KPMG

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Industrial and Commercial Bank of China Limited – Pakistan Branches

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Industrial and Commercial Bank of China Limited – Pakistan Branches** (the Branches), which comprise the statement of financial position as at 31 December 2019, and 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 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 Branches' affairs as at 31 December 2019 and of the profit and 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 Branches 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 Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the risk management framework and statement of internal control, but does not include the financial statements and auditor's report thereon.

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

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

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

Responsibilities of the Management 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 Branches' 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 Branches or to cease operations, or has no realistic alternative but to do so.

The management is responsible for overseeing the Branches' 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 Branches' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branches' 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 Branches 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 Management 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 Branches as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Branches and the transactions of the Branches' which have come to our notice have been within the powers of the Branches; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Branches' and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Branches'.

Other Matter

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.

Date: 20 March 2020
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Industrial and Commercial Bank of China Limited - Pakistan Branches

Statement of Financial Position

As at December 31, 2019

	Note	2019	2018
ASSETS		------------ (Rupees in '000) ------------	
Cash and balances with treasury banks	6	**32,354,350**	27,658,474
Balances with other banks	7	**13,270,408**	4,015,685
Lendings to financial institutions	8	**214,503,548**	207,924,067
Investments	9	**211,160,688**	175,857,020
Advances	10	**29,162,284**	22,713,422
Fixed assets	11	**628,978**	590,331
Intangible assets	12	**3,863**	2,788
Deferred tax assets	13	-	7,961
Other assets	14	**4,313,952**	20,493,816
		505,398,071	459,263,564
LIABILITIES			
Bills payable	16	**4,125,334**	1,292,129
Borrowings	17	**351,242,058**	355,486,464
Deposits and other accounts	18	**94,465,934**	66,540,142
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	13	**93,908**	-
Other liabilities	19	**17,756,365**	9,686,726
		467,683,599	433,005,461
NET ASSETS		**37,714,472**	26,258,103
REPRESENTED BY			
Head office capital account	20	**23,227,140**	20,829,285
Surplus / (Deficit) on revaluation of assets - net of tax	21	**124,975**	(57,530)
Unremitted profit		**14,362,357**	5,486,348
		37,714,472	26,258,103
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches
Profit and Loss Account
For the year ended December 31, 2019

	Note	2019	2018
		(Rupees in '000)	
Mark-up / return / interest earned	23	**53,566,088**	26,745,817
Mark-up / return / interest expensed	24	**37,245,090**	18,016,523
Net mark-up / interest income		**16,320,998**	8,729,294
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	**1,033,567**	957,047
Dividend income		**-**	-
Foreign exchange income		**1,289,562**	1,298,623
Income / (loss) from derivatives		**-**	-
Gain / (loss) on securities		**-**	-
Other income	26	**469**	12
Total non-markup / interest income		**2,323,598**	2,255,682
Total income		**18,644,596**	10,984,976
NON MARK-UP / INTEREST EXPENSES			
Operating expenses	27	**1,990,152**	2,257,492
Workers Welfare Fund	28	**325,281**	168,245
Other charges		**-**	-
Total non-markup / interest expenses		**2,315,433**	2,425,737
Profit before provisions		**16,329,163**	8,559,239
Provisions and write offs - net	29	**65,138**	146,963
Extra ordinary / unusual items		**-**	-
PROFIT BEFORE TAXATION		**16,264,025**	8,412,276
Taxation	30	**6,687,103**	3,345,296
PROFIT AFTER TAXATION		**9,576,922**	5,066,980

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches

Statement of Comprehensive Income

For the year ended December 31, 2019

	2019	2018
	(Rupees in '000)	
Profit after taxation for the year	**9,576,922**	5,066,980
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods		
Movement in surplus / (deficit) on revaluation of investments - net of tax	**182,505**	(25,480)
Items that will not be reclassified to profit and loss account in subsequent periods		
Remeasurement gain / (loss) on defined benefit obligations - net of tax	**(1,413)**	44
	181,092	(25,436)
Total comprehensive income	**9,758,014**	5,041,544

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches

Statement of Changes in Equity

For the year ended December 31, 2019

	Head office capital account	Surplus / (Deficit) on revaluation of investments	Unremitted profit	Total
	(Rupees in '000)			
Balance as at December 31, 2017	9,506,699	(32,050)	7,365,414	16,840,063
Profit after taxation for the year ended December 31, 2018	-	-	5,066,980	5,066,980
Other comprehensive income - net of tax	-	(25,480)	44	(25,436)
Total comprehensive income for the year ended December 31, 2018	-	(25,480)	5,067,024	5,041,544
Transactions with owners, recorded directly in equity				
Transferred from payable to head office	1,727,072	-	-	1,727,072
Transferred from unremitted profit to head office account	6,946,090	-	(6,946,090)	-
Exchange adjustments on revaluation of capital	2,649,424	-	-	2,649,424
Balance as at December 31, 2018	**20,829,285**	**(57,530)**	**5,486,348**	**26,258,103**
Profit after taxation for the year ended December 31, 2019	-	-	**9,576,922**	**9,576,922**
Other comprehensive income - net of tax	-	**182,505**	**(1,413)**	**181,092**
Total comprehensive income for the year ended December 31, 2019	-	**182,505**	**9,575,509**	**9,758,014**
Transactions with owners, recorded directly in equity				
Transferred from payable to head office	-	-	-	-
Transfer from unremitted profit to head office account	-	-	-	-
Remittance of unremitted profit	-	-	**(699,500)**	**(699,500)**
Exchange adjustments on revaluation of capital	**2,397,855**	-	-	**2,397,855**
Balance as at December 31, 2019	**23,227,140**	**124,975**	**14,362,357**	**37,714,472**

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Head of Finance

Industrial and Commercial Bank of China Limited - Pakistan Branches
Cash Flow Statement
For the year ended December 31, 2019

	Note	2019	2018
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**16,264,025**	8,412,276
Adjustments:			
Depreciation on fixed assets	*11.1*	**68,019**	53,441
Depreciation on right of use assets	*11.3*	**11,800**	-
Amortisation on intangible assets	*12*	**2,451**	580
Gain on disposal of fixed assets		**(310)**	-
Finance cost against leases	*24*	**4,258**	-
Charge for defined benefit plan	*34.8.1*	**4,800**	4,162
Provisions and write offs	*29*	**65,138**	146,963
		16,420,181	8,617,422
Decrease / (Increase) in operating assets			
Lendings to financial institutions		**(6,579,481)**	(89,639,000)
Advances		**(6,514,000)**	(14,696,303)
Other assets		**16,179,864**	(7,812,305)
		3,086,383	(112,147,608)
Increase / (decrease) in operating liabilities			
Bills payable		**2,833,205**	(3,281,729)
Borrowings from financial institutions		**(4,244,406)**	51,761,637
Deposits		**27,925,792**	8,841,944
Other liabilities		**7,755,050**	1,897,408
		34,269,641	59,219,260
		53,776,205	(44,310,926)
Contribution made to defined benefit plan	*34.7*	**(8,714)**	(6,344)
Income tax paid		**(6,317,698)**	(2,832,205)
Net cash flow from / (used in) operating activities		**47,449,793**	(47,149,475)
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in operating fixed assets	*11.1 & 11.3*	**(118,531)**	(62,725)
Intangible assets purchased	*12*	**(3,526)**	(3,368)
Proceeds from sale of fixed assets		**375**	-
Net investments in held to maturity securities		**(24,029,967)**	-
Net investments in available for sale securities		**(11,091,196)**	59,192,820
Net cash flow (used in) / from investing activities		**(35,242,845)**	59,126,727
CASH FLOW FROM FINANCING ACTIVITIES			
Payments in respect of lease liability		**45,296**	-
Remittance made to Head office		**(699,500)**	-
Exchange adjustments on revaluation of capital		**2,397,855**	2,649,424
Net cash flow from financing activities		**1,743,651**	2,649,424
Increase in cash and cash equivalents		**13,950,599**	14,626,676
Cash and cash equivalents at beginning of the year		**31,674,159**	17,047,483
Cash and cash equivalents at end of the year	*31*	**45,624,758**	31,674,159

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer **Head of Finance**

1. STATUS AND NATURE OF BUSINESS

The Pakistan branches of Industrial and Commercial Bank of China Limited ("the Branches") have commenced their operations in Pakistan with effect from August 18, 2011. Industrial and Commercial Bank of China Limited is incorporated in the People's Republic of China.

The Bank presently operates through three branches (December 31, 2018: three branches) in Pakistan and is engaged in banking activities permissible under the Banking Companies Ordinance, 1962. The registered office of the Branches is located at 16th Floor, Ocean Tower, Block 9, Clifton, Karachi. The credit rating of the Bank is disclosed in note 32 to these financial statements.

2. BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 02, dated 25 January 2018.

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

3 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act 2017;

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

- Directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP).

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

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies in Pakistan through BSD Circular Letter 10 dated 26 August 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated 28 April 2008.

3.2 Standards, Interpretations and amendments to accounting and reporting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) 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:

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- Amendment to IFRS 3 'Business Combinations'–Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Branches.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and / or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense / (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Branches financial statements.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs, the effective date of the standard has been extended to annual periods beginning on or after 1 January 2021 vide SBP circular 4 dated 23 October 2019. 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. According to SBP circular referred to above, the Banks/DFIs are required to have a parallel run of IFRS 9 from 1 January 2020. The Banks/DFIs are also required to prepare pro-forma financial statements which includes the impact of IFRS 9 from the year ended 31 December 2019.

3.3 Standards, interpretations and amendments to accounting and reporting standards that are effective in the current year

The Branches has adopted "IFRS 15 Revenue from Contracts with Customers" and "IFRS 16 Leases" effective 01 January 2019. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Branches has adopted IFRS 15 from 01 January 2019. The timing and amount of income from contracts with customers was not impacted by the adoption of IFRS 15, accordingly, the adoption of this standard has no material impact in these financial statements. The impact of adoption of IFRS 16 on the Branch's financial statements is disclosed in note 5.1.1.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Branches for accounting periods beginning on or after 01 January 2019. These are considered either to not be relevant or to not have any significant impact on the Branches' financial statements.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that available for sale investments, derivative financial instruments and forward foreign exchange contracts are measured at fair value and defined benefit obligation carried at present value.

