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**ALBARAKA BANK (PAKISTAN) LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
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## INDEPENDENT AUDITORS' REPORT

To the members of AlBaraka Bank (Pakistan) Limited

Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of **AlBaraka Bank (Pakistan) Limited** (the Bank), which comprise the statement of financial position as at **31 December 2019**, the 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 20 branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, 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 31 December 2019 and of the loss, the other comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

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

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.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### 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 as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the statement of financial position, the profit or loss account, the statement of comprehensive income, statement of changes in equity and 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 and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total Islamic financing and related assets of the Bank.

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

Chartered Accountants

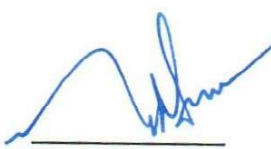
Place: Karachi

Date: 12 March 2020

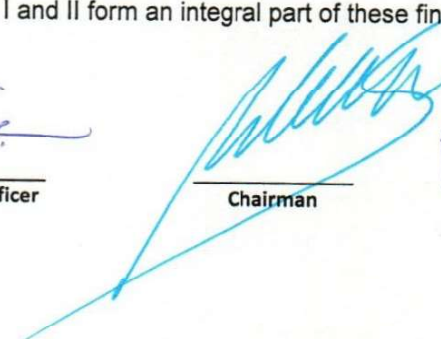
**ALBARAKA BANK (PAKISTAN) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

		2019	2018
	Note	----- (Rupees in '000) -----	-----
<b>ASSETS</b>			
Cash and balances with treasury banks	5	26,319,937	14,934,799
Balances with other banks	6	2,850,550	854,171
Due from financial institutions	7	14,598,633	-
Investments	8	24,194,885	21,345,325
Islamic financing and related assets - net	9	75,443,712	75,011,976
Fixed assets	10	4,877,578	2,310,578
Intangible assets	11	1,467,904	1,572,861
Deferred tax assets	12	2,839,139	3,238,909
Other assets	13	9,389,888	9,544,420
		<b>161,982,226</b>	<b>128,813,039</b>
<b>LIABILITIES</b>			
Bills payable	14	3,223,721	3,697,477
Due to financial institutions	15	4,278,132	3,836,022
Deposits and other accounts	16	129,654,288	99,915,011
Subordinated debt	17	3,460,661	3,746,377
Deferred tax liabilities		-	-
Other liabilities	18	8,633,860	6,913,069
		<b>149,250,662</b>	<b>118,107,956</b>
<b>NET ASSETS</b>		<b>12,731,564</b>	<b>10,705,083</b>
<b>REPRESENTED BY</b>			
Share capital - net	19	14,500,490	13,106,862
Reserves		179,384	159,348
Surplus on revaluation of assets	20	1,185,540	353,212
Accumulated losses		<b>(3,133,850)</b>	<b>(2,914,339)</b>
		<b>12,731,564</b>	<b>10,705,083</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 48 and annexures I and II form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Chairman

  
 Director

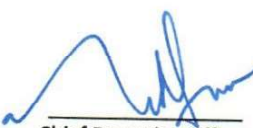
  
 Director

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Profit / return earned on Islamic financing and related assets, investments and placements	22	12,923,326	8,031,610
Return on deposits and other dues expensed	23	(7,912,215)	(3,872,299)
<b>Net spread earned</b>		<b>5,011,111</b>	<b>4,159,311</b>
<b>Other income</b>			
Fee and commission income	24	748,419	682,801
Dividend income		31,473	36,269
Foreign exchange income		734,556	441,738
Loss on securities	25	(95,086)	(31,330)
Other income	26	10,841	24,757
Total other income		<b>1,430,203</b>	<b>1,154,235</b>
Total income		<b>6,441,314</b>	<b>5,313,546</b>
<b>Other expenses</b>			
Operating expenses	27	(5,214,659)	(4,782,531)
Workers' Welfare Fund		(155)	-
Other charges	28	(28,489)	(5,998)
Total other expenses		<b>(5,243,303)</b>	<b>(4,788,529)</b>
<b>Profit before provisions</b>		<b>1,198,011</b>	<b>525,017</b>
Provisions and write offs - net	29	(1,190,441)	(770,029)
Extra ordinary / unusual items		-	-
<b>Profit / (loss) before taxation</b>		<b>7,570</b>	<b>(245,012)</b>
Taxation	30	(199,256)	(8,716)
<b>Loss after taxation</b>		<b>(191,686)</b>	<b>(253,728)</b>
<b>Loss per share - basic / diluted</b>	31	<b>(0.14)</b>	<b>(0.18)</b>

----- Rupee -----

The annexed notes 1 to 48 and annexures I and II form an integral part of these financial statements.







Chief Executive Officer      Chief Financial Officer      Chairman      Director      Director

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	---- (Rupees in '000) ----	
Loss after taxation for the year	(191,686)	(253,728)
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus on revaluation of investments - net of tax	924,794	181,978
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligations - net of tax	(8,084)	14,817
Movement in surplus on revaluation of non-banking assets - net of tax	(92,171)	(205)
	(100,255)	14,612
<b>Total comprehensive income / (loss)</b>	<b>632,853</b>	<b>(57,138)</b>

The annexed notes 1 to 48 and annexures I and II form an integral part of these financial statements.


 _____ Chief Executive Officer	 _____ Chief Financial Officer	 _____ Chairman	 _____ Director	 _____ Director
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**ALBARAKA BANK (PAKISTAN) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital	Capital support fund	Discount on issue of shares	Statutory reserve*	Investments	Surplus / (deficit) on revaluation of Non banking assets	Accumulated loss	Total
	(Rupees in '000)							
Balance as at 31 December 2017	13,739,628	-	(632,766)	159,348	(161,593)	333,327	(2,675,723)	10,762,221
Loss after taxation for the year	-	-	-	-	-	-	(253,728)	(253,728)
Other comprehensive loss - net of tax	-	-	-	-	181,978	(205)	14,817	196,590
Transfer from surplus on revaluation of assets to accumulated loss in respect of incremental charged during the year	-	-	-	-	-	(295)	295	-
Balance as at 31 December 2018	13,739,628	-	(632,766)	159,348	20,385	332,827	(2,914,339)	10,705,083
Loss after taxation for the current year	-	-	-	-	-	-	(191,686)	(191,686)
Other comprehensive income - net of tax	-	-	-	-	924,794	(92,171)	(8,084)	824,539
Transfer to statutory reserve	-	-	-	20,036	-	-	(20,036)	-
Transfer from surplus on revaluation of assets to accumulated loss in respect of incremental charged during the year	-	-	-	-	-	(295)	295	-
Received during the year	-	1,393,628	-	-	-	-	-	1,393,628
Balance as at 31 December 2019	<u>13,739,628</u>	<u>1,393,628</u>	<u>(632,766)</u>	<u>179,384</u>	<u>945,179</u>	<u>240,361</u>	<u>(3,133,850)</u>	<u>12,731,564</u>

The annexed notes 1 to 48 and annexures I and II form an integral part of these financial statements.

\* The statutory reserve represents profit set aside as required under the Prudential Regulation for Bank as issued by the State Bank of Pakistan.

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Chairman

  
 Director

  
 Director


**ALBARAKA BANK (PAKISTAN) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 ---- (Rupees in '000) ----	2018 ---- (Rupees in '000) ----
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		7,570	(245,012)
Less: Dividend income		(31,473)	(36,269)
		(23,903)	(281,281)
Adjustments:			
Depreciation on fixed assets	27	179,420	192,471
Depreciation on right-of-use assets	27	622,249	-
Amortization	27	196,777	186,309
Depreciation - non banking assets	27	25,667	25,667
Provision and write-offs - net	29	1,190,441	770,029
Write off of financing provision	9.5	(91)	(28)
Gain on sale of fixed assets - net	26	(7,331)	(1,631)
Gain on sale of non-banking asset	26	-	(8,196)
Finance charges on lease liability against right-of-use assets	23	224,114	-
Unrealized loss on revaluation of securities classified as held for trading	25	(4,155)	23,174
Workers' welfare fund		155	-
		2,427,246	1,187,795
		2,403,343	906,514
<b>(Increase)/ Decrease in operating assets</b>			
Due from financial institutions		(14,598,633)	5,095,411
Held-for-trading securities - net		81,694	(105,268)
Islamic financing and related assets - net		(1,518,326)	(4,279,729)
Others assets (excluding advance taxation)		231,776	(1,795,453)
		(15,803,489)	(1,085,039)
<b>Increase/ (Decrease) in operating liabilities</b>			
Bills payable		(473,756)	39,357
Due to financial institutions		442,110	626,622
Deposits and other accounts		29,739,277	3,292,086
Other liabilities		(607,379)	1,156,194
		29,100,252	5,114,259
Income tax paid		(160,112)	(77,319)
Net cash flows from operating activities		15,539,994	4,858,415
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(65,127)	(1,884,860)
Net investments in held-to-maturity securities		(1,540,891)	-
Dividends received		33,756	38,492
Investment in fixed assets		(1,497,103)	(196,831)
Proceeds from sale of fixed assets		11,372	22,479
Net cash used in from investing activities		(3,057,993)	(2,020,720)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Receipt of Additional Tier I Capital		-	1,389,241
Repayment of Tier II mudaraba sukuk - first issue		(285,716)	(285,716)
Payment of lease liability against right-of-use assets		(208,396)	-
Receipt of Capital Support Fund		1,393,628	-
Net cash flows from financing activities		899,516	1,103,525
<b>Increase in cash and cash equivalents</b>		13,381,517	3,941,220
Cash and cash equivalents at beginning of the year	32	15,788,970	11,847,750
Cash and cash equivalents at end of the year	32	29,170,487	15,788,970

The annexed notes 1 to 48 and Annexures I and II form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Chairman

  
 Director

  
 Director

**ALBARAKA BANK (PAKISTAN) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. STATUS AND NATURE OF BUSINESS**

- 1.1** AlBaraka Bank (Pakistan) Limited (the Bank) was incorporated in Pakistan on 20 December 2004 as a public limited company. The Bank was granted an Islamic Banking License BL(I)-01(07), issued by the Banking Policy and Regulations Department of the State Bank of Pakistan (SBP) on 18 January 2007. Subsequently, the Bank was also granted approval for commencement of business as a scheduled bank with effect from 13 February 2007. Upon merger of the Pakistan branches of AlBaraka Islamic Bank B.S.C. (c) with and into the Bank, fresh license no. BL(i)-01(2011) was issued by SBP on 12 March 2011, effective from close of business on 29 October 2010. The main objective of the Bank is to carry on Islamic banking business in Pakistan in accordance and in conformity with Shariah.

The Bank is a subsidiary of AlBaraka Islamic Bank B.S.C. (c) (parent bank) incorporated and domiciled in Bahrain and a member of AlBaraka Banking Group.

- 1.2** During the year 2016, the shareholders of the Bank in their extra ordinary general meeting held on 22 August 2016 have approved the merger of the Bank with Burj Bank Limited under a "Scheme of Amalgamation" (the Scheme). Further, State Bank of Pakistan, through its letter no. BPRD (R&P-02)/2016/24373 dated 14 October 2016, has also approved the scheme of amalgamation and granted sanction order for the amalgamation of Ex Burj Bank Limited with and into the Bank. As of the effective date of amalgamation, the entire undertaking of Ex Burj Bank Limited including all the properties, assets and liabilities and all the rights and obligations shall, without any further act, action or deed and notwithstanding the terms of any contract or other document or any rule of law, stands amalgamated with and vest in the Bank and as a consequence, Ex Burj Bank Limited stands amalgamated with and into the Bank.

The Bank's registered office is located at 162, Bangalore Town, Main Sharah-e-Faisal, Karachi. The Bank has 192 branches including 8 sub-branches (31 December 2018: 191 branches including 11 sub-branches) in Pakistan.

- 1.3** Based on the financial statements of the Bank for the year ended 31 December 2018, JCR-VIS has maintained the long-term rating at 'A+' and short-term rating at 'A1'. Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long-term rating at 'A' and short term rating at 'A1'.
- 1.4** As at 31 December 2019, the Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) stood at Rs.11.37 billion and 13.3% respectively.

**2. BASIS OF PRESENTATION**

These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BPRD Circular No. 02 dated 25 January 2018.

The Bank provides Islamic financing mainly through shariah compliant financial products as explained in Note 4.5.1 except for Murabaha transactions (which are accounted for under the Islamic Financial Accounting Standard - 1), 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 rental / profit thereon. Income, if any received, which does not comply with the principles of Shariah is recognized as charity payable.

**2.1 STATEMENT OF COMPLIANCE**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities Exchange Commission of Pakistan (SECP).

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.

- 2.1.2** The SBP vide BSD Circular Letter No. 10 dated 26 August 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" (IAS 39) and International Accounting Standard 40, "Investment Property" (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 2.1.3** IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP has also directed the Bank to conduct an impact assessment as at 31 December 2019 which is due to be submitted to SBP by 30 April 2020 which is in process at the moment.
- 2.1.4** The SBP vide its BPRD Circular No. 04 dated 25 February 2015 has clarified that the reporting requirements of IFAS-3 for Islamic Banking Institutions (IBIs) relating to annual, half yearly and quarterly financial statements would be notified by SBP through issuance of specific instructions and uniform disclosure formats in consultation with IBIs. These reporting requirements have not been ratified to date. Accordingly, the disclosures requirements under IFAS 3 have not been considered in these financial statements.

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

The Bank has adopted the following standards and amendment to IFRSs which became effective for the current year:

**Standard or Interpretation**

- IFRIC 23 - Uncertainty over Income Tax Treatments
- IFRS 15 - Revenue from contracts with customers
- IFRS 16 - Leases
- IAS 28 - Investments in Associates and Joint Ventures - Long Term Interests in Associates (Amendment)
- IAS 19 - Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendment)

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

The adoption of the above standards / amendment to accounting standards did not have any effect on Bank's financial statements. The nature and effect of the changes as a result of adoption of IFRS 15 and IFRS 16 are in note 4.1 and 4.2 respectively:

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

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

Standard, interpretation or amendment	Effective date (annual periods beginning on or after)
- IAS 1/ IAS 8 - Definition of Material (Amendments)	01 January 2020
- IFRS 3 - Definition of a Business (Amendments)	01 January 2020
- IFRS 14 – Regulatory Deferral Accounts	01 July 2019
- IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2021
- International Accounting Standard Board (IASB) revised Conceptual Framework	01 January 2020

The above amendments are not likely to have an impact on Bank's financial statements except for IFRS 9 'Financial instruments' the bank is currently evaluating the impact of the said standard. In addition to above Standards, there are certain new and amended standards, interpretations and amendments that are mandatory for accounting periods beginning on or after 01 January 2020 but are considered not to be relevant to the Bank's operations and therefore, are not detailed in these financial statements.

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

<b>Standards</b>	<b>Effective date (annual periods beginning on or after)</b>
- IFRS 1 – First time adoption of IFRSs	01 January 2004
- IFRS 17 – Insurance Contracts	01 January 2021

## 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the 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 key areas of estimates and judgments in relation to these financial statements are as follows:

### a) Provision against non-performing Islamic

The Bank reviews its financing portfolio to assess amount of non-performing Islamic financing and determine provision required there against on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower, value of collateral held and requirements of Prudential Regulations are considered except where relaxation has been allowed by SBP.

The amount of general provision against consumer, small and medium enterprises and islamic financing is determined in accordance with the relevant Prudential Regulations and SBP directives.

### b) Impairment of available for sale investments

The Bank considers that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgement, in addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

### c) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past.

### d) Operating fixed assets, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

### e) Employees' benefit plans

The liabilities for employees' benefits are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 35.3. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

**f) Impairment of goodwill and intangible assets with indefinite useful life**

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The detailed assumptions underlying impairment testing of goodwill and intangible assets with indefinite useful life are given in note 11.5 to these financial statements.

**g) Revaluation of non-banking assets**

Non-banking assets acquired in satisfaction of claims are revalued by independent professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value.

**h) lease term of contracts with renewal options and discount rate**

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank also considers the incremental borrowing rate based on certain internal and external factors.

The Bank has the option, under some of its leases to lease the asset for additional term based on mutual agreement with the lessor. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

**3. BASIS OF MEASUREMENT**

- 3.1** These financial statements have been prepared under the historical cost convention except for available for sale investments, non-banking assets and commitments in respect of foreign exchange forward contracts which have been measured at fair value in accordance with requirements of SBP. In addition, obligation in respect of staff retirement benefits are carried at present value as actuarial valuation.
- 3.2** Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

**CHANGE IN ACCOUNTING POLICIES**

**4.1 IFRS 16 - 'Leases'**

During the year, the SBP, vide its BPRD Circular Letter No. 8 dated 30 April 2019 and BPRD Circular No. BPRD/RPD/2019/17 dated 26 July 2019 has directed all Islamic Banks to apply IFRS 16 - 'Leases' in all Ijarah (lease) contracts where the Islamic Banks acts in capacity of Mustajir (lessee) and accordingly, the Bank has adopted the standard. The IFAS 2 - Ijarah would continue to be applicable on all the Ijarah contracts where the Bank acts as Mujir (lessor).

The Bank has lease contracts in the capacity of lessee for various properties used by the Bank's branches. The Bank has adopted modified retrospective approach for transition to IFRS 16. The standard also provides practical expedients, which has been applied by the Bank. The Bank has recognised right-of-use assets and lease liabilities for those leases which were previously accounted for under IFAS-2 Ijarah and recognised/ classified as rent expense. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. Right of use asset is depreciated over shorter of lease term or useful life and classified as depreciation expense.

The measurements of the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application i.e. 01 January 2019 and the impact is as follows;

- Right-of-use (RoU) assets recognised as Fixed assets - Rs.2,386 million.
- Lease liability recognised in Other liabilities - Rs.2,076 million.
- Prepaid rent derecognised in Other assets - Rs.310 million.
- Profit after tax year ended 31 December 2019 decreased by Rs.121.1 million as follows:

2019  
(Rupees '000)

Increase in return on deposits and other dues expensed	(224,114)
(Increase) / decrease in administrative expenses	
- Depreciation on right-of-use assets	(622,249)
- Rent expense	660,083
Decrease in profit before tax	(186,280)
Decrease in taxation expense	65,198
Decrease in profit after tax	<u>(121,082)</u>

The Bank applied the available practical expedient of using a single discount rate to a portfolio of leases with reasonably similar characteristics.

There was no difference between present value of the operating lease commitments discounted using incremental borrowing rate at the year end preceding the date of initial application and lease liabilities recognised in statement of financial position at the date of initial application of IFRS 16.

