings are reflected as receivables at the invoiced amount. The profit on that sale revenue not due for payment is deferred by recording a credit to the "Deferred Musawammah Income" account. Profit is taken to the profit and loss account over the period of the Musawammah.

6.7 Fixed assets

6.7.1 Property and equipment

a) Owned assets

An item of property and equipment is initially recognised at cost which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset.

Measurement subsequent to initial recognition

Property and equipment other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of property and equipment.

Land is stated at its revalued amount whereas buildings are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the assets' 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. Maintenance and normal repairs are charged to the profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Surplus arising on revaluation is credited to the "Surplus on Revaluation of Fixed Assets" account. A deficit arising on revaluation of a particular asset is now to be accounted for in accordance with IFRS, which requires that such deficit can not be adjusted against surplus for any other asset, but is to be taken to the profit and loss account as an impairment. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to equity.

Gains or losses on disposal of assets are taken to income currently, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit / accumulated loss.

Depreciation

Depreciation is computed over the useful lives of the related assets using straight line method so as to write down the cost of assets to their residual values over their estimated useful lives at the rates given in note 12.2 to these financial statements. Depreciation on additions during the year is charged from the month of acquisition. Depreciation on disposals during the year is charged for the proportionate period with respect to number of months during which the assets remained in use. Same basis and estimates for depreciation are applied to owned assets and assets subject to finance lease.

Useful lives and residual values of assets are reviewed at each reporting date and adjusted if impact on depreciation is significant.

b) Lease liability and right to use assets

Accounting policy applicable from 1 January 2019

As described in note 6.1, the bank has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

The bank enters into leasing arrangements for its branches, ATMs and warehouses. Rental contracts are typically for a period of 1 year to 10 years and may have extension options as described below. At inception of a contract, the Bank assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not be terminated).

The lease liability is initially measured at the present value of the lease payments over the period lease term and that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Bank under residual value guarantees, the exercise price of a purchase option if the Bank is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension and termination options are incorporated in determination of lease term only when the Bank is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Bank reassesses the reasonable certainty of exercise of extension or termination option upon occurrence of either a significant event or a significant change in circumstance, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increase the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

The right-of-use asset is initially measured based at the initial amount of initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently measured at cost model. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Bank has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

Accounting policy applicable before January 01, 2019

Assets held under finance lease are stated at cost less accumulated depreciation and accumulated impairment loss, if any. The outstanding obligations under the lease arrangements are shown as a liability net of finance charges allocable to future periods. Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Bank.

Finance charges are allocated to accounting periods so as to provide a constant periodic rate of return on the outstanding liability.

6.7.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to relevant category of property and equipment as and when the assets become available for use.

6.8 Intangible assets

These include computer software and are recorded initially at cost and subsequently stated at cost less any accumulated amortisation and accumulated impairment losses, if any.

These are amortised over their finite useful lives and amortisation is charged to the 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 13.1 to these financial statements. Amortisation is charged from the month of acquisition. The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each reporting date.

Costs associated with maintenance of computer software are recognised as an expense as and when incurred.

6.9 Income taxes

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

6.9.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The current tax expense is calculated using prevailing tax rates or tax rates expected to apply to the taxable profits for the year at enacted tax rates. The charge for the current tax also includes adjustments, where considered necessary, relating to prior years arising from assessments made during the year for such years.

6.9.2 Prior

The charge for prior years represents adjustments to the tax charge for prior years, arising from assessments, changes in estimates, and retrospectively applied changes to law, made during the current year.

6.9.3 Deferred

Deferred tax is recognised on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax assets on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax asset is recognised 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 benefit will be realised.

The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of fixed assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of IAS 12 "Income Taxes".

6.10 Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets other than deferred tax assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. Whenever the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation.

6.11 Provision from claims under guarantees

A provision for claims under guarantees is recognised when intimated and reasonably certain exists that the Bank will settle the obligation. The charge to the profit and loss is stated net of expected recoveries and the obligation is recognised in other liabilities.

6.12 Other provisions

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

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

6.13 Staff retirement benefits

6.13.1 Defined contribution plan

The Bank operates an approved funded provident fund scheme (the Fund) for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 8.33 percent of basic salaries of employees.

6.13.2 Defined benefit plan

The Bank operates an approved gratuity scheme for all its regular employees. Beginning from January 01, 2005, the entitlement of the employees commences on the completion of five years of service with the Bank. Projected Unit Credit Actuarial Cost Method has been used for actuarial valuation.

Re-measurement component, which is the net of actuarial gains and losses, is immediately recognised in other comprehensive income, whereas, service costs and net interest income / (expense) are charged to the profit and loss account.

6.13.3 Benefits for contractual staff

The entitlement of contractual employees is based on number of years of service. Upon completion of 1 year of service, gratuity expense equivalent to a month's salary (withdrawn) is accrued. After the first year, expense equivalent to a month's salary is further accrued in each year if the employee remains in service for major part of the year (181 days or more). Payments against liability are made to outsourcing agencies when eligible employee leaves service. Unpaid expense is included in "other liabilities".

6.14 Revenue recognition

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

- Mark-up / return / interest on advances, investments, lending to financial institutions and balances with other banks is recognised on accrual basis that takes into account effective yield on the assets except in case of advances classified under the Prudential Regulations issued by the SBP (as amended from time to time) on which mark-up / return / interest is recognised on receipt basis. Mark-up / return / interest on rescheduled / restructured advances and investments is recognised in accordance with the directives of the SBP.

- Profit on Diminishing Musharaka financings is recognised on accrual basis.

- Profit on Sukuk is recognised on accrual basis.

- Fees, brokerage and commission on letters of credit / guarantee and other services are amortised over the tenure of the respective facility, whereas account maintenance and service charges are recognised when realised.

- Dividend income is recognised when the right to receive the dividend is established.

- Rent on property and non-banking assets is recognised on the accrual basis.

- Gain and loss on sale of investments is credited / charged to the profit and loss account currently.

6.15 Non-current assets held for sale and associated liabilities

The Bank classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn A held for sale asset is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised in the profit and loss account for any initial or subsequent write down of the asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent these do not exceed the cumulative impairment losses previously recorded. An asset is not depreciated while classified as held for sale.

6.16 Non-banking assets acquired in satisfaction of claims / Other Real Estate Owned (OREO)

At the time of acquisition of non-banking asset, it is recognized on the basis of value determined by independent evaluators on the panel of PBA. At the time of settlement, The Bank carries out valuation as per following criteria;

- For outstanding loans exceeding Rs. 2 million, only self-assessment is carried out.
- At least one valuation reports for transaction amount up to Rs. 20 million,
- At least two valuation reports for transaction amount up to Rs. 50 million,
- At least three valuation reports for transaction amount of more than Rs. 50 million.

Settlement value used for acquisition of non-banking assets is based on market value as per valuation report, however, settlement value is restricted to average of lowest two valuation reports obtained as per above criteria. Land acquired as non-banking assets is recorded in statement of financial position only when it is transferred in the name of the Bank and recorded in revenue records.

Provision against non-performing advances and suspended mark-up / return / interest is reversed on acquisition of non-banking assets, however, suspended mark-up is taken into profit and loss account only when it is realized in cash through sale of non-banking asset or otherwise.

Subsequent to initial recognition, these are stated at fair value less accumulated depreciation and impairment loss, if any.

Depreciation on non-banking assets is calculated in line with the deprecation method used for same class of assets in property and equipment.

Gains and losses on disposal of non-banking assets are recognised in the profit and loss account when the risks and rewards are transferred to the buyer.

6.17 Foreign currencies

6.17.1 Foreign currency transactions

Transactions in foreign currencies are translated into Pakistani rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Pakistani Rupee terms at the rates of exchange prevailing on the reporting date. Non-monetary assets and liabilities are translated using exchange rates that prevailed when the values were determined. Translation gains and losses are included in profit and loss account.

Forward contracts other than contracts with the SBP relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

Forward purchase contracts with the SBP relating to foreign currency deposits are valued at the spot rate prevailing on the reporting date. The forward cover fee payable on such contracts is amortised over the term of the contracts.

6.17.2 Contingencies and 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 prevailing at the reporting date.

6.18 Financial Instruments

6.18.1 Financial assets and liabilities

Financial assets and financial liabilities carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments (excluding investment in associate), advances, certain other assets, borrowings from financial institutions, deposits, bills payable, liabilities against assets subject to finance lease and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.18.2 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.

6.19 Off-setting

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

6.20 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of the other segments. Segment information is presented as per the Bank's functional structure and guidance of the SBP. Following are the main business segments of the Bank:

6.2.1 Business segments

Wholesale Banking

Deposits, trade and other lending activities for corporates and financial institutions.

Treasury

This segment undertakes the Bank's treasury, money market and capital market activities. Treasury manages the asset and liability mix of the Bank and provides customers with products that meet their demand for management of liquidity, cash flow, interest rate fluctuations and foreign exchange risks.

Consumer / SME Banking

Wealth management, deposits, mortgages, auto finance, unsecured lending and SME lending (including SME trade).

All assets, liabilities, off balance sheet items and items of income and expenses are distributed in primary segments in accordance with the core functions performed by the business groups.

6.2.2 Geographical segment

The Bank conducts all its operations in Pakistan.

6.21 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognised separately as part of other liabilities and is charged to the profit and loss account on a time proportionate basis.

6.22 Share capital

Ordinary shares are classified as equity and recognized at their face value less discount on issue of shares. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

6.23 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 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.

6.24 Fiduciary assets

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

6.25 Subordinated debts

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

	Note	2019	2018
		Rupees in '000	

7 CASH AND BALANCES WITH TREASURY BANKS

	Note	2019	2018
In hand			
Local currency		1,677,165	1,829,723
Foreign currencies		1,094,328	581,068
		2,771,493	2,410,791
With State Bank of Pakistan in			
Local currency current account	7.1	6,784,412	4,496,567
Foreign currency current account		685,106	630,335
Foreign currency deposit account	7.2	1,276,607	1,210,071
		8,746,125	6,336,973
With National Bank of Pakistan in			
Local currency current account		198,679	121,213
National Prize Bonds		122,385	2,590
		11,838,682	8,871,567

7.1 Deposits with SBP are maintained to comply with the statutory requirements of SBP issued from time to time (section 22 of Banking Companies Ordinance, 1962).

7.2 This represents account maintained with SBP to comply with Special Cash Reserve requirement (FE-25 scheme, as prescribed by SBP). It carries interest rates ranging from 0.70% to 1.51% (2018: 0.56% to 1.35%).

8 BALANCES WITH OTHER BANKS

	2019	2018
	Rupees in '000	
In Pakistan		
In current account	105,487	88,815
In deposit account	68	64
	105,555	88,879
Outside Pakistan		
In current account	1,062,608	221,115
	1,168,163	309,994

9 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2019	2018
Repurchase agreement lendings (Reverse repo)	9.2	13,751,114	11,665,534
Foreign placement	9.3	900,748	946,622
Bai Muajjal receivable from State Bank of Pakistan	9.4	3,449,975	-
		18,101,837	12,612,156

9.1 Particulars of lending

	2019	2018
In local currency	17,201,089	11,665,534
In foreign currencies	900,748	946,622
	18,101,837	12,612,156

9.2 Securities held as collateral against lending to financial institutions

		2019			2018		
	Note	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
		Rupees in '000					
Market Treasury Bills	9.2.1 & 9.2.2	1,873,965	791,272	2,665,237	1,982,801	-	1,982,801
Pakistan Investment Bonds	9.2.1 & 9.2.2	5,496,997	5,588,880	11,085,877	2,839,616	6,843,117	9,682,733
Total		7,370,962	6,380,152	13,751,114	4,822,417	6,843,117	11,665,534

9.2.1 These have been purchased under the reverse repurchase agreement at the mark-up rates ranging from 13.10% to 13.75% (2018: 8.45% to 10.45%) per annum with maturities upto February 2020.

9.2.2 The market value of securities held as collateral against reverse repurchase agreement lendings as of December 31, 2019 is Rs. 13,699.22 million (2018: Rs. 11,626.93 million).

9.3 These have been placed with a foreign bank as pledge against issuance of Standby Letter of Credit (SBLC) favouring VISA at the interest rate of 0.75% (2018: 1.50%) per annum with maturity from April 2020 to November 2020.

9.4 Bai Muajjal receivables from State Bank of Pakistan (SBP) carry profit at 10.33% per annum (2018: Nil) and are due to mature on February 07, 2020.

10 INVESTMENTS

10.1 Investments by type:

	Note	2019 Cost / Amortised cost	2019 Provision for diminution	2019 Surplus / (Deficit)	2019 Carrying Value	2018 Cost / Amortised cost	2018 Provision for diminution	2018 Surplus / (Deficit)	2018 Carrying Value
		Rupees in '000							
Held-for-trading securities									
Federal Government Securities									
Market Treasury Bills		-	-	-	-	10,053,860	-	(2,423)	10,051,437
Shares									
Listed		2,150	-	1,266	3,416	-	-	-	-
		2,150	-	1,266	3,416	10,053,860	-	(2,423)	10,051,437
Available-for-sale securities									
Federal Government Securities									
Market Treasury Bills	10.4	3,536,303	-	(597)	3,535,706	4,354,202	-	(2,697)	4,351,505
Pakistan Investment Bonds	10.4	29,007,986	-	76,368	29,084,354	10,253,483	-	(207,218)	10,046,265
GOP Ijarah Sukuks	10.4	2,272,265	-	4,735	2,277,000	3,862,276	-	(10,629)	3,851,647
Shares									
Listed	10.4	487,526	-	202,955	690,481	137,851	-	(2,482)	135,369
Unlisted	10.4	5,680	(5,680)	-	-	5,680	(5,680)	-	-
Non Government Debt Securities									
Sukuks - Listed	10.4	229,699	-	(2,345)	227,354	299,527	-	714	300,241
Term Finance Certificates - Listed	10.4	37,500	-	-	37,500	62,500	-	(625)	61,875
Term Finance Certificates - Unlisted	10.4	8,780	(8,780)	-	-	8,780	(8,780)	-	-
		35,585,739	(14,460)	281,116	35,852,395	18,984,299	(14,460)	(222,937)	18,746,902
Held-to-maturity securities									
Shares repurchase (fully provided)	10.5	74,910	(74,910)	-	-	74,910	(74,910)	-	-
Other Federal Government Securities	10.5	257,658	-	-	257,658	-	-	-	-
		332,568	(74,910)	-	257,658	74,910	(74,910)	-	-
Associates									
SPI Insurance Company Limited	10.6	131,881	-	-	131,881	126,654	-	-	126,654
Total investments		36,052,338	(89,370)	282,382	36,245,350	29,239,723	(89,370)	(225,360)	28,924,993

10.2 Investments by Segments:

	Note	2019 Cost / Amortised cost	2019 Provision for diminution	2019 Surplus / (Deficit)	2019 Carrying Value	2018 Cost / Amortised cost	2018 Provision for diminution	2018 Surplus / (Deficit)	2018 Carrying Value
		Rupees in '000							
Federal Government Securities									
Market Treasury Bills		3,536,303	-	(597)	3,535,706	14,408,062	-	(5,120)	14,402,942
Pakistan Investment Bonds		29,007,986	-	76,368	29,084,354	10,253,483	-	(207,218)	10,046,265
GOP Ijarah Sukuks		2,272,265	-	4,735	2,277,000	3,862,276	-	(10,629)	3,851,647
Bai Muajjal		257,658	-	-	257,658	-	-	-	-
		35,074,212	-	80,506	35,154,718	28,523,821	-	(222,967)	28,300,854
Shares									
Listed companies		489,676	-	204,221	693,897	137,851	-	(2,482)	135,369
Unlisted companies		5,680	(5,680)	-	-	5,680	(5,680)	-	-
		495,356	(5,680)	204,221	693,897	143,531	(5,680)	(2,482)	135,369
Non Government Debt Securities									
Sukuks - listed		229,699	-	(2,345)	227,354	299,527	-	714	300,241
Term Finance Certificates - listed		37,500	-	-	37,500	62,500	-	(625)	61,875
Term Finance Certificates - unlisted		8,780	(8,780)	-	-	8,780	(8,780)	-	-
		275,979	(8,780)	(2,345)	264,854	370,807	(8,780)	89	362,116
Shares repurchase (fully provided)	10.5	74,910	(74,910)	-	-	74,910	(74,910)	-	-
Associates									
SPI Insurance Company Limited	10.6	131,881	-	-	131,881	126,654	-	-	126,654
Total investments		36,052,338	(89,370)	282,382	36,245,350	29,239,723	(89,370)	(225,360)	28,924,993

		2019	2018
		Rupees in '000	
10.2.1	**Investments given as collateral**		
	Pakistan Investment Bonds	21,753,482	6,468,112
		21,753,482	6,468,112

		2019	2018
10.3	**Provision for diminution in value of investments**		
10.3.1	Opening balance	89,370	89,370
	Charge / (reversals)		
	Charge for the year	-	-
	Reversals for the year	-	-
		-	-
	Amounts written off	-	-
	Closing balance	89,370	89,370

10.3.2 Particulars of provision against debt securities

Category of classification	2019 Non Performing Investments	2019 Provision	2018 Non Performing Investments	2018 Provision
	Rupees in '000			
Domestic:				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	83,690	83,690	83,690	83,690
Total	83,690	83,690	83,690	83,690

10.4 Quality of Available for Sale Securities

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

	Note	Cost 2019	Cost 2018
		Rupees in '000	
Federal Government Securities - Government guaranteed			
Market Treasury Bills		3,536,303	4,354,202
Pakistan Investment Bonds	10.4.1	29,007,986	10,253,483
Ijarah Sukuks		2,272,265	3,862,276
		34,816,554	18,469,961
Shares			
Listed Companies			
Chemical and pharmaceuticals		5	5
Services		25,604	25,604
Oil		47,845	-
Cement		113,673	112,242
Financial		300,399	-
		487,526	137,851

Unlisted Companies	2019 Cost	2019 Breakup value	2018 Cost	2018 Breakup value
	Rupees in '000			
Pakistan Export Finance Guarantee Limited (fully provided)	5,680	-	5,680	-
	5,680	-	5,680	-

	Note	Cost 2019	Cost 2018
		Rupees in '000	
Non Government Debt Securities			
Listed			
- AAA		150,000	200,000
- AA+		37,500	62,500
- AA		79,699	99,527
		267,199	362,027
Unlisted			
- Unrated (fully provided)	10.4.2	8,780	8,780

10.4.1 These include securities having face value of Rs. 72 million (2018: Rs. 740 million) pledged with United Bank Limited for Global Industrial and Defence Solutions, Pakistan and LESCO as Guarantor. Further, securities having face value of Rs. 35 million (2018 : Rs. 35 million) pledged with SBP as security to facilitate Telegraphic Transfer discounting facilities sanctioned to branches of the Bank.

10.4.2 These represent zero coupon privately placed TFCs of Azgard Nine Limited (related party) acquired against mark-up settlement of Rs. 8.78 million on the credit facilities provided to Azgard Nine Limited.

		Cost 2019	Cost 2018
		Rupees in '000	
10.5	**Particulars relating to Held to Maturity securities are as follows:**		
	Federal Government Securities		
	Bai Muajjal	257,658	-
	Others		
	Shares repurchase (fully provided)	74,910	74,910
		332,568	74,910

10.5.1 The market value of securities classified as held-to-maturity is Rs. 258 (2018: Rs. Nil).

10.6 Investment in associate

Name of company	Proportion of ownership interest	Country of incorporation
SPI Insurance Company Limited	23.08% (2018: 23.08%)	Pakistan

	September 30, 2019	September 30, 2018
	Rupees in '000	
Total assets	1,351,117	1,233,082
Total liabilities	654,823	690,926
Revenue	447,194	367,299
Profit after taxation	23,428	19,707
Total comprehensive income	130,407	(864)

10.6.1 Movement in investment in associate

	2019	2018
	Rupees in '000	
Investment at the beginning of the year	126,654	118,012
Share of profit	5,227	8,642
Investment at the end of the year	131,881	126,654

10.6.2 Summarized financial information of the associate is based on financial information for nine months ended September 30, 2019 because financial statements of associate for the year ended December 31, 2019 are not available at the time of authorization of issue of these financial statements. There is no difference between the proportionate share of net assets of associate and its carrying value accounted on equity method therefore no reconciliation is required.