4.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that effect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies as follows:

- classification and provisions against investments (note 5.4)
- income taxes (notes 5.14 and 30)
- depreciation and amortization of operating fixed assets (note 5.7)
- classification and provisioning against non-performing loans and advances (note 5.6)
- fair value of derivatives (note 5.11)
- defined benefit plan (note 5.10)
- contingencies and commitments (note 22)

4.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Branches' functional and presentation currency. The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for changes explained in note 5.1.1:

5.1.1 Impact of IFRS 16 - Leases

IFRS 16 - Leases' became applicable to the Banks effective 01 January 2019. IFRS 16 replaces existing guidance on accounting for leases, including 'IAS 17, Leases', 'IFRIC 4, Determining whether an Arrangement contains a Lease', SIC 15, Operating Leases - Incentive', and 'SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces single lease accounting model and requires a lessee to recognise assets and liabilities of all leases with a term of more than twelve months unless the underlying assets are of low value. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Branches adopted IFRS 16 using the modified retrospective approach with the date of initial application of 01 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard being recognised at the date of initial application. The Branches has elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Branches also elected to use the recognition exemptions for lease contracts that, at the commencement date, having a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets') which are not significant. The Branches has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the initial application of the standard are therefore recognized in the Statement of Financial Position as on 01 January 2019.

On adoption of IFRS 16, the Branches has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured as the present value of the remaining lease payments, discounted using the Branches incremental weighted average borrowing rate of 12.41% per annum at 01 January 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	As at December 31, 2019	As at January 01, 2019
	(Rupees in '000)	
Total lease liability recognised of which:		
Current	**14,938**	9,456
Non-current	**34,616**	28,075
	49,554	37,531

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

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

	As at December 31, 2019	As at January 01, 2019
	(Rupees in '000)	
The recognised right-of-use assets relate to the following types of assets:		
Property	**35,447**	17,871
Vehicles	**12,850**	19,660
	48,297	37,531

The effect of this change in accounting policy is as follows:

Impact on Statement of Financial Position		
Increase in fixed assets - right of use assets	**48,297**	37,531
Increase in other liabilities - lease liability against right-of-use assets	**(49,554)**	(37,531)
Decrease in other assets - prepayments	**(1,213)**	-
Decrease in net assets	**(2,470)**	-

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	For the year ended 31 December 2019
	(Rupees in '000)
Impact on Profit and Loss Account	
Increase in mark-up expense - lease liability against right-of-use assets	**(4,258)**
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	**(11,800)**
- Rent expense	**13,588**
Decrease in profit before tax	**(2,470)**
Decrease in tax	**963**
Decrease in profit after tax	**(1,507)**

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

5.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise of cash in hand, balances with treasury banks, balances with other banks in current, deposit accounts and overdrawn nostros.

5.3 Lendings to / borrowings from financial institutions

The Branches enter into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

Sale of securities under repurchase agreement

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The difference between the sale and contracted repurchase price is recognised on 'time proportion basis over the period of the contract and recorded as an expense.

Purchase of securities under resale agreements

Securities purchased under agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings. The difference between the purchase and contracted resale 'price is recognised on time proportion basis over the period of the contract and recorded as income.

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

5.4 Investment

5.4.1 Classification

The Branches classifies its investments as follows:

a) Held for trading

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

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b) Held to maturity

These are investments with fixed or determinable payments and fixed maturities and the Branches intent and ability to hold them till maturity. These are carried at amortised cost.

c) Available for sale

These are investments which do not fall under 'held for trading' or 'held to maturity' categories and are carried at market value. The surplus / deficit arising as a result of revaluation at market value is included in equity. Market value of investments in Government securities is determined based on the relevant PKRV rates.

Investments are initially recognized at fair value which, in the case of investments other than held for trading, includes transaction costs associated with the investments. Transaction costs on investments held for trading are expensed as incurred.

All 'regular way' purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at settlement date, which is the date at which the Branches agrees to settle the purchase or sale of investments.

5.4.2 Impairment

Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities on the statement of financial position is removed therefrom and recognised in the profit and loss account.

5.5 Acceptances

Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as on-balance sheet transactions.

5.6 Advances

Advances are stated net off provisions against non-performing advances. Specific and general provisions are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is adjusted against advances. Advances are written off when there are no realistic prospects of recovery. The amount so written off is a book entry and does not necessarily prejudice the Branches' right of recovery against the customer.

The Branches determine write-offs in accordance with the criteria prescribed by the SBP vide BPRD Circular No. 06 dated June 05, 2007.

5.7 Operating fixed assets

5.7.1 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 this head. These are transferred to specific assets as and when assets become available for use.

5.7.2 Property and equipment and depreciation

Operating fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 'Historical cost includes expenditures that are directly attributable to the acquisition of the items.

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Depreciation is charged to profit and loss account by applying the straight-line method using the rates specified in note 11.1 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

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

Gains and losses on disposal of operating fixed assets are taken to the profit and loss account in the period to which it relates.

5.7.3 Leases

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Branches mainly leases properties for its operations. The Branches recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Branches incremental borrowing rate. The lease liability is subsequently increased by the finance cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Branches has elected not to recognize right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognized as an expense on a straight line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

Upto 31 December 2018, assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as assets in the statement of financial position. Payments under operating leases were recognized in profit and loss on a straight line basis over the term of the lease.

5.7.4 Intangible assets and ammortisation

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method over their estimated useful live as specified in note 12 to the financial statements. The useful lives and amortisation method are reviewed and adjusted, if appropriate at each reporting date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any.

5.8 Impairment of non financial assets

The carrying amounts of the Branches non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated pre-tax future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

5.9 Borrowings / deposits and their cost

a) Borrowings / deposits are recorded at the proceeds received.

b) Borrowing / deposits costs are recognized as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset.

5.10 Staff retirement benefits

Defined benefit plan

The Branches operate an approved funded gratuity scheme covering eligible employees (excluding expatriates) whose period of employment with the Branches is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains and losses are recognised immediately in other comprehensive income with no subsequent recycling through the profit and loss account. Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme.

Defined contribution plan

The Branches operate an approved provident fund for all of its permanent employees (excluding expatriates) in respect of which contributions are made to discharge liability under the respective rules of the schemes. Equal monthly contributions are made both by the Branches and its employees to the fund at the rate of 10% of the basic salary in accordance with the terms of the scheme. The Branches have no further payment obligation once the contributions have been paid. The contributions are recognized as an expense when the obligation to make payments to the fund has been established. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

5.11 Financial Instruments

5.11.1 Financial assets and liabilities

Financial assets and liabilities carried on the statement of financial position include cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits, and certain payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

5.11.2 Derivative financial instruments

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

5.11.3 Off setting

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognized amount and the Branches intend either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.12 Foreign currency translation

Transactions and balances

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

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets / liabilities.

Forward contracts are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

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

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

Commitments

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

5.13 Revenue recognition

Mark-up / return on advances and investments are recognised on an accrual basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Mark-up recoverable on classified loans, advances and investments is recognised on a receipt basis in accordance with the requirements of Prudential Regulations issued by the State Bank of Pakistan. Mark-up on rescheduled / restructured loans, advances and investments is also recognised in accordance with the requirements of these Prudential Regulations.

Where debt securities are purchased at a premium or discount, those premiums / discounts are amortized through profit and loss account over the remaining maturity, using the effective yield method.

Fee, commission and brokerage income is recognised upon performance of obligations. Fees for ongoing account management are charged to the customer's account on monthly basis. Transaction based fees are charged to the customer's account when the transaction takes place.

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

5.14 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in other comprehensive income in which case it is recognized in statement of comprehensive income.

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5.14.1 Current tax

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws and at the prevailing rates for taxation on income earned by the Branches. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous year.

5.14.2 Deferred tax

Deferred tax is recognized using the balance sheet method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantially enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.15 Provisions

5.15.1 Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the Branches to settle the obligation. Expected recoveries are recognised by debiting the customer's account. Charge to the profit and loss account is stated net-off expected recoveries.

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

5.15.3 Contingent assets are not recognised and are also not disclosed unless an inflow of economic benefits is probable. Contingent liabilities are not recognised but disclosed unless the probability of an outflow of resources embodying economic benefits are remote.

5.16 Segment reporting

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

5.16.1 Business segments

a) Treasury

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

b) Branch Banking

Includes deposits and banking services to private individuals and businesses.

c) Corporate finance

This represents the banking services (on and off balance sheet finance and guarantees) including treasury and international trade activities to large corporate customers, multinational companies, government and semi-government departments and institutions and SMEs treated as corporate under Prudential Regulations.

5.16.2 There are no geographical segments as the Branches only operate in Pakistan.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2019	2018
		(Rupees in '000)	
In hand			
Local currency		**133,120**	161,987
Foreign currency		**52,829**	66,902
		185,949	228,889
With State Bank of Pakistan in			
Local currency current account	6.1	**8,296,299**	5,677,467
Foreign currency current account	6.2	**96,780**	138,862
Foreign currency deposit account	6.3	**23,775,322**	21,613,256
		32,168,401	27,429,585
		32,354,350	27,658,474

6.1 This includes statutory liquidity reserve maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962. This section requires branches to maintain a reserve in the current account opened with the SBP at a sum not less than such percentage of its demand and time liabilities in Pakistan as may be prescribed by SBP.

6.2 As per BSD Circular No. 9 dated December 3, 2007, cash reserve of 5% is required to be maintained with the State Bank of Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

6.3 This includes special cash reserve of 15% required to be maintained with the State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated June 21, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. These carry mark-up rates from 0.70% to 1.50% (2018: 0.56% to 1.35%). It also includes capital maintained with SBP in accordance with the requirements of Section 13 of Banking Companies Ordinance, 1962 amounting to USD 150 million (December 31, 2018: USD 150 million).