New accounting policies of the Bank upon adoption of IFRS 16 are:

#### Right-of-use assets

At the inception of the contract, the Bank assesses whether a contract is, or contain, a lease. The Bank applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease payment plus initial direct cost (if any). Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

#### Lease liability against right-of-use

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. Lease payments include fixed lease payments less any incentive receivables, variable lease payment dependent upon index or rate, amount expected to be paid under residual value guaranteed if any. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities are remeasured if there is a modification, change in lease term, change in lease payments or change in assessment to purchase the underlying assets.

#### Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## 4.2 IFRS 15 - 'Revenue from contracts with customers'

In May 2014, the IASB issued IFRS 15 - 'Revenue from Contracts with Customers' which replaces all existing revenue requirements and related interpretations and is effective for annual periods beginning on or after 1 July 2018. IFRS 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (e.g., interest and fee income integral to financial instruments which would be in the scope of IFRS 9 and lease income). Certain requirements in IFRS 15 are also relevant for the recognition and measurement of gains or losses on disposal of non-financial assets that are not in the ordinary course of business.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive

The application of this standard did not have any material impact on the Bank's financial statements.

#### **4.3 Business combination and goodwill**

Business combination are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in profit and loss account.

#### **4.4 Cash and cash equivalents**

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

#### **4.5 Due to / from Financial Institutions**

##### **Bai Muajjal**

In bai muajjal transactions, the Bank sells sukuk on credit to other Financial Institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of credit period.

##### **Musharaka**

In Musharaka, the Bank invests in the shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio.

##### **Musharaka from State Bank of Pakistan under Islamic Export Refinance Scheme (IERS)**

Under IERS, the Bank accepts funds from the SBP under shirkat-ul-aqd to constitute a pool for investment in export refinance portfolio of the Bank under the guidelines issued by the SBP. The profit of the pool is shared as per the agreed weightages between

#### **4.6 Investments**

##### **4.6.1 Investments are classified as follows:**

##### **(a) Held for trading**

These are securities, which are either acquired for generating a profit from short-term fluctuations in market prices, profit rate movements or are securities included in a portfolio in which a pattern of short-term profit taking exists. Such securities are normally sold within 90 days of the purchase date.

##### **(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 till maturity.

##### **(c) Available for sale**

These are investments, that do not fall under the 'held for trading' or 'held to maturity' categories.

##### **4.6.2 Regular way contracts**

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

#### 4.6.3 Initial recognition and measurement

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

#### 4.6.4 Subsequent measurement

##### (a) Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on remeasurement are included in the profit and loss for the year.

##### (b) Held to maturity

These are measured at amortised cost using the effective profit rate (EPR) method, less any impairment loss recognised to reflect irrecoverable amount. The amortisation and impairment are included in profit and loss for the year.

##### (c) Available for sale

In accordance with the requirements of the SBP, quoted securities and Government securities other than those classified as 'held to maturity', are subsequently re-measured to market value. Surplus / deficit arising on revaluation of quoted securities classified as 'available for sale', is taken to a separate account shown in the statement of financial position as a component of equity and included in other comprehensive income for the year.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements. In cases where the break up value of such shares is less than the cost, the difference of the cost and break up value is provided for accordingly by charging to the profit and loss account.

#### 4.6.5 Impairment

Provision for diminution in the values of securities classified as available for sale and held to maturity (except sukuk certificates) is charged to profit and loss account. Provision for diminution in value of sukuk certificates is made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

#### 4.6.6 Cost of equity investments is determined on weighted average basis.

### 4.7 Islamic financing and related assets

#### 4.7.1 Brief nature of Islamic financing arrangements

Following is a brief nature of the financing arrangements entered into by the Bank.

##### **Murabaha**

Under murabaha financing, funds disbursed for purchase of goods are recorded as 'advance against murabaha finance'. On culmination of murabaha i.e. sale of goods to customers, murabaha financing are recorded at the deferred sale price net of deferred profit. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

##### **Ijara Financing**

In ijara financing, the Bank provides the assets on periodic rentals for specific tenor to customers.

##### **Istasna**

In istasna financing, the Bank places an order to purchase some specific goods / commodities from its customers to be delivered to the Bank within an agreed time. The goods are then sold by the customer on behalf of the Bank and the amount hence financed alongwith profit is paid back to bank.

##### **Tijarah**

In tijarah financing, the Bank purchases specific goods / commodities on cash basis from its customers for onward sale and on subsequent sale, the financed amount is paid back by the customer.

### **Diminishing Musharaka**

In diminishing musharaka based financing, the Bank enters into musharaka based on Shirkat-ul-Mulk for financing and agreed share of fixed assets (example: house, land, plant, machinery or vehicle) with its customers and enters into period profit payment agreement for the utilization of the Bank's musharaka share by the customer.

### **Salam**

Salam is a sale transaction where the seller undertakes to supply some specific goods to the buyer at a future date against an advance price fully paid on spot.

### **Running Musharaka**

Running musharaka is a shirkul-aqd based financing facility offered to the customers where the Bank participates in operating activities of the customer and share profit and loss as per the actual performance of their business.

## **4.7.2 Accounting policies of Islamic financing**

Islamic financing and related assets (advance, inventories etc.) are stated net of specific and general provisions against non-performing Islamic financing, if any, which are charged to the profit and loss account.

### **Provisions against non-performing Islamic financing and related assets**

Specific provision against non-performing islamic financing is determined in accordance with the Prudential Regulations and other directives issued by the SBP. The Bank maintains general reserve (provision) (unless specific exemption is available from SBP) in accordance with the applicable requirements of Prudential Regulations for consumer finance.

### **Ijarah Assets**

Ijarah financing booked is accounted for as per the requirements of IFAS 2, whereby assets leased out under ijarah are depreciated over the term of ijarah and the related rental income is recognised in the profit and loss account on an accrual basis after the delivery

Ijarah financing booked before 01 January 2009 is accounted for as a finance lease whereby assets under ijarah arrangements are presented as a receivable at an amount equal to net investment in ijarah. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the ijarah and is amortised over the term of the ijarah so as to produce a constant rate of return on net investment in ijarah.

Islamic financing and related assets are written off when there is no realistic prospect of recovery.

### **Inventories**

Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories. The Bank values its inventories at the lower of cost and net realisable value. Cost of inventories represents the actual purchase price paid by the customer as an agent on behalf of the Bank from the funds disbursed for the purpose of culmination of murabaha.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make

## **4.8 Fixed Assets**

### **4.8.1 Property and Equipment**

Property and equipment, other than land, are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Land is stated at cost.

Depreciation is charged using the straight-line method in accordance with the rates specified in note 10.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate at each statement of financial position date. Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Gains / losses on sale of fixed assets are credited / charged to the profit and loss account and disclosed in other income.

Subsequent costs are included in the assets' carrying amount and recognised as a separate asset as appropriate, only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss account as and when incurred.

#### 4.8.2 Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets become available for use.

#### 4.9 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised on the basis of the estimated useful life over which economic benefits are expected to flow to the Bank. The residual value, useful life and amortisation method are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortization rates are specified in note 11.1 to these financial statements.

Intangible assets with indefinite useful lives are not amortized but tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

##### 4.9.1 Impairment

The carrying amount of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

#### 4.10 Non-Banking Assets

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

Depreciation is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.

An amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on revaluation of asset account" to accumulated losses through statement of changes in equity to record realisation of surplus to the extent of the incremental depreciation charge for the year.

#### 4.11 Deposits

Deposits are generated on the basis of two modes i.e. Qard and Mudaraba. Deposits taken on Qard basis are classified as 'Current Accounts' and Deposits generated on Mudaraba basis are classified as 'Savings Account' and 'Fixed Deposit Accounts'.

No profit or loss is passed on to current account depositors. However, the funds of current accounts are treated as equity for the purpose of profit calculation and only any profit earned / loss incurred on these funds are allocated to the equity of the Bank. Profits realized in pool are distributed in pre-agreed profit sharing ratio. Rab-ul-Maal share is distributed among depositors according to weightages assigned at the inception of profit calculation period.

Mudarib (the Bank) can distribute its share of profit to Rab-ul-Maal in line with Shariah guidelines issued by SBP.

#### 4.12 Sub-ordinated Loans

A subordinated loan is initially recorded at the amount of proceeds received and subsequently carried at amortised cost using ERP method. Profit accrued on subordinated loans is charged to the profit and loss account.

#### 4.13 Revenue Recognition

- Profit on murabaha transactions is recognised on accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognized immediately upon the latter date.
- Rental income on ijarah financing booked is recognised on accrual basis.

- Profit on diminishing musharaka, running musharaka, mudaraba and service ijarah are recognized on accrual basis.
- Profit on Running Musharakah financing is booked on an accrual basis and is adjusted upon declaration of profit by Musharakah partners.
- Profit on tijarah and istasna is recognized on accrual basis commencing from the time of sale of goods till the realization of sale proceeds by the Bank.
- Profit on bai muajjal transactions are recognized on accrual basis.
- Commission on letters of credit, acceptances and letters of guarantee is recognised when earned.
- Dividend income is recognised when the Bank's right to receive the dividend is established.
- Profit from investment in sukuk is recognised on accrual basis. Premium and discount on purchase of sukuk are being amortized through profit and loss account over the remaining maturity.
- Gains / losses on disposal of fixed assets, ijarah assets and musharaka assets are taken to profit and loss account in the period in which they arise.
- Rentals from non-banking assets are recognised when earned.
- Gains / losses on sale of investments is included in profit and loss account.
- Income earned from avenues that are not Shariah compliant is not recognised in the profit and loss account. This income is classified as charity payable in accordance with the recommendation of the Shariah Advisor of the Bank.
- Realization of profit earlier suspended in compliance with the Prudential Regulations issued by SBP is credited to profit and

#### 4.14 Taxation

Income tax expense comprises current and deferred tax. Expense is recognised in profit and loss account except to the extent when it relates to items recognised directly in equity.

##### (a) Current

The charge for current taxation is based on expected taxable income for the year at the current rate of transaction. The Bank assessed its taxation income under Section 113 of Income Tax Ordinance, 2001.

##### (b) Deferred

Deferred tax is recognised using the balance sheet liability method on all major 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 asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted at the statement of financial position date.

A 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.

The carrying amount of deferred tax asset is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The Bank also recognises a deferred tax asset / liability on the deficit / surplus on revaluation of assets which is adjusted against the related surplus / deficit in accordance with the requirements of the International Accounting Standard (IAS) 12, 'Income Taxes'.

#### 4.15 Staff Retirement Benefits

##### (a) Defined benefit plan

The Bank operates funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each completed year of service, subject to a minimum of three years of service. The scheme is regulated under its trust deed and rules of the fund and is administrated by the trustees nominated under its trust deed.

**(b) Defined contribution plan**

The Bank also operates a recognised contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10 percent of basic salary.

**4.16 Provisions, Contingent Assets And Contingent Liabilities**

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

Contingent assets are not recognised unless inflow of economic benefits is virtually certain.

Contingent liabilities are not recognised but are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

**4.17 Provision For Guarantee Claims And Other Off-Balance Sheet Obligations**

The Bank, in the ordinary course of business, issues letters of credit, acceptances, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognized in the profit and loss account under "fee and commission income" on receipt basis. The Bank's liability under such contracts is measured at the best estimate of the amount expected to settle any financial obligation arising under such contracts.

**4.18 Foreign Currency Transactions**

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the exchange rates prevailing at the reporting date. Exchange gains or losses are included in the profit and loss account of the current period.

**4.19 Commitments**

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are translated into Pak Rupees at the exchange rates ruling on the reporting date.

**4.20 Acceptances**

Acceptances representing undertakings by the Bank to pay bills of exchange drawn on customers are recognized as liabilities of the Bank at the date of acceptance. Previously, acceptances were only recognized as off-balance sheet obligations and disclosed under contingent liabilities.

**4.21 Financial Instruments****(a) Financial assets and financial liabilities**

Financial assets and financial liabilities are initially recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. These include regular way purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and rewards of ownership of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial assets and liabilities is recognized in the profit and loss account of the current period.

**(b) Off-setting**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**4.22 Share capital and reserves**

Ordinary shares are classified as equity and are recorded at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Discount on issue of shares and capital support received are shown in equity as a separate reserve.

The appropriation to reserves are recognised in the financial statements in the period in which these are approved by the Board of directors.

#### 4.23 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 product or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments.

##### (a) Business segments

The business segments within the bank have been categorised in to the following classifications of business segments in accordance with the requirements specified by SBP.

##### - Corporate banking

It includes corporate sukuks, project finance, export finance, trade finance, guarantees and mobilization of deposits.

##### - Commercial and Small & Medium Enterprise (SME) banking

It includes project finance, export finance, trade finance, guarantees and mobilization of deposits.

##### - Retail and Consumer banking

It includes retail lending and deposits and branch banking services. It also includes consumer auto and housing financing.

##### - Trading and sales

It includes treasury operations in respect of capital market, money market and other forex related activities.

##### - Payment and settlement

It includes centralized functions operating independent of aforementioned segments.

##### (b) Geographical segments

Currently, the operations of the Bank are carried out in Pakistan only.

#### 4.24 Earnings Per Share

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

#### 4.25 Pool Management

The Bank operates general and specific pools for depositors and other fund providers.

Under the general deposits pool, the Bank accepts funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of Islamic financings and related assets, investments and placements.

Specific pools are operated for:

- (a) Funds received from State Bank of Pakistan for under the Islamic Export Refinance Scheme under the Musharaka mode.
- (b) Funds acquired from Islamic Financial Institutions for liquidity management under either Musharaka or Wakala modes.
- (c) Funds accepted on Mudaraba basis from high net-worth/special deposit customers who demand higher rates of return on their investments.

The profit of each deposit pool is calculated on all the remunerative assets by utilizing the funds from the pool after deduction of expenses directly incurred in earning the income of such pool, if any. No provisions against any non performing assets of the pool is passed on 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.

The deposits and funds under the above mentioned pools are provided to diversified sectors and avenues of the economy / business and are also invested in Government of Pakistan backed ijarah sukuk and other sovereign securities. Musharaka investments from State Bank of Pakistan under Islamic Export Refinance are channelled towards the export sector of the economy.

	Note	2019 ---- (Rupees in '000) ----	2018 ---- (Rupees in '000) ----
<b>5. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		2,578,761	2,590,755
Foreign currencies		670,966	533,505
		3,249,727	3,124,260
With State Bank of Pakistan in			
Local currency current account	5.1	20,574,168	9,630,719
Foreign currency current account	5.1	4,411	7,442
Foreign currency deposit account	5.1	1,161,413	972,084
		21,739,992	10,610,245
With National Bank of Pakistan in			
Local currency current account		1,330,210	1,200,287
Local currency deposit account		8	7
		1,330,218	1,200,294
		<u>26,319,937</u>	<u>14,934,799</u>

5.1 These include local and foreign currency amount required to be maintained by the Bank with SBP. These accounts are non-remunerative in nature.

	Note	2019 ---- (Rupees in '000) ----	2018 ---- (Rupees in '000) ----
<b>6. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current account		19,499	2,566
In deposit account	6.1	63,583	19,048
		83,082	21,614
<b>Outside Pakistan</b>			
In current account		1,623,099	721,699
In deposit account	6.1	1,144,369	110,858
		2,767,468	832,557
		<u>2,850,550</u>	<u>854,171</u>

6.1 The expected return on remunerative deposits ranges from 3% to 8.5% per annum (31 December 2018: 3.5% to 9% per annum).

	Note	2019 ---- (Rupees in '000) ----	2018 ---- (Rupees in '000) ----
<b>7. DUE FROM FINANCIAL INSTITUTIONS</b>			
<b>Call money lendings</b>	7.2	1,703,324	-
<b>Bai muajjal receivable</b>			
- from Scheduled banks	7.3	12,895,309	-
		<u>14,598,633</u>	<u>-</u>
<b>7.1 Particulars of due from financial institution</b>			
In local currency		12,895,309	-
In foreign currency		1,703,324	-
		<u>14,598,633</u>	<u>-</u>

7.2 The expected return on these placements ranges from 1.3% to 1.5% per annum (31 December 2018: Nil). These will mature by January 2020.

7.3 The return on bai muajjal ranges from 12.5% to 13.5% per annum (31 December 2018: Nil). These will mature by June 2020.