10.6.3 There is no share of contingencies and commitments from associate as at September 30, 2019 and 2018.

11 ADVANCES - NET

	Note	Performing 2019	Performing 2018	Non Performing 2019	Non Performing 2018	Total 2019	Total 2018
		Rupees in '000					
Loans, cash credits, running finances, etc.		**71,248,276**	69,879,752	**11,976,290**	6,366,874	**83,224,566**	76,246,626
Islamic financing and related assets	11.5	**5,252,194**	26,600,182	**22,749,660**	301,516	**28,001,854**	26,901,698
Bills discounted and purchased		**1,007,349**	411,194	**3,113**	6,650	**1,010,462**	417,844
Advances - gross		**77,507,819**	96,891,128	**34,729,063**	6,675,040	**112,236,882**	103,566,168
Provision against advances	11.3						
- Specific		-	-	**6,077,627**	4,524,443	**6,077,627**	4,524,443
- General		**784,308**	687,723	-	-	**784,308**	687,723
		784,308	687,723	**6,077,627**	4,524,443	**6,861,935**	5,212,166
Advances - net of provision		**76,723,511**	96,203,405	**28,651,436**	2,150,597	**105,374,947**	98,354,002

11.1 Particulars of advances (gross)

	2019	2018
	Rupees in '000	
In local currency	**112,236,882**	103,562,141
In foreign currencies	-	4,027
	112,236,882	103,566,168

11.2 Advances include Rs. 34,729 million (2018: Rs. 6,675 million) which have been placed under non-performing status as detailed below:

Category of classification - specific	2019 Non Performing Loans	2019 Provision	2018 Non Performing Loans	2018 Provision
	Rupees in '000			
Domestic				
Substandard	**1,543,094**	**196,926**	983,161	127,978
Doubtful	**4,911,888**	**516,582**	521,267	49,873
Loss	**28,274,081**	**5,364,119**	5,170,612	4,346,592
Total	**34,729,063**	**6,077,627**	6,675,040	4,524,443

11.3 Particulars of provision against advances

	Note	2019 Specific	2019 General	2019 Total	2018 Specific	2018 General	2018 Total
		Rupees in '000					
Opening balance		**4,524,443**	**687,723**	**5,212,166**	3,730,789	556,280	4,287,069
Charge for the year		**2,728,584**	**96,585**	**2,825,169**	1,417,628	131,443	1,549,071
Reversals		**(189,953)**	-	**(189,953)**	(93,862)	-	(93,862)
		2,538,631	**96,585**	**2,635,216**	1,323,766	131,443	1,455,209
Amounts written off	11.4.1	**(985,447)**	-	**(985,447)**	(530,112)	-	(530,112)
Closing balance		**6,077,627**	**784,308**	**6,861,935**	4,524,443	687,723	5,212,166

11.3.1 Particulars of provision against advances

	2019 Specific	2019 General	2019 Total	2018 Specific	2018 General	2018 Total
	Rupees in '000					
In local currency	**6,077,627**	**784,308**	**6,861,935**	4,524,443	687,723	5,212,166
In foreign currencies	-	-	-	-	-	-
	6,077,627	**784,308**	**6,861,935**	4,524,443	687,723	5,212,166

11.3.2 During the year the Bank recorded additional NPL's, by and large, arising out of the accounts of the borrowers engaged in the businesses of real estate/construction sector. This is mainly due to slow down in the businesses activities of these sectors, tax issues relating to these businesses and the ban on construction of high rise buildings in Karachi. However, a Letter of Interest (LOI) has been signed between the borrower and Federal Government Employee Housing Scheme Authority (FGEHA) for the sale of these underlying properties where substantial payment is expected shortly. Additionally, the government had announced a stimulus package to uplift and provide the necessary support to the real estate/construction sector. Based on these positive developments, bank is confident that the NPL's would be cured shortly.

11.3.3 It includes Islamic advances amounting to Rs. 20,160.95 million (2018: Rs. 19,437.65 million) to certain borrowers who are engaged in primarily general trading and real estate business, which are mainly secured against mortgage of underdeveloped/undeveloped properties. During the year, the Bank has provided for the above said exposure in loss category as directed by the SBP resulting in provision of Rs.2,712.985 million after taking FSV benefit. Bank has recorded 20% provision amounted to Rs. 542.597 million as at December 31, 2019, The remaining 15% and 65% of the said provision amounting to Rs. 406.948 million and Rs. 1,763.44 million will be recognized in period ending March 31, 2020 and June 30, 2020 respectively, as directed by SBP vide its letter dated June 24, 2020.

11.3.4 SBP vide various circulars has amended Prudential Regulations in respect of provisioning against non-performing advances under which the benefit of Forced Sale Value (FSV) has been allowed for plant and machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing advances upto five years from the date of classification.

11.3.5 As of December 31, 2019, the Bank has availed FSV benefits against all non performing advances. Had the benefit not been taken by the Bank, loss after tax would have been higher by Rs. 5,738 (December 2018 : profit would have been lower 731 million), which shall not be available for payment of cash or stock dividend / bonus to employees.

11.3.6 As per Prudential Regulation for consumer financing issued by the SBP, percentage of reserve is linked to non-performing loans to gross loans ratio. Consequently, the general provisioning on consumer financing is maintained at 4% (2018: 4%) of unsecured portfolio of the Bank.

		Note	2019	2018
			Rupees in '000	
11.4	**Particulars of write offs:**			
11.4.1	Against Provisions	11.3	**985,447**	530,112
	Directly charged to profit & loss account		-	-
			985,447	530,112
11.4.2	**Domestic**			
	Write Offs of Rs. 500,000 and above	11.4.3	**579,674**	177,821
	Write Offs of Below Rs. 500,000		**405,773**	352,291
			985,447	530,112

11.4.3 **Detail of loan write off of Rs. 500,000 and above**

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

11.5 Information related to Islamic financing and related assets is given in annexure II and is an integral part of the financial statements.

		Note	2019	2018
			Rupees in '000	
12	**FIXED ASSETS**			
	Capital work-in-progress	12.1	**38,078**	63,641
	Property and equipment	12.2	**1,685,262**	3,917,630
	Right-of-use assets	6.1	**4,187,049**	-
			5,910,389	3,981,271

		2019	2018
12.1	**Capital work-in-progress**		
	Civil works	**808**	22,427
	Advances to suppliers and contractors	**37,270**	41,214
		38,078	63,641

12.2 Property and equipment

	2019									
	Owned								Leased	
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Solar Panel System	Total
	Rupees in '000									
At January 1, 2019										
Cost / revalued amount	-	1,907,321	15,425	840,805	404,085	1,841,700	758,526	1,243,543	20,215	7,031,620
Accumulated depreciation	-	-	(5,867)	(298,997)	(239,079)	(1,454,004)	(322,178)	(777,078)	(16,787)	(3,113,990)
Net book value	-	1,907,321	9,558	541,808	165,006	387,696	436,348	466,465	3,428	3,917,630
Year ended December 2019										
Opening net book value	-	1,907,321	9,558	541,808	165,006	387,696	436,348	466,465	3,428	3,917,630
Additions	-	-	-	-	15,674	173,490	261,766	45,029	-	495,959
Disposals	-	-		-	(221)	(133)	(62,762)	-	-	(63,116)
Transfer	-	-	-	-	-	438	-	-	(438)	-
Write offs	-	-	-	-	(59)	-	-	(2,021)	-	(2,080)
Transferred to Asset held for sale	-	(1,866,750)	-	(362,979)	-	-	-	-	-	(2,229,729)
Depreciation charge	-	-	(772)	(42,040)	(31,207)	(117,823)	(146,891)	(91,679)	(2,990)	(433,402)
Closing net book value	-	40,571	8,786	136,789	149,193	443,668	488,461	417,794	-	1,685,262
At December 31, 2019										
Cost / revalued amount	-	40,571	15,425	218,555	418,425	2,031,099	838,982	1,268,746	-	4,831,803
Accumulated depreciation	-	-	(6,639)	(81,766)	(269,232)	(1,587,431)	(350,521)	(850,952)	-	(3,146,541)
Net book value	-	40,571	8,786	136,789	149,193	443,668	488,461	417,794	-	1,685,262
Rate of depreciation	-	-	5%	5%	10%	14.29%-33.33%	20%	10%-20%	20%	

	2018									
	Owned								Leased	
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leasehold Improvements	Solar Panel System	Total
	Rupees in '000									
At January 1, 2018										
Cost / revalued amount	76,682	1,907,321	15,425	790,812	340,344	1,639,667	667,568	1,094,839	20,215	6,552,873
Accumulated depreciation	-	-	(5,096)	(258,623)	(213,121)	(1,369,799)	(293,192)	(696,209)	(12,744)	(2,848,784)
Net book value	76,682	1,907,321	10,329	532,189	127,223	269,868	374,376	398,630	7,471	3,704,089
Year ended December 2018										
Opening net book value	76,682	1,907,321	10,329	532,189	127,223	269,868	374,376	398,630	7,471	3,704,089
Additions	-	-	-	49,993	66,690	215,023	255,594	170,157	-	757,457
Disposals	(76,682)	-		-	(140)	(115)	(66,626)	-	-	(143,563)
Write offs	-	-	-	-	(2)	-	-	(2,610)	-	(2,612)
Depreciation charge	-	-	(771)	(40,374)	(28,765)	(97,080)	(126,996)	(99,712)	(4,043)	(397,741)
Closing net book value	-	1,907,321	9,558	541,808	165,006	387,696	436,348	466,465	3,428	3,917,630
At December 31, 2018										
Cost / revalued amount	-	1,907,321	15,425	840,805	404,085	1,841,700	758,526	1,243,543	20,215	7,031,620
Accumulated depreciation	-	-	(5,867)	(298,997)	(239,079)	(1,454,004)	(322,178)	(777,078)	(16,787)	(3,113,990)
Net book value	-	1,907,321	9,558	541,808	165,006	387,696	436,348	466,465	3,428	3,917,630
Rate of depreciation	-	-	5%	5%	10%	14.29%-33.33%	20%	10%-20%	20%	

12.2.1 These include land and buildings revalued in 2008 by Habib Associates, an independent valuer. The revaluation resulted in a surplus of Rs. 118.67 million. Had there been no revaluation, the carrying value of the revalued land and buildings would have been lower by Rs. 55.49 million (2018: Rs. 59.06 million). The Bank's land and buildings were again revalued in financial year 2015, however, no revaluation surplus or deficit was recorded as the revalued amounts were not materially different from carrying values.

12.3 The cost of fully depreciated property and equipment that are still in use is as follows:

	2019	2018
	Rupees in '000	
Furniture, electrical, office, computer equipment and others	1,359,080	1,263,836
Leasehold improvements	475,184	360,089
Vehicles	69,167	69,528
	1,903,431	1,693,453

12.4 **Details of disposal of fixed assets - By negotiations / Bank policy**

Particulars of assets	Date of capitalization	Date of disposal	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchaser
					Rupees in '000				
Items having Book value in aggregate more than Rs. 250,000 or Cost more than Rs.1,000,000									
Honda City Manual 1.3 Model 2014	22-Jan-14	8-Jan-19	1,282	1,282	-	-	-	As per Company Policy	Nadeem Khawaja
Honda Civic VTi PT Model 2014	27-Feb-14	10-Jan-19	2,176	2,140	36	36	-	As per Company Policy	Syed Wajih Hussain Zaidi
Suzuki Cultus VXRi Model 2014	22-Jul-14	23-Jan-19	1,039	935	104	121	17	As per Company Policy	Fauwad Ishaque
Toyota Corolla GLi AT 1.3 Model 2016	15-Dec-16	24-Jan-19	1,806	752	1,054	1,083	29	As per Company Policy	Furqan Arshad
Toyota Corolla GLi MT 1.3 Model 2017	8-Feb-17	23-Jan-19	1,789	686	1,103	1,133	30	As per Company Policy	Suleman Abid Bhopal
Toyota Corolla GLi AT Model 2014	27-Oct-14	27-Feb-19	1,282	1,090	192	235	43	As per Company Policy	Syed Muhammad Ali Bukhari
Toyota Corolla Axio X Model 2007	26-Mar-14	13-Mar-19	1,049	1,049	-	-	-	As per Company Policy	Irfan Anwar
Suzuki Swift DLX Model 2013	28-Mar-14	5-Mar-19	1,250	1,250	-	-	-	As per Company Policy	Wasif Khalid
Suzuki Cultus VXRi Model 2016	4-Aug-16	21-Mar-19	1,099	531	568	604	36	As per Company Policy	Muhammad Imran Saleem
Toyota Corolla GLi MT 1.3 Model 2016	25-Oct-16	14-Mar-19	1,808	874	934	934	-	As per Company Policy	Asad Sajjad
Toyota Corolla Altis AT 1.6 Model 2017	17-Feb-17	18-Mar-19	1,789	716	1,073	1,073	-	As per Company Policy	Abdul Basit Mahmood
Honda Civc iVTEC Oriel 1.8 Model 2017	13-Oct-17	19-Mar-19	1,864	466	1,398	1,398	-	As per Company Policy	Sohail Rana Janjua
Suzuki Cultus VXRi Model 2018	4-May-18	13-Mar-19	1,270	169	1,101	1,143	42	As per Company Policy	Aftab Ahmed Khan
Suzuki Cultus VXRi Model 2018	22-Jun-18	14-Mar-19	1,270	190	1,080	1,080	-	As per Company Policy	Muhammad Jawad Zafar
Honda Civic i-VTEC Oriel 1.8 Model 2018	3-Oct-18	1-Apr-19	2,154	215	1,939	1,939	-	As per Company Policy	Naveed Butt
Suzuki Cultus Model 2014	8-May-14	2-Apr-19	1,039	1,022	17	17	-	As per Company Policy	Naveed Amjad
Suzuki Cultus VXRi Model 2017	6-Feb-17	2-Apr-19	1,129	433	696	715	19	As per Company Policy	Shehryar Baig
Suzuki Swift DLX Model 2014	28-Apr-14	4-Apr-19	1,282	1,282	-	-	-	As per Company Policy	Syed Tahir Rizvi
Suzuki Swift DLX	14-Apr-14	5-Apr-19	1,282	1,282	-	-	-	As per Company Policy	Muhammad Abid
Suzuki Cultus VXRi Model 2016	20-Sep-16	5-Apr-19	1,099	568	531	531	-	As per Company Policy	Pervaiz Khan
Toyota Aqua 1.5 Model 2014	4-Apr-18	9-Apr-19	2,663	533	2,130	2,130	-	As per Company Policy	Syed Fahim Hassan
Suzuki Swift DLX AT Model 2018	9-Nov-18	9-Apr-19	1,340	67	1,273	1,273	-	As per Company Policy	Syed Zia Abbas Bukhari
Suzuki Cultus VXRi Model 2014	22-Aug-14	9-Apr-19	1,039	918	121	294	173	As per Company Policy	Imran Rafiq
Honda Civic i-VTEC Oriel 1.8 Model 2017	16-Feb-17	9-Apr-19	1,805	752	1,053	1,053	-	As per Company Policy	Muhammad Asghar
Honda Civic VTi PT Oriel Model 2015	2-Jan-15	2-May-19	2,146	1,860	286	286	-	As per Company Policy	Brig. Javed Iqbal
Honda Civic VTi PTOriel Model 2015	19-May-15	2-May-19	2,156	1,725	431	431	-	As per Company Policy	Muhammad Muntazir
Suzuki Cultus VXRI Model 2017	7-Feb-17	6-May-19	1,129	433	696	696	-	As per Company Policy	Wajid Hussain
Honda Civic VTi PT Model 2015	8-Jul-15	14-May-19	2,156	1,545	611	611	-	As per Company Policy	Waheed Abdi
Suzuki Vitara Model 2017	18-Sep-17	24-Jun-19	2,363	827	1,536	1,536	-	As per Company Policy	Anwar ul Haq Majeed
Suzuki Vitara Model 2017	18-Sep-17	14-Jun-19	2,361	826	1,535	1,535	-	As per Company Policy	Mohsin Zia
Suzuki Swift DLX Model 2014	19-Jun-14	13-Jun-19	1,282	1,282	-	-	-	As per Company Policy	Ali Sikander Siddiqui
Suzuki Swift DX Model 2013	20-Jun-14	19-Jun-19	1,039	1,039	-	-	-	As per Company Policy	Nehal Ahmed
Toyota Corolla GLi MT Model 2015	4-Sep-15	10-Jun-19	1,282	961	321	321	-	As per Company Policy	Shariq Ayaz Ahmed
Toyota Altis 1.6 Model 2018	19-Mar-19	8-Jul-19	1,555	104	1,451	1,451	-	As per Company Policy	Nadeem Khawaja
Suzuki Cultus VXRi Model 2014	3-Jul-14	8-Jul-19	1,039	1,039	-	-	-	As per Company Policy	Mubarik Hussain
Suzuki Wagon R-VXL Model 2014	22-Jul-14	8-Jul-19	1,039	1,039	-	-	-	As per Company Policy	Nadir Qudrat
Toyota Vitz Model 2009	23-Jul-14	8-Jul-19	1,039	1,039	-	-	-	As per Company Policy	Kamran Haider
Honda City MT Model 2015	11-Jun-15	8-Jul-19	1,039	849	190	190	-	As per Company Policy	Ubaid Yousuf Khan
Suzuki Cultus VXRi Model 2015	3-Aug-15	8-Jul-19	1,039	814	225	225	-	As per Company Policy	Mehmood Akhter Mughal
Honda Civic i-VTEC Oriel Model 2018	15-Mar-18	9-Jul-19	1,413	377	1,036	1,036	-	As per Company Policy	Muhammad Bilal Majeed Awan
Honda Civic i-VTEC 1.8 Model 2017	7-Feb-17	9-Jul-19	1,327	641	686	686	-	As per Company Policy	Kibria Sana

Particulars of assets	Date of capitalization	Date of disposal	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchaser
Toyota Corolla Altis 1.8 Model 2017	25-Sep-17	10-Jul-19	1,327	487	840	840	-	As per Company Policy	Muhammad Ashfaq Qureshi
Suzuki Cultus VXRi Model 2017	3-Oct-17	10-Jul-19	1,250	437	813	813	-	As per Company Policy	Sohail Hasib Kidwai
Toyota Fortuner Model 2018	3-Dec-18	10-Jul-19	2,603	304	2,299	2,299	-	As per Company Policy	Naveed Mushtaq
Toyota Corolla XLi Model 2015	16-Sep-15	12-Jul-19	1,039	797	242	242	-	As per Company Policy	Saima Iqbal
Honda City	10-Feb-16	23-Jul-19	1,282	876	406	406	-	As per Company Policy	Shakeel Akhtar Panni
Suzuki Cultus VXRi Model 2016	24-Aug-16	23-Jul-19	1,099	641	458	458	-	As per Company Policy	Mohsin Ali
Toyota Altis Grande 1.8 Model 2017	9-Oct-17	24-Jul-19	2,513	880	1,633	1,633	-	As per Company Policy	Khurram Khan
Honda City MT 1.3 Model 2019	27-Feb-19	30-Jul-19	1,410	94	1,316	1,316	-	As per Company Policy	Sajjad Shah
Suzuki Cultus VXRi Model 2016	5-Oct-16	30-Jul-19	1,129	621	508	508	-	As per Company Policy	Muhammad Saarim Ghazi
Suzuki Cultus VXRi Model 2014	15-Aug-14	2-Aug-19	1,039	1,039	-	-	-	As per Company Policy	Sohail Abdul Sattar
Toyota Passo Model 2014	26-Aug-14	2-Aug-19	1,039	1,039	-	-	-	As per Company Policy	Zeeshan Nadeem
Honda City MT Model 2016	22-Aug-16	5-Aug-19	1,297	778	519	519	-	As per Company Policy	Ibtesam ul Hassan
Suzuki Cultus VXRi,Model 2014	15-Aug-14	6-Aug-19	1,039	1,039	-	-	-	As per Company Policy	Hammad Ahmad
Suzuki Cultus VXRi Model 2014	8-Aug-14	7-Aug-19	1,039	1,039	-	-	-	As per Company Policy	Muhammad Atif Afzal
Toyota Corolla GLi AT Model 2014	23-Oct-14	8-Aug-19	1,039	970	69	69	-	As per Company Policy	Chaudhry Zafar Iqbal
Toyota Corolla GLi AT 1.6 Model 2017	13-Mar-17	8-Aug-19	1,789	865	924	924	-	As per Company Policy	Syed Muhammad Tahir Ali Jafri
Suzuki Swift DLX Model 2016	15-Feb-16	9-Aug-19	1,297	908	389	389	-	As per Company Policy	Tahir Hussain Mirza
Honda City PT Model 2018	16-May-18	17-Aug-19	1,270	317	953	953	-	As per Company Policy	Sadia Rizwan
Toyota Corolla Grande AT 1.8 Model 2015	12-Feb-15	21-Aug-19	2,302	2,072	230	230	-	As per Company Policy	Javed Yousuf Edhi
Toyota Corolla Altis AT Model 2016	1-Dec-16	21-Aug-19	1,129	602	527	527	-	As per Company Policy	Al Naseer Karim
Suzuki Wagon R VXR Model 2014	10-Jul-14	23-Aug-19	1,039	1,039	-	-	-	As per Company Policy	Syed Naveed Iqbal
Honda Civic i-VTEC Oriel MODEL 2016	11-Jan-18	28-Aug-19	1,954	619	1,335	1,335	-	As per Company Policy	Muhammad Akmal Naseem
Honda Civic i-VTEC Oriel 1.8 Model 2018	30-Apr-18	28-Aug-19	2,413	483	1,930	1,930	-	As per Company Policy	Asad Humayun Chaudhry
Honda City PT Model 2015	13-Oct-15	28-Aug-19	1,282	983	299	299	-	As per Company Policy	Muhammad Khalil Aslam
Toyota Belta 997 CC Model 2011	12-Jul-17	2-Sep-19	1,250	542	708	708	-	As per Company Policy	Shaharyar Khalid
Toyota Altis Model 2011	19-Sep-14	2-Sep-19	1,282	1,282	-	-	-	As per Company Policy	Abdul Haseeb Jan
Toyota Corolla Altis AT Model 2015	11-Aug-15	2-Sep-19	1,039	849	190	190	-	As per Company Policy	Pirzada Imran Mahmood
Daihatsu Coure CX-AT Model 2011	12-Feb-18	3-Sep-19	785	249	536	536	-	As per Company Policy	Rahim Sadruddin Keshwani
Suzuki Cultus VXRi Model 2018	13-Aug-18	3-Sep-19	1,300	238	1,062	1,062	-	As per Company Policy	Sadia Perveen
Suzuki Swift DLX Model 2014	29-Sep-14	3-Sep-19	1,039	1,039	-	-	-	As per Company Policy	Muhammad Tahir Munir
Honda City PT Model 2014	16-Sep-14	5-Sep-19	1,282	1,282	-	-	-	As per Company Policy	Asif Siddique Butt
Honda City i-VTEC Model 2015	9-May-18	24-Sep-19	1,375	367	1,008	1,008	-	As per Company Policy	Muhammad Usman Qureshi
Toyota Corolla GLi Model 2016	3-Dec-18	24-Sep-19	1,380	161	1,219	1,219	-	As per Company Policy	Majid Hussain Junejo
Honda City AT Model 2014	26-Jun-14	24-Sep-19	1,663	1,663	-	-	-	As per Company Policy	Sheikh Fawad Hamid
Suzuki Cultus VXRi Model 2015	22-May-15	24-Sep-19	1,039	900	139	139	-	As per Company Policy	Khan Salman Shakeel
Honda City i-VTEC Model 2014	20-Apr-16	24-Sep-19	1,094	748	346	346	-	As per Company Policy	Syed Iqtadar Ali
Toyota Corolla Altis Grande CVT 1.8 Model 2015	12-Feb-15	11-Oct-19	2,171	2,026	145	145	-	As per Company Policy	Raza Ali
Honda City MT Model 2015	1-Aug-15	15-Oct-19	1,039	866	173	173	-	As per Company Policy	Abdul Salam
Honda City AT Model 2014	16-Sep-14	21-Oct-19	1,039	1,039	-	-	-	As per Company Policy	Saif Khaliq
Toyota Corolla GLi AT Model 2014	27-Oct-14	22-Oct-19	1,039	1,039	-	-	-	As per Company Policy	Aqeel Ur Rehman Sheikh
BMW Model 2003	6-Jul-17	24-Oct-19	1,882	847	1,035	1,035	-	As per Company Policy	Syed Wasif Ahmed Subzwari
Toyota Altis Grande AT Model 2015	23-Nov-15	28-Oct-19	2,170	1,700	470	470	-	As per Company Policy	Hamid Mehmood Mirza
Honda City MT Model 2015	5-Jul-19	29-Oct-19	1,650	27	1,623	1,623	-	As per Company Policy	Ubaid Yousuf Khan
Toyota Premio Model 2007	19-Sep-14	5-Nov-19	1,752	1,752	-	-	-	As per Company Policy	Altaf Dawood
Honda City MT Model 2014	14-Nov-14	5-Nov-19	1,282	1,282	-	-	-	As per Company Policy	Muhammad Faisal Saeed
,Honda Insight Model 2011	19-Nov-14	5-Nov-19	1,039	1,039	-	-	-	As per Company Policy	Adil Latif Dar
Toyota Corolla GLi Grande AT Model 2014	1-Nov-14	5-Nov-19	1,753	1,753	-	-	-	As per Company Policy	Naeem Usman Gadit
Toyota Corolla GLi AT Model 2014	26-Nov-14	7-Nov-19	1,752	1,752	-	-	-	As per Company Policy	Zameer Ahmed Memon
Toyota Corolla GLi AT Model 2015	16-Sep-15	14-Nov-19	1,752	1,460	292	292	-	As per Company Policy	Saima Khan
Toyota Corolla Altis AT Model 2015	14-Jul-15	20-Nov-19	1,753	1,519	234	234	-	As per Company Policy	Junaid Shabbir
Toyota Land Cruiser Armoured Model 2015	1-Nov-15	27-Nov-19	32,130	25,168	6,962	6,962	-	As per Company Policy	Shaukat Tarin
Toyota Corolla AT Model 2014	25-Nov-14	28-Nov-19	1,752	1,752	-	-	-	As per Company Policy	Khurram Hanif
Toyota Altis CVTi Grande Model 2015	1-Dec-15	4-Dec-19	2,170	1,736	434	434	-	As per Company Policy	Anjum Saeed
Toyota Corolla Altis CVT Grande Model 2015	22-May-15	10-Dec-19	1,846	1,692	154	154	-	As per Company Policy	Kamran Bashir
Honda Civic i-VTEC Oriel 1.8 Model 2017	10-Jul-19	12-Dec-19	2,755	230	2,525	2,525	-	As per Company Policy	Adeel Ahmed Khan
Toyota Corolla 1299 CC Model 2011	19-Oct-11	12-Dec-19	1,504	1,504	-	704	704	As per Company Policy	Iqbal Motors