7 BALANCES WITH OTHER BANKS

	Note	2019	2018
		(Rupees in '000)	
Outside Pakistan			
In current account		**1,558,582**	2,773,779
In deposit account	7.1	**11,711,826**	1,241,906
		13,270,408	4,015,685
		13,270,408	4,015,685

7.1 This represents placement of foreign currency funds with other ICBC branches at interest rates ranging from 0% to 1.6% per annum (December 31,2018: 0% to 1.6% per annum).

8 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2019	2018
		(Rupees in '000)	
Call money lending	8.1	-	2,000,000
Repurchase agreement lendings (Reverse Repo)	8.2	**214,503,548**	205,924,067
		214,503,548	207,924,067
Less: provision held against lending to financial institutions		-	-
Lending to financial institutions - net of provision		**214,503,548**	207,924,067

8.1 This represent call lending at a mark-up rate of 10.4% per annum with maturity in January 2019.

8.2 These represent repurchase agreement lendings with various local banks at a mark-up rate ranging from 13.00 % to 13.35% (December 31, 2018: 10.05% to 10.30 % per annum) with maturity in January 2020 (December 31, 2018: January 2019).

8.3 Particulars of lending

	2019	2018
	(Rupees in '000)	
In local currency	**214,503,548**	207,924,067
In foreign currency	-	-
	214,503,548	207,924,067

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8.4 Securities held as collateral against Lending to financial institutions

	2019 Held by Bank	2019 Further given as collateral	2019 Total	2018 Held by Bank	2018 Further given as collateral	2018 Total
	--------	--------	--------(Rupees in '000)	--------	--------	--------
Market Treasury Bills	214,503,548	-	214,503,548	205,924,067	-	205,924,067
Total	214,503,548	-	214,503,548	205,924,067	-	205,924,067

9 INVESTMENTS

9.1 Investments by type:

	2019 Cost / Amortised	2019 Provision for diminution	2019 Surplus / (Deficit)	2019 Carrying Value	2018 Cost / Amortised cost	2018 Provision for diminution	2018 Surplus / (Deficit)	2018 Carrying Value
	--------	--------	--------	--------(Rupees in '000)	--------	--------	--------	--------
Available-for-sale securities								
Federal Government Securities	186,938,452	-	192,269	187,130,721	175,945,528	-	(88,508)	175,857,020
	186,938,452	-	192,269	187,130,721	175,945,528	-	(88,508)	175,857,020
Held-to-maturity securities								
Federal Government Securities	24,029,967	-	-	24,029,967	-	-	-	-
	24,029,967	-	-	24,029,967	-	-	-	-
Total Investments	210,968,419	-	192,269	211,160,688	175,945,528	-	(88,508)	175,857,020

9.2 Investments by segments:

	2019 Cost / Amortised	2019 Provision for diminution	2019 Surplus / (Deficit)	2019 Carrying Value	2018 Cost / Amortised cost	2018 Provision for diminution	2018 Surplus / (Deficit)	2018 Carrying Value
	--------	--------	--------	--------(Rupees in '000)	--------	--------	--------	--------
Federal Government Securities:								
Market Treasury Bills	186,938,452	-	192,269	187,130,721	174,916,139	-	(63,664)	174,852,475
Pakistan Investment Bonds	24,029,967	-	-	24,029,967	1,029,389	-	(24,844)	1,004,545
	210,968,419	-	192,269	211,160,688	175,945,528	-	(88,508)	175,857,020
Total Investments	210,968,419	-	192,269	211,160,688	175,945,528	-	(88,508)	175,857,020

9.3 Quality of Available for Sale Securities

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

	Cost 2019	Cost 2018
	(Rupees in '000)	
Federal Government Securities - Government guaranteed		
Market Treasury Bills	186,938,452	174,916,139
Pakistan Investment Bonds	-	1,029,389
	186,938,452	175,945,528

9.4 Particulars relating to Held to Maturity securities are as follows:

	2019	2018
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	24,029,967	-

9.5 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 24,163 million (December 31, 2018: Rs. Nil).

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

10 ADVANCES

	Note	Performing 2019	Performing 2018	Non Performing 2019	Non Performing 2018	Total 2019	Total 2018
		--------	--------	--------(Rupees in '000)	--------	--------	--------
Loans, cash credits, running finances, etc.		27,120,810	14,506,224	-	-	27,120,810	14,506,224
Bills discounted and purchased		2,336,040	8,436,626	-	-	2,336,040	8,436,626
Advances - gross		29,456,850	22,942,850	-	-	29,456,850	22,942,850
Provision against advances							
- Specific		-	-	-	-	-	-
- General	10.3	(294,566)	(229,428)	-	-	(294,566)	(229,428)
		(294,566)	(229,428)	-	-	(294,566)	(229,428)
Advances - net of provision		29,162,284	22,713,422	-	-	29,162,284	22,713,422

10.1 Particulars of advances (Gross)

	2019	2018
	(Rupees in '000)	
In local currency	29,182,904	22,942,850
In foreign currency	273,946	-
	29,456,850	22,942,850

10.2 No advances have been placed under non-performing status as at December 31, 2019 (December 31, 2018: Nil).

10.3 Particulars of provision against advances

	2019 Specific	2019 General	2019 Total	2018 Specific	2018 General	2018 Total
	--------	--------	--------(Rupees in '000)	--------	--------	--------
Opening balance	-	229,428	229,428	-	82,465	82,465
Exchange adjustments	-	-	-	-	-	-
Charge for the year	-	65,138	65,138	-	146,963	146,963
Reversals	-	-	-	-	-	-
	-	65,138	65,138	-	146,963	146,963
Closing balance	-	294,566	294,566	-	229,428	229,428

10.3.1 In line with prudent policies, general provision against advances represents provision maintained at an amount equal to 1% of the performing portfolio.

10.3.2 Particulars of provision against advances

	2019 Specific	2019 General	2019 Total	2018 Specific	2018 General	2018 Total
	--------	--------	--------(Rupees in '000)	--------	--------	--------
In local currency	-	291,827	291,827	-	229,428	229,428
In foreign currency	-	2,739	2,739	-	-	-
	-	294,566	294,566	-	229,428	229,428

11	FIXED ASSETS	Note	2019	2018
			(Rupees in '000)	
	Property and equipment	11.1	580,681	590,331
	Right of use of asset	11.3	48,297	-
			628,978	590,331

11.1 Property and Equipment

	2019					
	Building	Leasehold improvement	Furniture and fixture	Vehicles	Electrical, office and computer equipment	Total
	(Rupees in '000)					
At January 1, 2019						
Cost	443,100	280,939	84,211	53,099	102,996	964,345
Accumulated depreciation	(44,318)	(175,160)	(50,428)	(13,260)	(90,848)	(374,014)
Net book value	398,782	105,779	33,783	39,839	12,148	590,331
Year ended December 2019						
Opening net book value	398,782	105,779	33,783	39,839	12,148	590,331
Additions	-	-	12,707	11,002	34,725	58,434
Disposals	-	-	(65)	-	-	(65)
Depreciation charge	(14,759)	(14,898)	(14,753)	(10,436)	(13,173)	(68,019)
Other adjustments / transfers	-	-	-	-	-	-
Closing net book value	384,023	90,881	31,672	40,405	33,700	580,681
At December 31, 2019						
Cost	443,100	280,939	96,853	64,101	137,721	1,022,714
Accumulated depreciation	(59,077)	(190,058)	(65,181)	(23,696)	(104,021)	(442,033)
Net book value	384,023	90,881	31,672	40,405	33,700	580,681
Rate of depreciation (percentage)	3.33	10 to 33	20	16.70	33	

	2018					
	Building	Leasehold improvement	Furniture and fixture	Vehicles	Electrical, office and computer equipment	Total
	(Rupees in '000)					
At January 1, 2018						
Cost	443,100	276,102	68,355	21,154	92,909	901,620
Accumulated depreciation	(29,559)	(160,761)	(38,716)	(9,688)	(81,849)	(320,573)
Net book value	413,541	115,341	29,639	11,466	11,060	581,047
Year ended December 2018						
Opening net book value	413,541	115,341	29,639	11,466	11,060	581,047
Additions	-	4,837	15,856	31,945	10,087	62,725
Disposals	-	-	-	-	-	-
Depreciation charge	(14,759)	(14,399)	(11,712)	(3,572)	(8,999)	(53,441)
Other adjustments / transfers	-	-	-	-	-	-
Closing net book value	398,782	105,779	33,783	39,839	12,148	590,331
At December 31, 2018						
Cost	443,100	280,939	84,211	53,099	102,996	964,345
Accumulated depreciation	(44,318)	(175,160)	(50,428)	(13,260)	(90,848)	(374,014)
Net book value	398,782	105,779	33,783	39,839	12,148	590,331
Rate of depreciation (percentage)	3.33	10 to 33	20	16.70	33	

11.2 Included in cost of property and equipment are fully depreciated assets having cost of Rs. 222.42 million (December 31, 2018: Rs. 232.69 million).

11.3 This has arisen due to adoption of IFRS 16 as detailed in note 5.1. Depreciation expense on right to use asset during the year is Rs. 11.8 million. Movement in right-of-use asset is as follows:

	2019	2018
	(Rupees in '000)	
Effect of initial application of IFRS 16 as at January 01, 2019	37,531	-
Additions	22,566	-
Depreciation charge	(11,800)	-
	48,297	-

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12 INTANGIBLE ASSETS

	2019	2018
	(Rupees in '000)	
At January 1		
Cost	**3,511**	143
Accumulated amortisation	**(723)**	(143)
Net book value	**2,788**	-
Year ended December		
Opening net book value	**2,788**	-
Additions:		
- developed internally	-	-
- directly purchased	**3,526**	3,368
- through business combinations	-	-
	3,526	3,368
Impairment loss recognised in the profit and loss account - net	-	-
Disposals	-	-
Amortisation charge	**(2,451)**	(580)
Exchange rate adjustments	-	-
Other adjustments	-	-
Closing net book value	**3,863**	2,788
At December 31		
Cost	**7,037**	3,511
Accumulated amortisation	**(3,174)**	(723)
Net book value	**3,863**	2,788
Rate of amortisation (percentage)	**20 to 33**	20 to 33
Useful life	**3 to 5 years**	3 to 5 years

12.1 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 0.143 million (2018: 0.143 million).