## 8. INVESTMENTS

		2019				2018				
	Note	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	
----- (Rupees in '000) -----										
8.1	Investments by type									
	Held-for-trading securities									
	Shares	50,611	-	(19,019)	31,592	132,305	-	(23,174)	109,131	
	Available-for-sale securities									
	Federal Government securities	8.2 & 8.4.1	14,059,230	-	1,378,642	15,437,872	14,154,625	-	249,944	14,404,569
	Shares	8.4.2 & 8.4.3	1,117,203	(564,074)	57,829	610,958	1,453,504	(462,395)	(129,794)	861,315
	Non Government debt securities	8.2	1,458,805	(111,455)	1,243	1,348,593	1,227,505	(111,455)	2,321	1,118,371
	Foreign securities	8.2	2,630,937	-	16,407	2,647,344	2,365,414	-	(91,110)	2,274,304
			19,266,175	(675,529)	1,454,121	20,044,767	19,201,048	(573,850)	31,361	18,658,559
	Held-to-maturity securities									
	Federal Government securities	8.2 & 8.4.1	4,118,526	-	-	4,118,526	2,577,635	-	-	2,577,635
	Total investments		23,435,312	(675,529)	1,435,102	24,194,885	21,910,988	(573,850)	8,187	21,345,325

		2019				2018			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Note	----- (Rupees in '000) -----							
<b>8.2 Investments by segments</b>									
<b>Federal Government Securities:</b>									
Ijarah sukuk		2,055,933	-	(20,333)	2,035,600	8,114,508	-	(62,129)	8,052,379
Bai muajjal		4,118,526	-	-	4,118,526	2,577,635	-	-	2,577,635
Other sukuks		12,003,297	-	1,398,975	13,402,272	6,040,117	-	312,073	6,352,190
	8.4.1	18,177,756	-	1,378,642	19,556,398	16,732,260	-	249,944	16,982,204
<b>Shares:</b>									
Listed companies		1,111,130	(537,920)	38,810	612,020	1,529,587	(439,782)	(152,968)	936,837
Unlisted companies	8.4.3	56,684	(26,154)	-	30,530	56,222	(22,613)	-	33,609
		1,167,814	(564,074)	38,810	642,550	1,585,809	(462,395)	(152,968)	970,446
<b>Non Government Debt Securities</b>									
Unlisted	8.4.4	1,458,805	(111,455)	1,243	1,348,593	1,227,505	(111,455)	2,321	1,118,371
<b>Foreign Securities</b>									
Government securities	8.4.5.1	465,269	-	6,044	471,313	417,385	-	(42,039)	375,346
Non Government debt securities	8.4.5.2	2,165,668	-	10,363	2,176,031	1,948,029	-	(49,071)	1,898,958
		2,630,937	-	16,407	2,647,344	2,365,414	-	(91,110)	2,274,304
<b>Total investments</b>		<b>23,435,312</b>	<b>(675,529)</b>	<b>1,435,102</b>	<b>24,194,885</b>	<b>21,910,988</b>	<b>(573,850)</b>	<b>8,187</b>	<b>21,345,325</b>

	2019	2018
	(Rupees in '000)	
<b>8.3 Provision for diminution in value of investments</b>		
<b>8.3.1 Opening balance</b>	573,850	278,770
Charge / reversals		
Charge for the year	265,402	308,383
Reversals for the year	-	(5,632)
Reversal on disposals	(163,723)	(7,671)
	101,679	295,080
<b>Closing balance</b>	<b>675,529</b>	<b>573,850</b>

	2019	2018
	(Rupees in '000)	
<b>8.3.2 Particulars of provision against debt securities</b>		
<b>Category of classification</b>		
<b>Domestic</b>		
Other assets especially mentioned	-	-
Substandard	-	-
Doubtful	-	-
Loss	111,455	(111,455)
	111,455	(111,455)

**8.4 Quality of available for sale securities**

Details regarding quality of available for sale (AFS) securities are as follows:

**8.4.1 Federal Government securities****- Government guaranteed**

Ijarah sukuk  
Bai muajjal  
Others

**- Non-government guaranteed**

Others

2019	2018
Cost	
----- (Rupees in '000) -----	
2,055,933	8,114,508
4,118,526	2,577,635
12,003,297	5,540,117
18,177,756	16,232,260
-	500,000
18,177,756	16,732,260

**8.4.2 Shares - at cost****Listed companies**

Chemicals and pharmaceutical  
Fertilizer  
Cement  
Textile  
Power generation and distribution  
Oil and gas  
Refinery  
Sugar  
Paper and board  
Automobile assembler  
Engineering  
Cable and electrical goods  
Miscellaneous

73,449	121,654
46,268	92,161
173,174	307,416
22,856	22,856
134,756	109,803
271,552	285,004
56,963	125,569
41,961	41,961
71,409	113,169
58,549	62,712
63,537	69,315
32,461	32,462
13,584	13,200
1,060,519	1,397,282

**8.4.3 Unlisted companies**

Takaful Pakistan Limited\*  
SWIFT

2019		2018	
Cost	Break-up value	Cost	Break-up value
----- (Rupees in '000) -----			
52,200	26,046	52,200	29,587
4,484	4,484	4,022	4,022
56,684	30,530	56,222	33,609

\* The break-up value of Takaful Pakistan Limited is Rs.5.11 (un-audited) per share as per the available financial statements for the period ended 30 June 2019 and Rs.5.42 per share as per the financial statements for the year ended 31 December 2018.

**8.4.4 Non Government debt securities****Unlisted**

- AA+  
- A+  
- A  
- AA-  
- Non-performing

2019	2018
Cost	
----- (Rupees in '000) -----	
500,000	-
465,750	432,000
281,600	684,050
100,000	-
111,455	111,455
1,458,805	1,227,505

**8.4.5 Foreign securities****8.4.5.1 Government securities**

- Oman

2019		2018	
Cost	Rating	Cost	Rating
----- (Rupees in '000) -----			
465,269	BBB	417,385	BB+

**8.4.5.2 Non Government debt securities****Listed**

- A+  
- A

2019	2018
Cost	
----- (Rupees in '000) -----	
1,552,732	698,340
612,936	1,249,689
2,165,668	1,948,029

## 9. ISLAMIC FINANCING AND RELATED ASSETS

Note	Performing		Non Performing		Total	
	2019	2018	2019	2018	2019	2018
(Rupees in '000)						
- Murabaha financing	4,138,643	7,287,788	2,822,420	2,604,584	6,961,063	9,892,372
- Advance against murabaha financing	785,549	1,021,163	203,337	204,339	988,886	1,225,502
- Export refinance under Islamic scheme	330,000	1,225,930	87,505	87,505	417,505	1,313,435
- Advance against export refinance under Islamic scheme	3,935,032	2,595,099	-	-	3,935,032	2,595,099
- Ijarah assets	299,515	1,006,762	626,377	656,162	925,892	1,662,924
- Diminishing musharaka financing	34,759,893	36,497,979	1,661,855	972,148	36,421,748	37,470,127
- Advance against diminishing musharaka finance	393,811	966,020	-	-	393,811	966,020
- Running musharaka	316,954	650,000	-	-	316,954	650,000
- Tijarah finance	1,758,076	2,212,594	-	-	1,758,076	2,212,594
- Over due acceptances	155,935	391,189	492,925	482,763	648,860	873,952
- Payment against guarantee	14,581	15,081	47,715	47,715	62,296	62,796
- Payment against documents	142,434	37,210	-	-	142,434	37,210
- Advance against salam	12,120,902	9,258,028	2,201,301	1,194,456	14,322,203	10,452,484
- Salam inventory	-	25	-	-	-	25
- Financing against bills	611,179	599,487	13,735	13,735	624,914	613,222
- Istasna finance	16,600	495,331	576,271	408,691	592,871	904,022
- Advance against istasna	11,437,663	7,808,331	495,365	348,460	11,933,028	8,156,791
- Istasna inventory	731,926	616,004	-	-	731,926	616,004
- Qarz-e-Hasna	91,302	67,371	21,475	-	112,777	67,371
- Rahnuma travel services	-	-	48	48	48	48
Islamic financing and related assets - gross	72,039,995	72,751,392	9,250,329	7,020,606	81,290,324	79,771,998
Provisions for non-performing financing						
- Specific	-	-	(5,676,672)	(4,614,044)	(5,676,672)	(4,614,044)
- General	(169,940)	(145,978)	-	-	(169,940)	(145,978)
	(169,940)	(145,978)	(5,676,672)	(4,614,044)	(5,846,612)	(4,760,022)
Islamic financing and related assets - net of provisions	71,870,055	72,605,414	3,573,657	2,406,562	75,443,712	75,011,976

Note	2019	2018
	(Rupees in '000)	(Rupees in '000)
9.1 Murabaha receivable - gross	7,555,944	10,546,248
Less: Deferred murabaha income	(451,717)	(447,525)
Profit receivable shown in other assets	(143,164)	(206,351)
Murabaha financing	6,961,063	9,892,372
9.1.1 The movement in murabaha financing during the year is as follows:		
Opening balance	9,892,372	9,603,633
Sales during the year	14,149,471	21,185,237
Adjusted during the year	(17,080,780)	(20,896,498)
Closing balance	6,961,063	9,892,372
9.1.2 Murabaha sale price	7,555,944	10,546,248
Murabaha purchase price	(6,961,063)	(9,892,372)
	594,881	653,876
9.1.3 Deferred murabaha income		
Opening balance	447,525	388,887
Arising during the year	794,556	782,842
Less: Recognised during the year	(790,364)	(724,204)
Closing balance	451,717	447,525

9.2 This includes Ijarah financing contracts amounting to Rs. 109.4 million entered up to December 2008. These are accounted for as finance lease where by assets under Ijarah agreements are presented as a receivable at an amount equal to net investment in Ijarah.

9.2.1	2019					
	Cost			Depreciation		Book value
	As at 01 Jan 2019	Additions / (deletions)	As at 31 Dec 2019	As at 01 Jan 2019	Charge/ reversal for the year	As at 31 Dec 2019
(Rupees in '000)						
Plant and machinery	1,220,537	(356,438)	864,099	833,263	(226,868)	606,395
Vehicles	2,627,497	(944,962)	1,682,535	1,351,847	(337,500)	1,014,347
Total	3,848,034	(1,301,400)	2,546,634	2,185,110	(564,368)	1,620,742
						925,892
9.2.1	2018					
	Cost			Depreciation		Book value
	As at 01 Jan 2018	Additions / (deletions)	As at 31 Dec 2018	As at 01 Jan 2018	Charge/ reversal for the year	As at 31 Dec 2018
(Rupees in '000)						
Plant and machinery	1,624,639	(404,102)	1,220,537	1,082,327	(249,064)	833,263
Vehicles	3,882,188	(1,254,691)	2,627,497	1,645,493	(293,646)	1,351,847
Total	5,506,827	(1,658,793)	3,848,034	2,727,820	(542,710)	2,185,110
						1,662,924
9.3 Particulars of Islamic financing and related assets (Gross)						
In local currency						80,439,286
In foreign currency						851,038
						81,290,324
						79,771,998

- 9.4 Islamic financing and related assets include Rs.9,250.329 million (31 December 2018: Rs.7,020.606 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019		2018	
	Classified Islamic financing and related assets	Provision	Classified Islamic financing and related assets	Provision
----- (Rupees in '000) -----				
<b>Domestic</b>				
Other assets especially mentioned	24,856	-	70,337	-
Substandard	974,448	81,338	895,155	77,599
Doubtful	1,642,187	203,142	546,398	178,639
Loss	6,608,838	5,392,192	5,508,716	4,357,806
	<b>9,250,329</b>	<b>5,676,672</b>	<b>7,020,606</b>	<b>4,614,044</b>

9.5 Particulars of provisions against non-performing Islamic financing and related assets

Note	2019			2018		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	4,614,044	145,978	4,760,022	4,202,127	87,086	4,289,213
Charge for the year	1,321,476	23,962	1,345,438	813,543	58,892	872,435
Reversals for the year	(259,226)	-	(259,226)	(401,540)	-	(401,540)
	<b>1,062,250</b>	<b>23,962</b>	<b>1,086,212</b>	<b>412,003</b>	<b>58,892</b>	<b>470,895</b>
Amounts written off against provision	(91)	-	(91)	(28)	-	(28)
Amounts charged off / reversed - agriculture financing	469	-	469	(58)	-	(58)
Closing balance	<b>5,676,672</b>	<b>169,940</b>	<b>5,846,612</b>	<b>4,614,044</b>	<b>145,978</b>	<b>4,760,022</b>

- 9.5.1 The above provision against non-performing Islamic financing has been computed after considering allowable forced sale value (FSV) of collateral amounting to Rs. 3,063.979 million (31 December 2018: Rs. 1,886.235 million). The FSV benefit recognized is not allowed for distribution of cash or stock dividend to shareholders and bonus to employees.

- 9.5.2 The Bank maintains general reserve (provisions) in accordance with the applicable requirements of Prudential Regulations for consumer financing.

9.5.3 Particulars of provisions against non-performing Islamic financing and related assets

	2019			2018		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	5,676,672	169,940	5,846,612	4,614,044	145,978	4,760,022
In foreign currency	-	-	-	-	-	-
	<b>5,676,672</b>	<b>169,940</b>	<b>5,846,612</b>	<b>4,614,044</b>	<b>145,978</b>	<b>4,760,022</b>

9.6 Particulars of write offs:

- 9.6.1 Against provisions

2019	2018
----- (Rupees in '000) -----	----- (Rupees in '000) -----
<b>91</b>	<b>28</b>

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-1.

10. FIXED ASSETS

Note	2019	2018
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Capital work-in-progress	369,853	560,353
Property and equipment	2,067,120	1,750,225
Right-of-use asset	2,440,605	-
	<b>4,877,578</b>	<b>2,310,578</b>

10.1 Capital work-in-progress

Civil works	345,377	532,406
Advance to suppliers	24,476	27,947
Advance for purchase of property - related party	251,680	251,680
Provisions for impairment against advance for purchase of property	(251,680)	(251,680)
	-	-
Total capital work-in-progress	<b>369,853</b>	<b>560,353</b>

10.1.1 The movement in capital work-in-progress during the year is a following:

Opening balance	560,353	506,200
Payment made during the year	56,979	142,847
Transfer-in from Non-banking assets during the year	108,197	-
Transfer-out to fixed assets during the year	(355,676)	(88,694)
Closing Balance	<b>369,853</b>	<b>560,353</b>

## 10.2 Property and equipment

	2019					
	Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)					
At 01 January 2019						
Cost	707,104	1,191,095	342,949	1,702,206	62,983	4,006,337
Accumulated depreciation	-	(642,034)	(262,403)	(1,301,007)	(50,668)	(2,256,112)
Net book value	707,104	549,061	80,546	401,199	12,315	1,750,225
Year ended December 2019						
Opening net book value	707,104	549,061	80,546	401,199	12,315	1,750,225
Cost:						
Additions	265,000	78,622	10,763	142,239	3,728	500,352
Disposals	-	(5,104)	(4,704)	(20,065)	(13,891)	(43,764)
Depreciation:						
Depreciation charge for the year	-	(65,126)	(19,277)	(90,421)	(4,596)	(179,420)
Disposals	-	2,832	4,509	18,971	13,415	39,727
Write off	-	-	-	-	-	-
Closing net book value	972,104	560,285	71,837	451,923	10,971	2,067,120
At 31 December 2019						
Cost	972,104	1,264,613	349,008	1,824,380	52,820	4,462,925
Accumulated depreciation	-	(704,328)	(277,171)	(1,372,457)	(41,849)	(2,395,805)
Net book value	972,104	560,285	71,837	451,923	10,971	2,067,120
Rate of depreciation (%)	-	5% - 10%	10%	10% - 50%	20%	

	2018					
	Leasehold land	Building on leasehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Total
	(Rupees in '000)					
At 01 January 2018						
Cost	707,104	1,198,202	343,950	1,606,603	86,917	3,942,776
Accumulated depreciation	-	(579,543)	(238,969)	(1,216,440)	(52,448)	(2,087,400)
Net book value	707,104	618,659	104,981	390,163	34,469	1,855,376
Year ended December 2018						
Opening net book value	707,104	618,659	104,981	390,163	34,469	1,855,376
Cost:						
Additions	-	5,093	1,419	97,573	-	104,085
Disposals	-	-	(2,270)	(1,107)	(23,934)	(27,311)
Write off	-	(12,200)	(150)	(863)	-	(13,213)
Depreciation:						
Depreciation charge for the year	-	(70,907)	(25,581)	(85,908)	(10,075)	(192,471)
Disposals	-	-	2,086	737	11,855	14,678
Write off	-	8,416	61	604	-	9,081
Closing net book value	707,104	549,061	80,546	401,199	12,315	1,750,225
At 31 December 2018						
Cost	707,104	1,191,095	342,949	1,702,206	62,983	4,006,337
Accumulated depreciation	-	(642,034)	(262,403)	(1,301,007)	(50,668)	(2,256,112)
Net book value	707,104	549,061	80,546	401,199	12,315	1,750,225
Rate of depreciation (%)	-	5% - 10%	10%	10% - 50%	20%	

## 10.3 Right-of-use asset

	Note	2019 ---- (Rupees in '000) ----	2018 ----
<b>At 01 January 2019</b>		-	-
Adjustment due to adoption of IFRS 16	4.1	<u>2,385,960</u>	-
<b>At 01 January 2019 - adjusted</b>		<u>2,385,960</u>	-
Additions during the year		676,894	-
Depreciation charge during the year	27	<u>(622,249)</u>	-
<b>At 31 December 2019</b>	10.3.1	<u>2,440,605</u>	-

10.3.1 The right-of-use asset is against the branch offices of the Bank.

**10.4 Disposal of assets - related party**

Details of disposal of fixed assets made to any related party otherwise than through a regular auction are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
----- (Rupees in '000) -----						
<b>Vehicles</b>						
Mercedes Benz	9,880	9,880	-	-	As per Bank's policy	Mr. Ahmed Shuja Kidwai - Chief Executive Officer
Honda Civic	2,600	2,123	477	477	As per Bank's policy	Mr. Ahmed Shuja Kidwai - Chief Executive Officer
<b>31 December 2019</b>	<b>12,480</b>	<b>12,003</b>	<b>477</b>	<b>477</b>		

**10.5** Property and equipment includes assets that are temporarily idle amounting to Rs.986.9 million (31 December 2018: Rs.878.7 million).

**10.6 Fully depreciated property and equipment**

Cost of property and equipment that are fully depreciated and are still in use are as follows:

	2019	2018
	----- (Rupees in '000) -----	
Building on leasehold land	271,164	197,555
Furniture and fixture	184,282	132,102
Electrical, office and computer equipment	1,048,638	974,997
Vehicles	31,231	42,472
	<u>1,535,315</u>	<u>1,347,126</u>

**11. INTANGIBLE ASSETS**

	Note	2019	2018
		----- (Rupees in '000) -----	
Computer software	11.1 & 11.2	101,161	73,144
Core deposits	11.1 & 11.3	587,481	720,455
Brand	11.4	383,145	383,145
Goodwill		396,117	396,117
		<u>1,467,904</u>	<u>1,572,861</u>

**11.1** Movement in intangibles assets is as following:

	2019		
	Computer software	Core deposits	Total
	----- (Rupees in '000) -----		
<b>At 01 January 2019</b>			
Cost	796,182	1,386,000	2,182,182
Accumulated amortisation	(723,038)	(665,545)	(1,388,583)
Net book value	<u>73,144</u>	<u>720,455</u>	<u>793,599</u>
<b>Year ended December 2019</b>			
Opening net book value	73,144	720,455	793,599
<b>Cost:</b>			
Additions			
- through acquisitions / purchased	91,822	-	91,822
<b>Accumulated amortization:</b>			
Amortisation charge for the year	(63,805)	(132,974)	(196,779)
Closing net book value	<u>101,161</u>	<u>587,481</u>	<u>688,642</u>
<b>At 31 December 2019</b>			
Cost	888,004	1,386,000	2,274,004
Accumulated amortisation	(786,843)	(798,519)	(1,585,362)
Net book value	<u>101,161</u>	<u>587,481</u>	<u>688,642</u>
Rate of amortisation (%)	14.29% - 33.33%	8.33% - 10%	
Useful life	<u>3 to 7 Years</u>	<u>10 to 12 Years</u>	

	2018		
	Computer software	Core deposits	Total
	(Rupees in '000)		
<b>At 01 January 2018</b>			
Cost	757,589	1,386,000	2,143,589
Accumulated amortisation	(669,712)	(532,562)	(1,202,274)
Net book value	87,877	853,438	941,315
<b>Year ended December 2018</b>			
Opening net book value	87,877	853,438	941,315
<b>Cost:</b>			
Additions			
- through acquisitions / purchased	38,593	-	38,593
<b>Accumulated amortization:</b>			
Amortisation charge for the year	(53,326)	(132,983)	(186,309)
Closing net book value	73,144	720,455	793,599
<b>At 31 December 2018</b>			
Cost	796,182	1,386,000	2,182,182
Accumulated amortisation	(723,038)	(665,545)	(1,388,583)
Net book value	73,144	720,455	793,599
Rate of amortisation (%)	20% - 33.33%	8.33% - 10%	
Useful life	3 to 5 Years	10 to 12 Years	

- 11.2** Intangible assets include computer software that are fully amortized and are still in use aggregating to Rs.698.316 million (31 December 2018: Rs.637.966 million).
- 11.3** Core deposit is an intangible asset acquired by the Bank during its amalgamation with Ex-Emirates Global Islamic Bank Limited and Ex-Burj Bank Limited. The value of core deposit has been valued by independent valuer. The carrying amount of core deposits is Rs. 587.481 million (31 December 2018: 720.455 million) with a remaining amortization period of 7 years.
- 11.4** Intangible assets include brand having indefinite useful life with a carrying amount of Rs.383.145 million (31 December 2018: Rs.383.145 million). This represents Bank's ability to attract new customers and generate superior returns from existing customers due to brand recognition. The management considers that the benefits from usage of brand will be available to the Bank for indefinite time period.
- 11.5** During the year, the management has assessed the fair value of the Bank which exceeds its breakup value. IAS 36 "Impairment of assets" requires that an impairment loss shall be recognized for a cash-generating unit if, and only if, the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). Accordingly, no impairment loss has been recognized in these financial statements on the Intangible assets.