Particulars of assets	Date of capitalization	Date of disposal	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchaser
Honda Vezel Hybrid Model 2015	4-Dec-15	12-Dec-19	2,386	1,909	477	477	-	As per Company Policy	Muhammad Qaseem
Toyota Corolla Altis AT 1.8 Model 2015	9-Dec-16	12-Dec-19	1,789	1,044	745	745	-	As per Company Policy	Ahmed Bilal Rashid
Honda City AT Model 2009	22-Dec-14	24-Dec-19	1,039	1,039	-	-	-	As per Company Policy	Faiz ul Hassan Hashmi
Toyota Vitz Model 2014	6-Sep-18	31-Dec-19	1,340	156	1,184	1,184	-	As per Company Policy	Muhammad Salman
Total			**180,940**	**118,182**	**62,758**	**63,851**	**1,093**		
Items having Book value in aggregate less than Rs. 250,000 or Cost less than Rs.1,000,000									
Others			**4,850**	**4,492**	**358**	**985**	**627**		
Grand Total			**185,790**	**122,674**	**63,116**	**64,836**	**1,720**		

12.5 Disposals to Bank's employees are made as per their terms of employment. These include both resigned and active staff of the Bank.

	Note	2019	2018
		Rupees in '000	

13 INTANGIBLE ASSETS

	Note	2019	2018
Capital work-in-progress		63,919	65,167
Software	13.1	153,158	161,673
		217,077	226,840

13.1 Software

	2019	2018
At January 1		
Cost	900,933	870,574
Accumulated amortisation	(739,260)	(668,069)
Net book value	161,673	202,505
Year ended December		
Opening net book value	161,673	202,505
Additions	56,761	30,549
Amortisation charge	(65,276)	(71,381)
Closing net book value	153,158	161,673
At December 31		
Cost	957,694	900,933
Accumulated amortisation	(804,536)	(739,260)
Net book value	153,158	161,673
Rate of amortisation	10-20%	10-20%
Useful life (in years)	5-10	5-10

	2019	2018
13.1.1 The cost of fully amortised software still in use	253,772	217,949

14 DEFERRED TAX ASSETS

	Note	2019 At Jan 1	Recognised in P&L A/C	Recgonised in OCI	At Dec 31
		Rupees in '000			
Deductible Temporary Differences on					
- Tax losses carried forward		-	1,498,167	-	1,498,167
- Post retirement employee benefits		7,525	-	(4,812)	2,713
- Provision for diminution in value of investments		3,073	-	-	3,073
- Provision against non-performing advances		2,327,362	331,269	-	2,658,631
- Provision against Workers' Welfare Fund (WWF)		47,094	-	-	47,094
- Provision against other assets		223,368	(7,350)	-	216,018
- Depreciation on non-banking assets		65,855	20,258	-	86,113
- Unabsorbed tax deprecation		439,636	127,231	-	566,867
		3,113,913	1,969,575	(4,812)	5,078,676
Taxable Temporary Differences on					
- Surplus on revaluation of investments	24	78,027	-	(176,417)	(98,390)
- Surplus on revaluation of non-banking assets	24.2	(2,534)	-	318	(2,216)
- Surplus on revaluation of fixed assets	24.1	(12,527)	-	1,253	(11,274)
- Accelerated tax depreciation		(118,232)	15,663	-	(102,569)
		(55,266)	15,663	(174,846)	(214,449)
		3,058,647	1,985,238	(179,658)	4,864,227

	At Jan 1	Recognised in P&L A/C	Recgonised in OCI	At Dec 31
	2018			
	Rupees in '000			
Deductible Temporary Differences on				
- Post retirement employee benefits	-	-	7,525	7,525
- Deficit on revaluation of investments	19,215	-	58,812	78,027
- Provision for diminution in value of investments	3,073	-	-	3,073
- Provision against non-performing advances	2,330,390	(3,028)	-	2,327,362
- Provision against Workers' Welfare Fund (WWF)	33,688	13,406	-	47,094
- Provision against other assets	225,848	(2,480)	-	223,368
- Depreciation on non-banking assets	52,070	13,785	-	65,855
- Unabsorbed tax deprecation	913,907	(474,271)	-	439,636
	3,578,191	(452,588)	66,337	3,191,940
Taxable Temporary Differences on				
- Post retirement employee benefits	(3,572)	-	3,572	-
- Surplus on revaluation of non banking assets	(6,583)	-	4,049	(2,534)
- Surplus on revaluation of fixed assets	(13,780)	-	1,253	(12,527)
- Accelerated tax depreciation	(78,127)	(40,105)	-	(118,232)
	(102,062)	(40,105)	8,874	(133,293)
	3,476,129	(492,693)	75,211	3,058,647

14.1 The Bank has an aggregate amount of deferred tax assets of Rs. 4,864 million (2018: Rs. 3,059 million) which represents management's best estimate of the probable benefits expected to be realised in future years in the form of reduced tax liability as the Bank would be able to set off the profits earned in those years against taxable temporary differences relating to prior years. The Bank has prepared five years financial projections for future taxable profits, which have been approved by the Board of Directors of the Bank, to assess the recoverability of deferred tax assets. The projections involve certain key management assumptions underlying the estimation of future taxable profits. The determination of future taxable profits is most sensitive to certain key assumptions such as growth of low cost deposits, growth in high yield consumer advances, investment returns, potential provision against assets, interest rates, cost of funds and expected recoveries of classified loans. Any significant change in such assumptions may have an effect on the recoverability of the deferred tax assets. Management believes that it is probable that the Bank will be able to achieve the profits and consequently, the deferred tax asset will be fully realised in future.

14.2 Status of tax and other details are disclosed in note 36 to these financial statements.

	Note	2019	2018
		Rupees in '000	
15 OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		5,823,652	4,738,974
Income / mark-up accrued in foreign currency - net of provision		555	412
Accrued rent		354,618	531,254
Advances, deposits, advance rent and other prepayments		416,787	640,333
Profit paid in advance on fixed deposits		241,151	7,591
Advance taxation (payments less provisions)		1,427,694	967,307
Non-banking assets	15.1 & 15.2	10,001,190	9,795,307
Branch adjustment account		-	110,813
Mark to market gain on forward contracts		82,843	180,579
Acceptances		1,268,440	2,894,213
Receivable from sale of operating fixed assets		-	35,000
Receivable from sale of non-banking assets acquired in satisfaction of claims		291,050	518,250
Others		400,184	402,070
		20,308,164	20,822,103
Less: Provision held against other assets	15.5	(602,274)	(623,274)
Other assets - net of provisions		19,705,890	20,198,829
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		31,789	32,700
Other assets - total		19,737,679	20,231,529
15.1 Market value of Non-banking assets acquired in satisfaction of claims	15.2.1	9,438,705	9,233,733

15.1.1 The valuation of non-banking assets acquired in satisfaction of the claims were carried out by Eastern Consultants (Private) Limited, Minaco and Jays Associates from among the approved list of valuer of Pakistan Banker's Association as at November 2018.

		Note	2019	2018
			Rupees in '000	
15.2	**Non-banking assets**			
	- acquired in satisfaction of claims		6,190,224	5,585,886
	- under agreement to sale third parties		3,760,949	4,018,263
	- with buy back option with customers		50,017	191,158
		15.3	10,001,190	9,795,307
15.2.1	**Non-banking assets acquired in satisfaction of claims**			
	Opening balance		9,233,733	10,839,165
	Additions		540,890	83,791
	Disposals	15.2.2	(268,765)	(1,558,879)
	Transferred to fixed assets		-	(49,993)
	Depreciation		(67,153)	(80,351)
	Closing balance		9,438,705	9,233,733
15.2.2	**Gain on disposal of Non-banking assets acquired in satisfaction of claims**			
	Disposal proceeds		277,884	2,430,887
	less			
	- Cost		277,123	1,644,162
	- Impairment / Depreciation		(9,269)	(98,348)
	- Surplus on revaluation		911	13,065
			268,765	1,558,879
	- Loss on reversal of sale		(200,000)	-
	(Loss) / gain		(190,881)	872,008

15.3 The non-banking assets acquired in satisfaction of claims (NBAs) aggregating to Rs. 10,001 million are currently un-developed and have been evaluated based on the valuation reports from the valuers on Pakistan Bank' Association list of approved valuers. The Bank exposure exceeds the prescribed limit of 2.5% of aggregate advances and investments (excluding investment in Government securities) as prescribed by SBP under regulation Debt Property Swap.

15.4 On June 01, 2016, the Bank entered into an Agreement to Sell (the Agreement) for undeveloped lands having book value of Rs. 3,416 million against sale consideration of Rs. 3,416 million. Pursuant to the terms of the Agreement, the Bank received a down payment of Rs. 170.83 million. The remaining balance is required to be paid by the buyer within 5 years from the date of receipt of certain approvals from relevant authorities, however, the Bank through a Supplementary Agreement to Sell (the Supplementary Agreement) dated June 24, 2016 amended the Agreement and removed the condition of approvals from relevant authorities. The balance sale consideration is payable within 5 years from August 01, 2016. Further, the buyer initially agreed to pay annual rent based on the outstanding amount of consideration from the date of receipt of approvals from relevant authorities, however, on July 29, 2016, the buyer has provided the consent to pay annual rent with effect from August 01, 2016. Due to the slow down in the real sector / construction sector and considering the aging of the receivable balance outstanding against rent, the bank has prudently reversed the rent receivable and as per term of the Agreement, Bank adjusted the down payment of Rs.170.83 million.

		Note	2019	2018
			Rupees in '000	
15.5	**Provision held against other assets**			
	Advances, deposits, advance rent and other prepayments		-	21,000
	Non-banking assets acquired in satisfaction of claims		594,274	594,274
	Others		8,000	8,000
			602,274	623,274
15.5.1	**Movement in provision held against other assets**			
	Opening balance		623,274	630,361
	Charge for the year		-	-
	Reversals		(21,000)	-
	Net charge for the year		(21,000)	-
	Reversal on disposal / write off		-	(7,087)
	Closing balance		602,274	623,274

16 ASSET HELD FOR SALE

On September 10, 2015, the Bank entered into an Agreement to Sell (the Agreement) for the previous Head Office Building of the Bank against sale consideration of Rs. 2,370 million. Pursuant to the terms of the Agreement, the Bank received a down payment of Rs. 118.50 million, which is currently reported in 'other liabilities' (note 22). The remaining balance is required to be paid by the buyer within 5 years from the date of the Agreement. The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of the asset as held for sale.

The Management considered the property to meet the criteria to be classified as held for sale at that date for the following reasons:

i) The Property is available for immediate sale and can be sold in its current condition.
ii) The sale is expected to be completed before the end of financial year ending December 2020.
iii) The management is committed to a plan to sell and it is unlikely that plan will be significantly changed or withdrawn.
The particulars of the assets to be classified as held for sale and related liabilities are as follows:

	Cost	Accumulated Depreciation	Carrying Amount as at December 31, 2019
		Rupees in 000	
Leasehold land	1,866,750	-	1,866,750
Building on Freehold land	622,250	259,271	362,979
Asset held for sale	**2,489,000**	**259,271**	**2,229,729**
Liability associated with assets classified as Held for sale			(118,500)
Net assets of disposal group			**2,111,229**

	2019	2018
	Rupees in '000	
17 BILLS PAYABLE		
In Pakistan	2,483,658	2,866,568
Outside Pakistan	-	-
	2,483,658	2,866,568

18 BORROWINGS

18.1 Details of borrowings

	Note	2019	2018
Secured			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	18.1.1	1,712,901	1,647,067
Repurchase agreement borrowings	18.1.2 &18.1.4	21,597,750	6,500,646
Total secured		23,310,651	8,147,713
Unsecured			
Call borrowings	18.1.3	1,289,553	3,000,000
Trading liability	18.1.2	6,380,152	6,843,117
Overdrawn nostro accounts		992,875	61,024
Overdrawn local bank accounts		-	-
Total unsecured		8,662,580	9,904,141
		31,973,231	18,051,854

18.1.1 The Bank has entered into agreements for financing with the SBP for extending export finance to customers. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable within six months. These carry mark-up rates ranging from 1% to 2% (2018: 1% to 2%) per annum.

18.1.2 These represent funds borrowed from the local interbank money market against government securities carrying interest rate ranging between 13% to 13.37% (2018: 10.10% to 10.20%) per annum with maturity upto January 2020.

18.1.3 These represent unsecured borrowings from the local money market carrying interest rate ranging upto 13.75% (2018: upto 10.75%) per annum with maturity in January 2020.

18.1.4 The market value of securities given as collateral against the repurchase agreement borrowings is given in note 10.2.1.

	2019	2018
	Rupees in '000	
18.2 Particulars of borrowings with respect to Currencies		
In local currency	30,980,356	17,990,830
In foreign currencies	992,875	61,024
	31,973,231	18,051,854

19 DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits	**21,547,734**	**4,788,979**	**26,336,713**	21,844,736	3,838,921	25,683,657
Savings deposits	**45,049,599**	**2,569,948**	**47,619,547**	43,582,478	2,844,764	46,427,242
Term deposits	**48,458,516**	**2,433,754**	**50,892,270**	39,069,219	2,979,435	42,048,654
Margin deposits	**1,680,068**	**-**	**1,680,068**	2,477,667	-	2,477,667
Others	**1,035,119**	**-**	**1,035,119**	1,475,238	-	1,475,238
	117,771,036	**9,792,681**	**127,563,717**	108,449,338	9,663,120	118,112,458
Financial Institutions						
Current deposits	**97,822**	**39,173**	**136,995**	134,345	5,917	140,262
Savings deposits	**17,442,933**	**20,229**	**17,463,162**	13,019,874	18,120	13,037,994
Term deposits	**3,600,447**	**89,192**	**3,689,639**	1,373,370	-	1,373,370
	21,141,202	**148,594**	**21,289,796**	14,527,589	24,037	14,551,626
	138,912,238	**9,941,275**	**148,853,513**	122,976,927	9,687,157	132,664,084

	2019	2018
	Rupees in '000	
19.1 Composition of deposits		
- Individuals	**63,524,136**	51,437,400
- Government (Federal and Provincial)	**25,631,370**	23,571,375
- Public Sector Entities	**5,953,813**	10,433,978
- Banking Companies	**7,488,195**	2,094,251
- Non-Banking Financial Institutions	**13,801,601**	12,457,375
- Private Sector	**32,454,398**	32,669,705
	148,853,513	132,664,084

19.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 78.77 billion (2018 : Rs. 55.01 billion).

20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2019			2018		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees in '000					
Not later than one year	**-**	**-**	**-**	2,755	92	2,663
Later than one year and upto five years	**-**	**-**	**-**	-	-	-
	-	**-**	**-**	2,755	92	2,663

	Note	2019	2018
		Rupees in '000	
21 SUBORDINATED DEBT			
Subordinated Term Finance Certificates	21.1	**1,999,200**	1,999,600
Subordinated loan from Sponsors	21.2	**126,218**	-
		2,125,418	1,999,600

21.1 The Bank has issued privately placed, unsecured and subordinated Term Finance Certificates (TFCs) as instruments of redeemable capital under section 66 of the Companies Act, 2017 and the Basel III guidelines issued by the SBP. The key features of the issue are as follows:

Issue amount	Rs. 2,000 million
Issue date	August 10, 2017
Maturity date	Up to 8 years from date of issue
Rating	(BBB+) by JCR-VIS Credit Rating Company Limited (Triple B Plus)
Security	The instrument is unsecured and subordinated as to payment of principal and profit to all other indebtedness of the Bank, including deposits.
Profit payment frequency	Profit will be payable semi-annually in arrears on the outstanding principal amount and will be calculated on a 365 day year basis.
Redemption	0.14% of the issue amount during the first 7 years and remaining 99.86% in last two equal semi-annual installments of 49.93% each.

Mark-up	6 months KIBOR plus 1.85% per annum
Call option	The Bank may call TFCs in part or in full, after 5 years from date of issue on any profit payment date, subject to SBP approval and with not less than 30 days prior notice to the Trustee and Investors. The call option once announced will be irrevocable.
Lock-in-clause	As per the lock-in requirement for Tier II issues, neither profit nor principal will be payable (even at maturity) in respect of the TFC, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or results in an increase in any existing shortfall in MCR or CAR.
Loss absorbency clause	The instrument will be subject to loss absorbency and / or any other requirements under SBP's Basel III Capital Rules. Upon the occurrence of a point of non-viability event as defined by SBP's Basel III Capital Rule, the 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 fair value per share of the Bank's common equity on the date of trigger of the non-viability event as declared by the SBP, subject to a cap of 1,238,390,093 shares.

21.2 Due to the lock-in-clause as mentioned in note 21.1 and as per SBP instructions, the Bank has received an unsecured and interest free subordinated loan from the sponsor in order to make the payment of the instalment including profit thereon in respect of the above mentioned TFC's. Upon compliance with minimum capital requirement (CAR), this subordinated loan will be repaid to the Sponsor.

22 OTHER LIABILITIES

	Note	2019	2018
		Rupees in '000	
Mark-up / return / interest payable in local currency		**1,041,287**	790,382
Mark-up / return / interest payable in foreign currencies		**24,035**	22,884
Unearned commission and income on bills discounted		**54,912**	46,079
Accrued expenses		**377,682**	123,679
Acceptances		**1,268,440**	2,894,213
Mark to market loss on forward contracts		**422,803**	30,094
Branch adjustment account		**12,582**	-
Payable to defined benefit plan - permanent staff	40.4	**7,752**	21,499
Payable to defined benefit plan - contractual staff		**50,060**	27,992
Provision against off-balance sheet obligations	22.1	**116,012**	116,012
Workers' Welfare Fund (WWF)		**134,504**	134,504
Advance received against future sale of non banking assets		**121,239**	412,644
Advance received against future sale of operating fixed assets	16	**118,500**	118,500
Deferred income against non-banking assets		**153,657**	111,283
Islamic pool management reserve		**5,024**	4,676
Lease liability against right-of-use assets	6.1	**4,297,275**	-
Non checking account		**382,292**	399,364
PRI remitting account		**58,945**	654,498
Funds received against application of Housing Scheme		**149,570**	-
Others		**683,802**	691,180
		9,480,373	6,599,483

22.1 Provision against off-balance sheet obligations

	2019	2018
Opening balance	**116,012**	116,012
Charge for the year	**-**	-
Reversals	**-**	-
	-	-
Amount written off	**-**	-
Closing balance	**116,012**	116,012

22.1.1 This includes provisions made against letters of guarantee issued by the Bank.

22.2 Advance received Rs. 170.83 million against future disposal of non-banking assets (land) measuring 122,311 square yards, as disclosed in note 15.4 adjusted as per term of the Agreement.