13 DEFERRED TAX (LIABILITIES) / ASSETS

	2019			
	At January 01, 2019	**Recognised in P&L A/C**	**Recgonised in OCI**	**At December 31, 2019**
	(Rupees in '000)			
Deductible Temporary Differences on				
- Deficit / (surplus) on revaluation of investments	**30,978**	**-**	**(98,272)**	**(67,294)**
- Remeasurement of defined benefit liability	**420**	**-**	**761**	**1,181**
	31,398	**-**	**(97,511)**	**(66,113)**
Taxable Temporary Differences on				
- Accelerated tax depreciation	**(23,437)**	**(4,358)**	**-**	**(27,795)**
	7,961	**(4,358)**	**(97,511)**	**(93,908)**

	2018			
	At January 01 2018	Recognised in P&L A/C	Recgonised in OCI	At December 31 2018
	(Rupees in '000)			
Deductible Temporary Differences on				
- Deficit on revaluation of investments	17,258	-	13,720	30,978
- Remeasurement of defined benefit liability	443	-	(23)	420
	17,701	-	13,697	31,398
Taxable Temporary Differences on				
- Accelerated tax depreciation	(17,068)	(6,369)	-	(23,437)
	633	(6,369)	13,697	7,961

14 OTHER ASSETS

	Note	2019	2018
		(Rupees in '000)	
Income / mark-up accrued in local currency		**3,304,271**	1,387,999
Income / mark-up accrued in foreign currency		**680**	12,588
Advances, deposits, advance rent and other prepayments		**136,558**	132,458
Acceptances		**74,901**	1,944,916
Mark to market gain on forward foreign exchange contracts		**397,187**	16,384,860
Local clearing account		**396,526**	627,518
Others		**3,829**	3,477
		4,313,952	20,493,816

15 CONTINGENT ASSETS

There were no contingent assets as at the statement of financial position date (December 31, 2018: Nil).

16 BILLS PAYABLE

	2019	2018
In Pakistan	**4,125,334**	1,292,129
Outside Pakistan	-	-
	4,125,334	1,292,129

17 BORROWINGS

	Note	2019	2018
Unsecured			
Call borrowings	*17.1*	**351,242,058**	355,486,464
Overdrawn nostro accounts		-	-
Total unsecured		**351,242,058**	355,486,464

17.1 This represents borrowings from ICBC branches outside Pakistan and financial institutions at mark-up rates ranging from 1.60% to 2.88% per annum (December 31, 2018: 2.93% to 4.1% per annum) maturing upto March 2020 (December 31, 2018: December 2019).

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17.2 Particulars of borrowings with respect to currencies

	2019	2018
	(Rupees in '000)	
In local currency	-	-
In foreign currencies	**351,242,058**	355,486,464
	351,242,058	355,486,464

18 DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits	**21,845,160**	**22,839,265**	**44,684,425**	5,879,952	4,859,211	10,739,163
Savings deposits	**27,675,238**	**692,590**	**28,367,828**	23,238,782	1,100,387	24,339,169
Term deposits	**20,296,200**	**-**	**20,296,200**	29,951,836	897,395	30,849,231
	69,816,598	**23,531,855**	**93,348,453**	59,070,570	6,856,993	65,927,563
Financial Institutions						
Current deposits	**28,012**	**1,089,469**	**1,117,481**	8,849	603,730	612,579
Savings deposits	**-**	**-**	**-**	-	-	-
Term deposits	**-**	**-**	**-**	-	-	-
	28,012	**1,089,469**	**1,117,481**	8,849	603,730	612,579
	69,844,610	**24,621,324**	**94,465,934**	59,079,419	7,460,723	66,540,142

18.1 Composition of deposits:

	2019	2018
	(Rupees in '000)	
- Individuals	**132,997**	820,559
- Public Sector Entities	**3,276,727**	48,346,046
- Banking Companies	**1,117,481**	612,579
- Private Sector	**89,938,729**	16,760,958
	94,465,934	66,540,142

18.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs 515 million (December 31, 2018: Rs. 550 million).

19 OTHER LIABILITIES

	Note	2019	2018
		(Rupees in '000)	
Mark-up / Return / Interest payable in local currency		**1,635,705**	1,225,190
Mark-up / Return / Interest payable in foreign currencies		**1,451,268**	1,959,336
Performance bonus payable		**1,926,281**	1,645,004
Commission received in advance against unfunded exposure		**352,073**	385,835
Current taxation (provisions less payments)		**1,057,829**	811,549
Acceptances		**74,901**	1,944,916
Mark to market loss on forward foreign exchange contracts		**10,349,523**	1,269,244
Lease liability against right-of-use assets	*5.1.1*	**49,554**	-
Workers' Welfare Fund		**647,200**	321,919
Withholding tax payable		**32,936**	12,441
Clearing and settlements		**159,983**	100,718
Payable to defined benefit plan	*34.4*	**1,069**	2,809
Others		**18,043**	7,765
		17,756,365	9,686,726

20 HEAD OFFICE CAPITAL ACCOUNT - NET

20.1 Head Office Capital Account

Capital held as:	Note	2019	2018
		(Rupees in '000)	
1. Interest free deposit in approved foreign exchange			
i) Remitted from Head Office		20,829,285	17,722,219
ii) Revaluation surplus allowed by the State Bank of Pakistan		2,397,855	3,107,066
		23,227,140	20,829,285

21 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of available for sale securities		192,269	(88,508)
Deferred tax on surplus / (deficit) on revaluation of available for sale securities		(67,294)	30,978
		124,975	(57,530)

22 CONTINGENCIES AND COMMITMENTS

Guarantees	22.1	228,873,652	228,218,346
Commitments	22.2	1,052,545,726	1,041,367,985
Other contingent liabilities		-	-
		1,281,419,378	1,269,586,331

22.1 Guarantees

Financial guarantees		563,251	320,902
Performance guarantees		152,410,005	149,263,511
Other guarantees		75,900,396	78,633,933
		228,873,652	228,218,346

22.2 Commitments

Documentary credits and short-term trade-related transactions			
- letters of credit		9,601,962	1,562,035
Commitments in respect of:			
- forward foreign exchange contracts	22.2.1	826,290,638	832,150,455
- Forward lending	22.2.2	-	281,750
Commitment in respect of forward government securities transactions - sale	22.2.3	216,653,126	207,373,745
		1,052,545,726	1,041,367,985

22.2.1 Commitments in respect of forward foreign exchange contracts

Purchase		403,704,903	422,569,824
Sale		422,585,735	409,580,631
		826,290,638	832,150,455

The maturities of the above are spread over a period of one year.

22.2.2 Commitments in respect of forward lending

Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.2.1	-	281,750

22.2.2.1 These represents commitments that are irrevocable because they cannot be withdrawn at the discretion of the Branches without the risk of incurring significant penalty or expense.

	2019	2018
	(Rupees in '000)	
22.2.3 Commitment in respect of forward government securities transactions - sale	216,653,126	207,373,745

22.3 For contingencies relating to taxation, refer note 30.3.

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		Note	2019	2018
23	**MARK-UP / RETURN / INTEREST EARNED**		**(Rupees in '000)**	
	On:			
	a) Loans and advances		**2,380,954**	1,002,787
	b) Investments		**21,932,529**	13,800,058
	c) Lendings to financial institutions		**29,202,968**	11,924,146
	d) Balances with banks		**49,637**	18,826
			53,566,088	26,745,817
24	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**5,562,706**	2,757,749
	Borrowings		**11,446,768**	8,535,485
	Cost of foreign currency swaps against foreign currency deposits / borrowings		**20,231,358**	6,723,289
	Finance cost against leases		**4,258**	-
			37,245,090	18,016,523
25	**FEE AND COMMISSION INCOME**			
	Branch banking customer fees		**3,430**	1,939
	Card related fees (debit and credit cards)		**365**	209
	Investment banking fees		**170,599**	123,615
	Commission on undrawn syndicated facility		**130,531**	27,713
	Commission on trade		**65,626**	164,516
	Commission on guarantees		**593,424**	595,062
	Commission on remittances including home remittances		**59,846**	36,695
	Others		**9,746**	7,298
			1,033,567	957,047
26	**OTHER INCOME**			
	Gain on disposal of operating fixed assets		**310**	-
	Liabilities no longer required written back		**155**	-
	Charges recovered		**4**	12
			469	12
27	**OPERATING EXPENSES**			
	Total compensation expense	*27.1*	**1,610,828**	1,931,600
	Property expense			
	Rent & taxes		**36,098**	47,924
	Insurance		**5,546**	7,177
	Utilities cost		**22,157**	20,896
	Security (including guards)		**19,264**	13,345
	Repair & maintenance (including janitorial charges)		**1,699**	2,394
	Depreciation		**41,457**	29,158
	Property Management fee		**17,081**	15,828
			143,302	136,722
	Information technology expenses			
	Software maintenance		**521**	437
	Hardware maintenance		**3,917**	2,197
	Depreciation		**13,173**	8,999
	Amortisation		**2,451**	580
	Network charges		**24,764**	27,226
	Others		**-**	-
			44,826	39,439

	Note	2019	2018
		(Rupees in '000)	
Other operating expenses			
Legal & professional charges		**19,535**	20,762
Outsourced services costs	*27.2*	**29,006**	23,226
Travelling & conveyance		**31,419**	29,022
NIFT clearing charges		**542**	486
Entertainment expense		**20,693**	12,354
Depreciation		**25,189**	15,284
Training & development		**4,190**	5,119
Postage & courier charges		**2,345**	1,601
Communication		**2,741**	6,186
Stationery & printing		**12,356**	8,101
Marketing, advertisement & publicity		**23,873**	10,753
Donations	*27.3*	**1,491**	-
Commission expense		**4,599**	4,160
Auditors Remuneration	*27.4*	**5,015**	5,805
Others		**8,202**	6,872
		191,196	149,731
		1,990,152	2,257,492