The key assumptions used for the purpose of the projections are as under:

- Discount rate - Pre tax 24.08% per annum

#### Discount rates

Discount rates take into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Bank.

#### Terminal growth value

Terminal growth rate is a stable growth rate at which an asset will continue to grow perpetually. It is calculated as average price to book value of comparable companies i.e. 0.67 multiplied with the year end book value of the Bank.

#### Sensitivity to changes in assumptions

Management believes that after considering the various scenarios no reasonable possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

12. DEFERRED TAX ASSETS	2019			
	At 01 Jan 2019	Recognised in P&L	Recognised in OCI	At 31 Dec 2019
	(Rupees in '000)			
Deductible temporary differences on:				
- Tax losses carried forward	1,972,153	(217,109)	-	1,755,044
- Minimum tax	504,423	99,099	-	603,522
- Post retirement employee benefits	9,542	-	4,353	13,895
- Provision against assets	1,066,512	185,401	-	1,251,913
	3,552,630	67,391	4,353	3,624,374
Taxable temporary differences on:				
- Surplus on revaluation of investments	(2,866)	(1,454)	(497,967)	(502,287)
- Surplus on revaluation of non-banking assets - net of tax effect of incremental depreciation transferred to retained earning	(179,569)	-	49,630	(129,939)
- Accelerated tax depreciation	(131,286)	(21,723)	-	(153,009)
	(313,721)	(23,177)	(448,337)	(785,235)
	3,238,909	44,214	(443,984)	2,839,139

	2018			
	At 01 Jan 2018	Recognised in P&L	Recognised in OCI	At 31 Dec 2018
	(Rupees in '000)			
Deductible temporary differences on:				
- Tax losses carried forward	2,055,194	(83,041)	-	1,972,153
- Minimum tax	496,202	8,221	-	504,423
- Post retirement employee benefits	17,521	-	(7,979)	9,542
- Provision against assets	905,313	161,199	-	1,066,512
	3,474,230	86,379	(7,979)	3,552,630
Taxable temporary differences on:				
- Surplus on revaluation of investments	87,011	8,111	(97,988)	(2,866)
- Surplus on revaluation of non-banking assets - net of tax effect of incremental depreciation transferred to retained earning	(179,680)	-	111	(179,569)
- Accelerated tax depreciation	(142,576)	11,290	-	(131,286)
	(235,245)	19,401	(97,877)	(313,721)
	3,238,985	105,780	(105,856)	3,238,909

- 12.1 The deferred tax asset has been recognized in these financial statements as the management estimates that sufficient taxable profits will be available in future years against which the unused carry forward tax losses and other deductible temporary differences can be utilised. The estimates of future taxable profits are based on financial projections of the Bank for the next five years approved by the Board. The projections involve certain key assumptions underlying the estimation of future taxable profits. Key assumptions include income tax rates, cost to income ratio, deposit composition, Kibor rates, growth of deposits and Islamic financing, investment returns, product mix of Islamic financing and related assets, potential provision against assets and branch expansion plan. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

13. OTHER ASSETS	Note	2019	2018
		(Rupees in '000)	
Profit / return accrued in local currency		3,620,174	2,222,222
Profit / return accrued in foreign currency		17,377	15,330
Advances, deposits, advance rent and other prepayments		379,405	676,239
Advance taxation (payments less provisions)		231,207	314,565
Receivable in respect of defined benefit plan		23,351	21,897
Receivable against sale of shares		58,839	8,980
Non-banking assets acquired in satisfaction of claims	13.1.1	1,527,768	1,661,527
Branch adjustment account		126,800	64,890
Unrealised gain on re-measurement of forward exchange contracts		10,156	204,872
Stamps and stationery		4,646	4,925
Acceptances		2,899,069	3,737,369
Others		267,451	248,218
		9,166,243	9,181,034
Less: Provision held against other assets	13.2	(146,140)	(148,305)
Other assets (net of provision)		9,020,103	9,032,729
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	13.1.1	369,785	511,691
Other assets - total		9,389,888	9,544,420
13.1 Market value of non-banking assets acquired in satisfaction of claims		1,997,402	2,247,402

- 13.1.1 The non-banking assets acquired in satisfaction of claims have been revalued by professionally qualified valuers listed on Pakistan Banking Association panel of valuers namely Al-Noor Consultants & Evaluators, Professional Associates, Oceanic Surveyors Private Limited, Asrem Private Limited and Medallion Services Private Limited.

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
<b>13.1.2 Non-banking assets acquired in satisfaction of claims</b>			
Opening balance		2,173,218	2,313,006
Revaluation surplus/deficit - net		(141,801)	(316)
Transfers / disposals		(108,197)	(113,805)
Depreciation for the year		(25,667)	(25,667)
Closing balance		<u>1,897,553</u>	<u>2,173,218</u>

**13.2 Provision held against other assets**

Non-performing receivables		145,894	148,059
Others		246	246
		<u>146,140</u>	<u>148,305</u>

**13.2.1 Movement in provision held against other assets**

Opening balance		148,305	148,305
Charge for the year		-	-
Reversal during the year		-	-
Write off		(2,165)	-
		<u>(2,165)</u>	<u>-</u>
Closing balance		<u>146,140</u>	<u>148,305</u>

**14. BILLS PAYABLE**

In Pakistan		3,223,721	3,697,477
Outside Pakistan		-	-
		<u>3,223,721</u>	<u>3,697,477</u>

**15. DUE TO FINANCIAL INSTITUTIONS**

**Secured**

Borrowings from State Bank of Pakistan			
Under export refinance scheme	15.1	4,278,132	3,703,399

**Unsecured**

Overdrawn nostro accounts		-	132,623
		<u>4,278,132</u>	<u>3,836,022</u>

- 15.1 The range of profit rates on these borrowings is 1% to 2% per annum (31 December 2018: 1% to 2% per annum). The maximum limit approved by SBP to the Bank under Islamic Export Refinance Scheme is Rs.4.65 billion (31 December 2018: Rs.4.65 billion). The above contracts will mature starting from 03 February 2020 to 27 June 2020.

		2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
<b>15.2 Particulars of due to financial institutions with respect to currencies</b>			
In local currency		4,278,132	3,703,399
In foreign currency		-	132,623
		<u>4,278,132</u>	<u>3,836,022</u>

## 16. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
<b>Customers</b>						
Current deposits	21,674,643	4,804,672	26,479,315	20,537,128	3,462,711	23,999,839
Savings deposits	47,273,774	4,567,469	51,841,243	40,960,738	4,852,170	45,812,908
Term deposits	42,002,296	1,938,320	43,940,616	19,551,887	927,952	20,479,839
Others	1,342,347	-	1,342,347	2,035,387	-	2,035,387
	112,293,060	11,310,461	123,603,521	83,085,140	9,242,833	92,327,973
<b>Financial Institutions</b>						
Current deposits	24,097	1,342	25,439	30,254	19,405	49,659
Savings deposits	4,860,569	709	4,861,278	6,042,698	631	6,043,329
Term deposits	1,164,050	-	1,164,050	1,494,050	-	1,494,050
	6,048,716	2,051	6,050,767	7,567,002	20,036	7,587,038
	118,341,776	11,312,512	129,654,288	90,652,142	9,262,869	99,915,011

## 16.1 Composition of deposits

	2019	2018
	(Rupees in '000)	
- Individuals	59,197,426	48,860,050
- Government (federal and provincial)	8,020,857	3,495,032
- Public sector entities	1,854,372	862,989
- Banking companies	887	1,475,984
- Non-banking financial institutions	6,049,879	6,111,054
- Private sector	54,530,867	39,109,902
	129,654,288	99,915,011

16.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs.71,146 million (31 December 2018: Rs.66,096 million).

## 17. SUBORDINATED DEBT

	Note	2019	2018
		(Rupees in '000)	
Tier II mudaraba sukuk - first issue	17.1	571,420	857,136
Tier II mudaraba sukuk - second issue	17.2	1,500,000	1,500,000
Additional Tier I capital	17.3	1,389,241	1,389,241
		3,460,661	3,746,377

17.1 In September 2014, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed Tier-II sukuk (first issue) based on mudaraba of Rs.2 billion as instruments of redeemable capital under section 66 of the Companies Act, 2017. A brief description of Tier-II sukuk (first issue) is as follows:

Credit rating	A- by PACRA (The Pakistan Credit Rating Agency Limited)
Issue date	26 September 2014
Tenor	7 years from the issue date.
Profit payment frequency	Semi-annually in arrears
Redemption	Semi-annually
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of Profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 6 month KIBOR + 1.25% per annum.
Call option	The Bank may call Tier-II Sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The Tier-II Sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and/or redemption amount can be held back in respect of the Tier-II Sukuk, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

17.2 In August 2017, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed Tier-II sukuk (second issue) based on mudaraba of Rs.1.5 billion as instruments of redeemable capital under section 66 of the Companies Act, 2017. A brief description of Tier-II sukuk (second issue) is as follows:

Credit rating	A by JCR-VIS Credit Rating Company Limited.
Issue date	22 August 2017
Tenor	7 years from the issue date.
Profit payment frequency	Semi-annually in arrears
Redemption	Bullet payment at the end of the seventh year.
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 6 month KIBOR + 0.75% per annum.
Call option	The Bank may call Tier-II sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The Tier-II sukuk, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit amount can be held back in respect of the Tier-II sukuk, if such payment will result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

- 17.3 In December 2018, the Bank issued regulatory shariah compliant unsecured, subordinated privately placed additional Tier-I (ADT-1) capital based on modaraba of Rs.1.389 billion. A brief description of additional Tier-I (ADT-1) capital is as follows:

Credit rating	Not rated
Issue date	26 December 2018
Tenor	Perpetual
Profit payment frequency	Monthly
Redemption	Perpetual
Expected periodic profit amount (mudaraba profit amount)	Mudaraba profit is computed under the general depositors' pool on the basis of Profit Sharing Ratio (PSR) and monthly weightages announced by the Bank. Profit rate is 1 Year KIBOR + 2.50% per annum.
Call option	The Bank may call Tier-II sukuk with prior approval of SBP after completion of five years from the date of issue.
Loss absorbency	The ADT-1 capital, at the option of the SBP, will be fully and permanently converted into common shares upon the occurrence of a Point of Non-Viability (PONV) trigger event as determined by SBP or for any other reason as may be directed by SBP.
Lock-in-clause	Profit and / or redemption amount can be held back in respect of the ADT-1 capital, if such payment will result in a shortfall in the Bank's minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) requirement.

18. OTHER LIABILITIES	Note	2019 ----- (Rupees in '000) -----	2018
Return on deposits and borrowings:			
- payable in local currency		1,225,143	614,569
- payable in foreign currencies		9,420	4,334
Accrued expenses		369,762	325,160
Advance payments		415,437	636,790
Charity fund balance	18.1	46,351	46,736
Security deposits against ijarah		527,296	822,737
Payable against purchase of listed shares		5,738	66,273
Takaful payable against ijarah and diminishing musharakah assets		293,699	254,756
Acceptances		2,899,069	3,737,369
Lease liability against right-of-use assets		2,309,434	-
Others		532,511	404,345
		<b>8,633,860</b>	<b>6,913,069</b>
<b>18.1 Charity Fund</b>			
Opening balance		46,736	76,218
<b>Additions during the year</b>			
Received from customers on account of delayed payment		49,198	51,570
Dividend purification amount		382	1,773
Non-shariah compliant income		1,186	-
Others		5	418
		<b>50,771</b>	<b>53,761</b>
<b>Payments / utilization during the year</b>			
Education		(6,818)	(16,007)
Health		(25,782)	(32,824)
Mass wedding		(1,635)	(1,530)
Infrastructure and development		(2,520)	(7,500)
Others		(14,401)	(25,382)
		<b>(51,156)</b>	<b>(83,243)</b>
Closing balance		<b>46,351</b>	<b>46,736</b>

**19. SHARE CAPITAL****19.1 Authorized capital**

2019	2018		2019	2018
-----Number of shares-----			----- (Rupees in '000) -----	
<u>2,000,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs.10 each	<u>20,000,000</u>	<u>20,000,000</u>

**19.2 Issued, subscribed and paid up capital**

2019	2018		2019	2018
-----Number of shares-----			----- (Rupees in '000) -----	
450,000,000	450,000,000	Ordinary shares of Rs.10 each fully paid in cash	4,500,000	4,500,000
923,962,760	923,962,760	Issued for consideration other than cash	9,239,628	9,239,628
<u>1,373,962,760</u>	<u>1,373,962,760</u>		<u>13,739,628</u>	<u>13,739,628</u>
-	-	Add: Capital support fund*	1,393,628	-
-	-	Less: Discount on issue of shares	(632,766)	(632,766)
<u>1,373,962,760</u>	<u>1,373,962,760</u>		<u>14,500,490</u>	<u>13,106,862</u>

\* This fund is received from the parent bank - related party, on 31 December 2019.

**19.3 Shareholders having more than 10% shareholding in 2019 and 2018**

Name of shareholder	2019		2018	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
AlBaraka Islamic Bank (Bahrain) B.S.C. (c)	812,446,082	59.13%	812,446,582	59.13%
Islamic Corporation for the Development of the Private Sector	162,847,717	11.85%	162,847,717	11.85%
Mal Al Khaleej Investment L.L.C.	158,360,039	11.53%	158,360,039	11.53%

**20. SURPLUS ON REVALUATION OF ASSETS**

Surplus on revaluation of:

	Note	2019	2018
		----- (Rupees in '000) -----	
- Available for sale securities	8.1	1,454,121	31,361
- Non-banking assets acquired in satisfaction of claims	20.1	369,785	512,040
		<u>1,823,906</u>	<u>543,401</u>

Deferred tax on surplus on revaluation of:

- Available for sale securities		(508,942)	(10,976)
- Non-banking assets acquired in satisfaction of claims	20.1	(129,424)	(179,213)
		<u>(638,366)</u>	<u>(190,189)</u>
		<u>1,185,540</u>	<u>353,212</u>

	Note	2019 ----- (Rupees in '000) -----	2018
<b>20.1 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at January 1		512,040	512,810
Realised on transfer / disposal during the year		(141,801)	(316)
Transferred to accumulated loss in respect of incremental depreciation charged during the year		(454)	(454)
Surplus on revaluation as at December 31		369,785	512,040
Less: related deferred tax liability on:			
- revaluation as at January 1		(179,213)	(179,483)
- surplus realised on transfer / disposal during the year		49,630	111
- incremental depreciation charged during the year		159	159
		(129,424)	(179,213)
		<u>240,361</u>	<u>332,827</u>
<b>21. CONTINGENCIES AND COMMITMENTS</b>			
- Guarantees	21.1	8,233,993	6,102,780
- Commitments	21.2	34,171,299	24,431,754
		<u>42,405,292</u>	<u>30,534,534</u>
<b>21.1 Guarantees:</b>			
Financial guarantees		9,125	243,587
Performance guarantees		6,244,836	4,203,683
Other guarantees		1,980,032	1,655,510
		<u>8,233,993</u>	<u>6,102,780</u>
<b>21.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		7,402,115	6,681,946
Commitments in respect of forward foreign exchange contracts	21.2.1	26,763,463	17,738,138
Commitments for acquisition of operating fixed assets		5,721	11,670
		<u>34,171,299</u>	<u>24,431,754</u>

	2019	2018
	----- (Rupees in '000) -----	
<b>21.2.1 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	14,154,378	10,892,346
Sale	12,609,085	6,845,792
	<u>26,763,463</u>	<u>17,738,138</u>

### 21.3 Other contingencies

**21.3.1** The Bank has received various assessment orders from Deputy Commissioner Inland Revenue (DCIR) stating that the Bank has short paid Federal Excise Duty (FED) on specific income of the Bank for the years 2009 to 2011 amounting to Rs. 86.5 million and Rs. 34.575 million in respect of year 2012. In response to the Bank's appeal, Appellate Tribunal Inland Revenue (ATIR) has set aside the orders relating to years 2009 to 2011 for fresh adjudication and the said matter is pending decision for further proceedings. For year 2012, Commissioner Inland Revenue (CIR) Appeal has dropped the proceedings amounting to Rs.8.991 million. Accordingly, the Bank has filed the appeal before ATIR against the order of CIR Appeal amounting to Rs.25.584 million.

In respect of assessments of ex - Burj Bank Limited (now AlBaraka Bank (Pakistan) Limited), the taxation authorities have raised a demand of Rs.1.9 million on account of minimum tax in respect of tax year 2011 which has been challenged by the management and is currently pending before the ATIR.

**21.3.2** The Bank has filed appeals before ATIR against the orders in respect of assessment years 2001-2002, 2002-2003 and tax years 2004 to 2011. Moreover, the Income Tax Department has also filed appeals before ATIR against the orders in respect of assessment years 2001-2002, 2002-2003 and tax year 2004 to 2011 issued by CIR Appeals. Appeals filed by the Bank and the Income Tax Department are pending for decision. The management of the Bank is confident that the appeals are likely to be decided in favor of the Bank and, hence no provision has been made in these financial statements for the income tax claims amounting to Rs.116.512 million (31 December 2018: Rs.116.512 million) .