23 SHARE CAPITAL- NET

23.1 Authorised capital

2019	2018		2019	2018
Number of shares in '000			Rupees in '000	
10,500,000	10,500,000	Ordinary shares of Rs.10 each	105,000,000	105,000,000

23.2 Issued, subscribed and paid up capital

2019	2018		2019	2018
Number of shares in '000			Rupees in '000	
		Ordinary shares of Rs. 10 each		
9,081,861	9,081,861	Fully paid in cash	90,818,612	90,818,612
-	-	Less: Discount on issue of shares	(67,387,238)	(67,387,238)
9,081,861	9,081,861		23,431,374	23,431,374

23.3 Arif Habib Corporation Limited i.e. associated company held 2,563,901,924 (2018: 2,563,901,924) shares which represents 28.23% (2018: 28.23%) of the equity stake of the company

	Note	2019	2018
		Rupees in '000	
24 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	281,116	(222,937)
- Fixed assets	24.1	55,485	59,064
- Non-banking assets acquired in satisfaction of claims	24.2	31,789	32,700
		368,390	(131,173)
Deferred tax on (surplus) / deficit on revaluation of			
- Available for sale securities	14	(98,390)	78,027
- Fixed assets	24.1	(11,274)	(12,527)
- Non-banking assets acquired in satisfaction of claims	24.2	(2,216)	(2,534)
		(111,880)	62,966
		256,510	(68,207)

24.1 Surplus on revaluation of fixed assets

	Note	2019	2018
Surplus on revaluation of fixed assets as at January 1		59,064	62,643
Recognised during the year		-	-
Realised on disposal during the year - net of deferred tax		-	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(2,326)	(2,326)
Related deferred tax liability on incremental depreciation charged during the year		(1,253)	(1,253)
Related deferred tax liability on surplus realised on disposal		-	-
Surplus on revaluation of fixed assets as at December 31		55,485	59,064
Less: related deferred tax liability on:			
- revaluation as at January 1		(12,527)	(13,780)
- revaluation recognised during the year		-	-
- surplus realised on disposal during the year		-	-
- incremental depreciation charged during the year		1,253	1,253
	14	(11,274)	(12,527)
		44,211	46,537

24.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

	Note	2019	2018
Surplus on revaluation as at January 1		32,700	46,128
Recognised during the year		-	-
Realised on disposal during the year - net of deferred tax		(593)	(9,143)
Realised on transferred to fixed assets during the year - net of deferred tax		-	(236)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		-	-
Related deferred tax liability on incremental depreciation charged during the year		-	-
Related deferred tax liability on surplus realised on disposal		(318)	(3,922)
Related deferred tax liability on surplus realised on transferred to fixed assets		-	(127)
Surplus on revaluation of non-banking assets acquired in satisfaction of claims as at December 31		31,789	32,700
Less: related deferred tax liability on:			
- revaluation as at January 1		(2,534)	(6,583)
- revaluation recognised during the year		-	-
- surplus realised on disposal during the year		318	3,922
- surplus realised on transferred to fixed assets during the year		-	127
- incremental depreciation charged during the year		-	-
	14	(2,216)	(2,534)
		29,573	30,166

		Note	2019	2018
			Rupees in '000	
25	**CONTINGENCIES AND COMMITMENTS**			
	Guarantees	25.1	11,110,063	13,284,395
	Commitments	25.2	27,332,813	30,031,232
	Contingent liabilities	25.3	1,256,952	1,143,864
			39,699,828	44,459,491

		2019	2018
25.1	**Guarantees:**		
	Financial guarantees	59,940	547,993
	Performance guarantees	7,811,701	9,081,896
	Other guarantees	3,238,422	3,654,506
		11,110,063	13,284,395

		Note	2019	2018
25.2	**Commitments:**			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		2,458,714	3,152,159
	Commitments in respect of:			
	- forward foreign exchange contracts	25.2.1	23,463,537	15,409,082
	- forward government securities transactions	25.2.2	1,351,959	11,416,204
	Commitments for acquisition of:			
	- operating fixed assets		633	14,668
	- intangible assets		57,970	39,119
			27,332,813	30,031,232

		2019	2018
25.2.1	**Commitments in respect of forward foreign exchange contracts**		
	Purchase	14,799,455	10,847,908
	Sale	8,664,082	4,561,174
		23,463,537	15,409,082

		2019	2018
25.2.2	**Commitments in respect of forward government securities transactions**		
	Purchase	929,110	-
	Sale	422,849	11,416,204
		1,351,959	11,416,204

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

		2019	2018
		Rupees in '000	
25.3	**Contingent liabilities:**		
	Claims against the Bank not acknowledged as debt	1,221,312	1,108,224
	Claims against the Bank by Competition Commission of Pakistan & others	35,640	35,640
		1,256,952	1,143,864

25.3.1 Suits for damages of Rs. 24.40 billion (2018: Rs. 24.45 billion) have been filed against the Bank by various borrowers / employees in respect of certain disputes relating to loans and advances. The management of the Bank and its legal counsel consider that the suits are a counterblast in response to the recovery suits filed by the Bank. The Bank and its legal counsel are confident that the cases will be dismissed as actual damages have to be proven in such suits.

25.4 For contingencies relating to taxation refer note 36.2-36.4.

26 DERIVATIVE INSTRUMENTS

26.1 Product Analysis

Counterparties	2019 Forward Contracts Notional Principal	2019 Forward Contracts Mark to Market gain / (loss)
	Rupees in '000	
Hedging		
- Banks	22,983,136	(362,050)
- Other entities	1,832,361	22,090
Total	24,815,497	(339,960)

Counterparties	2018 Forward Contracts Notional Principal	2018 Forward Contracts Mark to Market gain / (loss)
	Rupees in '000	
Hedging		
- Banks	26,125,605	125,602
- Other entities	561,370	24,883
Total	26,686,975	150,485

26.2 Maturity Analysis

2019

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market Negative	Mark to Market Positive	Mark to Market Net
		Rupees in '000			
Upto 1 month	99	13,978,543	143,347	50,765	(92,582)
1 to 3 months	93	8,588,893	271,637	15,821	(255,816)
3 to 6 months	18	670,027	-	11,352	11,352
6 month to 1 year	9	648,924	111	4,905	4,794
1 year to 2 year	1	929,110	7,708	-	(7,708)
	220	24,815,497	422,803	82,843	(339,960)

2018

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market Negative	Mark to Market Positive	Mark to Market Net
		Rupees in '000			
Upto 1 month	83	14,235,255	19,158	96,205	77,047
1 to 3 months	48	6,653,693	7,662	72,381	64,719
3 to 6 months	21	5,772,072	3,274	10,763	7,489
6 month to 1 year	2	25,955	-	1,230	1,230
1 year to 2 year	-	-	-	-	-
	154	26,686,975	30,094	180,579	150,485

26.3 Risk management related to derivatives is discussed in note 48.5.

		Note	2019	2018
			Rupees in '000	
27	**MARK-UP / RETURN / PROFIT / INTEREST EARNED**			
	On:			
	Loans and advances		12,277,263	12,184,084
	Investments		2,567,760	2,679,603
	Lendings to financial institutions		1,846,652	729,751
	Balances with banks		6,226	2,775
			16,697,901	15,596,213
28	**MARK-UP / RETURN / PROFIT / INTEREST EXPENSED**			
	Deposits		11,956,988	6,075,206
	Borrowings		1,987,379	2,596,688
	Subordinated debt		273,025	177,203
	Cost of foreign currency swaps against foreign currency deposits / borrowings		374,367	134,963
	Lease liability against right-of-use assets		477,701	-
	Others		12,284	6,675
			15,081,744	8,990,735
29	**FEE & COMMISSION INCOME**			
	Branch banking customer fees		189,138	177,753
	Card related fees (debit and credit cards)		1,378,704	911,325
	Credit related fees		353,819	249,167
	Investment banking fees		-	396
	Commission on trade		165,119	150,588
	Commission on guarantees		76,549	107,442
	Commission on remittances including home remittances		20,687	17,250
	Commission on bancassurance		89,379	77,058
	Others		10,819	48,898
			2,284,214	1,739,877
30	**DIVIDEND INCOME**			
	Javedan Corporation Limited - related party		-	2,190
	Oil & Gas Development Company Limited		1,925	-
	Pakistan State Oil Company Limited		2,899	-
			4,824	2,190
31	**GAIN / (LOSS) ON SECURITIES**			
	Realised	31.1	536,708	(61,248)
	Unrealised - held for trading	10.1	1,266	(2,423)
			537,974	(63,671)

		Note	2019	2018
			Rupees in '000	
31.1	**Realised (loss) / gain on:**			
	Federal Government Securities		563,261	(63,656)
	Shares		(26,553)	2,408
			536,708	(61,248)
32	**OTHER INCOME**			
	Rent on property and non-banking assets		52,870	368,088
	Gain on sale of fixed assets - net		1,720	9,714
	(Loss) / gain on sale of non-banking assets - net	15.2.2	(190,881)	872,008
	Rent on lockers		19,969	16,637
	Postage, telex and other service charges recovered		41,630	48,496
	Share of profit from associate		5,227	8,642
	Early loan termination charges		77,598	62,424
			8,133	1,386,009
33	**OPERATING EXPENSES**			
	Total compensation expense	33.1	3,714,935	3,377,501
	Property expense			
	Rent & taxes		38,053	763,238
	Insurance on non banking assets acquired in satisfaction of claims		1,071	1,255
	Utilities cost		225,435	198,783
	Security (including guards)		169,320	106,938
	Repair & maintenance (including janitorial charges)		82,572	68,660
	Depreciation on buildings		134,490	140,856
	Depreciation on right-of-use assets		673,378	-
	Depreciation on non-banking assets acquired in satisfaction of claims		67,153	80,351
	Professional charges		30,424	11,863
			1,421,896	1,371,944
	Information technology expenses			
	Software maintenance		207,359	120,538
	Hardware maintenance		94,392	59,891
	Depreciation		56,556	42,184
	Amortisation		65,276	71,381
	Website development charges		371	269
			423,954	294,263
	Other operating expenses			
	Directors' fees and allowances		21,850	36,585
	Fees and allowances to Shariah Board		15,088	12,816
	Legal & professional charges		482,258	289,664
	Outsourced services costs	33.2	53,160	26,617
	Travelling & conveyance		120,609	86,629
	NIFT clearing charges		15,882	12,993
	Depreciation		242,356	214,701
	Training & development		24,738	30,020
	Postage & courier charges		53,960	32,756
	Communication		371,959	226,075
	Stationery & printing		81,909	69,223
	Marketing, advertisement & publicity		425,441	268,263
	Auditors Remuneration	33.3	17,396	25,331
	Insurance (including deposit protection)		143,188	65,051
	Repairs & maintenance		100,391	80,417
	Financial charges on leased assets		159	505
	Brokerage and commission		10,158	11,478
	Subscriptions and news papers		24,283	19,039
	Entertainment		54,768	45,378
	Vehicle running & maintenance		31,297	25,134
	Card related expenses (debit and credit cards)		147,695	116,996
	Security		36,029	22,878
	Others		16,138	18,896
			2,490,712	1,737,445
			8,051,497	6,781,153

		2019	2018
		Rupees in '000	
33.1	**Total compensation expense**		
	Fees and allowances etc	16,636	12,546
	Managerial remuneration		
	i) Fixed	1,554,915	1,401,851
	ii) Cash bonus / awards etc.	650,249	584,147
	Charge for defined benefit plan	113,417	125,511
	Contribution to defined contribution plan	93,112	86,837
	Rent and house maintenance	756,636	683,604
	Utilities	4,187	3,357
	Medical	161,069	139,213
	Conveyance	317,660	294,102
	Insurance	45,211	44,302
	EOBI bank contribution	-	306
	Others	1,943	1,725
	Total	3,714,935	3,377,501

33.2 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 50.5 million (2018 : Rs. 26.62 million) pertains to the payment to companies incorporated in Pakistan. The material outsourcing arrangements along with their nature of services are as follows:

Name of company	**Nature of service**	Note	2019	2018
			Rupees in '000	
M & P	Printing and Dispatch of Statement of Accounts		3,554	1,506
OS First Solutions (Private) Limited	Book Keeping/Record Management service		8,981	4,200
Printlink	Cheque Books Printing services		6,263	5,166
TCS (Private) Limited	Printing and Dispatch of Statement of Accounts		12,941	8,942
Oberthur Technologies Pakistan (Private) Limited	Printing of Visa Debit and Credit Cards		16,570	-
			48,309	19,814

		Note	2019	2018
33.3	**Auditors' remuneration**			
	Audit fee		7,731	6,872
	Fee for other statutory certifications		6,413	6,941
	Special certifications and sundry advisory services		-	9,600
	Out-of-pocket expenses		3,252	1,918
			17,396	25,331
34	**OTHER CHARGES**			
	Penalties imposed by State Bank of Pakistan		162,453	32,966
	Operational loss		34,554	22,427
			197,007	55,393
35	**PROVISIONS & WRITE OFFS - NET**			
	Provisions against loans & advances	11.3	2,635,216	1,455,209
	Reversal of provision against other assets	15.5.1	(21,000)	-
	Write offs against fixed assets	12.2	2,080	2,612
	Recovery of written off / charged off bad debts		(183,466)	(189,148)
			2,432,830	1,268,673
36	**TAXATION**			
	Current		-	54,202
	Prior years		109,298	-
	Deferred		(1,985,238)	492,693
			(1,875,940)	546,895
36.1	**Relationship between tax expense and accounting profit**			
	Profit before tax		(5,828,943)	1,876,828
	Tax rate		35%	39%
	Tax at applicable rate		(2,040,130)	731,963
	Permanent difference		54,892	(193,499)
	Deferred tax asset / minimum tax credit written off / adjusted		109,298	-
	Others		-	8,431
			(1,875,940)	546,895

36.2 The income tax returns of the Bank have been submitted up to Tax Year 2019. The Bank has filed appeals before Appellate Tribunal Inland Revenue (ATIR) against certain disallowances amounting to Rs.1,996 million (2018: Rs.1,996 million) made by Tax officer for Assessment / Tax Year(s) 2000-2001, 2001-2002, 2002-2003 and 2004. The disallowances amounting to Rs. 798 million (December 31, 2018: Rs.692 million) in respect of Tax Years 2003, 2006 and 2015 to 2018 are pending at Commissioner Inland Revenue (Appeals) (CIR (A)). Management is confident that the outcome of these appeals would be in favor of the Bank.

36.3 Income tax returns for Tax Years 2011 and 2014 were selected for audit. The proceedings of the audit are in process, no order has been passed by the relevant tax authorities.

The proceedings u/s 161 / 205 of the Income Tax Ordinance, 2001 regarding monitoring of withholding taxes pertaining to the Tax Years 2011 to 2018 were completed. Orders were issued by the Assessing Officer creating total tax demand of Rs. 139 million (already paid by the bank) including default surcharge of Rs. 25 million. The Bank has filed appeals against orders u/s 161 / 205 before CIR (A). The Bank's appeals for Tax Years 2013 and 2014 before the CIR (A) were rejected after which appeals before the ATIR, Karachi have been filed, which are pending hearing. Management is confident that the outcome of these appeals would be in favor of the Bank.

36.4 The Bank's return in respect of AJK operations have been submitted up to and including Tax Year 2019. Certain appeals were filed before the various Appellate and other forums which are either pending for adjudication or the proceedings initiated against the Bank have been dropped / withdrawn. Management is confident that the outcome of pending appeals would be in favor of the Bank.

		Note	2019	2018
			Rupees in '000	
37	**BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE**			
	(Loss) / profit for the year		(3,953,003)	1,329,933
	Weighted average number of ordinary shares		9,081,861	9,081,861
	Basic and Diluted Earnings Per Share (Rupee)		(0.44)	0.15
38	**CASH AND CASH EQUIVALENTS**			
	Cash and balance with treasury banks	7	11,838,682	8,871,567
	Balance with other banks	8	1,168,163	309,994
			13,006,845	9,181,561

		2019	2018
39	**STAFF STRENGTH**		
		Number of persons	
	Permanent	1,482	1,428
	On Bank contract	2,941	2,684
	Bank's own staff strength at the end of the year	4,423	4,112
	Outsourced	-	-
	Total staff strength	4,423	4,112

40 DEFINED BENEFIT PLAN

40.1 General description

As disclosed in note 6.13.2, the Bank operates an approved funded gratuity scheme for all its regular employees. The entitlement of the employees commences on completion of five years with the Bank beginning from January 01, 2005. Projected Unit Credit Actuarial Cost Method has been used for actuarial valuation dated December 31, 2019. The financial statements of the fund are separately prepared and audited and are not included as part of these financial statements. Contributed funds are placed in separate bank accounts maintained with the Bank in fixed deposit and super saver scheme at the rates ranging from 8% to 15% (2018: 4% to 10%).

40.2 Number of employees under the scheme

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

	2019	2018
	Number of employees	
Gratuity fund	**1,482**	1,428

40.3 Principal actuarial assumptions

The actuarial valuations have been carried out as at December 31, 2019 using the following significant assumptions:

	Note	2019	2018
Financial assumptions			
Discount rate	40.3.1	**11.25%**	13.25%
Expected rate of return on plan assets		**10.44%**	6.18%
Expected rate of salary increase		**10.25%**	12.25%
Demographic assumptions			
Mortality rates (for death in service)		**SLIC (2001-05)-1**	SLIC (2001-05)-1
Rates of employee turnover		**Ultra Heavy Rates**	Ultra Heavy Rates
Normal retirement age (years)		**60 years**	60 years

* Salary increments were assumed to be given on 1st January each year.

40.3.1 The discount rate of 11.25% (per annum compound) is representative of yields on Pakistan Investment Bonds and high quality Term Finance Certificates.

	Note	2019	2018
		Rupees in '000	
40.4 Reconciliation of payable to / (receivable from) defined benefit plans			
Present value of obligations		**708,615**	607,536
Fair value of plan assets		**(700,863)**	(586,037)
Payable / (receivable)		**7,752**	21,499
40.5 Movement in defined benefit obligations			
Obligations at the beginning of the year		**607,536**	523,307
Current service cost		**82,675**	74,938
Interest cost		**80,971**	42,960
Benefits paid by the Bank		**(34,931)**	(55,439)
Re-measurement loss	40.8.2	**(27,636)**	21,770
Obligations at the end of the year		**708,615**	607,536

	Note	2019	2018
		Rupees in '000	

40.6 Movement in fair value of plan assets

	Note	2019	2018
Fair value at the beginning of the year		**586,037**	533,514
Interest income on plan assets		**78,294**	43,770
Contribution by the Bank - net		**85,353**	74,128
Benefits paid by the Bank		**(34,931)**	(55,439)
Re-measurements: Net return on plan assets over interest loss	40.8.2	**(13,890)**	(9,936)
Fair value at the end of the year		**700,863**	586,037

40.7 Movement in (receivable) / payable under defined benefit schemes

		2019	2018
Opening balance		**21,499**	(10,207)
Charge / (reversal) for the year		**85,352**	74,128
Contribution by the Bank - net		**(85,353)**	(74,128)
Re-measurement loss / (gain) recognised in OCI during the year		**(13,746)**	31,706
Closing balance		**7,752**	21,499

40.8 Charge for defined benefit plans

40.8.1 Cost recognised in profit and loss

		2019	2018
Current service cost		**82,675**	74,938
Net interest on defined benefit asset / liability		**2,677**	(810)
		85,352	74,128

40.8.2 Re-measurements recognised in OCI during the year

		2019	2018
Loss on obligation			
- Financial assumptions		**(7,079)**	15,162
- Experience adjustment		**(20,557)**	6,608
Return on plan assets over interest loss		**13,890**	9,936
Total re-measurements recognised in OCI		**(13,746)**	31,706

40.9 Components of plan assets

		2019	2018
Cash and cash equivalents - net		**37,265**	28,477
Government Securities		**259,345**	159,693
Term Deposit Receipt		**379,000**	369,000
National Investment Trust Units		-	10,086
Mutual Funds		**25,253**	18,781
		700,863	586,037

40.9.1 The significant risk associated with the plan assets are disclosed in note 39.15.

40.10 Sensitivity analysis

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the Projected Unit Credit Actuarial Cost Method at the end of the reporting period) has been applied as when calculating net defined benefit asset recognised within the statement of financial position. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised as illustrated below:

	2019 Rupees in '000
1% increase in discount rate	(35,934)
1% decrease in discount rate	39,889
1 % increase in expected rate of salary increase	43,276
1 % decrease in expected rate of salary increase	(39,613)

40.11 Expected contributions to be paid to the fund in the next financial year — **89,626**

40.12 Expected charge for the next financial year — **89,626**

40.13 Maturity profile

	2019	2018
The weighted average duration of the obligation (in years)	**5.33**	5.34

40.14 Funding policy

An implicit, though not formally expressed objective is that the liabilities under the scheme in respect of members in service on the valuation date on a going concern basis and having regard to projected future salary increases, should be covered by the fund on the valuation date, the total book reserve as of the valuation date, future contributions to the fund, future additions to the book reserve and future projected investment income of the fund.

As far as possible, there is an implicit objective that the contribution to the fund should remain reasonably stable as a percentage of salaries, under the Actuarial Cost Method employed.