27.1 Total compensation expense

	2019	2018
Managerial Remuneration		
i) Fixed	**788,776**	601,205
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	**648,294**	1,170,700
Charge for defined benefit plan	**4,800**	4,162
Contribution to defined contribution Plan	**4,146**	3,095
Rent & house maintenance	**78,308**	70,325
Utilities	**19,443**	15,357
Medical	**5,590**	4,570
Conveyance	**4,886**	4,592
Others		
a) Staff entertainment	**25,081**	29,044
b) Travelling	**18,778**	17,584
c) Education	**4,244**	7,964
d) Suiting	**4,542**	-
e) Spouse allowance	**3,940**	3,002
	1,610,828	1,931,600

27.2 Total cost for the year relating to outsourcing activities included in other operating activities is Rs. 29.01 million (2018: Rs. 23.23 million) being paid to companies incorporated in Pakistan. The material outsourcing arrangements along with their nature of service is as follows:

Name of Company	**Nature of Business**	**2019**	2018
		(Rupees in '000)	
Phoenix Armour	Cash transit service	**3,946**	3,605

27.3 Donations above Rs. 0.5 Million

	2019	2018
Mansehra Elementary School	**1,491**	-

27.3.1 Donation was not made to any donee in which key management personnel or their spouse had any interest.

27.4 Auditors' remuneration

	2019	2018
Audit fee	**1,387**	1,387
Fee for audit of employee funds	**205**	87
Special certifications and sundry advisory services	**3,261**	4,246
Out-of-pocket expenses	**162**	85
	5,015	5,805

28 WORKERS WELFARE FUND

Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance,1971 whereby the definition of industrial establishment was extended. The amendments were challenged and conflicting judgments were rendered by various courts. Appeals against these orders were filed in the Supreme Court of

The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against the above judgment. These petitions are currently pending with the Supreme Court of Pakistan.

A legal advice has been obtained by the Pakistan Banking Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive until the review petition is decided. Accordingly, the amount charged for Workers Welfare Fund since 2013 has not been reversed except for a partial reversal amounting to Rs. 20.3 million pertaining to year 2015. On prudent basis, the Branches have further charged WWF provision amounting to Rs. 325.281 million for the year 2019.

29 PROVISIONS & WRITE OFFS - NET

	Note	2019	2018
		(Rupees in '000)	
Provisions against loans & advances	10.3	**65,138**	146,963
		65,138	146,963

30 TAXATION

		2019	2018
Current		**6,465,034**	3,339,306
Prior years		**217,711**	(379)
Deferred		**4,358**	6,369
		6,687,103	3,345,296

30.1 Relationship between tax expense and accounting profit

	Note	2019	2018
Profit before taxation		**16,264,025**	8,412,276
Tax at the applicable rate of 35% (December 31, 2018: 35%)		**5,692,409**	2,944,297
Effect of:			
- Super tax	30.1.1	**650,561**	342,493
- Prior year		**217,711**	-
- Effect of WWF		**126,860**	-
- Taxation effect of expenses that are not deductible in determining taxable income		**(4,358)**	59,247
- Permanent difference		**(581)**	
- Others		**4,501**	(741)
		6,687,103	3,345,296

30.1.1 Super tax for the year ended December 31, 2019 and December 31, 2018 has been recognised at the rate of 4% for the taxable income of 2019 and 2018, respectively.

30.2 The returns of income tax have been filed up to and including tax year 2019. Except for tax years mentioned below, all other assessment years are deemed to be assessed under section 120 of Income Tax Ordinance, 2001. The return for income year 2019 (tax year 2020) is due for filing by 30 September 2020.

30.3 The tax authorities have passed assessment orders for the tax year 2012 to 2014 and raised additional demand of Rs. 45 million on account of minimum tax under section 113 of Income Tax Ordinance, 2001. The Branches' have filed appeal before appellate forum against these amendments and has paid full amount under protest to obtain stay on recovery of the receiving demand till the decision of Commissioner Inland Revenue (Appeals). The management is confident that the appeal will be decided in favour of the Branches, therefore, no provision is recognised in these financial statements.

31 CASH AND CASH EQUIVALENTS

	2019	2018
	(Rupees in '000)	
Cash and balance with Treasury Banks	**32,354,350**	27,658,474
Balance with other banks	**13,270,408**	4,015,685
	45,624,758	31,674,159

31.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2019								
	Liabilities					Equity			Total
	Bills payable	Borrowings	Deposits and other accounts	Deferred tax liabilities	Other liabilities	Head office Capital account	Surplus/ (Deficit) on revaluation of assets	Unremitted profit	
	(Rupees in '000)								
Balance as at 01 January 2019	1,292,129	355,486,464	66,540,142	-	9,686,726	20,829,285	(57,530)	5,486,348	459,263,564
Changes from financing cash flows									
Remittances received from head office	-	-	-	-	-	-	-	-	-
Remittances of unremitted profit	-	-	-	-	-	-	-	(699,500)	(699,500)
Liability related changes									
Changes in bills payable	2,833,205	-	-	-	-	-	-	-	2,833,205
Changes in borrowing	-	(4,244,406)	-	-	-	-	-	-	(4,244,406)
Changes in deposits and other accounts	-	-	27,925,792	-	-	-	-	-	27,925,792
Changes in other liabilities	-	-	-	-	7,755,050	-	-	-	7,755,050
Charge for defined benefit plan	-	-	-	-	-	-	-	-	-
Non-cash based - actuarial loss on re-measurements of defined benefit plan - net of tax	-	-	-	-	-	-	1,413	-	-
Effect of tax movement	-	-	-	93,908	314,589	-	-	-	408,497
Transfer from unremitted profit to head office capital account	-	-	-	-	-	-	-	-	-
Exchange adjustments on revaluation of capital	-	-	-	-	-	2,397,855	-	-	2,397,855
Transfer of profit to reserve	-	-	-	-	-	-	-	9,575,509	9,575,509
Changes in surplus on revaluation of assets	-	-	-	-	-	-	181,092	-	181,092
	2,833,205	(4,244,406)	27,925,792	93,908	8,069,639	2,397,855	182,505	9,575,509	46,834,007
Balance as at 31 December 2019	4,125,334	351,242,058	94,465,934	93,908	17,756,365	23,227,140	124,975	14,362,357	505,398,071

	2018								
	Liabilities					Equity			Total
	Bills payable	Borrowings	Deposits and other accounts	Deferred tax liabilities	Other liabilities	Head office Capital account	Surplus/ (Deficit) on revaluation of assets	Jnremitted profit	
	(Rupees in '000)								
Balance as at 01 January 2018	4,573,858	303,724,827	57,698,198	-	9,011,917	9,506,699	(32,050)	7,365,414	391,848,863
Changes from financing cash flows									
Remittances received from head office	-	-	-	-	-	-	-	-	-
Liability related changes									
Changes in bills payable	(3,281,729)	-	-	-	-	-	-	-	(3,281,729)
Changes in borrowing	-	51,761,637	-	-	-	-	-	-	51,761,637
Changes in deposits and other accounts	-	-	8,841,944	-	-	-	-	-	8,841,944
Changes in other liabilities	-	-	-	-	170,336	1,727,072	-	-	1,897,408
Charge for defined benefit plan	-	-	-	-	(67)	-	-	-	(67)
Non-cash based - actuarial loss on re-measurements of defined benefit plan - net of tax	-	-	-	-	(2,182)	-	-	-	(2,182)
Effect of tax movement	-	-	-	-	506,722	-	-	-	506,722
Transfer from unremitted profit to head office capital account	-	-	-	-	-	6,946,090	-	(6,946,090)	-
Exchange adjustments on revaluation of capital	-	-	-	-	-	-	-	-	-
Transfer of profit to reserve	-	-	-	-	-	2,649,424	-	5,067,024	7,716,448
Changes in surplus on revaluation of assets	-	-	-	-	-	-	(25,480)	-	(25,480)
	(3,281,729)	51,761,637	8,841,944	-	674,809	11,322,566	(25,480)	(1,879,066)	67,414,701
Balance as at 31 December 2018	1,292,129	355,486,464	66,540,142	-	9,686,726	20,829,285	(57,530)	5,486,348	459,263,564

32 CREDIT RATING

Moody's Investor Services Inc. has assigned a long term credit rating of A1 and a short term credit rating of P-1 to the head office of the Branches as at 28 June 2018 (December 2018: A1 for long term and P-1 for short term).

33 STAFF STRENGTH

	2019	2018
	(Number)	
Permanent	97	99
On Branch's contract	3	3
Branch's own staff strength at the end of the year	100	102

33.1 In addition to the above, 08 employees (December 2018:08 employees) of outsourcing services companies were assigned to the Branches as at the end of the year to perform services other than guarding and janitorial services.

34 DEFINED BENEFIT PLAN

34.1 General description

The Branches operate an approved gratuity fund registered in October 2013 w.e.f July 2013 for all its local permanent employees who have completed the qualifying period as defined in the scheme. In the current year, the branches have carried out an actuarial valuation on 31 December 2019 using Projected Unit Credit Method and recorded the obligation accordingly.