	2019	2018
	----- (Rupees in '000) -----	
<b>22. PROFIT / RETURN EARNED ON ISLAMIC FINANCING AND RELATED ASSETS, INVESTMENTS AND PLACEMENTS</b>		
On:		
- Islamic financing and related assets	9,364,180	6,395,523
- Investments	2,427,619	1,178,552
- Due from financial institutions	1,129,084	445,033
- Balances with banks	2,443	12,502
	<u>12,923,326</u>	<u>8,031,610</u>

### 23. RETURN ON DEPOSITS AND OTHER DUES EXPENSED

On:		
- Deposits	6,823,174	3,512,413
- Borrowings	88,493	41,588
- Conversion cost against foreign currency deposits / borrowings	338,842	57,467
- Subordinated debt	365,167	200,204
- Finance charge on lease liability against right-of-use asset	224,114	-
- Export refinance under Islamic scheme	72,425	60,627
	<u>7,912,215</u>	<u>3,872,299</u>

### 24. FEE & COMMISSION INCOME

Branch banking customer fees	112,771	89,376
Consumer finance related fees	101,917	86,439
Debit card related fees and income	73,544	61,261
Investment banking fees	65,027	119,392
Commission on trade	256,377	224,668
Commission on guarantees	61,637	42,460
Commission on cash management	2,419	2,228
Commission on remittances including home remittances	13,854	10,097
Commission on bancatakaful	28,748	33,549
Others	32,125	13,331
	<u>748,419</u>	<u>682,801</u>

		2019	2018
	Note	----- (Rupees in '000) -----	
<b>25. LOSS ON SECURITIES</b>			
Realised	25.1	(99,241)	(8,156)
Unrealised - held for trading	8.1	4,155	(23,174)
		<u>(95,086)</u>	<u>(31,330)</u>
<b>25.1 Realised gain / (loss) on:</b>			
Federal Government securities		6,883	3,721
Shares		(106,124)	(12,370)
Mutual fund		-	493
		<u>(99,241)</u>	<u>(8,156)</u>
<b>26. OTHER INCOME</b>			
Rent on property		3,510	14,930
Gain on sale of fixed assets-net		7,331	1,631
Gain on sale of non banking assets		-	8,196
		<u>10,841</u>	<u>24,757</u>
<b>27. OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	27.1	<b>2,135,379</b>	<b>1,926,295</b>
<b>Property expense</b>			
Rent and taxes		56,120	723,449
Insurance		53,515	22,389
Utilities cost		209,459	186,853
Security (including guards)	27.2	217,728	202,026
Repair and maintenance (including janitorial charges)	27.2	94,501	80,728
Depreciation on fixed assets		65,126	70,907
Depreciation on right of use assets		622,249	-
Depreciation - non banking assets		25,667	25,667
Others		26,636	10,275
		<b>1,371,001</b>	<b>1,322,294</b>
<b>Information technology expenses</b>			
Software maintenance		157,810	169,175
Hardware maintenance		58,596	68,458
Depreciation on fixed assets		21,320	11,279
Amortisation		63,805	53,326
Network charges		72,030	74,523
Others	27.3	41,716	31,332
		<b>415,277</b>	<b>408,093</b>
<b>Other operating expenses</b>			
Directors' fees and allowances		61,130	46,595
Fees and allowances to Shariah Board		4,430	3,161
Legal and professional charges		63,636	51,689
Outsourced services costs	27.2	155,718	154,798
Travelling and conveyance		30,135	23,008
NIFT clearing charges		15,113	14,354
Depreciation on fixed assets		92,974	110,286
Amortization		132,972	132,983
Takaful and registration of Ijarah		53,378	91,841
Training and development		14,354	11,489
Postage and courier charges		20,993	17,278
Communication		50,096	48,350
Stationery and printing	27.2	84,145	64,381
Marketing, advertisement and publicity		84,841	37,665
Repair and maintenance		52,773	40,639
Auditors' remuneration	27.4	12,555	17,852
Depositors' protection		105,754	45,178
Brokerage, commission and bank charges		196,142	159,412
Others		61,863	54,890
		<b>1,293,002</b>	<b>1,125,849</b>
		<b>5,214,659</b>	<b>4,782,531</b>

**27.1 Total compensation expense**

Managerial remuneration		
i) Fixed	1,189,091	1,081,851
ii) Total variable	68,786	73,175
of which		
a) Cash bonus / awards	68,786	73,175
a) Bonus & awards in shares	-	-
Charge for defined benefit plan	51,847	62,846
Contribution to defined contribution plan	81,817	72,022
Rent & house maintenance	296,722	257,358
Utilities	97,604	84,969
Medical	105,105	99,019
Conveyance	244,301	194,700
Others	106	355
	<b>2,135,379</b>	<b>1,926,295</b>

**27.2** These amounts include outsourcing services with regards to janitorial services, security services, contractual employees over third party contracts and printing activities.

**27.3** This mainly includes cost relating to outsourcing activities amounting to Rs. 39.542 million (31 December 2018 29.523 million) relating to Euronet Pakistan on account of IT support services and licensing fees.

	2019	2018
Note	----- (Rupees in '000) -----	

**27.4 Auditors' remuneration**

Audit fee	2,637	2,512
Fee for limited scope review-half yearly	794	756
Fee for audit of group reporting	4,508	4,293
Fee for other statutory certifications	1,631	1,603
Fee for audit of AJK and Gilgit Region branches	446	424
Special certifications and sundry advisory services	735	5,990
Sindh sales tax	860	1,246
Out-of-pocket expenses	944	1,028
	<b>12,555</b>	<b>17,852</b>

**28. OTHER CHARGES**

Penalties imposed by State Bank of Pakistan	<b>28,489</b>	5,998
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**29. PROVISIONS AND WRITE OFFS - NET**

Provisions for diminution in value of investments	8.3.1	101,679	295,080
Provision / (reversal) against non-performing Islamic financing and related assets	9.5	1,086,681	470,837
Provision against other assets		2,081	-
Fixed assets write off		-	4,112
		<b>1,190,441</b>	<b>770,029</b>

**30. TAXATION**

Current	30.1	(243,470)	(114,496)
Deferred		44,214	105,780
		<b>(199,256)</b>	<b>(8,716)</b>

**30.1** The numerical reconciliation between average tax rate and applicable tax rate has not been presented in these financial statements as the provision for current year income tax has been made under section 113 of the Income Tax Ordinance 2001 (minimum tax on turnover) due to available tax losses brought forward from prior years.

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
<b>31. BASIC / DILUTED LOSS PER SHARE</b>		
Loss after taxation for the year	<u>(191,686)</u>	<u>(253,728)</u>
	--- Number of shares ---	
Weighted average number of ordinary shares	<u>1,373,962,760</u>	<u>1,373,962,760</u>
Basic / diluted loss per share - Rupee	<u>(0.14)</u>	<u>(0.18)</u>
<b>32. CASH AND CASH EQUIVALENTS</b>		
Cash and balance with treasury banks	26,319,937	14,934,799
Balance with other banks	<u>2,850,550</u>	<u>854,171</u>
	<u>29,170,487</u>	<u>15,788,970</u>
<b>33. Reconciliation of movement of liabilities to cash flow arising from financing activities</b>		
	Subordinated debt	
	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Balance as at 01 January	3,746,377	2,642,852
<b>Change from financing cash flows</b>		
Repayment of Tier II mudaraba sukuk-first issue	(285,716)	(285,716)
Payment of lease liability against right-of-use assets	(208,396)	-
Receipt of additional Tier I capital	-	1,389,241
Receipt of Capital Support Fund	1,393,628	-
Balance as at 31 December	<u>4,645,893</u>	<u>3,746,377</u>
<b>34. STAFF STRENGTH</b>	----- Number -----	
Permanent	1,770	1,691
On bank contract	306	340
Consultants	1	1
Bank's own staff strength at the end of the year	<u>2,077</u>	<u>2,032</u>
<b>34.1</b>	In addition to the above, 567 (31 December 2018: 552) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services.	
<b>35. DEFINED BENEFIT PLAN</b>		
<b>35.1 General description</b>		
The Bank operates funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn basic salary for each completed year of service, subject to a minimum of three years of service. The bank contributes to the gratuity fund based on the independent actuarial valuations.		
<b>35.2 Number of Employees under the scheme</b>		
The number of employees covered under the following defined benefit schemes are:		
	2019 ----- Number -----	2018 ----- Number -----
- Gratuity fund	<u>1,879</u>	<u>1,712</u>

**35.3 Principal actuarial assumptions**

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

	Note	2019 ----- Per annum -----	2018 -----
Discount rate		11.75%	13.75%
Expected rate of return on plan assets		11.75%	13.75%
Expected rate of salary increase		9.75%	8.75%

**35.4 Reconciliation of (receivable from) / payable to defined benefit plans**

Present value of obligations		284,008	240,391
Fair value of plan assets		(307,359)	(262,288)
		<u>(23,351)</u>	<u>(21,897)</u>

**35.5 Movement in defined benefit obligations**

Obligations at the beginning of the year		240,391	260,828
Current service cost		59,542	56,158
Interest cost		30,508	21,092
Benefits paid by the Bank		(35,836)	(65,619)
Transferred within the year		-	3,452
Past service cost / other adjustment		-	6,683
Re-measurement gain		(10,597)	(42,203)
Obligations at the end of the year		<u>284,008</u>	<u>240,391</u>

**35.6 Movement in fair value of plan assets**

Fair value at the beginning of the year		262,288	273,407
Expected return on plan assets		38,203	24,539
Contribution by the Bank - net		65,738	49,368
Benefits paid		(35,836)	(65,619)
Re-measurements: Net return on plan assets over interest income loss	35.8.2	(23,034)	(19,407)
Fair value at the end of the year		<u>307,359</u>	<u>262,288</u>

**35.7 Movement in receivable under defined benefit schemes**

Opening balance		(21,897)	(12,579)
Charge for the year		51,847	62,846
Contribution by the Bank - net		(65,738)	(49,368)
Re-measurement loss / (gain) recognised in OCI during the year	35.8.2	12,437	(22,796)
Closing balance		<u>(23,351)</u>	<u>(21,897)</u>

**35.8 Charge for defined benefit plans****35.8.1 Cost recognised in profit and loss**

Current service cost		59,542	56,158
Transferred within the year		-	3,452
Past service cost / other adjustments		-	6,683
Net interest on defined benefit asset / liability		(7,695)	(3,447)
		<u>51,847</u>	<u>62,846</u>

**35.8.2 Re-measurements recognised in OCI during the year**

Loss / (gain) on obligation			
- Financial assumptions		(3,981)	(27,886)
- Experience adjustment		(6,616)	(14,317)
Return on plan assets over interest income		23,034	19,407
Total re-measurements recognised in OCI		<u>12,437</u>	<u>(22,796)</u>

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
<b>35.9 Components of plan assets</b>		
Cash and cash equivalents - net	265,149	221,766
Units of mutual funds	42,210	40,522
<b>35.10 Sensitivity analysis</b>		
1% increase in discount rate	255,290	215,834
1% decrease in discount rate	317,765	269,218
1 % increase in expected rate of salary increase	319,699	270,885
1 % decrease in expected rate of salary increase	253,272	226,268
<b>35.11 Expected contributions to be paid to the funds in the next financial year</b>	<b>57,138</b>	<b>45,336</b>
<b>35.12 Expected charge for the next financial year</b>	<b>57,138</b>	<b>45,336</b>
<b>35.13 Maturity profile</b>		
Weighted average duration of the defined benefit obligation		
Distribution of timing of benefit payments	11 years	11.16 years
Less than 12 months	20,380	8,607
Between 1 year and 5 years	57,389	54,634
Between 6 and 10 years	166,659	138,601
Above 10 years	1,388,168	1,830,910

**35.14 Risks associated with defined benefit plan****- Investment risks:**

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

**- Longevity risks:**

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

**- Salary increase risk:**

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

**- Withdrawal risk:**

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation.

**36. DEFINED CONTRIBUTION PLAN**

The Bank also operates a recognized contributory provident fund for all permanent employees. Equal monthly contributions are made, both by the Bank and the employees, to the fund at a rate of 10% of basic salary.

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Contribution from the Bank	81,817	72,022
Contribution from the employees	81,817	72,022
	<b>163,634</b>	<b>144,044</b>

## 37. COMPENSATION OF DIRECTORS AND EXECUTIVES

		2019					
		Directors		Member shariah board	President / CEO	Key management personnel	Other material risk takers / controllers
		Chairman	Non executives				
Note		(Rupees in '000)					
Fees and allowances etc.		1,776	47,121	3,602	-	-	-
Managerial remuneration							
i) Fixed		-	-	6,682	21,225	113,891	61,696
ii) Total variable		-	-	-	3,333	15,955	3,229
of which							
a) Cash bonus / awards	37.1	-	-	-	3,333	15,955	3,229
a) Bonus & awards in shares		-	-	-	-	-	-
Charge for defined benefit plan		-	-	-	1,760	9,025	4,841
Contribution to defined contribution plan		-	-	-	1,467	6,331	3,431
Rent & house maintenance		-	-	-	5,280	24,035	14,488
Utilities		-	-	-	1,760	7,676	4,829
Medical		-	-	-	1,760	9,653	4,829
Conveyance		611	11,622	2,312	-	23,257	17,628
Others		-	-	28	-	190	746
Total		2,387	58,743	12,624	36,585	210,013	115,717
Number of Persons		1	9	3	1	21	26
		2018					
		Directors		Member shariah board	President / CEO	Key management personnel	Other material risk takers / controllers
		Chairman	Non executives				
		(Rupees in '000)					
Fees and allowances etc.		1,449	36,165	2,794	-	-	-
Managerial remuneration							
i) Fixed		-	-	4,421	22,283	100,957	59,101
ii) Total variable		-	-	-	6,062	5,334	5,176
of which							
a) Cash bonus / awards		-	-	-	6,062	5,334	5,176
a) Bonus & awards in shares		-	-	-	-	-	-
Charge for defined benefit plan		-	-	-	1,526	8,093	4,072
Contribution to defined contribution plan		-	-	-	1,832	5,662	2,970
Rent & house maintenance		-	-	-	4,845	20,716	14,479
Utilities		-	-	-	1,615	6,877	4,795
Medical		-	-	-	1,615	8,674	4,803
Conveyance		391	8,590	1,220	666	15,870	14,667
Others		-	-	40	1,754	300	981
Total		1,840	44,755	8,475	42,198	172,483	111,044
Number of Persons		1	9	3	2	24	22

The amount paid in 2018 to president / chief executive officer includes managerial remuneration and related allowances that the Bank paid to outgoing president / chief executive officer.

The Bank also provides Bank maintained car to certain executives for their own use and business use.

- 37.1 SBP has issued guidelines and disclosure on governance and remuneration practices through BPRD Circular No. 1 of 2017 dated January 25, 2017 effective from January 01, 2019. No bonus payout has yet been made under the said circular and deferral as per Human Resource Policy will be made at the time of payment.

## 37.2 Fee paid to directors for participation in board and committee meetings

		2019					
		Meeting Fees Paid					
For Board Meetings	For Board Committees					Total amount paid	
	Risk Committee	Audit and Compliance Committee	Human Resource and Remuneration Committee	Board Executive Committee	Sustainability and Social Responsibility Committee		
	(Rupees in '000)						
Mr. Adnan Ahmed Yousif	1,776	-	-	-	-	1,776	
Mr. Tareq Mahmood Kazim	2,242	-	-	1,776	1,776	7,570	
Mr. Abdulrahman Shehab	1,776	-	1,776	1,776	-	5,328	
Mr. Salman Ahmed	2,243	1,776	-	1,776	-	5,795	
Mr. Zahid Rahim	1,776	1,776	-	2,242	-	5,794	
Mr. Ahmed Rehman	1,776	1,776	-	1,360	-	4,912	
Mr. Azhar Hamid	1,776	-	1,776	-	1,776	5,328	
Mr. Shafqaat Ahmed	1,776	1,360	-	-	1,776	4,912	
Mr. Mohammed Tareq Sadeq	1,776	-	1,776	-	-	3,552	
Mr. Najmul Hassan	1,310	-	-	1,310	-	3,930	
Mr. Asaf Mohyuddin	-	-	-	-	-	-	
	18,227	6,688	5,328	6,222	7,104	5,328	48,897

2018						
Meeting Fees Paid						
For Board Committees						
For Board Meetings	Risk Committee	Audit and Compliance Committee	Human Resource and Remuneration Committee	Board Executive Committee	Sustainability and Social Responsibility Committee	Total amount paid
(Rupees in '000)						
Mr. Adnan Ahmed Yousif	1,449	-	-	-	-	1,449
Mr. Tareq Mahmood Kazim	1,449	-	1,449	1,865	1,449	6,212
Mr. Abdulrahman Shehab	1,449	-	1,449	-	-	4,347
Mr. Salman Ahmed	1,449	1,449	-	1,865	-	4,763
Mr. Zahid Rahim	1,117	1,117	-	1,880	-	4,114
Mr. Ahmed Rehman	1,449	1,449	-	-	-	2,898
Mr. Azhar Hamid	1,449	-	1,449	-	1,449	4,347
Mr. Shafqaat Ahmed	1,117	1,117	-	-	-	2,234
Mr. Mohammed Tareq Sadeq	-	-	-	-	-	-
Mr. Najmul Hassan	1,449	-	1,117	1,534	-	4,100
Mr. Asaf Mohyuddin	1,050	-	1,050	-	-	3,150
	13,427	5,132	3,948	5,065	2,898	37,614

### 37.3 Remuneration paid to shariah board members

	2019			2018		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
Fees and allowances etc.	1,801	-	1,801	1,397	-	1,397
Managerial remuneration						
i) Fixed	-	6,682	-	-	4,421	-
ii) Total variable	-	-	-	-	-	-
of which						
a) Cash bonus / awards	-	-	-	-	-	-
a) Bonus & awards in shares	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	-	-
Rent & house maintenance	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Medical	-	-	-	-	-	-
Conveyance	606	1,484	222	191	853	176
Others	-	28	-	-	40	-
Total	2,407	8,194	2,023	1,588	5,314	1,573
Number of Persons	1	1	1	1	1	1

### 38. FAIR VALUE MEASUREMENTS

Fair value is the amount for which an asset could be exchanged, or a liability transferred, between knowledgeable willing parties in an arm's length transaction.

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. These securities are carried at amortized cost in order to comply with the requirements of BSD Circular No. 14 dated 24 September 2004. As of 31 December 2019, the Bank does not have any investment as 'held to maturity'.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available financial

Fair value of Islamic financing and related assets, other liabilities and fixed term deposits 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 provision for impairment of Islamic financing has been calculated in accordance with the Bank's accounting policy.

The repricing profile and maturity are stated in note 43.2.3 and 43.4.1 to these financial statements.

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

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).