40.15 The significant risk associated with the staff retirement benefit schemes may be:

Asset volatility	The Defined Benefit Gratuity Fund is invested heavily in cash or cash like investments which carry minute volatility risk. Around thirty percent is invested in PIB's which will be maturing next year which is giving rise to reinvestment risk. Only five percent is invested in mutual funds giving rise. The asset class is volatile with reference to the yield on this class. This risk should be viewed together with change in the bond yield risk.to market volatility risk for this asset class. There is no corporate bond exposure. Thus, no settlement risk.
Changes in bond yields	There are two dimensions to the changes in bond yields: first, as described above; second, the valuation of the gratuity liability is discounted with reference to these bond yields. So any increase in bond yields will lower the gratuity liability and vice versa, but, it will also lower the asset values.
Inflation risk	The salary inflation is the major risk that the gratuity fund liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the change in salary inflation generally offsets the gains from the decrease in discounted gratuity liability. But viewed with the fact that asset values will also decrease, the salary inflation does, as an overall affect, increases the net liability of the Bank.

Life expectancy / withdrawal rate	The gratuity is paid off at the maximum of age 60. The Life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Bank for the purpose of the gratuity. Thus, the risk of life expectancy is almost negligible. However, had a post- retirement benefit been given by the Bank like monthly pension, post-retirement medical etc., this would have been a significant risk which would have been quite difficult to value even by using advance mortality improvement models. The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions. In this case, it is not a significant risk.
Retention risk	The risk that employee will not be motivated to continue the service or start working with the Bank if no market comparable retirement benefit is provided.
Final salary risk	The risk, for defined benefit gratuity, that any disproportionate salary merit increases in later service years will give rise to multiplicative increase in the gratuity liability as such increase is applicable to all the past years of service.
Model risk	The defined benefit gratuity liability is usually actuarially valued each year. Further, the assets in the Gratuity Fund are also marked to market. This two-tier valuation gives rise to the model risk.
Operational Risk related to a separate entity	Retirement benefits are funded through a separate trust fund which is a different legal entity than the Bank. Generally, the protocols, processes and conventions used throughout the Bank are not applicable or are not actively applied to the retirement benefit funds. This gives rise to some specific operational risks.
Compliance risk	The risk that retirement benefits offered by the Bank does not comply with minimum statutory requirements.
Legal / political risk	The risk that the legal/political environment changes and the Bank is required to offer additional or different retirement benefits than what the Bank projected.
Concentration risk of investment in self	Though the gratuity fund is a separate entity, 70% of the Fund is invested or placed with the Bank itself giving rise to a concentration risk that gratuity fund may not be able to payoff its liability if Bank defaults.

41 DEFINED CONTRIBUTION PLAN

The Bank operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Bank and the employees at the rate of 8.33% of basic salary. The financial statements of the fund are separately prepared and audited and are not included as part of these financial statements. Contribution funds are placed with separate bank accounts maintained with the Bank in fixed deposit and super saver scheme at the rates ranging from 8% to 14% (2018: 4% to 15%).

42 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

42.1 Total Compensation Expense

2019

Items	Directors			Members Shariah Board	President / CEO	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives			
	Rupees in '000					
Fees and allowances	-	-	21,850	12,180	-	-
Managerial remuneration						
i) Fixed	-	19,456	-	1,286	46,545	618,766
ii) Cash bonus / awards etc.	-	-	-	385	-	30,405
Contribution to defined contribution plan	-	1,621	-	107	3,877	44,111
Rent & house maintenance	-	9,728	-	642	23,273	309,383
Utilities	-	-	-	-	4,517	-
Medical	-	1,946	-	129	4,655	61,877
Conveyance	-	3,891	-	257	9,309	123,753
Car	-	-	-	102	-	9,537
Bonus and Others	-	-	-	-	-	10,050
Total	-	36,642	21,850	15,088	92,176	1,207,882
Number of Persons	-	1	5	3	1	228

2018

Items	Directors			Members Shariah Board	President / CEO	Key Management Personnel
	Chairman	Executives (other than CEO)	Non-Executives			
	Rupees in '000					
Fees and allowances	6,185	-	30,400	10,365	-	-
Managerial remuneration						
i) Fixed	-	18,526	-	1,154	42,882	558,468
ii) Cash bonus / awards etc.	-	4,519	-	-	15,000	96,543
Contribution to defined contribution plan	-	1,543	-	72	3,572	-
Rent & house maintenance	-	9,263	-	577	21,441	41,490
Utilities	-	-	-	-	3,171	279,234
Medical	-	1,853	-	115	4,288	-
Conveyance	-	3,705	-	231	8,576	56,094
Car	-	-	-	302	-	111,693
Bonus and Others	-	360	-	94	-	35,417
Total	6,185	39,769	30,400	12,910	98,930	1,178,939
Number of Persons	1	1	5	3	1	214

42.1.1 During the year, the Chairman Mr. Munnawar Hamid resigned from the Board.

42.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2019					
		Meeting fees and allowances paid					
			Board Committees				
Sr. No.	Name of Director	Board meetings	Human Resource Committee	Risk Committee	Audit Committee	IT Committee	Total Amount Paid
		Rupees in '000					
1	Mr. Khalid Aziz Mirza	1,900	1,900	-	-	-	3,800
2	Mr. Shehzad Enver Murad	1,900	-	1,900	1,900	-	5,700
3	Mr. Nasim Beg	1,425	-	-	1,425	-	2,850
4	Mr. Tariq Iqbal Khan	1,900	-	1,900	1,900	-	5,700
5	Mr. Rashid Akhtar Chughtai	1,900	1,900	-	-	-	3,800
	Total	9,025	3,800	3,800	5,225	-	21,850

		2018					
		Meeting fees and allowances paid					
			Board Committees				
Sr. No.	Name of Director	Board meetings	Human Resource Committee	Risk Committee	Audit Committee	IT Committee	Total Amount Paid
		Rupees in '000					
1	Mr. Munnawar Hamid	3,810	2,375	-	-	-	6,185
2	Mr. Khalid Aziz Mirza	2,850	2,375	-	-	-	5,225
3	Mr. Shehzad Enver Murad	2,850	-	1,900	1,900	-	6,650
4	Mr. Nasim Beg	2,850	-	-	1,900	1,900	6,650
5	Mr. Tariq Iqbal Khan	2,850	-	1,900	1,900	-	6,650
6	Mr. Rashid Akhtar Chughtai	2,850	2,375	-	-	-	5,225
	Total	18,060	7,125	3,800	5,700	1,900	36,585

42.3 Remuneration paid to Shariah Board Members

	2019			2018		
Items	Chairman	Resident Members	Non-Resident Member(s)	Chairman	Resident Members	Non-Resident Member(s)
	Rupees in '000					
Fees and Allowances	9,600	2,580	-	8,000	2,365	-
b. Managerial Remuneration						
i) Fixed	-	1,286	-	-	1,154	-
ii) Cash Bonus / Awards	-	385	-	-	-	-
Contribution to defined contribution plan	-	107	-	-	72	-
Rent & house maintenance	-	642	-	-	577	-
Medical	-	129	-	-	115	-
Conveyance	-	257	-	-	231	-
Car	-	102	-	-	302	-
Total Amount	9,600	5,488	-	8,000	4,816	-
Total Number of Persons	1	2	-	1	2	-

43 FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices. Fair value of unquoted equity investments other than investments in associates is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

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 period.

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 re-priced.

43.1 Fair value of financial assets

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

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

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

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

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

	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments:					
Federal Government Securities					
Market Treasury Bills	3,535,706	-	3,535,706	-	3,535,706
Pakistan Investment Bonds	29,084,354	-	29,084,354	-	29,084,354
GOP Ijarah Sukuks	2,277,000	-	2,277,000	-	2,277,000
Bai Muajjal	257,658	-	257,658	-	257,658
Shares					
Listed companies	693,897	693,897	-	-	693,897
Non-Government Debt Securities					
Sukuks - listed	227,354	-	227,354	-	227,354
Term Finance Certificates - listed	37,500	-	37,500	-	37,500
	36,113,469	693,897	35,419,572	-	36,113,469
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	11,838,682	-	-	-	-
Balances with other banks	1,168,163	-	-	-	-
Lendings to financial institutions	18,101,837	-	-	-	-
Advances	105,374,947	-	-	-	-
Other assets	6,552,718	-	-	-	-
	143,036,347	-	-	-	-
	179,149,816	693,897	35,419,572	-	36,113,469
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	14,799,455	-	14,799,455	-	14,799,455
Forward sale of foreign exchange	8,664,082	-	8,664,082	-	8,664,082
Forward purchase of government securities transactions	929,110	-	929,110	-	929,110
Forward sale of government securities transactions	422,849	-	422,849	-	422,849

	2018				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments:					
Federal Government Securities					
Market Treasury Bills	14,402,942	-	14,402,942	-	14,402,942
Pakistan Investment Bonds	10,046,265	-	10,046,265	-	10,046,265
GOP Ijarah Sukuks	3,851,647	-	3,851,647	-	3,851,647
Bai Muajjal	-	-	-	-	-
Shares					
Listed companies	135,369	135,369	-	-	135,369
Non-Government Debt Securities					
Sukuks - listed	300,241	-	300,241	-	300,241
Term Finance Certificates - listed	61,875	-	61,875	-	61,875
	28,798,339	135,369	28,662,970	-	28,798,339
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	8,871,567	-	-	-	-
Balances with other banks	309,994	-	-	-	-
Lendings to financial institutions	12,612,156	-	-	-	-
Advances	98,354,002	-	-	-	-
Other assets	6,004,469	-	-	-	-
	126,152,188	-	-	-	-
	154,950,527	135,369	28,662,970	-	28,798,339
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	10,847,908	-	10,847,908	-	10,847,908
Forward sale of foreign exchange	4,561,174	-	4,561,174	-	4,561,174
Forward purchase of government securities transactions	-	-	-	-	-
Forward sale of government securities transactions	11,416,204	-	11,416,204	-	11,416,204

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3 are:

Item	Valuation approach and input used
Market Treasury Bills and Pakistan Investment Bonds	Fair values are derived using the PKRV rates.
GOP Ijarah Sukuks	Fair values of GOP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Shares - listed	Fair values of investments in listed shares are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Sukuks - Listed and Term Finance Certificates - Listed	Investments in debt securities i.e. term finance certificates and sukuk certificates issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.

43.2 Fair value of non-financial assets

Information about the fair value hierarchy of Bank's non-financial assets as at the end of the reporting period are as follows:

	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
Operating fixed assets - land and buildings	186,146	-	-	186,146	186,146
Non-banking assets acquired in satisfaction of claims	9,438,705	-	-	9,438,705	9,438,705
	9,624,851	-	-	9,624,851	9,624,851

	2018				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
Operating fixed assets - land and buildings	2,458,687	-	-	2,458,687	2,458,687
Non-banking assets acquired in satisfaction of claims	9,233,733	-	-	9,233,733	9,233,733
	11,692,420	-	-	11,692,420	11,692,420

43.2.1 Certain categories of fixed assets (land and buildings) and non-banking assets acquired in satisfactions of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in note 12.2.1 and note 15.1.1

44 SEGMENT INFORMATION

Segment Details with respect to Business Activities

	2019			
	Consumer / SME	Whole Sale Banking	Treasury	Total
	Rupees '000			
Profit and Loss Account				
Net mark-up / return / profit	7,043,550	(5,438,705)	11,312	1,616,157
Inter segment revenue - net	-	-	-	-
Non-markup / interest Income	2,222,695	207,072	806,467	3,236,234
Total Income	9,266,245	(5,231,633)	817,779	4,852,391
Segment direct expenses	(3,916,631)	(4,251,892)	(79,981)	(8,248,504)
Inter segment expense allocation	(1,425,185)	1,530,796	(105,611)	-
Total expenses	(5,341,816)	(2,721,096)	(185,592)	(8,248,504)
Provisions	(956,072)	(1,476,758)	-	(2,432,830)
Profit before tax	2,968,357	(9,429,487)	632,187	(5,828,943)
Statement of Financial Position				
Cash & Bank balances	-	3,435,857	9,570,988	13,006,845
Investments	-	275,692	35,969,658	36,245,350
Net inter segment lending	86,565,401	19,779,983	78,082,280	184,427,664
Lendings to financial institutions	765,636	135,112	17,201,089	18,101,837
Advances - performing	31,071,521	45,651,990	-	76,723,511
Advances - non-performing	1,649,619	27,001,817	-	28,651,436
Others	929,772	32,151,609	(122,280)	32,959,101
Total Assets	120,981,949	128,432,060	140,701,735	390,115,744
Borrowings	574,507	1,138,394	30,260,330	31,973,231
Subordinated debt	-	2,125,418	-	2,125,418
Deposits & other accounts	93,990,095	54,863,418	-	148,853,513
Net inter segment borrowing	24,192,373	47,086,257	113,149,034	184,427,664
Others	2,224,974	9,615,168	123,889	11,964,031
Total liabilities	120,981,949	114,828,655	143,533,253	379,343,857
Equity	-	13,603,406	(2,831,519)	10,771,887
Total Equity & liabilities	120,981,949	128,432,061	140,701,734	390,115,744
Contingencies & Commitments	1,221,312	13,663,020	24,815,496	39,699,828

	2018			
	Consumer / SME	Whole Sale Banking	Treasury	Total
	Rupees '000			
Profit and Loss Account				
Net mark-up / return / profit	5,861,901	833,564	(89,987)	6,605,478
Inter segment revenue - net	-	-	-	-
Non-markup / interest Income	1,602,395	1,588,570	223,907	3,414,872
Total Income	7,464,296	2,422,134	133,920	10,020,350
Segment direct expenses	(3,271,089)	(3,524,078)	(79,682)	(6,874,849)
Inter segment expense allocation	(1,239,852)	1,338,459	(98,607)	-
Total expenses	(4,510,941)	(2,185,619)	(178,289)	(6,874,849)
Provisions	(601,833)	(666,840)	-	(1,268,673)
Profit before tax	2,351,522	(430,325)	(44,369)	1,876,828
Statement of Financial Position				
Cash & Bank balances	-	2,449,889	6,731,672	9,181,561
Investments	-	83,690	28,841,303	28,924,993
Net inter segment lending	76,786,304	17,291,166	93,706,490	187,783,960
Lendings to financial institutions	922,956	23,666	11,665,534	12,612,156
Advances - performing - net	30,306,109	65,894,738	2,558	96,203,405
Advances - non-performing - net	1,351,128	799,469	-	2,150,597
Others	929,765	26,563,700	4,822	27,498,287
Total Assets	110,296,262	113,106,318	140,952,379	364,354,959
Borrowings	510,367	1,136,700	16,404,787	18,051,854
Subordinated debt	-	1,999,600	-	1,999,600
Deposits & other accounts	84,478,185	48,185,899	-	132,664,084
Net inter segment borrowing	22,764,494	40,315,551	124,703,915	187,783,960
Others	2,543,219	4,045,023	2,880,472	9,468,714
Total liabilities	110,296,265	95,682,773	143,989,174	349,968,212
Equity	-	14,529,331	(142,584)	14,386,747
Total Equity & liabilities	110,296,265	110,212,104	143,846,590	364,354,959
Contingencies & Commitments	1,108,224	16,525,981	26,825,286	44,459,491

Segment determination are made on the basis of management accountability, monitoring and decision making of these reporting segments at regular intervals. Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates. Furthermore, segment assets and liabilities include intersegment balances. Costs which are not allocated to segments are included in the Head office. Income taxes are managed at bank level and are not allocated to operating segments.

45 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, the Bank acts as security agent of investment portfolio services as custodian on behalf of its customers.

46 RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its associates, employee benefit plans and its directors and key management personnel.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Majority of the transactions with related parties comprise loans and advances, deposits, issuance of letters of credit and guarantees. Advances for the house building, conveyance and for personal use have also been provided to the staff and executives at reduced rates in accordance with the employment and pay policy and such advances have not been disclosed in the following schedule. Facility of group life insurance and hospitalisation insurance is also provided to staff and executives. In addition to this, executives of the Bank have been provided with Bank maintained cars.

Details of balances and transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2019				2018			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	Rupees in '000							
Investments								
Opening balance	-	-	126,654	112,246	-	-	118,012	-
Investment made / share profit during the year	-	-	5,227	604,099	-	-	8,642	230,535
Investment redeemed / disposed off during the year	-	-	-	(300,119)	-	-	-	(118,289)
Closing balance	-	-	131,881	416,226	-	-	126,654	112,246
Advances								
Opening balance	9,085	7,456	-	1,122,873	1,889	3,172	-	1,376,989
Addition during the year	79,858	205,357	-	4,595,664	69,606	48,446	-	4,034,041
Repaid during the year	(66,601)	(202,888)	-	(3,405,980)	(62,410)	(44,162)	-	(4,288,157)
Closing balance	22,342	9,925	-	2,312,557	9,085	7,456	-	1,122,873
Provision held against advances	-	-	-	130,608	-	-	-	130,608
Other Assets								
Interest / mark-up accrued	872	200	-	123,213	167	-	-	36,750
Insurance claim receivable	-	-	9,778	-	-	-	16,334	-
Prepaid insurance	-	-	604	-	-	-	12,449	-
Subordinated debt								
Opening balance	-	-	-	-	-	-	-	-
Issued / purchased during the year	-	-	-	126,218	-	-	-	-
Redemption during the year	-	-	-	-	-	-	-	-
Closing balance	-	-	-	126,218	-	-	-	-
Deposits and other accounts								
Opening balance	5,620	64,292	18,256	2,023,685	8,301	118,117	18,308	2,314,888
Received during the year	267,826	1,159,796	262,582	10,895,222	578,977	915,019	125,002	10,712,767
Withdrawn during the year	(266,370)	(1,139,082)	(239,230)	(11,430,219)	(581,658)	(968,844)	(125,054)	(11,003,970)
Closing balance	7,076	85,006	41,608	1,488,688	5,620	64,292	18,256	2,023,685
Other Liabilities								
Interest / mark-up payable	-	-	743	9,152	-	-	16	23,825
Contingencies and Commitments								
Other contingencies	-	-	-	-	-	-	-	-
Income								
Mark-up / return / interest earned	2,450	1,834	-	254,717	300	1,467	-	95,270
Dividend income	-	-	-	-	-	-	-	2,190
Net gain on sale of securities	-	-	-	482	-	-	-	311
Share of profit from associate	-	-	5,227	-	-	-	8,642	-
Expense								
Mark-up / return / interest paid	349	10,648	2,299	134,321	327	3,389	930	81,435
Services rendered	-	-	-	266,459	-	-	-	147,859
Short term employment benefits	122,881	350,437	-	-	133,584	345,975	-	-
Contribution to Defined Benefit Plan	5,498	11,816	-	-	5,115	10,954	-	-
Meeting fee	21,850	-	-	-	36,585	-	-	-
Insurance premium paid	-	-	13,044	-	-	-	41,815	-
Insurance claims settled	-	-	5,616	-	-	-	16,689	-

	2019	2018
	Rupees in '000	

47 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2019	2018
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	9,694,487	13,634,064
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	6,331,077	11,626,548
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	6,331,077	11,626,548
Eligible Tier 2 Capital	2,637,949	3,401,387
Total Eligible Capital (Tier 1 + Tier 2)	8,969,026	15,027,935
Risk Weighted Assets (RWAs):		
Credit Risk	138,592,235	121,482,278
Market Risk	1,673,780	540,950
Operational Risk	14,214,926	15,554,275
Total	154,480,941	137,577,503
Common Equity Tier 1 Capital Adequacy ratio	4.10%	8.45%
Tier 1 Capital Adequacy Ratio	4.10%	8.45%
Total Capital Adequacy Ratio	5.81%	10.92%

The State Bank of Pakistan (SBP) vide BSD Circular No. 07 dated April 15, 2009 set the Minimum Capital Requirement (MCR) for Banks of Rs. 10 billion (net of losses) for all locally incorporated banks to be achieved upto December 31, 2013. The capital of the Bank (net of losses and discount on shares) as of December 31, 2019 amounting to Rs. 9.69 billion excluding general reserve of Rs. 821 million.

The Bank is also required to maintain the following minimum Capital Adequacy Ratios (CAR) as at December 31, 2019.

- Common Equity Tier 1 (CET1) ratio of 7.50% including Capital Conservation Buffer (CCB) of 2.50%
- Tier 1 ratio of 10% including CCB of 2.50%
- Total Capital Adequacy Ratio (CAR) of 12.5% including CCB of 2.50%

The Basel-III Framework is applicable to the Bank on a stand alone basis and the Bank has adopted the Standardised approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk while using the simple approach for Credit Risk Mitigation as per SBP guidelines. SPI Insurance Company Limited is an associate of the Bank which has not been considered for consolidation both under account and regulatory scope of consolidation. The Bank owns 23.08% investment in shares of SPI Insurance Company Limited due to which the Bank has acquired significant influence, but not control, over financial and operating policies of SPI Insurance Company Limited.

	2019	2018
	Rupees in '000	
Leverage Ratio (LR):		
Tier-1 Capital	6,331,077	11,626,548
Total Exposures	219,608,606	193,845,360
Leverage Ratio	2.88%	6.00%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	36,648,252	28,[illegible]34,249
Total Net Cash Outflow	41,719,855	33,[illegible]05,053
Liquidity Coverage Ratio	87.84%	86.[illegible]2%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	133,214,604	116,179,685
Total Required Stable Funding	132,679,684	111,664,311
Net Stable Funding Ratio	100.40%	104.04%

47.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time are placed on the website. The link to the full disclosure is available at https://www.silkbank.com.pk/page/annual-reports-and-interim-accounts/.

48 RISK MANAGEMENT

The principal risks associated with the banking business are credit risk, market risk, liquidity risk and operational risk. The business of banking is dependent upon acceptance and management of financial risk. It involves identification, measurement, monitoring and controlling of risks with a view to ensure that:

- Adequate capital is available as a buffer;
- Exposures remain within the limits as prescribed by the Board of Directors; and
- Risk taking decisions are in line with business strategy and objectives set by the Board.

48.1 Credit Risk

The risk of losses because counterparties fail to meet all or part of their obligations towards the Bank.

The Bank has established an appropriate credit risk structure and culture whereby policies are reviewed and revamped to maintain sound credit granting procedures, maintaining appropriate credit administration, measurement, monitoring processes and adequate controls.