34.2 Number of Employees under the scheme

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

	2019	2018
	(Number)	
- Gratuity fund	54	53

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34.3 Principal actuarial assumptions

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

	2019	2018
	(Per annum)	
Discount rate	**12.25%**	12.75%
Expected rate of salary increase	**11.75%**	12.25%
Mortality rates	**EFU (61-66) table**	

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

	2019	2018
	(Rupees in '000)	
Present value of obligations	**22,261**	17,218
Fair value of plan assets	**(21,192)**	(14,409)
Payable / (receivable)	**1,069**	2,809

34.5 Movement in defined benefit obligations

		2019	2018
Obligations at the beginning of the year		**17,218**	13,766
Current service cost		**4,997**	4,011
Past service cost		**-**	-
Interest cost		**1,997**	1,050
Benefits paid by the Branches		**(3,110)**	(1,274)
Re-measurement loss / (gain)	*34.8.2*	**1,159**	(335)
Obligations at the end of the year		**22,261**	17,218

34.6 Movement in fair value of plan assets

		2019	2018
Fair value at the beginning of the year		**14,409**	8,708
Interest income on plan assets		**2,194**	899
Contribution by the Branches - net		**8,714**	6,344
Benefits paid		**(3,110)**	(1,274)
Re-measurements: Net return on plan assets over interest income gain / (loss)	34.8.2	**(1,015)**	(268)
Fair value at the end of the year		**21,192**	14,409

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

		2019	2018
Opening balance		**2,809**	5,058
Charge / (reversal) for the year		**4,800**	4,162
Contribution by the Branches - net		**(8,714)**	(6,344)
Re-measurement loss / (gain) recognised in OCI during the year	*34.8.2*	**2,174**	(67)
Benefits paid by the Branches		**-**	-
Closing balance		**1,069**	2,809

34.8 Charge for defined benefit plans

34.8.1 Cost recognised in profit and loss

	2019	2018
Current service cost	**4,997**	4,011
Past service cost	**-**	-
Net interest on defined benefit asset / liability	**(197)**	151
	4,800	4,162

34.8.2 Re-measurements recognised in OCI during the year

	2019	2018
Loss / (gain) on obligation		
- Demographic assumptions	**-**	-
- Financial assumptions	**-**	(335)
- Experience adjustment	**1,159**	-
Return on plan assets over interest income	**1,015**	268
Total re-measurements recognised in OCI	**2,174**	(67)

34.9 Components of plan assets	2019	2018
	(Rupees in '000)	
Cash and cash equivalents - net	**21,192**	14,409

34.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised below:

	Gratuity fund (Rupees in '000)
1% increase in discount rate	(899)
1% decrease in discount rate	979
1 % increase in expected rate of salary increase	975
1 % decrease in expected rate of salary increase	(911)

34.11 Expected contributions to be paid to the funds in the next financial year	**6,099**
34.12 Expected charge / (reversal) for the next financial year	**5,642**

34.13 Maturity profile

The weighted average duration of the obligation (in years)	**4.8**

34.14 Funding Policy

The Branches endeavours to ensure that liabilities under the employee benefit scheme is covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

34.15 The significant risk associated with the staff retirement benefit schemes includes

Asset Volatility
The fund is exposed to asset volatility risk to the extent of change in bond yields.

Changes in Bond Yields
The valuation of the Gratuity Liability is discounted with reference to the government bond yields. So, any increase in Bond yields will lower the Retirement Benefits Liability and vice versa, but, it will also lower the Asset values.

Inflation Risk
The salary inflation (especially the final salary risk) is the major risk that the Gratuity and compensated absences liability carries. In a general economic sense and in a longer view, there is a case that if bond yields increase, the ensuing change in salary inflation generally offsets the gains from the decrease in discounted gratuity. But viewed with the fact that, for gratuity, asset values will also decrease; the salary inflation does, as an overall effect, increases the net liability of the Branches.

Life Expectancy / Withdrawal Rate
The Gratuity is paid off at the maximum of age 60. The Life expectancy is in almost minimal range and is quite predictable in the ages when the employee is in the accredited employment of the Branches for the purpose of the Gratuity . Thus, the risk of life expectancy is almost negligible.

The withdrawal risk is dependent upon the: benefit structure; age and retention profile of the staff; the valuation methodology; and long-term valuation assumptions. In this case, it is not a significant downside risk as higher withdrawal, although troublesome for the branches, will give rise to a release in the liability as retirement benefits for unvested due to earlier withdrawal.

35 DEFINED CONTRIBUTION PLAN

The Branches operates as approved provident fund scheme for all of its permanent employees to which both Branches and employees contribute at the rate of 10% of basic salary in equal monthly contribution. During the year the Branches had contributed an amount of Rs. 4.15 million (December 31, 2018: Rs. 3.094 million) to recognized provident fund.

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36 COMPENSATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives	
	2019	2018	**2019**	2018
	(Rupees in '000)		(Rupees in '000)	
Managerial remuneration & bonus	**54,874**	51,376	**454,177**	460,844
Charge for defined benefit plan	-	-	**475**	482
Contribution to defined contribution plan	-	-	**167**	207
Rent and house maintenance	**2,369**	2,249	**22,170**	42,881
Utilities	-	-	**262**	207
Medical	-	-	**262**	207
Conveyance	**208**	1,190	**4,354**	7,153
Others	**20**	16	**8,245**	5,477
	57,471	54,831	**490,112**	517,458
Number of persons	**1**	1	**21**	22

36.1 The chief executive and certain executives are also provided with drivers, security arrangements, accommodation, fees of children and payment of travel bills in accordance with their terms of employment.

37 FAIR VALUE MEASUREMENTS

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

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

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

37.1 Fair value of financial assets

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

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

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

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

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

	2019				
	Carrying / Notional value	**Fair value**			
On balance sheet financial instruments		**Level 1**	**Level 2**	**Level 3**	**Total**
	(Rupees in '000)				
Financial assets - measured at fair value					
Investments					
Federal Government Securities	**187,130,721**	-	**187,130,721**	-	**187,130,721**
Financial assets - not measured at fair value					
Investments					
Federal Government Securities	**24,029,967**	-	**24,163,275**	-	**24,163,275**
Off-balance sheet financial instruments - measured at fair value					
Forward purchase and sale of foreign exchange contracts	**826,290,638**	-	**(9,952,336)**	-	**(9,952,336)**
Forward sale of government securities	**216,653,126**	-	**215,607,672**	-	**215,607,672**

	2018				
	Carrying / Notional value	Fair value			
On balance sheet financial instruments		Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Financial assets - measured at fair value					
Investments					
Federal Government Securities	175,857,020	-	175,857,020	-	175,857,020
Financial assets - not measured at fair value					
Investments					
Federal Government Securities	-	-	-	-	-
Off-balance sheet financial instruments - measured at fair value					
Forward purchase and sale of foreign exchange	832,150,455	-	15,115,616	-	15,115,616
Forward sale of government securities	207,373,745	-	207,373,745	-	207,373,745

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

(a) Financial instruments in level 2

Financial instruments included in level 2 comprise of Market Treasury Bills, Pakistan Investment Bonds and forward foreign exchange contracts.

Item	Valuation approach and input used
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates.
Forward Foreign Exchange Contracts	The valuation has been determined by interpolating the FX revaluation rates announced by State Bank of Pakistan.

(b) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

38 SEGMENT INFORMATION

38.1 Segment Details with respect to Business Activities

	2019				
	Corporate finance	**Treasury**	**Branch Banking**	**Others**	**Total**
Profit and Loss			(Rupees in '000)		
Net mark-up / return / profit	2,380,954	19,457,371	(5,513,069)	(4,258)	16,320,998
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	789,581	1,289,562	243,986	469	2,323,598
Total Income	3,170,535	20,746,933	(5,269,083)	(3,789)	18,644,596
Segment direct expenses	149,089	2,099,336	63,466	3,542	2,315,433
Inter segment expense allocation	-	-	-	-	-
Total expenses	149,089	2,099,336	63,466	3,542	2,315,433
Provisions	(65,138)	-	-	-	(65,138)
Profit before tax	2,956,308	18,647,597	(5,332,549)	(7,331)	16,264,025
Balance Sheet					
Cash & Bank balances	-	32,168,401	13,456,357	-	45,624,758
Investments	-	211,160,688	-	-	211,160,688
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	214,503,548	-	-	214,503,548
Advances - performing	29,162,284	-	-	-	29,162,284
- non-performing	-	-	-	-	-
Others	3,379,852	397,187	396,526	773,228	4,946,793
Total Assets	32,542,136	458,229,824	13,852,883	773,228	505,398,071
Borrowings	-	351,242,058	-	-	351,242,058
Deposits & other accounts	-	-	94,465,934	-	94,465,934
Net inter segment borrowing	-	-	-	-	-
Others	3,513,947	10,349,523	4,285,317	3,826,820	21,975,607
Total liabilities	3,513,947	361,591,581	98,751,251	3,826,820	467,683,599
Equity	29,028,189	96,638,243	(84,898,368)	(3,053,592)	37,714,472
Total Equity and liabilities	32,542,136	458,229,824	13,852,883	773,228	505,398,071
Contingencies and Commitments	238,475,614	1,042,943,764	-	-	1,281,419,378

	2018				
	Corporate finance	Treasury	Branch Banking	Others	Total
Profit and Loss			(Rupees in '000)		
Net mark-up / return / profit	1,002,787	17,188,719	(9,462,212)	-	8,729,294
Inter segment revenue - net	-	-	-	-	-
Non mark-up / return / interest income	787,291	-	1,468,379	12	2,255,682
Total Income	1,790,078	17,188,719	(7,993,833)	12	10,984,976
Segment direct expenses	137,638	2,258,473	25,733	3,893	2,425,737
Inter segment expense allocation	-	-	-	-	-
Total expenses	137,638	2,258,473	25,733	3,893	2,425,737
Provisions	(146,963)	-	-	-	(146,963)
Profit before tax	1,505,477	14,930,246	(8,019,566)	(3,881)	8,412,276
Balance Sheet					
Cash & Bank balances	-	27,429,585	4,244,574	-	31,674,159
Investments	-	175,857,020	-	-	175,857,020
Net inter segment lending	-	-	-	-	-
Lendings to financial institutions	-	207,924,067	-	-	207,924,067
Advances - performing	22,713,422	-	-	-	22,713,422
- non-performing	-	-	-	-	-
Others	3,345,503	16,384,860	627,518	737,015	21,094,896
Total Assets	26,058,925	427,595,532	4,872,092	737,015	459,263,564
Borrowings	-	355,486,464	-	-	355,486,464
Deposits & other accounts	-	-	66,540,142	-	66,540,142
Net inter segment borrowing	-	-	-	-	-
Others	5,515,277	1,269,244	1,392,847	2,801,487	10,978,855
Total liabilities	5,515,277	356,755,708	67,932,989	2,801,487	433,005,461
Equity	20,543,648	70,839,824	(63,060,897)	(2,064,472)	26,258,103
Total Equity and liabilities	26,058,925	427,595,532	4,872,092	737,015	459,263,564
Contingencies and Commitments	230,062,131	1,039,524,200	-	-	1,269,586,331

39 RELATED PARTY TRANSACTIONS

The Branches has related party transactions with its Head Office, other ICBC Branches, employee benefit plans and its Directors and Key management personnel.