**38.1 Fair value of financial assets**

The following table provides the fair value measurement hierarchy of the Bank's assets:

2019			
Level 1	Level 2	Level 3	Total
(Rupees in '000)			
<b>On balance sheet financial instruments</b>			
<b>Financial assets - measured at fair value</b>			
Investments			
Federal Government Securities	-	19,556,398	-
Shares	612,020	-	-
Foreign Securities	2,647,344	-	-
	3,259,364	19,556,398	-
			22,815,762
<b>Financial assets - disclosed but not measured at fair value</b>			
Cash and balances with treasury banks	-	-	-
Balances with other banks	-	-	-
Due from financial institutions	-	-	-
Investments	-	-	-
Islamic financing and related assets	-	-	-
Other assets	-	-	-
	-	-	-
			26,319,937
			2,850,550
			14,598,633
			1,379,123
			75,443,712
			6,786,786
			127,378,741
<b>Off-balance sheet financial instruments - measured at fair value</b>			
Forward purchase of foreign exchange	-	14,154,378	-
Forward sale of foreign exchange	-	12,609,085	-
			14,154,378
			12,609,085
2018			
Level 1	Level 2	Level 3	Total
(Rupees in '000)			
<b>On balance sheet financial instruments</b>			
<b>Financial assets - measured at fair value</b>			
Investments			
Federal Government Securities	-	16,982,204	-
Shares	936,837	-	-
Foreign Securities	2,274,304	-	-
	3,211,141	16,982,204	-
			20,193,345
<b>Financial assets - disclosed but not measured at fair value</b>			
Cash and balances with treasury banks	-	-	-
Balances with other banks	-	-	-
Due from financial institutions	-	-	-
Investments	-	-	-
Islamic financing and related assets	-	-	-
Other assets	-	-	-
	-	-	-
			14,934,799
			854,171
			-
			1,151,980
			75,011,976
			6,347,786
			98,300,712
<b>Off-balance sheet financial instruments - measured at fair value</b>			
Forward purchase of foreign exchange	-	10,892,346	-
Forward sale of foreign exchange	-	6,845,792	-
			10,892,346
			6,845,792

There were no transfer between level 2 and level 3 during the year.

**38.2 Valuation techniques used in determination of fair values within level 2 and level 3**

Particulars	Valuation approach and input used
Federal Government Securities	The fair value of federal government securities are determined on the basis of rates / prices sourced from Reuters
Non-Government Debt Securities	Investment in non-Government debt securities denominated in local currency are valued on the basis of rates announced by the Mutual Funds Association of Pakistan (MUFAP), Investment in non-Government debt securities denominated in other currencies are valued on the basis of rates taken from Bloomberg /
Foreign Government Debt Securities	The fair value of overseas Government securities are determined on the basis of rates taken from Bloomberg / Reuters.
Forward foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by State Bank of Pakistan.
Non banking assets acquired in satisfaction of claims - Gross	Non banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets.

## 39. SEGMENT INFORMATION

## 39.1 Segment Details with respect to Business Activities

	2019					
	Corporate Banking	Commercial & SME Banking	Retail & Consumer Banking	Trading & Sales	Others	Total
	(Rupees in '000)					
<b>Profit and Loss</b>						
Net profit / return earned	4,985,195	426,356	(2,498,156)	2,408,618	(310,902)	5,011,111
Inter segment revenue - net	-	-	6,984,052	-	636,468	7,620,520
Other income	271,090	125,512	356,291	660,479	16,831	1,430,203
Total Income	5,256,285	551,868	4,842,187	3,069,097	342,397	14,061,834
Segment direct expenses	(198,342)	(480,616)	(3,179,610)	(72,044)	(1,312,691)	(5,243,303)
Inter segment expense allocation	(5,392,461)	1,014,098	-	(3,242,157)	-	(7,620,520)
Total expenses	(5,590,803)	533,482	(3,179,610)	(3,314,201)	(1,312,691)	(12,863,823)
Provisions	(795,115)	(231,334)	(58,071)	(101,678)	(4,243)	(1,190,441)
Profit / (loss) before tax	(1,129,633)	854,016	1,604,506	(346,782)	(974,537)	7,570
<b>Statement of Financial Position</b>						
Cash and balances with treasury banks	-	-	26,319,937	-	-	26,319,937
Balances with other banks	-	-	-	2,850,550	-	2,850,550
Due from financial institutions	-	-	-	14,598,633	-	14,598,633
Investments	4,612,102	-	-	19,582,783	-	24,194,885
Net inter segment lending	-	18,295,243	74,619,577	-	7,299,404	100,214,224
Islamic financing and related assets - performing	40,601,834	13,324,235	15,761,145	611,179	1,571,662	71,870,055
- non-performing	1,519,939	1,730,172	280,514	-	43,032	3,573,657
Others	3,729,619	825,419	3,544,818	1,282,846	9,191,807	18,574,509
<b>Total assets</b>	50,463,494	34,175,069	120,525,991	38,925,991	18,105,905	262,196,450
Bills payable	-	-	3,223,721	-	-	3,223,721
Due to financial institutions	2,254,000	194,000	-	1,830,132	-	4,278,132
Subordinated debt	-	-	-	-	3,460,661	3,460,661
Deposits and other accounts	6,209,662	27,750,216	95,694,410	-	-	129,654,288
Net inter segment borrowing	43,022,157	5,311,108	15,628,488	36,252,471	-	100,214,224
Others	107,308	65,729	4,374,866	4,631	4,081,326	8,633,860
<b>Total liabilities</b>	51,593,127	33,321,053	118,921,485	38,087,234	7,541,987	249,464,886
Equity	(1,129,633)	854,016	1,604,506	838,757	10,563,918	12,731,564
<b>Total equity and liabilities</b>	50,463,494	34,175,069	120,525,991	38,925,991	18,105,905	262,196,450
<b>Contingencies and commitments</b>	7,663,613	7,972,495	5,721	26,763,463	230,581	42,635,873
	2018					
	Corporate Banking	Commercial & SME Banking	Retail Banking	Trading & Sales	Others	Total
	(Rupees in '000)					
<b>Profit and Loss</b>						
Net profit / return earned	3,701,746	1,311,332	(1,429,403)	691,285	(115,649)	4,159,311
Inter segment revenue - net	-	-	6,329,060	-	449,168	6,778,228
Other income	314,169	91,709	250,882	463,022	34,453	1,154,235
Total Income	4,015,915	1,403,041	5,150,539	1,154,307	367,972	12,091,774
Segment direct expenses	(155,962)	(184,047)	(2,507,743)	(58,946)	(1,881,831)	(4,788,529)
Inter segment expense allocation	(3,674,983)	(1,289,666)	(1,120,284)	(693,295)	-	(6,778,228)
Total expenses	(3,830,945)	(1,473,713)	(3,628,027)	(752,241)	(1,881,831)	(11,566,757)
Provisions	(353,625)	(45,597)	(74,706)	(290,179)	(5,922)	(770,029)
Profit / (loss) before tax	(168,655)	(116,269)	1,447,806	111,887	(1,519,781)	(245,012)
<b>Statement of Financial Position</b>						
Cash and balances with treasury banks	-	-	14,934,799	-	-	14,934,799
Balances with other banks	-	-	-	854,171	-	854,171
Investments	6,377,963	-	-	14,967,362	-	21,345,325
Net inter segment lending	-	-	63,473,277	-	4,107,365	67,580,642
Islamic financing and related assets - performing	38,634,445	17,474,001	14,810,307	505,378	1,181,283	72,605,414
- non-performing	971,789	1,156,508	93,431	-	184,834	2,406,562
Others	5,503,026	1,018,787	1,096,898	210,799	8,837,258	16,666,768
<b>Total assets</b>	51,487,223	19,649,296	94,408,712	16,537,710	14,310,740	196,393,681
Bills payable	-	-	3,697,477	-	-	3,697,477
Due to financial institutions	3,432,199	271,200	-	132,623	-	3,836,022
Subordinated debt	-	-	-	-	3,746,377	3,746,377
Deposits and other accounts	3,840,499	3,368,473	87,560,819	5,145,220	-	99,915,011
Net inter segment borrowing	40,878,365	15,559,117	-	11,143,160	-	67,580,642
Others	3,504,815	566,775	1,702,610	4,820	1,134,049	6,913,069
<b>Total liabilities</b>	51,655,878	19,765,565	92,960,906	16,425,823	4,880,426	185,688,598
Equity	(168,655)	(116,269)	1,447,806	111,887	9,430,314	10,705,083
<b>Total equity and liabilities</b>	51,487,223	19,649,296	94,408,712	16,537,710	14,310,740	196,393,681
<b>Contingencies and commitments</b>	7,171,694	5,613,032	11,670	17,738,138	230,581	30,765,115

## 39.2 Segment details with respect to geographical locations

## GEOGRAPHICAL SEGMENT ANALYSIS

	Pakistan	
	2019	2018
	(Rupees in '000)	
Loss before tax	7,570	(245,012)
Total assets	161,982,226	128,813,039
Total liabilities	149,250,662	118,107,956
Total equity and liabilities	161,982,226	128,813,039
Contingencies and commitments	42,635,873	30,765,115

The Bank commonly act as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions including on behalf of certain related parties. These are not assets of the Bank and, therefore, are not included in the Statement of Financial Position. The following is the list of assets held under trust:

Category	Type	2019	2018	2019	2018
		Number of IPS account		Face value	
				---- (Rupees in '000) ----	
Takaful company	Government of Pakistan Ijara Sukuk	1	1	143,500	223,500
Employee funds	Government of Pakistan Ijara Sukuk	-	1	-	50,000
		1	2	143,500	273,500

The Bank has related party transactions with its parent, employee benefit plans and its directors and Key Management Personnel.

The Banks 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 employee 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.

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

	2019					2018				
	Parent	Directors	Key management personnel	Other related parties	Total	Parent	Directors	Key management personnel	Other related parties	Total
<b>Investments</b>										
Investments	-	-	-	52,200	52,200	-	-	-	52,200	52,200
Provision for diminution in value of investments	-	-	-	26,154	26,154	-	-	-	22,613	22,613
<b>Islamic financing and related assets</b>										
Opening balance	-	-	266,572	30,122	296,694	-	-	238,894	90,366	329,260
Addition during the year	-	-	63,620	-	63,620	-	-	60,600	-	60,600
Repaid during the year	-	-	(46,237)	(30,122)	(76,359)	-	-	(37,697)	(60,244)	(97,941)
Transfer in/(out)	-	-	(23,433)	-	(23,433)	-	-	4,775	-	4,775
Closing balance	-	-	260,522	-	260,522	-	-	266,572	30,122	296,694
<b>Fixed assets</b>										
Fixed assets	-	-	-	251,680	251,680	-	-	-	251,680	251,680
Provision for impairment	-	-	-	251,680	251,680	-	-	-	251,680	251,680
<b>Other assets</b>										
Profit receivable on Islamic financing and related assets	-	-	213	-	213	-	-	240	87	327
Receivable in respect of defined benefit plan	-	-	-	23,351	23,351	-	-	-	21,897	21,897

	2019					2018				
	Parent	Directors	Key management personnel	Other related parties	Total	Parent	Directors	Key management personnel	Other related parties	Total
	(Rupees in '000)									
<b>Subordinated debt</b>										
Opening balance	1,389,241	-	-	-	1,389,241	-	-	-	5,714	5,714
Issued during the year	-				-	1,389,241	-	-	-	1,389,241
Redemption during the year	-				-	-	-	-	(5,714)	(5,714)
Closing balance	1,389,241	-	-	-	1,389,241	1,389,241	-	-	-	1,389,241
<b>Deposits and other accounts</b>										
Opening balance	5,937	211,722	27,874	784,718	1,030,251	6,973	47,405	197,466	764,824	1,016,668
Received during the year	1	409,223	333,779	2,512,880	3,255,883	4	23,193	346,575	606,922	976,694
Withdrawn during the year	(1,525)	(379,246)	(294,161)	(2,276,411)	(2,951,343)	(1,040)	(409,051)	(372,372)	(581,076)	(1,363,539)
Transfer in/(out)	-	-	(305)	(263)	(568)	-	550,175	(143,795)	(5,952)	400,428
Closing balance	4,413	241,699	67,187	1,020,924	1,334,223	5,937	211,722	27,874	784,718	1,030,251
<b>Other Liabilities</b>										
Return payable on deposits	-	416	239	1,821	2,476	-	1,132	100	8,834	10,066
Return payable on Sub-ordinated debt	96,378	-	-	-	96,378	3,144	-	-	-	3,144
Other liabilities	-	-	-	657	657	-	-	-	657	657
<b>Non-funded exposure</b>	-	-	-	78,160	78,160	-	-	-	18,051	18,051

	2019					2018				
	Parent	Directors	Key management personnel	Other related parties	Total	Parent	Directors	Key management personnel	Other related parties	Total
<b>Related party transactions</b>	(Rupees in '000)									
<b>Income</b>										
Profit earned on Islamic financing and related assets	-	-	10,177	1,689	11,866	-	-	8,358	5,578	13,936
Revenue earned from non funded exposure	-	-	-	293	293	-	-	-	74	74
<b>Expense</b>										
Return on deposits expenses	-	17,505	1,368	84,622	103,495	-	13,046	1,195	39,337	53,578
Salaries, allowances and benefits	-	-	235,867	-	235,867	-	-	187,674	-	187,674
Director fee and other allowances	-	61,130	-	-	61,130	-	46,595	-	-	46,595
Shariah Board fee	-	-	-	4,430	4,430	-	-	-	3,161	3,161
Rent Expense	-	-	-	17,378	17,378	-	-	-	42,803	42,803
Contribution to defined contribution plan	-	-	-	81,817	81,817	-	-	-	72,022	72,022
Contribution to defined benefit plan	-	-	-	51,847	51,847	-	-	-	62,846	62,846
Return on Sub-ordinated loan	93,234	-	-	-	93,234	3,144	-	-	81	3,225

## 42. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2019                      2018  
----- (Rupees in '000) -----

### Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

11,366,640                      10,192,523

### Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

7,510,836                      6,182,404

Eligible Additional Tier 1 (ADT 1) Capital

1,355,031                      1,192,947

Total Eligible Tier 1 Capital

8,865,867                      7,375,351

Eligible Tier 2 Capital

2,258,385                      1,988,245

Total Eligible Capital (Tier 1 + Tier 2)

11,124,252                      9,363,596

Risk Weighted Assets (RWAs):

Credit Risk

71,806,837                      68,803,363

Market Risk

1,587,601                      2,069,243

Operational Risk

10,234,079                      8,657,185

Total

83,628,517                      79,529,791

Common Equity Tier 1 Capital Adequacy ratio

8.98%                      7.77%

Tier 1 Capital Adequacy Ratio

10.60%                      9.27%

Total Capital Adequacy Ratio

13.30%                      11.77%

The minimum capital adequacy ratio required by SBP as at 31 December 2019 is 12.5% (31 December 2018: 11.9%).

### Leverage Ratio (LR):

Eligible Tier-1 Capital

8,865,867                      7,375,351

Total Exposures

206,275,588                      137,949,522

Leverage Ratio

4.30%                      5.35%

### Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

43,264,366                      30,686,016

Total Net Cash Outflow

34,820,470                      27,670,494

Liquidity Coverage Ratio

124.25%                      110.90%

### Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

111,735,549                      87,255,154

Total Required Stable Funding

68,811,546                      71,457,322

Net Stable Funding Ratio

162.38%                      122.11%

42.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time have been placed on the website. The link to the full disclosure is available at [www.albaraka.com.pk](http://www.albaraka.com.pk).

## 43. RISK MANAGEMENT

The primary goal of risk management is to identify, assess and monitor risks inherent in the activities of the Bank and take adequate measures to manage and control these risks on timely basis. This will help in achieving sustainable business growth and financial and non-financial targets with better protection and soundness. The Bank's aim is to achieve an appropriate balance between risk and return and minimizing potential adverse effects on the Bank's financial performance.

This section presents information about Bank's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

- Credit risk is the risk of loss resulting from client or counterparty default (note 43.1).
- Market risk is exposure to market variables such as benchmark rates, exchange rates and equity indices (note 43.2).
- Liquidity risk is the potential loss arising from Bank's inability to meet its obligations when due (note 43.4).
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events and Shariah non compliance (note 43.3).

The objective of risk management is to effectively manage uncertainties that arise in the normal course of business activities. The Bank manages the risk through a framework of risk management, policies and principles, organizational structures, and risk measurement and monitoring processes that are closely aligned with the business activities of the Bank.

### Risk management principles

- The Board of Directors (the Board) provides overall risk management supervision. The Board Risk Committee (BRC) regularly monitors the Bank's risk profile.

- The Bank has set up objectives and policies to manage the risks that arise in connection with the Bank's activities. The risk management framework and policies of the Bank are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Bank.
- The establishment of the overall financial risk management objectives is consistent and tandem with the strategy to create and enhance shareholders value, while guided by a prudent and robust framework of risk management policies.
- The structure of risk management function is closely aligned with the organizational structure of the Bank.

#### **Risk management organization**

The Board through its sub-committee called BRC oversees the overall risk of the Bank. The Risk Management Department (RMD) is the organizational arm performing the functions of identifying, measuring, monitoring and controlling the various risk and assists the apex level committee and the various sub-committees in conversion of policies into action.

The BRC comprises Executive, Directors, Non Executive Directors and the Chief Risk Officer. One of the Non Executive directors of the Bank chairs the BRC, who is responsible for planning, management and control of the aforementioned risks of the Bank.

The BRC has delegated some of its tasks of risk management to sub committees which are as follows:

<b>Name of the committees</b>	<b>Chaired by</b>
Credit committee	Chief Executive Officer
Asset and liability management committee (ALCO)	Chief Executive Officer
Audit committee	Non executive director

Credit committee is responsible for approving and monitoring all financing transactions and also the overall quality of the asset portfolio. For this purpose it has formulated credit policy so as to effectively monitor the risk profile of the Bank's asset portfolio and to ensure strict adherence to the SBP's Prudential Regulations, Banking Companies Ordinance, 1962 and any other regulatory requirement.

ALCO has the responsibility for the formulation of overall strategy and oversight of the assets liability management function. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of overall funding mix and avoidance of reliance on large deposits. The Board have approved a comprehensive liquidity management policy.

The Board has constituted an Audit Committee. The Audit Committee works to ensure that the best practices of the Code of Corporate Governance and other policies and procedures are being complied with.

The Bank's Risk Management, Compliance and Internal Audit and Legal Departments support the risk management function. The role of the risk management department is to quantify the risk and the quality and integrity of the Bank's risk-related data. The Compliance Department ensures that all the directives and guidelines issued by SBP are being complied with in order to mitigate the compliance and operational risks. Internal Audit Department reviews the compliance of internal control procedures with internal and regulatory standards.

#### **43.1 Credit Risk**

Credit risk is the risk of loss to Bank as a result of failure by a client or counterparty to meet its contractual obligations when due. Exposure to credit risks for the Bank arises primarily from financing and investing activities.

The management of credit risk is governed by credit policies approved by the Board. The procedures set out the relevant approval authorities, limit, risks, credit ratings and other matters involved in order to ensure sound credit granting standards.