Risk Management structure includes credit approval, credit administration, centralised processing, credit monitoring and Basel III functions reporting to the Risk Management Group Head. Senior and experienced officials are heading each risk category.

The Bank manages credit risk through:

- establishment of acceptable risk levels;
- sound procedures and controls for the management of risk assets and credit documentation;
- target market planning and overall market intelligence; and
- accurate and detailed information about the borrower, it's financial position and operations of the Bank.

Credit risk management objectives and policies are:

- Credit risk is the risk that a counterparty will not settle its obligation in accordance with the terms of approval or agreed terms.
- Credit exposures include both individual borrowers and groups of connected counterparties and portfolios in the banking and trading books.
- Credit Risk Policy and Management Group (CRP&MG) is structured to effectively analyse, monitor and manage credit risk through its policies and procedures that closely aligned with the Bank's business plan, SBP's Prudential Regulations and Basel III requirements.
- Sanctioning authority and approval levels for all facilities is conferred by the Board of Directors upon various functionaries of the Bank and is circulated for issued by CRP&MG. Credit Sanctioning Powers / Authority Levels in terms of BOD approval, as enhanced / amended from time to time, relate to the total exposure of a customer or a customer group and not to specific loans.

Credit risk rating is an important tool in monitoring and controlling credit risk. In order to facilitate early identification of changes in risk profiles, credits with deteriorating ratings will be subject to additional oversight and monitoring, for example, through more frequent visits from Relationship Managers and inclusion on a watch list that is regularly reviewed by senior management. The internal risk ratings can be used by line management in different departments to track the current characteristics of the credit portfolio.

In the light of the requirements specified by SBP and in view of Basel III Accord, the Bank has to assess soundness and appropriateness of internal credit risk measurement and management system. The Bank needs to build the foundation for the IRB (Internal Rating Based) Approach and construct data warehouse confirming to the data criteria of Basel III.

In the absence of standard and reliable financial statements to realistically evaluate the strength of a company for assigning ORR, the Bank has to resort to other pragmatically emphasised quantitative / qualitative factors, which have traditionally been considered for extending credit. The Quantitative Evaluation is based on financial indicators, while Qualitative Evaluation is based on subjective factors.

The objectives of Internal Credit Risk Rating (ORR) are:

- Internal capital allocation
- Internal risk reporting
- Portfolio management
- The setting of credit risk concentration limits
- Developing risk-based pricing benchmarks

The Bank's initial objective of ORR is to generate accurate and consistent ratings for credit portfolio of the Bank. Credit / Obligor risk ratings are summary indicators of the degree of risk inherent in the Bank's individual credit exposures. A credit rating represents an assessment of the probability of default attached to a given counterparty to meet debt servicing and other repayment obligations on a timely basis. At the Bank, a system has been developed and successfully implemented to assign Credit / Obligor Risk Ratings to each borrower.

48.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	2019	2018	2019	2018
			Rupees in '000			
Public / Government	7,803,718	-	7,803,718	-	-	-
Private	10,298,119	12,612,156	-	-	-	-
	18,101,837	12,612,156	7,803,718	-	-	-

48.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
			Rupees in '000			
Textile	8,780	8,780	8,780	8,780	8,780	8,780
Financial	74,910	74,910	74,910	74,910	74,910	74,910
Energy	150,000	200,000	-	-	-	-
Service	37,500	62,500	-	-	-	-
Government	35,074,212	28,523,821	-	-	-	-
Others	79,699	99,527	-	-	-	-
	35,425,101	28,969,538	83,690	83,690	83,690	83,690

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
			Rupees in '000			
Public / Government	35,074,212	28,523,821	-	-	-	-
Private	350,889	445,717	83,690	83,690	83,690	83,690
	35,425,101	28,969,538	83,690	83,690	83,690	83,690

48.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
			Rupees in '000			
Agriculture, Forestry, Hunting and Fishing	585,801	652,808	82,987	9,786	2,811	8,791
Mining and Quarrying	19,997	25,159	-	-	-	-
Textile	4,201,261	4,164,431	1,564,005	2,009,018	1,455,187	1,791,338
Chemical and Pharmaceuticals	1,258,226	1,398,893	77,612	62,631	23,750	19,307
Cement	128,488	149,704	69,786	59,786	67,291	56,043
Sugar	6,141,701	5,682,782	1,977,247	5,500	550,546	5,500
Footwear and Leather garments	238,710	307,681	12,207	17,807	8,817	10,758
Automobile and transportation equipment	833,460	728,733	513,471	513,471	513,470	513,151
Electronics and electrical appliances	2,597,451	2,704,092	874,745	591,112	517,199	464,408
Real Estate and Construction	26,096,303	24,394,294	8,160,897	108,354	278,479	31,711
Power (electricity), Gas, Water, Sanitary	563,685	511,278	-	-	-	-
Wholesale and Retail Trade	17,673,589	16,811,842	16,214,289	252,502	825,444	40,702
Exports / Imports	-	156,059	-	908,455	-	414,738
Transport, communication and travelling	1,145,480	1,079,372	626,869	296,366	413,376	52,077
Financial	2,713,461	1,400,748	87,076	87,076	87,076	87,076
Services	13,465,080	12,421,045	2,193,093	289,520	171,798	167,240
Individuals	23,438,299	20,637,902	1,423,261	1,109,531	872,467	659,882
Hotel & Resorts	716,149	977,507	-	-	-	-
Telecommunications	1,984,314	1,003,267	-	-	-	-
Printing and Publishing	85,304	120,192	-	-	-	-
Hospital and medical	149,417	32,587	-	-	-	-
Food and beverages	2,221,275	1,692,020	303,410	-	42,611	-
Rubber and plastics products	63,733	450,099	-	-	-	-
Iron, steel & engineering	2,618,549	2,662,816	-	-	-	-
Education	1,142,608	1,219,130	-	-	-	-
Others	2,154,541	2,181,727	758,108	354,125	257,307	201,721
	112,236,882	103,566,168	34,729,063	6,675,040	6,077,627	4,524,443

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
			Rupees in '000			
Public / Government	-	-	-	-	-	-
Private	112,236,882	103,566,168	34,729,063	6,675,040	6,077,627	4,524,443
	112,236,882	103,566,168	34,729,063	6,675,040	6,077,627	4,524,443

48.1.4 Contingencies and Commitments

Credit risk by industry sector	2019	2018
	Rupees in '000	
Agriculture, Forestry, Hunting and Fishing	8,334	215
Textile	596,064	393,663
Chemical and Pharmaceuticals	305,194	224,055
Cement	116,612	179,497
Footwear and Leather garments	2,156	132,739
Automobile and transportation equipment	152,067	51,335
Electronics and electrical appliances	935,400	449,226
Real Estate and Construction	757,618	1,495,082
Power (electricity), Gas, Water, Sanitary	82,737	222,166
Wholesale and Retail Trade	673,485	850,811
Exports/Imports	-	34,932
Financial	26,832,483	30,028,189
Insurance	-	360
Services	5,961,581	4,745,888
Individuals	-	1,063,854
Hotel & Resorts	53,950	86,248
Telecommunications	258,246	159,912
Printing and Publishing	3,500	82,961
Transport, communication and travelling	153,685	109,835
Hospital and medical	231,634	165,154
Food and beverages	109,807	674,520
Rubber and plastics products	177,599	238,806
Others	2,287,676	3,070,043
	39,699,828	44,459,491

Credit risk by public / private sector

	2019	2018
	Rupees in '000	
Public / Government	7,260,506	8,977,014
Private	32,439,322	35,482,477
	39,699,828	44,459,491

48.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 24,406 million (2018: Rs. 24,332 million) are as following:

	2019	2018
	Rupees in '000	
Funded	24,406,194	24,332,292
Non Funded	-	-
Total Exposure	24,406,194	24,332,292

The sanctioned limits against these top 10 exposures aggregated to Rs. 24,407 (2018: Rs. 24,343 million)

	2019		2018	
Total funded classified therein	Non Performing Loans	Provision held	Non Performing Loans	Provision held
	Rupees in '000			
Substandard	1,543,094	196,926	983,161	127,978
Doubtful	4,911,888	516,582	521,267	49,873
Loss	28,274,081	5,364,119	5,170,612	4,346,592
Total	34,729,063	6,077,627	6,675,040	4,524,443

48.1.6 Advances - Province / Region-wise Disbursement & Utilization

2019

		Utilization					
Province / Region	**Disbursements**	**Punjab**	**Sindh**	**KPK including FATA**	**Balochistan**	**Islamabad**	**AJK including Gilgit-Baltistan**
	Rupees '000						
Punjab	66,223,962	66,223,962	-	-	-	-	-
Sindh	55,107,284	-	55,107,284	-	-	-	-
KPK including FATA	58,752	-	-	58,752	-	-	-
Balochistan	-	-	-	-	-	-	-
Islamabad	6,686,319	-	-	-	-	6,686,319	-
AJK including Gilgit-Baltistan	200,911	-	-	-	-	-	200,911
Total	128,277,228	66,223,962	55,107,284	58,752	-	6,686,319	200,911

2018

		Utilization					
Province / Region	Disbursements	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees '000						
Punjab	89,456,057	57,595,443	31,860,614	-	-	-	-
Sindh	36,685,347	4,420,745	32,264,602	-	-	-	-
KPK including FATA	202,035	65,480	81,496	55,059	-	-	-
Balochistan	160	-	-	-	160	-	-
Islamabad	18,942,292	10,480,301	4,880,574	-	-	3,581,417	-
AJK including Gilgit-Baltistan	290	100	-	-	-	-	190
Total	145,286,181	72,562,069	69,087,286	55,059	160	3,581,417	190

48.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Thus market risk can be further described into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

The Bank is exposed to market risk in its trading investment portfolio because the values of its trading positions are sensitive to changes in market prices and rates.

The Bank has a well established framework for market risk management with the Treasury Investment Policy, Liquidity Policy and Market Risk Management Policy. The Bank has major objective of protecting and increasing net interest income in the short run and market value of the equity in the long run for enhancing the shareholders wealth. Further, it defines the contours of the way the Bank's market risk is managed within defined parameters and with prescriptive guidelines on the tools, techniques and processes.

The Asset Liability Committee (ALCO), Market Risk Policy Committee (MRPC) and Investment Committee is entrusted with key decision making in establishing market risk related strategies and monitoring there-against. The Committee decides on product pricing, mix of assets, liabilities, stipulates liquidity and interest rate risk limits, monitors them, articulates the Bank's interest rate view and determines the business strategy of the Bank.

Management of interest rate risk of the Banking Book is primarily focused on interest and fair value through Re-pricing Gap Analysis, Analysis of the Net Interest Income Sensitivity, Duration, Value-at-Risk (VaR) and Fair Value Sensitivity. The management of interest rate risk of the trading book is achieved through mark-to-market practice and exposure analysis. On a periodic basis, risk monitoring reports are prepared for senior management to gain an accurate understanding of Bank's risk position. Mathematical model like Stress-Testing is carried out at least biannually.

The Middle Office in Risk Management Group has an independent reporting structure on risk aspects and helps management in determining compliance in terms of exposure analysis, tracking of limits, funding and various other risk sensitive market parameters.

48.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	11,838,682	-	11,838,682	8,871,567	-	8,871,567
Balances with other banks	1,168,163	-	1,168,163	309,994	-	309,994
Lendings to financial institutions	18,101,837	-	18,101,837	12,612,156	-	12,612,156
Investments	36,241,934	3,416	36,245,350	18,873,556	10,051,437	28,924,993
Advances	105,374,947	-	105,374,947	98,354,002	-	98,354,002
Fixed assets	5,910,389	-	5,910,389	3,981,271	-	3,981,271
Intangible assets	217,077	-	217,077	226,840	-	226,840
Deferred tax assets	4,864,227	-	4,864,227	3,058,647	-	3,058,647
Other assets	19,737,679	-	19,737,679	20,231,529	-	20,231,529
Asset held for sale	2,229,729	-	2,229,729	-	-	-
	205,684,664	3,416	205,688,080	166,519,562	10,051,437	176,570,999

48.2.2 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuation of exchange rates. Bank's currency risk is first controlled through a substantially matched funding policy. The Bank utilises appropriate hedging instruments, such as forward foreign exchange (FX) contracts, currency swaps to effectively hedge and manage currency risks.

The majority of foreign currency exposure is in the US dollar. Bank is carefully monitoring the net foreign currency exposure and the effect of exchange rate fluctuation by conducting mark to market sensitivity and stress testing on a regular basis as well as utilizing the FX contracts to control the risk. Besides, the Bank has Foreign Exchange Stop Loss Limit based on Daily Value-at-Risk (VaR) to manage the loss absorption capacity of the Bank.

	2019				2018			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000							
Pakistan Rupee	200,111,063	183,346,798	(6,038,669)	10,725,596	172,907,218	152,131,229	(6,252,471)	14,523,518
United States Dollar	3,317,710	8,685,667	5,365,847	(2,010)	3,162,382	8,582,494	5,201,684	(218,428)
Great Britain Pound Sterling	741,617	1,192,199	450,634	252	212,342	723,629	514,873	3,686
Euro	1,413,631	1,689,714	222,188	(53,895)	229,600	747,000	519,764	2,364
Japanese Yen	4,834	-	-	4,834	5,897	-	-	5,897
Other currencies	99,025	1,915	-	97,110	53,560	-	16,150	69,710
	5,577,017	11,569,395	6,038,669	46,291	3,663,781	10,053,023	6,252,471	(136,771)
	205,688,080	194,916,193	-	10,771,887	176,570,999	162,184,252	-	14,386,747

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
Profit and loss account				
+1% change	478	-	1,367	-
-1% change	(478)	-	(1,367)	-

48.2.3 Equity position Risk

The risk arising from taking long or short positions, in the trading book ,in the equities and all instruments that exhibit market behavior similar to equities. The Bank is exposed to equity price changes on its investments in Trading Book. These equity exposures are primarily related to market price movements in local equity market index. Changes in the overall value of equity trading book are recorded through profit and loss account. Bank's Investment Committee approves the investment stocks and their limits. It also reviews the portfolio with mark to market position on regular basis. Stop loss limits have been approved and are monitored on a regular basis.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on				
Other comprehensive income				
+5% change	34,695	-	6,768	-
-5% change	(34,695)	-	(6,768)	-

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

The effects of interest rate changes on both earnings and economic value in ways that are consistent with the scope of its activities. The Bank should highlight explanation of its current and anticipated levels of interest rate risk exposure. The key assumptions for interest rate risk management are:

- Determine the range of potential interest rate movements over which the bank will measure its exposure i.e. from simple parallel movement assumption to more complex rate scenarios
- Ensure that risk is measured over a reasonable range of potential rate changes including meaningful stress scenarios.
- Consider a variety of factors such as the shape and level of the current term structure of interest rate, historical and implied volatilities of interest rates.
- Estimate time to reduce or unwind unfavorable risk positions.
- Select scenarios that provide wide range of risk estimates.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates on				
Profit and loss account				
+1% change	-	-	-	28,544
-1% change	-	-	-	(28,544)
Other comprehensive income				
+1% change	352,269	-	464,661	-
-1% change	(352,269)	-	(464,661)	-

48.2.5 **Mismatch of interest rate sensitive assets and liabilities**

	Effective Yield / Interest rate	Total	2019 Exposed to Yield/ Interest risk									Not exposed to Yield / Interest Risk
			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		11,838,682	-	-	-	-	-	1,276,606	-	-	-	10,562,076
Balances with other banks		1,168,163	-	-	-	-	-	-	-	-	-	1,168,163
Lendings to financial institutions	11.61%	18,101,837	11,761,313	1,515,609	3,924,167	-	809,388	-	91,360	-	-	-
Investments	11.21%	36,245,350	-	-	257,658	3,416	3,822,480	976,636	6,507,146	6,410,808	18,267,206	-
Advances - net	11.07%	105,374,947	4,272,691	1,428,764	1,051,091	8,557,927	3,721,301	6,256,231	18,014,948	35,038,416	27,033,578	-
Other assets		19,737,679	-	-	-	-	-	-	-	-	-	19,737,679
		192,466,658	16,034,004	2,944,373	5,232,916	8,561,343	8,353,169	8,509,473	24,613,454	41,449,224	45,300,784	31,467,918
Liabilities												
Bills payable		2,483,658	-	-	-	-	-	-	-	-	-	2,483,658
Borrowings	12.34%	31,973,231	29,277,455	350,926	1,351,975	-	-	-	-	-	-	992,875
Deposits and other accounts	8.56%	148,853,513	6,037,516	39,237,548	2,883,655	41,627,410	9,068,570	4,552,690	16,129,196	67,349	53,881	29,195,698
Liabilities against assets subject to finance lease	10.91%	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debt	13.37%	2,125,418	400	-	-	200	-	-	400	400	2,124,018	-
Other liabilities		9,480,373	-	-	-	-	-	-	-	-	-	9,480,373
		194,916,193	35,315,371	39,588,474	4,235,630	41,627,610	9,068,570	4,552,690	16,129,596	67,749	2,177,899	42,152,604
On-balance sheet gap		(2,449,535)	(19,281,367)	(36,644,101)	997,286	(33,066,267)	(715,401)	3,956,783	8,483,858	41,381,475	43,122,885	(10,684,686)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - Purchase		14,799,455	7,445,731	6,457,622	670,027	226,075	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - Sale		(8,664,082)	(6,532,811)	(2,131,271)	-	-	-	-	-	-	-	-
Commitments in respect of forward government securities transactions - Purchase		929,110	929,110	-	-	-	-	-	-	-	-	-
Commitments in respect of forward government securities transactions - Sale		1,351,959	-	-	-	422,849	929,110	-	-	-	-	-
Off-balance sheet gap		8,416,442	1,842,030	4,326,351	670,027	648,924	929,110	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(17,439,337)	(32,317,750)	1,667,313	(32,417,343)	213,709	3,956,783	8,483,858	41,381,475	43,122,885	(10,684,686)
Cumulative Yield / Interest Risk Sensitivity gap			(17,439,337)	(49,757,087)	(48,089,774)	(80,507,117)	(80,293,408)	(76,336,625)	(67,852,767)	(26,471,292)	16,651,593	5,966,907

	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	Not exposed to Yield / Interest Risk
			2018									
			Exposed to Yield/ Interest risk									
							Rupees in '000					
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		8,871,567	1,210,071	-	-	-	-	-	-	-	-	7,661,496
Balances with other banks		309,994	-	-	-	-	-	-	-	-	-	309,994
Lendings to financial institutions	7.20%	12,612,156	9,527,307	2,277,089	81,929	725,831	-	-	-	-	-	-
Investments - net	6.66%	28,924,993	11,943,182	6,464,234	6,550,788	-	147,413	712,750	20	2,844,583	-	262,023
Advances - net	12.45%	98,354,002	13,027,033	40,369,781	19,037,046	17,398,878	1,216,874	1,004,209	1,709,313	1,365,963	2,049,115	1,155,790
Other assets		5,435,637	-	-	-	-	-	-	-	-	-	4,739,386
		154,508,349	35,707,593	49,131,104	25,669,763	18,124,709	1,364,287	1,716,959	1,709,333	4,210,546	2,049,115	14,128,689
Liabilities												
Bills payable		2,866,568	-	-	-	-	-	-	-	-	-	2,866,568
Borrowings	7.26%	18,051,854	13,810,118	4,241,736	-	-	-	-	-	-	-	-
Deposits and other accounts	4.93%	132,664,064	17,576,931	58,721,673	11,827,244	12,214,827	488,886	397,354	879,314	390,754	390,278	29,776,823
Liabilities against assets subject to finance lease	10.91%	2,663	371	751	1,151	390	-	-	-	-	-	-
Sub-ordinated loans	8.86%	1,999,600	-	-	-	400	400	400	800	1,997,600	-	-
Other liabilities		3,705,270	-	-	-	-	-	-	-	-	-	3,705,270
		159,290,039	31,387,420	62,964,160	11,828,395	12,215,617	489,286	397,754	880,114	2,388,354	390,278	36,346,661
On-balance sheet gap		(4,781,690)	4,320,173	(13,833,056)	13,841,368	5,909,092	875,001	1,319,205	829,219	1,822,192	1,658,837	(22,219,972)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - Purchase		10,847,908	2,899,528	3,749,490	4,171,704	27,186	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - Sale		(4,561,174)	(2,426,007)	(522,104)	(1,613,063)	-	-	-	-	-	-	-
Commitments in respect of forward government securities transactions - Purchase		-	-	-	-	-	-	-	-	-	-	-
Commitments in respect of forward government securities transactions - Sale		11,416,204	11,416,204	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		17,702,938	11,889,725	3,227,386	2,558,641	27,186	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			16,209,898	(10,605,670)	16,400,009	5,936,278	875,001	1,319,205	829,219	1,822,192	1,658,837	(22,219,972)
Cumulative Yield / Interest Risk Sensitivity gap			16,209,898	5,604,228	22,004,237	27,940,515	28,815,516	30,134,721	30,963,940	32,786,132	34,444,969	12,224,997

	2019	2018
	Rupees in '000	
Reconciliation of total assets		
Balance as per statement of financial position	205,688,080	176,570,999
Less: Non-financial assets		
Fixed assets	5,910,389	3,981,271
Intangible assets	217,077	226,840
Deferred tax assets	4,864,227	3,058,647
Asset held for sale	2,229,729	14,795,892
	13,221,422	22,062,650
Total financial assets	192,466,658	154,508,349
	-	-

	2019	2018
	Rupees in '000	
Reconciliation of total liabilities		
Balance as per statement of financial position	194,916,193	162,184,252
Less: Non-financial liabilities		
Other liabilities	-	2,894,213
Total financial liabilities	194,916,193	159,290,039
	-	-

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

The objective of interest rate risk management is to formalise risk decision-making and risk management processes, which includes identification, measurement, monitoring and control of interest rate risk across the bank and establishing governance roles around interest rate risk management.