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

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

	2019				2018			
	Key management personnel	**Head office**	**Overseas branches**	**Other related parties**	Key management personnel	Head office	Overseas branches	Other related parties
	(Rupees in '000)							
Balances with other banks								
In deposit accounts	-	10,639,332	1,072,494	-	-	789,726	452,180	-
In current accounts	-	-	1,558,582	-	-	-	2,773,779	-
	-	10,639,332	2,631,076	-	-	789,726	3,225,959	-
Lendings to financial institutions								
Opening balance	-	-	-	-	-	-	-	-
Addition during the year	-	-	59,100,411	-	-	-	53,236,924	-
Repaid during the year	-	-	(59,100,411)	-	-	-	(53,236,924)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-
Other Assets								
Forward exchange contract	-	-	247,952	-	-	-	480,815	-
Borrowings								
Opening balance	-	-	355,486,464	-	-	-	298,921,504	-
Borrowings during the year	-	70,455,658	1,790,696,787	-	-	71,236,155	3,498,365,876	-
Settled during the year	-	(39,486,138)	(1,825,910,713)	-	-	(71,236,155)	(3,441,800,916)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	-	30,969,520	320,272,538	-	-	-	355,486,464	-
Deposits and other accounts								
Opening balance	2,325	-	-	-	3,508	-	-	-
Received during the year	329,045	-	-	-	294,767	-	-	-
Withdrawn during the year	(328,326)	-	-	-	(295,950)	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-
Closing balance	3,044	-	-	-	2,325	-	-	-
Other Liabilities								
Interest / mark-up payable	68	154,390	1,294,508	-	53	-	-	-
Payable to staff retirement fund	-	-	-	1,069	-	-	-	2,809
Forward exchange contracts	-	-	142,704	-	-	-	1,038,795	-
Contingencies and Commitments								
Letter of guarantee	-	-	120,397,915	-	-	-	85,893,752	-
Forward exchange contract sale	-	-	27,141,352	-	-	-	44,987,629	-
Forward exchange contract purchase	-	-	27,272,598	-	-	-	44,032,903	-

	2019				2018			
	Key management personnel	**Head office**	**Overseas branches**	**Other related parties**	Key management personnel	Head office	Overseas branches	Other related parties
	(Rupees in '000)							
Income								
Mark-up / return / interest earned	-	16,775	31,737	-	-	-	27,809	-
Fee and commission income	-	5,874	444,006	-	-	-	140,134	-
Expense								
Mark-up / return / interest paid	43	402,276	11,041,036	-	61	8,388	8,394,212	-
Compensation expense	547,583	-	-	-	572,289	-	-	-
Contribution to provident fund	-	-	-	4,146				3,095
Contribution to gratuity fund	-	-	-	4,800				4,162

40 TRUST ACTIVITIES

The Branches are not engaged in any significant trust activities.

41 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2019	2018
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	23,227,140	20,829,285
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	37,585,634	26,255,313
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	37,585,634	26,255,313
Eligible Tier 2 Capital	419,541	229,428
Total Eligible Capital (Tier 1 + Tier 2)	38,005,175	26,484,741
Risk Weighted Assets (RWAs):		
Credit Risk	91,137,044	101,020,285
Market Risk	31,328,831	26,382,340
Operational Risk	22,848,036	13,363,679
Total	145,313,910	140,766,304
Common Equity Tier 1 Capital Adequacy ratio	25.87%	18.65%
Tier 1 Capital Adequacy Ratio	25.87%	18.65%
Total Capital Adequacy Ratio	26.15%	18.81%

As at December 31, 2019 the SBP requires to maintain a ratio of total regulatory capital to the risk - weighted assets at or above the required minimum level of 12.5% and maintain Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.0% and 7.5% respectively.

With effect from December 31, 2019 an additional Capital Conversation Buffer of 2.50% has to be maintained over and above the minimum required level.

For Capital adequacy calculation, Branches have adopted Simple approach for Credit & Market Risk related exposures and Basic Indicator Approach for operational risk.

	2019	2018
	(Rupees in '000)	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	37,585,634	26,255,313
Total Exposures	747,882,932	690,299,295
Leverage Ratio	5.03%	3.80%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	419,193,876	361,385,332
Total Net Cash Outflow	181,988,567	176,610,002
Liquidity Coverage Ratio	230%	205%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	108,925,646	109,226,928
Total Required Stable Funding	84,559,674	67,827,261
Net Stable Funding Ratio	129%	161%

41.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time are placed on the website. The link to the full disclosure is available at http://karachi.icbc.com.cn/ICBC/%E6%B5%B7%E5%A4%96%E5%88%86%E8%A1%8C/%E5%8D%A1%E6%8B%89%E5%A5%87%E7%BD%91%E7%AB%99/en/CustomerService1/Downloads/

42 RISK MANAGEMENT

42.1 RISK MANAGEMENT

The primary objective of the Risk Management System is to safeguard the Branches' capital, their financial resources and profitability from various risks. The Branches risk management policies are designed to identify and analyse all risks, to set appropriate risk limits and controls, to measure and monitor the same through reliable Management Information System.

This section presents information about the Branches exposure to, and its management and control of, risks, in particular the primary risks associated with its use of financial instruments. Most of the functions specified below have been performed at head office level.

Credit risk

Credit Risk Management processes encompass identification, assessment, measurement, monitoring and control of the credit exposures. In the Branches experience, a key to effective credit risk management is a well thought out business strategy. The Branches focus over the coming years will be to further enhance risk models, processes and systems infrastructure, in line with its ambition to bring maximum sophistication to the risk management function.

The Branches, as per State Bank of Pakistan Guidelines, calculated its Capital Adequacy Ratio (CAR) based on the SBP Guidelines on Basel III. Processes have been set for fine-tuning the systems & procedures, information technology capabilities and risk governance structure to meet the requirements of the advanced approaches as well.

The Head Office has delegated responsibility for the management of credit risk to the credit committee which is responsible for the oversight of the Branches' credit risk in respect of:

- Formulating credit policies
- Establishing the authorization structure
- Reviewing and assessing credit risk
- Limiting concentration of exposure to counterparties
- Developing and maintaining the Branches' risk grading
- Reviewing compliance of business units
- Providing advice, guidance and specialist skills to promote best practice in the management of credit risk.

The Branches have built-up and maintained a sound loan portfolio in terms of well-defined Credit Policy. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in lending activities and ensuring the high quality of asset portfolio. As part of prudent practices, the management conducts pre-fact validation of major cases from integrated risk point of view. The Branches manage its portfolio of loan assets with a view to limit concentrations in terms of risk quality, geography, industry, maturity and large exposure.

Credit Risk - General Disclosures Basel II Specific

The Branches are using The Standardized Approach (TSA) of SBP Basel II accord for the purpose of estimating Credit Risk Weighted Assets. Under TSA, banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets.

Disclosures for portfolio subject to the Standardized Approach & Supervisory risk weights in the IRB Approach-Basel II specific

External

SBP Basel II guidelines require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAIs) namely PACRA, JCR-VIS, Moodys, Fitch and Standard & Poors.

The branches use external ratings for the purposes of computing the risk weights as per the Basel II framework. For exposures with a contractual maturity of less than or equal to one year, short-term rating given by approved Rating Agencies is used, whereas for long-term exposure with maturity of greater than one year, long-term rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

Disclosures with respect to Credit Risk Mitigation for Standardized and IRB approaches-Basel II specific

Credit risk mitigation policy

The Branches define collateral as the assets or rights provided to the Branches by the borrower or a third party in order to secure a credit facility. The Branches would have the rights of secured creditor in respect of the assets or rights offered as security for the obligations of the borrower / obligor.

Collateral valuation and management

As stipulated in the SBP Basel II guidelines, the Branches have a policy to use the comprehensive approach for collateral valuation. Under this approach, the Branches reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel II guidelines. In line with Basel II guidelines, the Branches make adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral. These adjustments, also referred to as 'haircuts', are made to produce volatility-adjusted amounts for collateral. These are reduced from the exposure to compute the capital charge based on the applicable risk weights. At 31 December 2019, there are no non performing advances.

Types of collateral taken by the Branches

The Branches determine the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage or hypothecation. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors / Borrowers are also obtained by the Branches.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the approved credit approval authorization policy. Collaterals on facilities are in line with the policy.

Types of eligible financial collateral

For credit risk mitigation purposes, the Branches consider all types of financial collaterals that are eligible under SBP Basel II instructions. This includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognized credit rating agencies, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities. In general, for Capital calculation purposes, the Branches only recognize eligible collaterals as mentioned in the SBP Basel II instructions.

Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrower and group borrowers.

Particulars of Branches significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

42.1.1 *Lendings to financial institutions*

Credit risk by public / private sector	**Gross lendings**		**Non-performing lendings**		**Provision held**	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Public / Government	-	-	-	-	-	-
Private	**214,503,548**	207,924,067	-	-	-	-
	214,503,548	207,924,067	-	-	-	-

42.1.2 *Investment in debt securities*

Credit risk by industry sector	**Gross investments**		**Non-performing investments**		**Provision held**	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Financial	**211,160,688**	175,857,020	-	-	-	-
Credit risk by public / private sector						
Public / Government	**211,160,688**	175,857,020	-	-	-	-
Private	-	-	-	-	-	-
	211,160,688	175,857,020	-	-	-	-

42.1.3 *Advances*

Credit risk by industry sector	**Gross advances**		**Non-performing advances**		**Provision held**	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Textile	**2,940,001**	1,540,000	-	-	-	-
Chemical and Pharmaceuticals	**2,446,140**	1,400,402	-	-	-	-
Cement	**2,349,009**	-	-	-	-	-
Construction	**1,132,761**	-	-	-	-	-
Footwear and Leather garments	**500,000**	-	-	-	-	-
Sugar	**999,726**	898,210	-	-	-	-
Automobile and transportation equipment	**600,000**	500,000	-	-	-	-
Electronics and electrical appliances	**2,561,692**	1,509,863	-	-	-	-
Power (electricity), Gas, Water, Sanitary	**11,534,125**	9,478,063	-	-	-	-
Wholesale and Retail Trade	**666,666**	6,644,845	-	-	-	-
Services	**2,455,500**	187,500	-	-	-	-
Individuals	**29,100**	34,467	-	-	-	-
Others	**1,242,130**	749,500	-	-	-	-
	29,456,850	22,942,850	-	-	-	-
Credit risk by public / private sector						
Public / Government	-	-	-	-	-	-
Private	**29,456,850**	22,942,850	-	-	-	-
	29,456,850	22,942,850	-	-	-	-

42.1.4 *Contingencies and Commitments*

Credit risk by industry sector	**2019**	2018
	(Rupees in '000)	
Automobile and transportation equipment	**1,792,727**	5,853,497
Electronics and electrical appliances	**75,965,538**	56,366,951
Construction	**125,934,013**	143,781,316
Power (electricity), Gas, Water, Sanitary	**25,120,053**	16,928,716
Transport, Storage and Communication	**2,759,313**	4,896,469
Financial	**6,286,924**	41,659
Others	**617,046**	1,911,773
	238,475,614	229,780,381
Credit risk by public / private sector		
Public/ Government	-	-
Private	**238,475,614**	229,780,381
	238,475,614	229,780,381

42.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 22,466 million (2018: Rs. 18,891 million) are as following:

	2019	2018
	(Rupees in '000)	
Funded	**20,545,187**	14,661,667
Non Funded	**1,921,342**	4,229,644
Total Exposure	**22,466,529**	18,891,311

The sanctioned limits against these top 10 exposures aggregated to Rs 34,555 million (2018: Rs 21,674 million).