The Bank has a well defined credit structure duly approved by the Board under which delegated authorities at various levels are operating and which critically scrutinize and sanction credit. The emphasis is to provide short to medium term trade related Islamic financing and related assets to reputable names, which are self liquidating and Shariah compliant. The risk appraisal system of the Bank has enabled it to build a sound portfolio.

Credit risk management framework forms part of the overall business strategy and credit operations of the Bank. The principles for credit risk management have been laid down in the Bank's credit risk policy, credit manual and credit operations procedure manuals. The policy has been developed in accordance with the requirements of the State Bank of Pakistan and is reviewed and updated (where required) on periodic basis.

Provisions are determined in accordance with the requirements of the SBP. The authority to determine provisions and credit valuation adjustments for impaired claims, vests in Credit Operations Department and is according to the SBP regulations.

#### 43.1.1 Due from financial institutions

	Due from financial institutions (Gross)		Non-performing due from financial institutions		Provision held	
	2019	2018	2019	2018	2019	2018
<b>Credit risk by public / private sector</b>						
Public/ Government	-	-	-	-	-	-
Private	14,598,633	-	-	-	-	-
	<b>14,598,633</b>	-	-	-	-	-

#### 43.1.2 Investment in debt securities

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
<b>Credit risk by industry sector</b>						
Agriculture, Forestry, Hunting and Fishing	51,788	93,183	-	-	-	-
Mining and Quarrying	65,550	125,569	56,963	125,569	37,684	44,433
Textile	128,574	125,069	125,069	125,069	118,807	113,799
Chemical and Pharmaceuticals	524,826	702,229	73,449	101,737	60,686	69,841
Cement	198,833	267,118	167,768	74,767	89,871	41,034
Sugar	54,676	41,961	41,961	41,961	41,961	41,961
Automobile and transportation equipment	63,565	62,710	58,549	62,710	38,236	36,472
Electronics and electrical appliances	344,988	471,931	32,461	32,461	23,061	20,011
Power (electricity), Gas, Water, Sanitary	4,125,442	5,433,328	189,960	189,960	125,596	75,650
Transport, Storage and Communication	-	1,325,000	-	-	-	-
Financial	2,285,273	2,008,200	9,242	9,242	9,242	9,242
Insurance	52,200	52,200	52,200	52,200	26,154	22,613
Federal Government Securities	16,327,201	10,630,014	-	-	-	-
Foreign Government Securities	471,314	375,346	-	-	-	-
Others	176,184	205,317	148,529	182,484	104,231	98,794
	24,870,414	21,919,175	956,151	998,160	675,529	573,850

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
<b>Credit risk by public / private sector</b>	<b>(Rupees in '000)</b>					
Public/ Government	19,556,398	16,482,206	-	-	-	-
Private	5,314,018	5,436,969	956,151	998,160	675,529	573,850
	24,870,416	21,919,175	956,151	998,160	675,529	573,850

### 43.1.3 Islamic financing and related assets

	Islamic financing and related assets (Gross)		Non-performing Islamic financing and related assets		Provision held	
	2019	2018	2019	2018	2019	2018
	------(Rs in '000)-----					
<b>Credit risk by industry sector</b>						
Agriculture, Forestry, Hunting and Fishing	1,991,657	2,317,559	10,794	6,756	4,761	4,655
Mining and Quarrying	3,060,524	1,754,819	12,202	12,202	12,202	12,202
Textile	9,667,390	9,752,477	3,591,009	2,635,635	2,765,931	2,386,110
Chemical and Pharmaceuticals	5,159,969	5,856,866	538,112	482,645	315,505	382,639
Cement	1,763,715	2,042,173	-	-	-	-
Sugar	1,606,882	2,062,308	323,744	323,744	274,478	71,243
Footwear and Leather garments	623,731	941,280	64,481	60,081	50,620	45,999
Automobile and transportation equipment	1,333,298	1,403,262	9,339	-	2,321	-
Electronics and electrical appliances	2,451,464	4,004,209	292,510	570,021	68,307	288,359
Construction	1,545,266	1,527,631	574,121	296,169	273,797	129,294
Power (electricity), Gas, Water, Sanitary	1,831,288	2,291,178	-	-	-	-
Wholesale and Retail Trade	2,724,492	2,706,967	183,023	92,564	48,220	40,206
Exports/Imports	803,824	1,049,190	21,599	29,022	9,209	7,123
Transport, Storage and Communication	7,212,736	8,412,242	141,349	70,368	63,721	37,309
Financial	92,812	126,294	89,035	89,035	88,051	88,051
Insurance	7,629	12,216	-	-	-	-
Services	3,112,582	3,786,486	66,815	185,026	36,815	53,851
Individuals / staff	18,070,139	16,613,022	554,474	498,814	242,134	209,975
Food products and beverages	9,501,629	9,348,806	2,045,761	1,045,612	927,409	407,223
Others	8,729,297	3,763,013	731,961	622,912	493,191	449,805
	81,290,324	79,771,998	9,250,329	7,020,606	5,676,672	4,614,044

	Islamic financing and related assets (Gross)		Non-performing Islamic financing and related assets		Provision held	
	2019	2018	2019	2018	2019	2018
	------(Rs in '000)-----					
<b>Credit risk by public / private sector</b>						
Public/ Government	11,666,689	7,460,061	-	-	-	-
Private	69,623,635	72,311,937	9,250,329	7,020,606	5,676,672	4,614,044
	<b>81,290,324</b>	<b>79,771,998</b>	<b>9,250,329</b>	<b>7,020,606</b>	<b>5,676,672</b>	<b>4,614,044</b>

#### 43.1.4 Contingencies and Commitments

<b>Credit risk by industry sector</b>	2019 Amount in Rs '000	2018 Amount in Rs '000
Agriculture, Forestry, Hunting and Fishing	318,109	79,931
Mining and Quarrying	356,538	90,358
Textile	1,365,114	1,139,746
Chemical and Pharmaceuticals	3,226,544	1,472,627
Cement	6,627	51,006
Sugar	763	-
Footwear and Leather garments	143,142	243,169
Automobile and transportation equipment	384,748	766,426
Electronics and electrical appliances	994,377	1,352,578
Construction	881,031	653,167
Power (electricity), Gas, Water, Sanitary	1,073,869	1,076,945
Wholesale and Retail Trade	1,494,250	1,239,035
Exports/Imports	1,230,607	1,031,713
Transport, Storage and Communication	740,526	292,685
Financial	26,889,157	17,756,189
Services	546,042	766,732
Food products and beverages	249,010	44,953
Others	2,735,419	2,707,855
	<b>42,635,873</b>	<b>30,765,115</b>
<b>Credit risk by public / private sector</b>		
Public/ Government	335,170	331,370
Private	42,300,703	30,433,745
	<b>42,635,873</b>	<b>30,765,115</b>

#### 43.1.5 Concentration of Islamic financing and related assets

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 21,121 million (31 December 2018: Rs 17,054 million) are as following:

	2019 Rupees in '000	2018 Rupees in '000
Funded	17,228,825	14,026,459
Non Funded	3,892,052	3,027,679
Total Exposure	<b>21,120,877</b>	<b>17,054,138</b>

The sanctioned limits against these top 10 exposures aggregated to Rs 26,234 million (31 December 2018: Rs 20,796 million). The bank's top 10 exposures are performing in nature.

#### 43.1.6 Islamic financing and related assets - Province/Region-wise Disbursement & Utilization

Province/Region	2019						
	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
Punjab	52,162,818	52,162,818	-	-	-	-	-
Sindh	38,093,440	-	38,093,440	-	-	-	-
KPK including FATA	280,461	-	280,461	-	-	-	-
Balochistan	94,602	-	-	94,602	-	-	-
Islamabad	3,007,868	-	-	-	3,007,868	-	-
AJK including Gilgit-Baltistan	5,978	-	-	-	-	5,978	-
Total	<b>93,645,167</b>	<b>52,162,818</b>	<b>38,093,440</b>	<b>280,461</b>	<b>94,602</b>	<b>3,007,868</b>	<b>5,978</b>

Province/Region	2018						
	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
Punjab	50,042,911	48,558,407	1,000,000	-	285,644	-	-
Sindh	32,599,364	3,210	32,596,154	-	-	-	-
KPK including FATA	163,312	-	163,312	-	-	-	-
Balochistan	22,610	-	-	22,610	-	-	-
Islamabad	4,306,741	-	-	-	4,306,741	-	-
AJK including Gilgit-Baltistan	19,249	-	-	-	-	19,249	-
Total	<b>87,154,187</b>	<b>48,561,617</b>	<b>33,596,154</b>	<b>362,172</b>	<b>4,592,385</b>	<b>19,249</b>	

**43.2 Market Risk**

Market risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as profit rates, credit spreads, commodity prices, equity prices and foreign exchange rates.

The main objective of the Bank's market risk management is to minimize market risk and to facilitate business growth within a controlled and transparent risk management framework.

Market risk arise from investment in sukuk, equities and dealing in foreign exchange transactions.

Market risk is being monitored by ALCO and performs following functions in relation to market risk:

- Regular periodic review of market risk, based on economic review reports.
- Keeps an eye on the structure / composition of Bank's assets and liabilities and decide upon product pricing for deposits, Islamic financing and related assets.
- Develop future business strategy in view of the latest trends / policy in the market, economic conditions and local regulatory requirements.
- Review and recommend to the Board of Directors, new opportunities for generating revenues.

**43.2.1 Statement of Financial Position 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	26,319,937	-	26,319,937	14,934,799	-	14,934,799
Balances with other banks	2,850,550	-	2,850,550	854,171	-	854,171
Due from financial institutions	14,598,633	-	14,598,633	-	-	-
Investments	23,598,671	596,214	24,194,885	20,437,114	908,211	21,345,325
Islamic financing and related assets	75,443,712	-	75,443,712	75,011,976	-	75,011,976
Fixed assets	4,877,578	-	4,877,578	2,310,578	-	2,310,578
Intangible assets	1,467,904	-	1,467,904	1,572,861	-	1,572,861
Deferred tax assets	2,839,139	-	2,839,139	3,238,909	-	3,238,909
Other assets	9,389,888	-	9,389,888	9,544,420	-	9,544,420
	<b>161,386,012</b>	<b>596,214</b>	<b>161,982,226</b>	<b>127,904,828</b>	<b>908,211</b>	<b>128,813,039</b>

**43.2.2 Foreign Exchange Risk**

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. Objective of foreign exchange risk management function is to minimize the adverse impact of foreign exchange assets and liabilities mismatch and maximize the earnings. The Bank manages this risk by setting and monitoring dealer, currency, inter exposures, stop loss and counter party limits for on and off balance sheet financial instruments.

	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)				(Rupees in '000)			
Pakistan rupee	149,615,436	135,452,032	1,545,293	15,708,697	122,056,956	107,227,736	4,046,554	18,875,774
United States dollar	11,357,258	11,743,351	(342,608)	(728,701)	6,046,429	7,927,340	(2,772,886)	(4,653,797)
Great Britain pound	368,074	1,186,970	(867,822)	(1,686,718)	237,337	750,266	(689,304)	(1,202,233)
Euro	282,822	575,420	(334,863)	(627,461)	305,939	1,895,229	(445,641)	(2,034,931)
Arab Emirates Dirham	173,577	166,943	-	6,634	142,374	167,696	-	(25,322)
Japanese Yen	13,354	20	-	13,334	2,351	132,641	(138,723)	(269,013)
Canadian Dollar	13,374	-	-	13,374	2,043	-	-	2,043
Singapore Dollar	34	34	-	-	23	23	-	-
Swiss Frank	14,536	-	-	14,536	11,427	-	-	11,427
Chinese Yuan	143,758	125,889	-	17,869	8,158	7,023	-	1,135
Malaysian Ringit	3	3	-	-	2	2	-	-
	<b>161,982,226</b>	<b>149,250,662</b>	<b>-</b>	<b>12,731,564</b>	<b>128,813,039</b>	<b>118,107,956</b>	<b>-</b>	<b>10,705,083</b>

The exposures of the Bank to foreign exchange risk is also restricted by the statutory limit on aggregate exposure prescribed by the SBP.

	2019		2018	
	Banking	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	(14,466)	15,453	(39,971)	40,466

## 43.2.3 Mismatch of Yield Rate Sensitive Assets and Liabilities

	Effective Yield  rate	Total	2019 Exposed to Yield risk								Non-interest bearing financial instruments	
			Upto 1	Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5		
			Month	to 3	to 6	Months to 1	to 2	to 3	to 5	to 10		
			Month	Months	Months	Year	Years	Years	Years	Years		
(Rupees in '000)												
<b>Assets</b>												
Cash and balances with treasury banks	-	26,319,937	-	-	-	-	-	-	-	-	-	26,319,937
Balances with other banks	5.22%	2,850,550	1,207,952	-	-	-	-	-	-	-	-	1,642,598
Due from financial institutions	11.42%	14,598,633	2,002,733	9,452,157	3,143,743	-	-	-	-	-	-	-
Investments	11.43%	24,194,885	100,000	11,421,668	5,264,797	774,687	3,361,791	2,158,079	471,314	-	-	642,549
Islamic financing and related assets-net	14.92%	75,443,712	15,093,921	23,463,862	21,120,685	10,513,025	372,042	250,704	64,978	270,130	1,004,918	3,289,447
Other assets	-	6,786,786	-	-	-	-	-	-	-	-	-	6,786,786
		150,194,503	18,404,606	44,337,687	29,529,225	11,287,712	3,733,833	2,408,783	536,292	270,130	1,004,918	38,681,317
<b>Liabilities</b>												
Bills payable	-	3,223,721	-	-	-	-	-	-	-	-	-	3,223,721
Due to financial institutions	2%	4,278,132	-	1,821,700	2,456,432	-	-	-	-	-	-	-
Deposits and other accounts	9.74%	129,654,288	101,807,187	-	-	-	-	-	-	-	-	27,847,101
Subordinated debt	15.33%	3,460,661	-	2,071,420	-	1,389,241	-	-	-	-	-	-
Other liabilities	-	6,280,000	-	-	-	-	-	-	-	-	-	6,280,000
		146,896,802	101,807,187	3,893,120	2,456,432	1,389,241	-	-	-	-	-	37,350,822
On-balance sheet gap		3,297,701	(83,402,581)	40,444,567	27,072,793	9,898,471	3,733,833	2,408,783	536,292	270,130	1,004,918	1,330,495
<b>Non financial assets</b>												
Fixed assets		4,877,578										
Intangible assets		1,467,904										
Other assets		2,603,102										
Deferred tax assets		2,839,139										
		11,787,723										
<b>Non financial liabilities</b>												
Other liabilities		2,353,860										
<b>Total net assets</b>												
		12,731,564										
<b>Off-balance sheet financial instruments</b>												
Commitments in respect of:												
- forward foreign exchange contracts		26,763,463	-	-	-	-	-	-	-	-	-	26,763,463
- guarantees		8,233,993	-	-	-	-	-	-	-	-	-	8,233,993
- letter of credit		7,402,115	-	-	-	-	-	-	-	-	-	7,402,115
- acquisition of operating fixed assets		5,721	-	-	-	-	-	-	-	-	-	5,721
- others		230,581	-	-	-	-	-	-	-	-	-	230,581
Off-balance sheet gap		42,635,873	-	-	-	-	-	-	-	-	-	42,635,873
<b>Total Yield Risk Sensitivity Gap</b>			(83,402,581)	40,444,567	27,072,793	9,898,471	3,733,833	2,408,783	536,292	270,130	1,004,918	43,966,368
<b>Cumulative Yield Risk Sensitivity Gap</b>			(83,402,581)	(42,958,014)	(15,885,221)	(5,986,750)	(2,252,917)	155,866	692,158	962,288	1,967,206	45,933,574

	Effective Yield	Total	2018 Exposed to Yield risk									Non-interest bearing financial instruments	
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
			(Rupees in '000)										
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	-	14,934,799	-	-	-	-	-	-	-	-	14,934,799		
Balances with other banks	7.03%	854,171	129,906	-	-	-	-	-	-	-	724,265		
Due from financial institutions	-	-	-	-	-	-	-	-	-	-	-		
Investments	6.51%	21,345,325	600,000	6,612,553	5,852,191	-	3,135,981	3,266,189	532,619	375,347	970,445		
Islamic financing and related assets	10.97%	75,011,976	21,771,048	15,691,411	15,410,313	12,508,771	316,667	94,302	316,908	-	8,902,556		
Other assets	-	6,347,786	-	-	-	-	-	-	-	-	6,347,786		
		118,494,057	22,500,954	22,303,964	21,262,504	12,508,771	3,452,648	3,360,491	849,527	375,347	31,879,851		
Liabilities													
Bills payable	-	3,697,477	-	-	-	-	-	-	-	-	3,697,477		
Due to financial institutions	4.23%	3,836,022	144,823	1,383,799	1,691,900	615,500	-	-	-	-	-		
Deposits and other accounts	5.82%	99,915,011	73,830,126	-	-	-	-	-	-	-	26,084,885		
Subordinated debt	9.62%	3,746,377	-	2,357,136	-	1,389,241	-	-	-	-	-		
Other liabilities	-	6,846,478	-	-	-	-	-	-	-	-	6,846,478		
		118,041,365	73,974,949	3,740,935	1,691,900	2,004,741	-	-	-	-	36,628,840		
On-balance sheet gap			452,692	(51,473,995)	18,563,029	19,570,604	10,504,030	3,452,648	3,360,491	849,527	375,347	-	(4,748,989)
Non financial assets			2,310,578										
Fixed assets		1,572,861											
Intangible assets		3,196,634											
Other assets		3,238,909											
Deferred tax assets		10,318,982											
Non financial liabilities			66,591										
Other liabilities													
Total net assets			10,705,083										
Off-balance sheet financial instruments													
Commitments in respect of:													
- forward foreign exchange contracts		17,738,138	-	-	-	-	-	-	-	-	-	17,738,138	
- guarantees		6,102,780	-	-	-	-	-	-	-	-	-	6,102,780	
- letter of credit		6,681,946	-	-	-	-	-	-	-	-	-	6,681,946	
- acquisition of operating fixed assets		11,670	-	-	-	-	-	-	-	-	-	11,670	
- others		230,581	-	-	-	-	-	-	-	-	-	230,581	
Off-balance sheet gap			30,765,115	-	-	-	-	-	-	-	-	30,765,115	
Total Yield Risk Sensitivity Gap			(51,473,995)	18,563,029	19,570,604	10,504,030	3,452,648	3,360,491	849,527	375,347	-	26,016,126	
Cumulative Yield Risk Sensitivity Gap			(51,473,995)	(32,910,966)	(13,340,362)	(2,836,332)	616,316	3,976,807	4,826,334	5,201,681	5,201,681	31,217,807	

#### 43.3 *Operational Risk*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events and Shariah non-compliance. In this regard, an Operational Risk Management unit has been established within the Risk Management Department.