48.3 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events

The Bank has in place robust, duly approved various policies, procedures and a Business Continuity Plan. These are continuously reviewed to strengthen operational controls. Risk policy sets minimum standards and requires all business units to identify and assess risks. The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. They also report operational risk events in the management reporting system.

Operational risk tolerance levels, however, have not been established but a broad strategic operational risk direction is in place. This process will move further with the implementation of Internal Control Systems (COSO compliant in process) and Operational Risk Management. Presently, this risk is effectively managed through robust operational policies and procedures.

46.3.1 Operational Risk-Disclosures Basel II Specific

Bank's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Fund Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel II principles on sound liquidity management.

48.4 Liquidity risk

The risk of losses normally reflected due to unavailability of funds to meet short term demands, as the Bank's normal statutory liquidity reserves are not sufficient to meet its obligations.

Bank's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Fund Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel II principles on sound liquidity management.

The Bank has an Asset and Liability Management Committee (ALCO) and a Market Risk Policy Committee (MRPC) that are part of the framework for management of risk.

The ALCO / MRPC is responsible for managing the composition of assets and liabilities, management of liquidity, timely identification of sources of market and liquidity risk, pricing of deposits and advances, deciding on the required maturity profile and the mix of incremental assets and liabilities, defining the interest rate view of the Bank and deciding on future strategies for treasury, reviewing and articulating the funding policy; and evaluating the market and liquidity risks involved in launching of new products.

Liquidity contingency funding plans have been drawn up to ensure that alternative funding strategies are in place when any of the indicators being monitored enter into the warning or stress zone and can be implemented on a timely basis to minimise the liquidity risks that may arise upon the occurrence of an unanticipated change in market conditions.

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

	2019													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 month	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	11,838,682	11,838,682	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,168,163	1,168,163	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	18,101,837	-	11,078,824	682,489	1,515,609	3,924,167	-	809,388	-	91,360	-	-	-	-
Investments	36,245,350	-	-	-	-	257,659	3,416	3,822,480	976,636	1,704,070	4,803,075	6,410,809	17,966,592	300,613
Advances	105,374,947	210,584	381,668	240,248	1,629,382	2,579,884	3,838,444	6,230,731	3,849,829	2,009,539	13,472,946	17,512,242	36,395,879	17,023,571
Fixed assets	5,910,389	3,241	19,444	22,685	49,286	98,572	98,572	295,715	295,715	295,715	1,182,861	1,182,861	2,365,722	-
Intangible assets	217,077	118	714	833	1,809	3,618	3,618	10,854	10,854	10,854	43,415	43,415	86,831	144
Deferred tax assets	4,864,227	-	-	-	-	-	-	-	-	-	-	583,707	583,707	3,696,813
Other assets	19,737,679	374	1,937	3,989	1,454,149	2,906,413	3,722,080	52,400	596,523	269,207	3,378,750	3,968,006	1,638,196	1,745,655
Asset held for sale	2,229,729	-	-	-	-	-	-	-	2,229,729	-	-	-	-	-
	205,688,080	13,221,162	11,482,587	950,244	4,650,235	9,770,313	7,666,130	11,221,568	7,959,286	4,380,745	22,881,047	29,701,040	59,036,927	22,766,796
Liabilities														
Bills payable	2,483,658	2,483,658	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	31,973,231	10,000	28,968,049	299,406	1,092,275	1,351,975	251,526	-	-	-	-	-	-	-
Deposits and other accounts	148,853,513	82,037	4,083,251	2,517,404	7,107,430	3,745,331	10,012,745	11,922,206	7,780,305	18,963,076	13,273,629	13,866,032	28,351,047	27,149,020
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debts	2,125,418	-	400	-	-	-	200	-	-	-	400	400	800	2,123,218
Other liabilities	9,480,373	1,181	9,752	13,990	29,236	88,059	68,458	241,700	276,282	195,250	1,039,427	1,139,301	2,974,107	3,403,630
	194,916,193	2,576,876	33,061,452	2,830,800	8,228,941	5,185,365	10,332,929	12,163,906	8,056,587	19,158,326	14,313,456	15,005,733	31,325,954	32,675,868
Net assets	10,771,887	10,644,286	(21,578,865)	(1,880,556)	(3,578,706)	4,584,948	(2,666,799)	(942,338)	(97,301)	(14,777,581)	8,567,591	14,695,307	27,710,973	(9,909,072)

Share capital - net	23,431,374
Reserves	820,890
Accumulated loss	(13,736,887)
Surplus on revaluation of assets - net of tax	256,510
	10,771,887

	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 month	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	8,871,567	30,975	185,852	87,172	155,034	142,345	100,966	225,103	89,931	89,931	734,897	734,897	2,428,459	3,866,005
Balances with other banks	309,994	1,740	10,442	4,898	8,711	7,998	5,673	12,648	5,053	5,053	41,291	41,291	82,582	82,614
Lendings to financial institutions	12,612,156	-	4,205,747	4,903,940	417,620	2,277,089	-	81,928	-	725,832	-	-	-	-
Investments	28,924,993	-	992,242	-	10,950,940	5,575,383	588,610	6,624,283	-	-	147,413	774,625	300,260	2,971,237
Advances	98,354,002	29,194,996	620,909	693,231	1,967,189	3,214,306	3,829,847	5,217,286	671,612	3,125,066	10,079,606	7,061,101	26,273,893	6,404,960
Fixed assets	3,981,271	2,182	13,089	15,271	33,177	66,355	66,355	199,064	199,064	199,064	796,254	796,254	1,595,142	-
Intangible assets	226,840	124	746	870	1,890	3,781	3,781	11,342	11,342	11,342	45,368	45,368	90,886	-
Deferred tax assets	3,058,647	-	-	-	-	-	-	-	-	-	-	367,038	367,038	2,324,571
Other assets	20,231,529	25,662	153,970	66,859	1,100,850	2,066,078	5,416,308	667,443	127,153	553,602	1,318,350	7,165,511	461,528	1,108,215
Asset held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	176,570,999	29,255,679	6,182,997	5,772,241	14,635,411	13,353,335	10,011,540	13,039,097	1,104,155	4,709,890	13,163,179	16,986,085	31,599,788	16,757,602
Liabilities														
Bills payable	2,866,568	68,798	412,786	160,241	104,630	85,710	77,397	220,152	304,573	304,573	188,047	188,047	376,094	375,520
Borrowings	18,051,854	-	13,345,901	3,290	521,951	3,805,000	375,712	-	-	-	-	-	-	-
Deposits and other accounts	132,664,084	82,558,900	3,089,660	1,811,221	6,836,337	3,478,043	4,977,199	12,100,089	4,507,144	7,768,055	987,372	895,840	1,876,285	1,777,939
Liabilities against assets subject to finance lease	2,663	-	-	-	371	374	377	1,151	390	-	-	-	-	-
Sub-ordinated debts	1,999,600	-	-	-	-	-	200	-	200	-	400	400	800	1,997,600
Other liabilities	6,599,483	60,872	365,234	123,385	169,331	44,834	2,945,346	250,476	108,564	108,564	403,874	403,876	807,749	807,378
	162,184,252	82,688,570	17,213,581	2,098,137	7,632,620	7,413,961	8,376,231	12,571,868	4,920,871	8,181,192	1,579,693	1,488,163	3,060,928	4,958,437
Net assets	14,386,747	(53,432,891)	(11,030,584)	3,674,104	7,002,791	5,939,374	1,635,309	467,229	(3,816,716)	(3,471,302)	11,583,486	15,497,922	28,538,860	11,799,165

Share capital - net	23,431,374
Reserves	820,890
Advance against shares subscription	-
Accumulated loss	(9,797,310)
Deficit on revaluation of asset - net of tax	(68,207)
	14,386,747

48.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2019

	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	11,838,682	786,734	476,554	486,259	517,961	1,670,473	1,640,355	3,261,743	1,498,858	1,499,745
Balances with other banks	1,168,163	17,213	33,147	48,969	91,343	193,344	181,194	354,737	124,107	124,109
Lendings to financial institutions	18,101,837	13,276,922	3,924,166	809,388	91,361	-	-	-	-	-
Investments	36,245,350	-	261,074	3,822,480	2,680,706	4,803,075	6,410,809	17,966,591	168,732	131,883
Advances	105,374,947	2,461,882	6,418,328	6,230,731	5,859,368	13,472,946	17,512,242	36,395,879	8,763,172	8,260,399
Fixed assets	5,910,389	94,656	197,144	295,715	591,430	1,182,861	1,182,861	2,365,722	-	-
Intangible assets	217,077	3,474	7,236	10,854	21,708	43,415	43,415	86,831	-	144
Deferred tax assets	4,864,227	-	-	-	-	-	583,707	583,707	3,696,813	-
Other assets	19,737,679	1,460,448	6,628,493	52,400	865,731	3,378,751	3,968,007	1,638,201	338,508	1,407,140
Asset held for sale	2,229,729	-	-	-	2,229,729	-	-	-	-	-
	205,688,080	18,101,329	17,946,142	11,756,796	12,949,337	24,744,865	31,522,590	62,653,411	14,590,190	11,423,420
Liabilities										
Bills payable	2,483,658	33,764	85,629	130,759	217,202	620,139	484,001	746,544	84,201	81,419
Borrowings	31,973,231	30,369,730	1,603,501	-	-	-	-	-	-	-
Deposits and other accounts	148,853,513	13,790,123	13,758,705	11,922,206	26,743,381	13,272,999	13,866,032	28,351,047	13,574,510	13,574,510
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Sub-ordinated debts	2,125,418	400	200	-	-	400	400	800	2,123,218	-
Other liabilities	9,480,373	54,160	156,517	241,700	471,531	1,039,427	1,139,301	2,974,107	2,491,090	912,540
	194,916,193	44,248,177	15,604,552	12,294,665	27,432,114	14,932,965	15,489,734	32,072,498	18,273,019	14,568,469
Net assets	10,771,887	(26,146,848)	2,341,590	(537,869)	(14,482,777)	9,811,900	16,032,856	30,580,913	(3,682,829)	(3,145,049)
Share capital - net	23,431,374									
Reserves	820,890									
Accumulated loss	(13,736,887)									
Surplus on revaluation of assets - net of tax	256,510									
	10,771,887									

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	8,871,567	459,035	243,310	225,103	179,862	734,897	734,897	2,428,459	3,130,556	735,448
Balances with other banks	309,994	25,792	13,671	12,648	10,106	41,291	41,291	82,582	41,291	41,322
Lendings to financial institutions	12,612,156	9,527,306	2,277,089	81,929	725,832	-	-	-	-	-
Investments	28,924,993	11,943,182	6,163,993	6,624,283	-	147,413	774,625	300,260	2,844,583	126,654
Advances	98,354,002	5,834,828	10,087,136	7,401,013	5,169,547	13,419,765	10,401,260	32,954,211	7,657,788	5,428,454
Fixed assets	3,981,271	63,719	132,709	199,064	398,127	796,254	796,254	1,595,144	-	-
Intangible assets	226,840	3,631	7,561	11,342	22,684	45,368	45,368	90,886	-	-
Deferred tax assets	3,058,647	-	-	-	-	-	367,037	367,038	2,324,572	-
Other assets	20,231,529	1,347,342	7,482,386	667,443	680,755	1,318,350	7,165,511	461,528	325,029	783,185
	176,570,999	29,204,835	26,407,855	15,222,825	7,186,913	16,503,338	20,326,243	38,280,108	16,323,819	7,115,063
Liabilities										
Bills payable	2,866,568	746,454	163,108	220,152	609,146	188,047	188,047	376,094	188,047	187,473
Borrowings	18,051,854	13,871,143	4,180,711	-	-	-	-	-	-	-
Deposits and other accounts	132,664,084	19,538,567	11,659,817	15,010,309	14,419,757	12,070,852	11,979,319	24,043,245	11,972,719	11,969,499
Liabilities against assets subject to finance lease	2,663	371	751	1,151	390	-	-	-	-	-
Sub-ordinated debts	1,999,600	-	200	-	200	400	400	800	1,997,600	-
Other liabilities	6,599,483	718,824	2,990,179	250,476	217,129	403,874	403,874	807,749	403,874	403,504
	162,184,252	34,875,359	18,994,766	15,482,088	15,246,622	12,663,173	12,571,640	25,227,888	14,562,240	12,560,476
Net assets	14,386,747	(5,670,524)	7,413,089	(259,263)	(8,059,709)	3,840,165	7,754,603	13,052,220	1,761,579	(5,445,413)
Share capital - net	23,431,374									
Reserves	820,890									
Accumulated loss	(9,797,310)									
Deficit on revaluation of asset - net of tax	(68,207)									
	14,386,747									

48.5 Derivative Risk

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. The principal derivatives used by the Bank are forward foreign exchange contracts, foreign exchange swaps and equity futures. The Bank at present does not engage in structured derivative products such as Interest Rate Swaps, Forward Rate Agreements and Foreign Exchange Options.

A forward foreign exchange contract is an agreement to buy or sell a specified amount of foreign currency on a specified future date at an agreed rate. Equity futures are exchange traded contractual agreements to either buy or sell a specified security at a specific price and date in the future. A foreign exchange swap is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date.

The Bank enters into these contracts for the purpose of squaring currency / equity positions.

All derivatives are recognized at their fair value. Fair values are obtained from quoted market prices in active markets. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations. The principal amount of the derivative contract does not represent real exposure to credit risk, which is limited to the positive fair value of instrument.

The details of commitments under forward foreign exchange contracts outstanding at year-end has been given in notes 25.2.1 and 25.2.2.

The accounting policies used to recognise and disclose derivative instruments are given in note 6.18.2. The risk management framework of derivative instruments is given in note 48.

49 ISLAMIC BANKING BUSINESS (IBB)

49.1 In order to meet the guidelines for Sharia compliance in Islamic Banking Institutions (IBIs), statement of financial position and profit and loss account of IBB are given in Annexure - II. Further detailed disclosures are also given in the said annexure to comply with instructions issued by SBP to improve transparency and standardisation in IBIs' profit and loss distribution, policies and practices. Instructions in this regard were issued by the SBP vide IBD Circular No. 3 dated November 19, 2012 and BSD Circular No.3 dated January 22, 2013.

50 DATE OF AUTHORIZATION FOR ISSUE

50.1 The financial statements were authorized for issue on June 30, 2020 by the Board of Directors of the Bank.

51 GENERAL

51.1 These financial statements have been prepared in accordance with the revised format for financial statements of banks issued by the SBP through BPRD circular letter No.02 of 2018 dated January 25, 2018.

51.2 Captions in respect of which no amounts exist may not be reproduced in these financial statements except in case of statement of financial position and profit and loss account.

Chief Financial Officer	President & Chief Executive Officer

Director	Director	Director

SILKBANK LIMITED
ISLAMIC BANKING BUSINESS

Annexure - II

The Bank is operating with 30 Islamic Banking branches at the end of 2019 (2018: 30).

The statement of financial position of these branches as at December 31, 2019 are as follows:

	Note	2019	2018
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		2,142,308	1,894,122
Balances with other banks		540,286	36,507
Due from financial institutions	1	5,478,118	-
Investments	2	257,658	3,851,647
Islamic financing and related assets - net	3	27,448,800	26,901,698
Fixed assets		1,414,903	294,044
Intangible assets		2,972	1,125
Due from Head Office		-	-
Other assets		985,608	2,233,329
Total Assets		38,270,653	35,212,472
LIABILITIES			
Bills payable		133,503	480,421
Due to financial institutions		-	-
Deposits and other accounts	4	33,274,825	30,960,225
Due to Head Office		154,880	76,690
Other liabilities		1,572,884	282,486
		35,136,092	31,799,822
NET ASSETS		3,134,561	3,412,650
REPRESENTED BY			
Islamic banking fund		6,625,000	2,325,000
Reserves		-	-
Deficit on revaluation of assets		-	(10,629)
(Accumulated loss) / un-appropriated profits	6	(3,490,439)	1,098,279
		3,134,561	3,412,650
CONTINGENCIES AND COMMITMENTS	7		

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2019 is as follows:

	Note	2019	2018
		Rupees in '000	
Profit / return earned	8	282,977	2,506,353
Profit / return expensed	9	(3,546,098)	(1,047,968)
Net (loss) / profit / return		(3,263,121)	1,458,385
Other Income			
Fee and commission income		16,654	28,373
Foreign exchange (loss) / income		(101,362)	18,895
Income / (loss) from derivatives		123,673	(9,868)
(Loss) / gain on securities		(1,126)	43
Other income		13,708	12,072
Total other income		51,547	49,515
Total (loss) / income		(3,211,574)	1,507,900
Other expenses			
Operating expenses		(823,228)	(667,790)
Workers Welfare Fund		-	(16,782)
Other charges		(862)	(172)
Total other expenses		(824,090)	(684,744)
(Loss) / profit before provisions		(4,035,664)	823,156
Provisions and write offs - net		(553,054)	(821)
(Loss) / profit for the year		(4,588,718)	822,335

1 Due from Financial Institutions	2019 In Local Currency	2019 In Foreign currencies	2019 Total	2018 In Local Currency	2018 In Foreign currencies	2018 Total
	Rupees in '000					
Bai Muajjal receivable from State Bank of Pakistan	3,449,975	-	3,449,975	-	-	-
Bai Muajjal receivable from other financial institution	2,028,143	-	2,028,143	-	-	-
	5,478,118	-	5,478,118	-	-	-

2 Investments by segments:	2019 Cost / Amortised cost	2019 Provision for diminution	2019 Surplus / (Deficit)	2019 Carrying Value	2018 Cost / Amortised cost	2018 Provision for diminution	2018 Surplus / (Deficit)	2018 Carrying Value
	Rupees in '000							
Federal Government Securities:								
- Ijarah Sukuks	-	-	-	-	3,862,276	-	(10,629)	3,851,647
- Bai Muajjal	257,658			257,658	-	-	-	-
Total Investments	257,658	-	-	257,658	3,862,276	-	(10,629)	3,851,647

	Note	2019	2018
		Rupees in '000	
3 Islamic financing and related assets - net			
Murabaha	3.1	2,876,403	2,165,705
Musawammah		127,343	127,343
Diminishing Musharaka		24,998,108	24,608,650
Gross Islamic financing and related assets		28,001,854	26,901,698
Less: provision against Islamic financings			
- Specific		(553,054)	-
- General		-	-
		(553,054)	-
Islamic financing and related assets - net of provision		27,448,800	26,901,698
3.1 Murabaha			
Murabaha financing	3.1.1	2,812,382	1,907,705
Advances for Murabaha		64,021	258,000
		2,876,403	2,165,705
3.1.1 Murabaha receivable - gross	3.1.2	3,210,586	2,333,482
Less: Deferred murabaha income	3.1.4	(25,141)	(159,048)
Less: Profit receivable shown in other assets	3.1.3	(373,063)	(266,729)
Murabaha financings		2,812,382	1,907,705
3.1.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		2,333,482	1,045,740
Sales during the year		1,467,918	2,068,203
Adjusted during the year		(590,814)	(780,461)
Closing balance		3,210,586	2,333,482
3.1.3 Murabaha sale price		3,185,446	2,174,434
Murabaha purchase price		(2,812,383)	(1,907,705)
		373,063	266,729
3.1.4 Deferred murabaha income			
Opening balance		159,048	27,363
Arising during the year		139,976	266,322
Less: Recognised during the year		(273,883)	(134,637)
Closing balance		25,141	159,048

3.2 Advances include Rs. 22,750 million (2018: Rs. 302 million) which have been placed under non-performing status as detailed below.

Category of classification - specific	2019 Non Performing Loans	2019 Provision	2018 Non Performing Loans	2018 Provision
	Rupees in '000			
Substandard	42,875	-	114,687	-
Doubtful	462,500	-	186,829	-
Loss	22,244,285	553,054	-	-
Total	22,749,660	553,054	301,516	-

3.3 During the year the Bank recorded additional NPL's, by and large, arising out of the accounts of the borrowers engaged in the businesses of real estate/construction sector. This is mainly due to slow down in the businesses activities of these sectors, tax issues relating to these businesses and the ban on construction of high rise buildings in Karachi. However, a Letter of Interest (LOI) has been signed between the borrower and Federal Government Employee Housing Scheme Authority (FGEHHA) for the sale of these underlying properties where substantial payment is expected shortly. Additionally, the government had announced a stimulus package to uplift and provide the necessary support to the real estate/construction sector. Based on these positive developments, bank is confident that the NPL's would be cured shortly.

3.4 It includes advances amounting to Rs. 20,160.95 million (2018: Rs. 19,437.65 million) to certain borrowers who are engaged in primarily general trading and real estate business, which are mainly secured against mortgage of underdeveloped/undeveloped properties. During the year, the Bank has provided for the above said exposure in loss category as directed by the SBP resulting in provision of Rs.2,712.985 million after taking FSV benefit. Bank has recorded 20% provision amounted to Rs. 542.597 million as at December 31, 2019, The remaining 15% and 65% of the said provision amounting to Rs. 406.948 million and Rs. 1,763.44 million will be recognized in period ending March 31, 2020 and June 30, 2020 respectively, as directed by SBP vide its letter dated June 24, 2020.

3.5 SBP vide various circulars has amended Prudential Regulations in respect of provisioning against non-performing advances under which the benefit of Forced Sale Value (FSV) has been allowed for plant and machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing advances upto five years from the date of classification.

3.6 As of December 31, 2019, the Bank has availed FSV benefits against all non performing advances. Had the benefit not been taken by the Bank, loss would have been higher by Rs.5,804 million (December 2018 : profit would have been lower by Rs.654 million, which shall not be available for payment of cash or stock dividend / bonus to employees.