The Bank has Basic Indicator Approach (BIA) for assessing the capital charge for operational risk. Under BIA the capital charge is calculated by multiplying average annual gross income of the Bank over the past three years with 15% as per guidelines issued by SBP.

The Bank ensures that the key operational risks are managed in a timely and effective manner by raising awareness of operational risk, improving early warning information and allocating risk ownership and responsibilities. The Bank has developed policies, guidelines and manuals necessary for the mitigation of operational risk.

The Bank is also supervised by the Shariah Board which sets out guidelines, policies and procedures for the Bank to ensure that all its activities and products are Shariah compliant. The internal audit function of the Bank performs regular audit on various operations of the Bank and monitors the key risk exposure areas to ensure that internal control procedures are in place and those procedures are able to mitigate risk associated with operational activities.

A business continuity program have also been formulated and approved by the Board of Directors to ensure uninterrupted flow of operations of the Bank.

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#### 43.4 Liquidity Risk

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet its obligation when due.

The Liquidity Coverage Ratio (LCR) is a quantitative requirement which aims to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario over a 30-day horizon at both the entity and consolidated level.

LCR has been defined as 
$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}}$$

Liquid assets comprise of high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 assets. Level 1 assets are with 0% haircut while Level 2A assets are with a minimum 15% haircut and Level 2B Assets, with a maximum 50% haircut.

The term "Total net cash outflows" is defined as the total expected cash outflows minus total expected cash inflows in the stress scenario for the subsequent 30 calendar days.

The most significant drivers of the Bank's cash outflow were Retail and unsecured wholesale funding. Unsecured funding transactions include funds provided by non-financial corporate customers, sovereigns, central banks, multilateral development banks and PSEs.

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

NSFR has been defined as 
$$\frac{\text{Available amount of Stable Funding (Funding Source)}}{\text{Required amount of Stable Funding (Funding User)}}$$

The amount of available stable funding (ASF) is measured mainly on the broad characteristics of the relative stability of a bank's funding sources (equity & liabilities), contractual maturity of its liabilities and the difference in the tendency to withdraw their funding by different types of funding providers.

The amount of required stable funding (RSF) is measured based on the broad characteristics of the liquidity risk profile of a bank's assets and off-balance sheet (OBS) exposures.

As per bank's Investment Policy ALCO shall be the management's governing committee mainly responsible for Market and Liquidity risks pertaining to balance sheet and off-balance sheet items. It is ALCO's responsibility to establish and monitor liquidity targets as well as strategies and tactics to meet those targets. Furthermore, ALCO will ensure that sufficient liquidity is available for unanticipated contingencies. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of overall funding mix and avoidance of reliance on large individual deposits. The Board of Directors have approved a comprehensive liquidity management policy.

Management of liquidity is centrally managed through the Treasury within the bank. The Bank has sufficient liquidity sources for outflows and management is of the view that we are adequately liquid as required by LCR & NSFR regulations. The Asset and Liability Management Committee (ALCO) of the Bank is responsible for oversight of liquidity management and review of positions on monthly basis and/or on need basis based on systemic risks.

The Bank' has a comprehensive Contingency plan that specifies strategies for dealing with the liquidity problem and outlines particular funding sources that would be drawn upon as part of the overall strategy. It also outlines trigger points that would be indicative of the crisis and lays the course of action taken by the institution for handling such a crises.

#### 43.4.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Bank

[illegible]

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 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
(Rupees in '000)													
14,934,799	14,934,799	-	-	-	-	-	-	-	-	-	-	-	-
854,171	854,171	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
21,345,325	970,446	-	-	-	1,008,902	4,585,281	432,000	-	1,825,000	3,135,981	3,739,502	1,118,990	4,529,223
75,011,976	3,604,832	569,192	965,279	7,847,079	4,631,705	5,393,643	11,585,301	2,625,828	561,397	4,589,616	9,575,876	16,142,053	6,920,175
2,310,578	217	1,302	1,519	3,471	6,509	6,509	579,732	19,526	19,526	78,106	78,106	156,212	1,359,843
1,572,861	428	2,566	2,994	6,843	12,830	12,830	38,490	38,490	38,490	136,654	102,045	125,990	1,054,211
3,238,909	-	-	-	-	-	-	-	-	36,025	409,343	993,482	1,034,811	765,248
9,544,420	382,275	1,035,086	485,738	2,200,767	1,081,180	775,178	1,093,835	202,520	838,542	645,702	20,399	557	782,641
128,813,039	20,747,168	1,608,146	1,455,530	10,058,160	6,741,126	10,773,441	13,729,358	2,886,364	3,318,980	8,995,402	14,509,410	18,578,613	15,411,341
3,697,477	3,697,477	-	-	-	-	-	-	-	-	-	-	-	-
3,836,022	132,623	-	-	12,200	34,000	1,349,799	1,691,900	615,500	-	-	-	-	-
99,915,011	77,994,250	445,614	540,480	2,172,871	3,828,679	3,615,967	3,341,226	1,579,419	4,038,554	599,694	631,604	1,126,653	-
3,746,377	-	-	-	-	-	142,858	-	142,858	-	-	285,716	-	2,889,229
6,913,069	34,450	1,239,632	354,543	1,730,484	684,373	1,278,020	440,531	67,524	385,314	208,703	423,213	33,117	33,165
118,107,956	81,858,800	1,685,246	895,023	3,915,555	4,547,052	6,386,644	5,473,657	2,405,301	4,423,868	1,094,113	1,340,533	1,159,770	2,922,394
10,705,083	(61,111,632)	(77,100)	560,507	6,142,605	2,194,074	4,386,797	8,255,701	481,063	(1,104,888)	7,901,289	13,168,877	17,418,843	12,488,944

Share capital - net  
Reserves  
Surplus on revaluation of assets - net of tax  
Accumulated loss

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

Saving and current accounts have been bucketed on the basis of behavioral study conducted by 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)									
<b>Assets</b>									
Cash and balances with treasury banks	26,319,937	26,319,937	-	-	-	-	-	-	-
Balances with other banks	2,850,550	2,850,550	-	-	-	-	-	-	-
Due from financial institutions	14,598,633	2,002,733	9,452,156	3,143,744	-	-	-	-	-
Investments	24,194,885	642,550	-	-	2,810,288	3,979,058	2,325,072	752,914	13,585,003
Islamic financing and related assets - net	75,443,712	7,348,774	19,284,236	16,943,191	6,784,647	9,456,228	6,609,727	5,608,325	2,428,831
Fixed assets	4,877,578	62,620	125,241	556,118	349,246	654,310	512,288	623,302	1,994,453
Intangible assets	1,467,904	13,809	27,276	41,085	74,163	148,325	109,869	137,058	916,319
Deferred tax assets	2,839,139	-	-	177,330	354,659	451,086	684,184	1,171,880	-
Other assets	9,389,888	5,080,314	1,913,034	950,219	443,767	56,415	946,139	-	-
	161,982,226	44,321,287	30,801,943	21,811,687	10,816,770	14,745,422	11,187,279	8,293,479	18,924,606
								18,924,606	1,079,753
<b>Liabilities</b>									
Bills payable	3,223,721	3,223,721	-	-	-	-	-	-	-
Due to financial institutions	4,278,132	-	1,891,700	2,386,432	-	-	-	-	-
Deposits and other accounts	129,654,288	19,198,745	18,966,461	13,668,578	17,182,855	13,948,593	16,595,079	13,184,052	12,682,443
Subordinated debt	3,460,661	-	142,855	-	142,855	285,710	-	-	1,500,000
Other liabilities	8,633,860	4,665,500	1,863,760	543,860	725,399	186,528	146,200	67,186	435,427
	149,250,662	27,087,966	22,864,776	16,598,870	18,051,109	14,420,831	16,741,279	13,251,238	14,617,870
									5,616,723
<b>Net assets</b>	<b>12,731,564</b>	<b>17,233,321</b>	<b>7,937,167</b>	<b>5,212,817</b>	<b>(7,234,339)</b>	<b>324,591</b>	<b>(5,554,000)</b>	<b>(4,957,759)</b>	<b>4,306,736</b>
									<b>(4,536,970)</b>
Share capital-net	14,500,490								
Reserves	179,384								
Surplus on revaluation of assets - net of tax	1,185,540								
Accumulated loss	(3,133,850)								
	<u>12,731,564</u>								

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)									
<b>Assets</b>									
Cash and balances with treasury banks	14,934,799	14,934,799	-	-	-	-	-	-	-
Balances with other banks	854,171	854,171	-	-	-	-	-	-	-
Due from financial institutions	-	-	-	-	-	-	-	-	-
Investments	21,345,325	970,446	5,594,183	432,000	1,825,000	3,135,981	3,739,502	4,429,223	100,000
Islamic financing and related assets - net	75,011,976	12,986,382	10,025,348	11,585,301	3,187,225	4,589,616	9,575,876	16,142,053	1,955,074
Fixed assets	2,310,578	6,509	13,018	579,732	39,052	78,106	78,106	156,212	-
Intangible assets	1,572,861	12,831	25,660	38,490	76,980	136,654	102,045	125,990	779,261
Deferred tax assets	3,238,909	-	-	-	36,025	409,343	993,482	1,034,811	765,248
Other assets	9,544,420	4,103,866	1,856,358	1,093,835	1,041,062	645,702	20,399	557	-
	128,813,039	33,869,004	17,514,567	13,729,358	6,205,344	8,995,402	14,509,410	18,578,613	12,577,006
									2,834,335
<b>Liabilities</b>									
Bills payable	3,697,477	3,697,477	-	-	-	-	-	-	-
Due to financial institutions	3,836,022	144,823	1,383,799	1,691,900	615,500	-	-	-	-
Deposits and other accounts	99,915,011	11,006,206	13,679,936	8,797,105	13,412,086	12,290,862	12,322,772	12,817,821	11,691,168
Subordinated debt	3,746,377	-	142,858	-	142,858	285,716	285,716	-	1,500,000
Other liabilities	6,913,069	3,359,109	1,962,393	440,531	452,838	208,703	423,213	33,117	33,165
	118,107,956	18,207,615	17,168,986	10,929,536	14,623,282	12,785,281	13,031,701	12,850,938	13,224,333
									5,286,284
<b>Net assets</b>									
	10,705,083	15,661,389	345,581	2,799,822	(8,417,938)	(3,789,879)	1,477,709	5,727,675	(647,327)
									(2,451,949)
Share capital-net	13,106,862								
Reserves	159,348								
Surplus on revaluation of assets - net of tax	353,212								
Accumulated loss	(2,914,339)								
	10,705,083								

**44. PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL****44.1 General remunerative depositors' pools / IERS pools / Treasury Pools**

2019							
Remunerative pools	Period	Profit sharing ratio (average)	Profit rate and weightage announcement period	Mudarib share (Rupees in '000)	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
General Pool - PKR	Jan to Dec 2019	42%	Monthly	2,854,023	46%	10.4%	8.1%
General Pool - FCY	Jan to Dec 2019	78%	Monthly	87,496	35.2%	1.8%	0.9%
Islamic Export Refinance Pool	Jan to Dec 2019	90%	Monthly	-	-	8%	1.7%
Treasury Pool	Jan to Dec 2019	82%	Variable	-	-	14.8%	9.4%
Special Depositors' Pool	Jan to Dec 2019	37%	Variable	1,270,666	46.2%	14.1%	11.6%

2018							
Remunerative pools	Period	Profit sharing ratio (average)	Profit rate and weightage announcement period	Mudarib share (Rupees in '000)	Percentage of Mudarib Share transferred through Hiba	Profit rate return earned	Profit rate return distributed
General Pool - PKR	Jan to Dec 2018	50%	Monthly	2,828,307	26.5%	7.8%	4.9%
General Pool - FCY	Jan to Dec 2018	70%	Monthly	60,240	3.1%	2.1%	0.7%
Islamic Export Refinance Pool	Jan to Dec 2018	86%	Monthly	-	-	5.9%	2.0%
Treasury Pool	Jan to Dec 2018	94%	Variable	-	-	7.1%	7.0%
Special Depositors' Pool	Nov to Dec 2018	50%	Variable	115,962	35.6%	12.9%	8.6%

**45. COMPLAINT MANAGEMENT****45.1 Mechanism of the complaint Management Unit**

The Bank seeks to maintain its reputation as one of the market players who believe in delivering high quality Islamic Banking Services, and also committed to maintain responsiveness to the needs and concerns of its customers. The Bank has a designated separate and independent Complaint Management Unit (CMU) under Corporate Communication Department to handle complaints / grievances of the customers as per the Consumer Grievances Handling Mechanism (CGHM) policy issued by SBP. The unit is efficiently performing its role and it is totally independent in scrutinizing, investigating and efficient closures of the complaints / queries raised by customers.

CMU is the responsible unit whose role is to be an effective intermediary between the customers and the core units of the Bank to get customer complaints properly responded and answered. The unit's core focus is the quick and efficient resolution of the complaints, analyses root cause of complaints and taking necessary measures to ensure its non-recurrence and to improve the service quality. The statistical data provided by CMU enables the concerned departments / units in improving performance and provision of quality service to the customers.

**45.2 Lodgment of complaints**

The complaint lodgment procedure is adequately displayed in all our branches as well as on our Corporate website [www.albaraka.com.pk](http://www.albaraka.com.pk). Further, details regarding lodgment of a complaint to Banking Mohtasib Pakistan and State Bank of Pakistan are also prominently displayed.

The Bank receive complaints from following sources:

- 1) Phone Banking / call centre
- 2) Letter / CEO Office / Drop Box / Email
- 3) Banking Mohtasib Pakistan / SBP

During 2019, the Bank received 4,503 complaints through different channels, out of which 99% were investigated and resolved. The Bank follows defined standards, practices and regulatory requirements in resolution of complaints lodged with the Bank.

**45.3 Steps of complaint resolution or handling of complaint**

Fundamental steps of complaint handling as defined by SBP in BC & CPD Circular No. 01 of 2016 being followed in the Bank are as

- 1) Acknowledgment of receipt of complaint.
- 2) Investigation and tagging of complaint to relevant department / branches.
- 3) Interim update to customer, if complaint resolution exceeds the defined timeline.
- 4) Intimation of resolution of complaint to customer.
- 5) Root cause analysis of the complaint.
- 6) Suggestions for required actions and its non-recurrence.
- 7) Issuing monthly MIS to all the stakeholders.

**45.4 New Initiatives**

The Bank consistently endeavor to provide superior customer services and in order to give better customers experience, below are the few initiatives taken by the Bank during 2019.

- Bank has revised its existing Complaint Escalation Matrix to develop a periodic, reliable and diagnostic mechanism which will help to deliver our commitment towards customer experience in the most optimum way.

- In order to standardize the quality of resolution and contribute positively by resolving maximum complaints within TAT Bank has introduced sharing Outstanding Complaint Tracker on daily basis.
- The Bank has arranged training sessions for empowering the front end staff to comprehend the concept of Handling Customer's Complaints & Grievances.
- In order to understand our customer experience of making complaint, the Bank has initiated a survey by calling those customers who had grievances with the Bank and through this methodology we are able to identify gaps and it also gives us an opportunity to improve the quality of our services.

#### 46. RECLASSIFICATIONS

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparisons. There were no significant reclassifications / restatements during the year except for following;

Transfer from	Transfer to	(Rupees in '000)
Foreign exchange income	Return on deposit and other dues expensed	<u>57,467</u>

#### 47. GENERAL

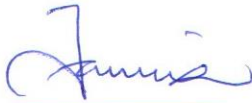
Figures have been rounded off to the nearest thousand rupees.

#### 48. DATE OF AUTHORISATION

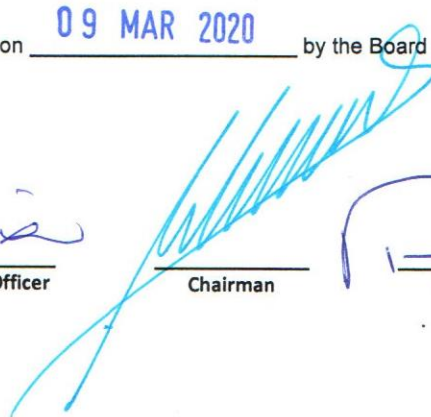
These financial statements were authorized for issue on 09 MAR 2020 by the Board of Directors of the Bank.



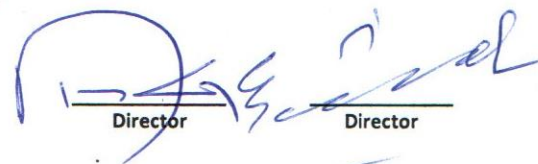
Chief Executive Officer



Chief Financial Officer



Chairman



Director

Director

STATEMENT SHOWING WRITTEN-OFF FINANCING OR ANY OTHER FINANCIAL RELIEF OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED 31 DECEMBER 2019

Annexure - I

Rupees in thousands

Sr. No.	Name of the borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's name	Outstanding Liabilities at beginning of year				Written-off		Waiver	Total (9+10+11)
				Principal	Profit	Other financial relief	Total (5+6+7)	Principal	Profit	Other financial relief	
1	2	3	4	5	6	7	8	9	10	11	12
1	Mohammad Aqeel ur Rehman Qureshi	Mohammad Aqeel ur Rehman Qureshi - 13101-0823971-9	Muhammad Yousaf Qureshi	1,282	498	223	2,003	-	430	223	653
				1,282	498	223	2,003	-	430	223	653

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ALBARAKA BANK (PAKISTAN) LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

Annexure - II

STATEMENT SHOWING CHARITY PAID OF RUPEES 500,000 OR ABOVE DURING THE YEAR ENDED 31 DECEMBER 2019

----Rupees in thousands----

Names	31 December 2019	31 December 2018
Indus Hospital	10,000	10,000
Alamgir Welfare Trust International	7,000	7,772
Patient Aid Foundation	5,850	1,000
Afzal Memorial Thalassemia Foundation	3,500	4,000
Greenwable Solar Pvt Ltd	2,520	-
Lahore Businessmen Association For Rehabilitation Of Disabled	2,500	1,000
Agha Khan University Hospital	2,082	2,500
Idara E Taleem O Aagahi	2,000	-
Sanjan Nagar Public Education	2,000	-
Layton Rahmatullah Benevolent Trust	2,000	-
Sayeban Pakistan	1,635	1,530
Shifa Foundation	1,000	1,000
Ihsan Trust	1,000	1,000
Family Education Services Foundation	1,000	1,600
Health Care And Social Welfare Association	850	-
Attock Shahra Foundation	500	-
Bint E Fatima Old Home Trust	500	500
Orange Tree Foundation	500	-
Patel Hospital Foundation,	500	500
Neurology Research & Patient Welfare Fund	500	-
Sundas Foundation	500	-
National University Of Sciences And Technology	500	-

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