4 Deposits

	2019 In Local Currency	2019 In Foreign currencies	2019 Total	2018 In Local Currency	2018 In Foreign currencies	2018 Total
	Rupees in '000					
Customers						
Current deposits	2,232,796	613,408	2,846,204	2,348,847	320,404	2,669,251
Savings deposits	13,564,144	368,203	13,932,347	14,189,530	321,442	14,510,972
Term deposits	5,217,006	881,603	6,098,609	3,975,426	1,191,260	5,166,686
Margin deposits	30,700	-	30,700	29,433	-	29,433
Others	76,557	-	76,557	52,384	-	52,384
	21,121,203	1,863,214	22,984,417	20,595,620	1,833,106	22,428,726
Financial Institutions						
Current deposits	29,206	6,667	35,873	4,046	447	4,493
Savings deposits	10,053,435	-	10,053,435	8,370,906	-	8,370,906
Term deposits	201,100	-	201,100	156,100	-	156,100
	10,283,741	6,667	10,290,408	8,531,052	447	8,531,499
	31,404,944	1,869,881	33,274,825	29,126,672	1,833,553	30,960,225

		2019	2018
		Rupees in '000	
4.1	**Composition of deposits**		
	- Individuals	7,849,395	6,720,073
	- Government / Public Sector Entities	11,307,313	14,058,849
	- Banking Companies	705,931	2,665
	- Non-Banking Financial Institutions	9,584,477	8,528,834
	- Private Sector	3,827,709	1,649,804
		33,274,825	30,960,225

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 8.67 million (2018: Rs. 7.11 million)

		2019	2018
		Rupees in '000	
5	**Charity Fund**		
	Opening Balance	1,000	-
	Received from customers on account of delayed payment	-	1,000
	Payments / utilisation during the year	(900)	-
		(900)	1,000
	Closing Balance	100	1,000
6	**Islamic Banking Business Unappropriated Profit / Accumulated (loss)**		
	Opening Balance	1,098,279	275,944
	Add: Islamic Banking (loss) / profit for the year	(4,588,718)	822,335
	Closing Balance	(3,490,439)	1,098,279
7	**CONTINGENCIES AND COMMITMENTS**		
	Guarantees	563,350	937,732
	Commitments	2,046,818	1,613,063
		2,610,168	2,550,795
8	**Profit / return earned of financing, investments and placement**		
	Profit earned on:		
	Financing	(272,769)	2,411,556
	Investments	89,318	94,797
	Placements	466,428	-
		282,977	2,506,353
9	**Profit on Deposits and other Dues Expensed**		
	Deposits and other accounts	3,245,895	991,658
	Due to Financial Institutions	29,189	10,275
	Cost of foreign currency swaps against foreign currency deposits / borrowings	142,543	46,035
	Lease liability against right-of-use assets	128,471	-
		3,546,098	1,047,968

10 Pool Management

The number and nature of pools maintained by the IBD along with their key features and risk and reward characteristics are as follows:

Emaan Islamic Banking, the Islamic Banking Division (IBD) of Silkbank Limited, has a well-defined profit and loss distribution and pool management framework for creation of one or more pools of assets to be financed by different types of deposits. Currently, the IBD has the policy of maintaining a single Mudaraba Pool. All funds obtained through Islamic Banking operations are being invested in this Common Mudaraba Pool. The key features and risk / reward features of the same are given below:

Key Features

The Account Holder, in his capacity as the fund provider (called Rabbul Mal in Fiqh terminology) authorises the IBD acting as the investment manager (called Mudarib in Fiqh terminology) to invest the Account Holder's funds on the basis of an unrestricted Mudaraba agreement in line with rules and principles of Shari'a.

Under the unrestricted Mudaraba agreement, the IBD in its capacity as the fund manager invests the funds accepted from Account Holders in Shari'a compliant financing and investments. The IBD receives a pre-agreed percentage (Mudarib Share) of the profit generated from these activities.

In line with the principles of commingling Mudaraba, where the Mudarib is permitted to commingle its own funds with the funds received on the basis of the Mudaraba, and to comply with the regulations of the SBP on creation of an Islamic Banking Fund (the "IBF"), Silkbank has created an Islamic Banking Fund of Rs. 6,625 million and deposited the same in its common Mudaraba pool.

Risk & Rewards Characteristics

The profit is shared between the Rabbul Mal and the Mudarib as per the agreed ratio, while the loss, if any, is borne by the Rabbul Mal in proportion to his invested amount unless the Mudarib is found to be negligent or in breach of the terms and conditions of the Mudaraba Agreement.

In case of commingling of the Mudarib's own funds with the funds of the Account Holders, the Mudarib shall get the full profit of its own funds and bear the entire loss thereof.

Profit for the Account Holder is calculated on the basis of a weightage system which takes into consideration the size of funds, its period and profit payment frequency (details of the weightages are available in all the branches and Silkbank's website). The bigger the size of the fund and the longer the tenor, the higher would be the weightage allocated to the fund for profit distribution.

Profit Rate and Weightages announcement period

The profit sharing ratio, profit rate and weightages are announced when change is required. Although SBP allows to revise the profit sharing ratio & weightages for the period concerned, EIB has revised the Profit Sharing Ratio (PSR) during the year 2019 and announces the same on webstite and notice boards of branches.

Avenues / sectors of economy / business where Mudaraba based deposits have been deployed.

Mudaraba based funds have been deployed to diversified sectors and avenues of the economy / business mainly to Government, Financial Institutions, Construction, Manufacturing and Services sectors.

Parameters used for allocation of profit, charging expenses and provisions etc. along with a brief description of their major components

The profit of deposit pool is calculated on the earning assets booked by utilising the funds from the pool. No general or administrative nature of expense is charged to the pool. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period.

Profit and Loss distribution in Common Mudaraba Pool

2019

General Depositors Pool	Mudarib share net of Hiba and including the Mudarib fee ('000)	Mudarib share - net of Hiba and including the Mudarib Fee (%)	Amount of Mudarib share transferred to depositors through Hiba ('000)	Profit rate and weightages announcement period	Mudarib share transferred to depositors through Hiba (%)	Profit rate earned (%)	Profit rate distributed (%)
Common Mudaraba Pool	324,851	8.62%	133,798	Monthly	41.19%	12.71%	10.47%

2018

General Depositors Pool	Mudarib share - net of Hiba and including the Mudarib fee ('000)	Mudarib share - net of Hiba and including the Mudarib Fee (%)	Amount of Mudarib share transferred to depositors through Hiba ('000)	Profit rate and weightages announcement period	Mudarib share transferred to depositors through Hiba (%)	Profit rate earned (%)	Profit rate distributed (%)
	mlu						
Common Mudaraba Pool	598,534	23.96%	193,552	Monthly	32.34%	9.53%	6.86%

ADDITIONAL SHAREHOLDERS' INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

SILKBANK LIMITED
COMBINED PATTERN OF CDC & PHYSICAL SHARE HOLDINGS AS AT DECEMBER 31, 2019

S. No.	Categories/Sub-Categories of Shareholders	Number of Shares held	Category wise No. of Folios / CDC Accounts.	Category wise Shares held	Percentage
	Directors, Chief Executive Officer and their Spouse and Minor Children		**10**	**439,557,612**	**4.84**
01	Mr. Khalid Aziz Mirza	500			
	Mr. Rashid Akhter Chughtai	500			
	Mr. Masroor Ahmed Qureshi	500			
	Mr. Shahzad Enver Murad	500,000			
	Mr. Tariq Iqbal Khan	16,997			
	Mr. Zubair Nawaz Chattha	415,626,000			
	Mr. Azmat Tarin	20,013,115			
	Mrs. Farah Naz Tarin W/o Azmat Tarin	200,000			
	Mrs. Saima Shahzad Murad W/o Shahzad Enver Murad	3,200,000			
02	**Associated Companies, Undertakings and Related Parties. (5% & above shareholding).**		**9**	**5,666,262,093**	**62.39**
	Arif Habib Corporation Limited	2,563,901,924			28.23
	Mr. Shaukat Tarin*	1,049,091,791			11.55
	International Finance Corporation	702,689,067			7.74
	Mr. Zulqarnain Nawaz Chattha	678,126,000			7.47
	Nomura European Investment Limited	356,676,342			3.93
	Bank Muscat S.A.O.G	315,776,969			3.48
03	**Executives**	**39,271,471**	**13**		**0.43**
04	**Public Sector Companies and Corporations**	**99,421,996**	**5**		**1.09**

05	**Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds**	**4,384,338**	**7**		**0.05**
06	**Mutual Funds**	**20,880,417**	**1**		**0.23**
07	**General Public – Foreign**	**259,296,515**	**25**		**2.86**
08	**General Public – Local**	**2,133,188,488**	**7415**		**23.49**
09	**Others**	**419,598,307**	**83**		**4.62**
	Total	**9,081,861,237**	**7568**		**100.00**
	SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE BANK				
	TOTAL PAID-UP CAPITAL OF BANK	**9,081,861,237 Shares**			
	5% OF PAID-UP CAPITAL (SHARES)	**454,093,062 Shares**			
	NAME OF SHAREHOLDERS	**NO OF SHARES HELD**		**PERCENTAGE**	
	Arif Habib Corporation Limited	2,563,901,924		28.23	
	Mr. Shaukat Tarin*	1,049,091,791		11.55	
	International Finance Corporation	702,689,067		7.74	
	Mr. Zulqarnain Nawaz Chattha	678,126,000		7.47	
	Nomura European Investment Limited	356,676,342		3.93	
	Bank Muscat S.A.O.G	315,776,969		3.48	

* The total shareholding of Mr. Shaukat Tarin actually stands at 1,106,091,791 shares. i.e.12.18% in the Bank, out of which as of December 31, 2019, an amount of fifty-seven million (57,000,000) shares of Mr. Shaukat Tarin have been kept with Pearl Securities Limited.

- As required under the Memorandum & Article of Association of the Bank, Mr. Masroor Ahmed Qureshi, Director, Silkbank Limited, has purchased 500 qualification shares from open market on November 19, 2019, for being on the Board of the Bank.

- Mr. Khurram Ali Malik, Area Manager – Branch Banking of Silkbank Limited, sold 3,000 shares to the open market. The bank has reported the same to the Pakistan Stock Exchange in compliance of clause No. 5.6.1. (d) of PSX Regulations. Apart from this, there was no other trading in Silkbank shares carried out by any of the Directors and Executives or their spouses and minor children during the year.

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2019

SILKBANK LIMITED
COMBINED PATTERN OF CDC & PHYSICAL SHARE HOLDINGS AS AT DECEMBER 31, 2019

No of Shareholders	Shareholdings 'Slab			Total Shares Held
470	1	to	100	12,106
658	101	to	500	268,769
650	501	to	1000	611,113
1755	1001	to	5000	5,555,781
946	5001	to	10000	7,970,209
400	10001	to	15000	5,190,421
345	15001	to	20000	6,422,493
253	20001	to	25000	5,987,269
142	25001	to	30000	4,051,421
127	30001	to	35000	4,275,242
102	35001	to	40000	3,935,166
69	40001	to	45000	2,982,175
200	45001	to	50000	9,925,872
61	50001	to	55000	3,201,662
50	55001	to	60000	2,914,469
49	60001	to	65000	3,083,213
53	65001	to	70000	3,646,275
38	70001	to	75000	2,816,029
26	75001	to	80000	2,052,844
28	80001	to	85000	2,345,358
19	85001	to	90000	1,683,858
14	90001	to	95000	1,298,346
200	95001	to	100000	19,956,363
38	100001	to	105000	3,874,051
27	105001	to	110000	2,931,664
22	110001	to	115000	2,489,416
28	115001	to	120000	3,341,036
18	120001	to	125000	2,225,204
12	125001	to	130000	1,541,986
13	130001	to	135000	1,735,675
17	135001	to	140000	2,343,363
10	140001	to	145000	1,423,727
39	145001	to	150000	5,837,008
7	150001	to	155000	1,073,654
12	155001	to	160000	1,900,469
11	160001	to	165000	1,800,613
18	165001	to	170000	3,043,818
8	170001	to	175000	1,390,648

10	175001	to	180000	1,780,734
5	180001	to	185000	919,774
6	·185001	to	190000	1,133,578
5	190001	to	195000	960,758
49	195001	to	200000	9,792,668
12	200001	to	205000	2,430,715
9	205001	to	210000	1,872,860
7	210001	to	215000	1,493,464
5	215001	to	220000	1,082,361
5	220001	to	225000	1,122,297
5	225001	to	230000	1,149,204
2	230001	to	235000	468,990
8	235001	to	240000	1,911,428
1	240001	to	245000	245,000
16	245001	to	250000	3,994,649
5	250001	to	255000	1,260,697
1	255001	to	260000	258,500
4	260001	to	265000	1,058,000
2	265001	to	270000	532,323
7	270001	to	275000	1,917,664
8	275001	to	280000	2,226,744
3	280001	to	285000	847,100
1	285001	to	290000	287,960
29	295001	to	300000	8,691,961
3	300001	to	305000	910,440
3	305001	to	310000	925,446
4	310001	to	315000	1,249,391
4	315001	to	320000	1,274,302
3	320001	to	325000	975,000
3	325001	to	330000	979,434
3	330001	to	335000	996,698
10	335001	to	340000	3,396,440
1	340001	to	345000	342,319
8	345001	to	350000	2,787,919
3	350001	to	355000	1,051,549
3	355001	to	360000	1,076,685
1	360001	to	365000	361,000
2	365001	to	370000	736,013
3	370001	to	375000	1,119,332
3	375001	to	380000	1,135,970
3	380001	to	385000	1,150,500
3	.385001	to	390000	1,165,911
2	390001	to	395000	785,100
14	395001	to	400000	5,596,423
3	400001	to	405000	1,209,960
3	405001	to	410000	1,222,500

1	410001	to	415000	412,500
2	415001	to	420000	837,672
5	420001	to	425000	2,119,882
3	425001	to	430000	1,288,000
1	430001	to	435000	435,000
7	445001	to	450000	3,150,000
1	450001	to	455000	452,000
2	455001	to	460000	919,910
4	460001	to	465000	1,848,776
2	465001	to	470000	938,000
2	470001	to	475000	943,051
2	475001	to	480000	959,000
1	480001	to	485000	482,928
3	485001	to	490000	1,462,499
3	490001	to	495000	1,482,000
22	495001	to	500000	10,996,480
3	500001	to	505000	1,507,333
7	505001	to	510000	3,569,230
1	510001	to	515000	511,001
1	515001	to	520000	516,000
4	520001	to	525000	2,099,717
3	525001	to	530000	1,584,500
2	530001	to	535000	1,065,261
1	535001	to	540000	540,000
1	545001	to	550000	546,000
1	550001	to	555000	550,346
2	555001	to	560000	1,119,500
1	560001	to	565000	565,000
1	565001	to	570000	569,500
1	570001	to	575000	573,992
1	575001	to	580000	578,136
2	585001	to	590000	1,177,110
1	590001	to	595000	591,500
9	595001	to	600000	5,400,000
1	600001	to	605000	604,102
1	605001	to	610000	610,000
2	640001	to	645000	1,285,787
5	645001	to	650000	3,243,500
1	650001	to	655000	653,823
1	655001	to	660000	659,000
1	660001	to	665000	663,500
2	670001	to	675000	1,343,486
3	675001	to	680000	2,039,760
1	685001	to	690000	690,000
1	690001	to	695000	693,233
6	695001	to	700000	4,195,000

4	700001	to	705000	2,811,157
1	705001	to	710000	706,000
1	725001	to	730000	725,970
1	745001	to	750000	750,000
1	750001	to	755000	751,000
1	760001	to	765000	761,500
1	765001	to	770000	765,744
3	795001	to	800000	2,400,000
1	805001	to	810000	806,000
1	825001	to	830000	826,000
2	830001	to	835000	1,666,000
2	835001	to	840000	1,679,000
2	845001	to	850000	1,700,000
1	855001	to	860000	860,000
1	860001	to	865000	865,000
2	870001	to	875000	1,746,801
1	875001	to	880000	880,000
1	880001	to	885000	882,000
5	895001	to	900000	4,500,000
1	910001	to	915000	914,000
2	920001	to	925000	1,845,229
2	930001	to	935000	1,868,835
1	945001	to	950000	950,000
1	955001	to	960000	959,820
1	970001	to	975000	975,000
2	990001	to	995000	1,987,500
17	995001	to	1000000	16,997,781
2	1000001	to	1005000	2,002,329
2	1010001	to	1015000	2,030,000
1	1015001	to	1020000	1,020,000
2	1020001	to	1025000	2,049,087
1	1025001	to	1030000	1,026,000
1	1030001	to	1035000	1,030,500
1	1065001	to	1070000	1,065,500
1	1070001	to	1075000	1,075,000
1	1090001	to	1095000	1,094,500
1	1095001	to	1100000	1,100,000
1	1110001	to	1115000	1,111,041
1	1170001	to	1175000	1,172,500
1	1185001	to	1190000	1,186,336
2	1195001	to	1200000	2,400,000
1	1200001	to	1205000	1,200,475
1	1210001	to	1215000	1,210,259
1	1220001	to	1225000	1,225,000
1	1240001	to	1245000	1,240,492
1	1245001	to	1250000	1,250,000

2	1255001	to	1260000	2,515,070
1	1270001	to	1275000	1,272,000
1	1280001	to	1285000	1,283,000
1	1335001	to	1340000	1,340,000
1	1340001	to	1345000	1,345,000
3	1345001	to	1350000	4,046,905
1	1355001	to	1360000	1,359,764
1	1375001	to	1380000	1,377,215
1	1395001	to	1400000	1,397,161
1	1400001	to	1405000	1,400,440
1	1435001	to	1440000	1,439,641
3	1495001	to	1500000	4,500,000
1	1500001	to	1505000	1,500,100
1	1540001	to	1545000	1,543,529
2	1545001	to	1550000	3,098,866
1	1570001	to	1575000	1,572,920
1	1575001	to	1580000	1,576,789
2	1615001	to	1620000	3,239,500
1	1655001	to	1660000	1,660,000
2	1675001	to	1680000	3,356,500
1	1680001	to	1685000	1,683,494
1	1695001	to	1700000	1,699,701
1	1745001	to	1750000	1,747,116
1	1750001	to	1755000	1,753,663
1	1785001	to	1790000	1,788,500
1	1800001	to	1805000	1,802,000
1	1805001	to	1810000	1,808,500
1	1865001	to	1870000	1,869,671
1	1875001	to	1880000	1,877,599
2	1950001	to	1955000	3,909,657
1	1965001	to	1970000	1,965,500
7	1995001	to	2000000	14,000,000
1	2010001	to	2015000	2,015,000
1	2055001	to	2060000	2,057,402
1	2095001	to	2100000	2,100,000
2	2195001	to	2200000	4,399,500
1	2280001	to	2285000	2,282,046
1	2295001	to	2300000	2,300,000
1	2325001	to	2330000	2,330,000
1	2400001	to	2405000	2,400,018
1	2445001	to	2450000	2,450,000
1	2595001	to	2600000	2,595,500
1	2740001	to	2745000	2,744,500
1	2745001	to	2750000	2,750,000
1	2750001	to	2755000	2,751,788
1	2860001	to	2865000	2,863,153

1	2920001	to	2925000	2,925,000
1	2990001	to	2995000	2,991,000
1	3060001	to	3065000	3,062,000
1	3090001	to	3095000	3,093,000
1	3095001	to	3100000	3,100,000
1	3195001	to	3200000	3,200,000
1	3230001	to	3235000	3,231,000
1	3295001	to	3300000	3,300,000
1	3395001	to	3400000	3,399,603
1	3560001	to	3565000	3,565,000
1	3580001	to	3585000	3,581,000
1	3595001	to	3600000	3,600,000
1	3670001	to	3675000	3,675,000
1	3940001	to	3945000	3,940,500
1	4275001	to	4280000	4,276,176
1	4425001	to	4430000	4,427,056
1	4740001	to	4745000	4,743,500
2	4995001	to	5000000	10,000,000
1	5015001	to	5020000	5,016,419
1	5045001	to	5050000	5,050,000
1	5620001	to	5625000	5,621,089
1	5640001	to	5645000	5,644,500
1	5995001	to	6000000	6,000,000
1	6000001	to	6005000	6,002,500
1	6175001	to	6180000	6,176,082
1	6835001	to	6840000	6,839,054
1	6960001	to	6965000	6,963,676
1	7260001	to	7265000	7,261,124
1	7495001	to	7500000	7,500,000
1	7615001	to	7620000	7,618,500
1	7695001	to	7700000	7,700,000
1	9595001	to	9600000	9,600,000
1	9995001	to	10000000	10,000,000
1	10145001	to	10150000	10,149,000
1	10435001	to	10440000	10,436,324
1	11780001	to	11785000	11,782,500
1	12540001	to	12545000	12,543,796
1	13170001	to	13175000	13,174,061
1	13495001	to	13500000	13,496,500
1	14095001	to	14100000	14,100,000
1	16465001	to	16470000	16,467,577
1	20880001	to	20885000	20,880,417
1	22195001	to	22200000	22,200,000
1	22415001	to	22420000	22,418,500
1	23795001	to	23800000	23,797,288
1	24720001	to	24725000	24,724,029

1	24995001	to	25000000	25,000,000
1	28675001	to	28680000	28,676,471
1	36225001	to	36230000	36,228,668
1	37495001	to	37500000	37,500,000
1	55880001	to	55885000	55,882,353
1	57245001	to	57250000	57,247,500
1	77335001	to	77340000	77,335,346
1	86345001	to	86350000	86,349,442
1	86645001	to	86650000	86,647,500
1	152380001	to	152385000	152,382,353
1	172995001	to	173000000	173,000,000
1	247290001	to	247295000	247,290,500
1	315775001	to	315780000	315,776,969
4	320510001	to	320515000	1,282,051,282
1	356675001	to	356680000	356,676,342
1	415555001	to	415560000	415,559,626
1	415625001	to	415630000	415,626,000
1	424300001	to	424305000	424,303,497
1	678125001	to	678130000	678,126,000
1	702685001	to	702690000	702,689,067
1	2563900001	to	2563905000	2,563,901,924
7568				**9,081,861,237**