42.1.6 Advances - Province/Region-wise Disbursement & Utilization

	2019						
	Disbursements	Utilization					
Province/Region		**Punjab**	**Sindh**	**KPK including FATA**	**Balochistan**	**Islamabad**	**AJK including Gilgit-Baltistan**
	(Rupees in '000)						
Punjab	**16,307,987**	**16,307,987**	**-**	**-**	**-**	**-**	**-**
Sindh	**27,999,907**	**1,464,433**	**22,590,621**	**1,150,000**	**2,794,853**	**-**	**-**
Islamabad	**3,054,932**	**1,499,008**	**749,990**	**-**	**-**	**805,934**	**-**
Total	**47,362,826**	**19,271,428**	**23,340,611**	**1,150,000**	**2,794,853**	**805,934**	**-**

	2018						
	Disbursements	Utilization					
Province/Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	11,398,713	11,320,040	78,673	-	-	-	-
Sindh	24,826,998	908,580	23,518,418	400,000	-	-	-
Islamabad	891,523	-	700,980	190,543	-	-	-
Total	37,117,234	12,228,620	24,298,071	590,543	-	-	-

42.2 Market Risk

Market risk is the risk of loss arising from movement in market variables including observable variables such as interest rates, exchange rates and equity indices, and others which may be only indirectly observable such as volatilities and correlations. The Branches' policy is that all market risk taking activity is undertaken within approved market risk limits, and that the Branches' standards/ guiding principles are upheld at all times.

Market Risk Management is an independent control function with clear segregation of duty and reporting line with the business-line. Its main responsibility is to ensure that the risk-taking units manage the Branch's market risk exposure within a robust market risk framework and within the Branch's risk appetite. The Branch's standard systems are used to furnish senior trading and Market Risk staff with risk exposures. All trading activities and any business proposal that commit or may commit the Branch (legally or morally) to deliver risk sensitive products require approval by independent authorized risk professionals or committees, prior to commitment.

42.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	**32,354,350**	**-**	**32,354,350**	27,658,474	-	27,658,474
Balances with other banks	**13,270,408**	**-**	**13,270,408**	4,015,685	-	4,015,685
Lendings to financial institutions	**214,503,548**	**-**	**214,503,548**	207,924,067	-	207,924,067
Investments	**211,160,688**	**-**	**211,160,688**	175,857,020	-	175,857,020
Advances	**29,162,284**	**-**	**29,162,284**	22,713,422	-	22,713,422
Fixed assets	**628,978**	**-**	**628,978**	590,331	-	590,331
Intangible assets	**3,863**	**-**	**3,863**	2,788	-	2,788
Deferred tax assets	**-**	**-**	**-**	7,961	-	7,961
Other assets	**4,313,952**	**-**	**4,313,952**	20,493,816	-	20,493,816
	505,398,071	**-**	**505,398,071**	459,263,564	-	459,263,564

42.2.2 Foreign Exchange Risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Branches manage this risk by setting and monitoring dealer, currency and counter-party limits for on and off-balance sheet financial instruments.

FX risk is mainly managed through matched positions. Unmatched positions are covered substantially through derivative instruments such as Forwards and Swaps.

The currency risk is regulated and monitored against the regulatory/statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.

The analysis below represents the concentration of the Branches' foreign currency risk for on and off balance sheet financial instruments:

The branches should discuss the nature and description of their foreign exchange exposures during the year.

	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	**467,909,183**	**67,133,861**	**(363,063,759)**	**37,711,563**	427,290,940	41,116,126	(360,015,342)	26,159,472
United States Dollar	**35,805,647**	**398,793,148**	**362,796,645**	**(190,856)**	31,134,376	391,285,604	359,949,922	(201,306)
Great Britain Pound Sterling	**9,133**	**-**	**-**	**9,133**	21,691	-	-	21,691
Euro	**203,084**	**-**	**-**	**203,084**	61,542	-	-	61,542
Japanese Yen	**170**	**-**		**170**	49	-	-	49
Chinese Yuan	**1,469,231**	**1,756,590**	**262,125**	**(25,234)**	753,537	603,731	65,420	215,226
HKD	**1,623**	**-**	**4,989**	**6,612**	1,429	-	-	1,429
	505,398,071	**467,683,599**	**-**	**37,714,472**	459,263,564	433,005,461	-	26,258,103

	2019		2018	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account				
- 1 % Upward change in interest rates	**2,190**	**-**	2,999	-
- 1 % Downward change in interest rates	**(2,190)**	**-**	(2,999)	-

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

The interest rate risk arises from the fluctuation in the value of financial instruments consequent to changes in market interest rates. The branches are exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or are re-priced in a given period. In order to ensure that this risk is managed within acceptable limits, branches' Asset and Liability Management Committee (ALCO) monitors various gap limits and re-pricing of the assets and liabilities on a regular basis.

	2019 Banking book	2019 Trading book	2018 Banking book	2018 Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
- Profit and loss account				
- 1 % Upward change in interest rates	(1,053,828)	-	(1,089,963)	-
- 1 % Downward change in interest rates	1,053,828		1,089,963	
- Other comprehensive income				
- 1 % Upward change in interest rates	(8,769)	-	(19,477)	-
- 1 % Down change in interest rates	8,718	-	19,529	-

42.2.4 *Mismatch of Interest Rate Sensitive Assets and Liabilities*

2019

	Effective Yield / Interest rate	Total	Exposed to Yield/ Interest risk: Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
On-balance sheet financial instruments		(Rupees in '000)										
Assets												
Cash and balances with treasury banks	0% - 1.50%	32,354,350	548,182	-	-	-	-	-	-	-	-	31,806,168
Balances with other banks	0% - 1.6%	13,270,408	11,711,826	-	-	-	-	-	-	-	-	1,558,582
Lending to financial institutions	13.00% - 13.4%	214,503,548	214,503,548	-	-	-	-	-	-	-	-	-
Investments	10.00% - 14.28%	211,160,688	13,918,296	-	81,947,743	91,264,682	20,340,239	3,689,728	-	-	-	-
Advances	5% - 17.35%	29,162,284	13,656,035	10,787,865	4,689,576	-	-	-	-	-	-	28,808
Other assets	-	4,313,952	-	-	-	-	-	-	-	-	-	4,313,952
		504,765,230	254,337,887	10,787,865	86,637,319	91,264,682	20,340,239	3,689,728	-	-	-	37,707,510
Liabilities												
Bills payable		4,125,334	-	-	-	-	-	-	-	-	-	4,125,334
Borrowings	1.60% - 2.88%	351,242,058	136,468,437	214,773,621	-	-	-	-	-	-	-	-
Deposits and other accounts	0.02% - 14.34%	94,465,934	35,257,889	13,334,200	-	77,000	-	-	-	-	-	45,796,845
Other liabilities	-	17,756,365	-	-	-	-	-	-	-	-	-	17,756,365
		467,589,691	171,726,326	228,107,821	-	77,000	-	-	-	-	-	67,678,544
On-balance sheet gap		37,175,539	82,611,561	(217,319,956)	86,637,319	91,187,682	20,340,239	3,689,728	-	-	-	(29,971,034)
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign Exchange contracts forward purchases		403,704,903	80,326,341	86,071,528	169,131,123	68,175,911	-	-	-	-	-	-
- forward foreign Exchange contracts forward sales		(422,585,735)	(84,991,041)	(91,681,677)	(175,458,583)	(70,454,434)	-	-	-	-	-	-
- Government securities transactions forward sales		(215,607,627)	(215,607,627)	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(234,488,459)	(220,272,327)	(5,610,149)	(6,327,460)	(2,278,523)	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(137,660,766)	(222,930,105)	80,309,859	88,909,159	20,340,239	3,689,728	-	-	-	(29,971,034)
Cumulative Yield/Interest Risk Sensitivity Gap			(137,660,766)	(360,590,871)	(280,281,012)	(191,371,853)	(171,031,614)	(167,341,886)	(167,341,886)	(167,341,886)	(167,341,886)	(197,312,920)

	2018											
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest 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	
On-balance sheet financial instruments			(Rupees in '000)									
Assets												
Cash and balances with treasury banks	0% - 1.35%	27,658,474	922,833	-	-	-	-	-	-	-	-	26,735,641
Balances with other banks	0% - 1.6%	4,015,685	4,015,685	-	-	-	-	-	-	-	-	-
Lending to financial institutions	10.05% - 10.40%	207,924,067	207,924,067	-	-	-	-	-	-	-	-	-
Investments	5.89% - 8.7498%	175,857,020	174,852,475	-	-	1,004,545	-	-	-	-	-	-
Advances	5% - 12.28%	22,713,422	6,492,553	12,602,712	3,584,148	208	517	465	9,075	-	23,744	-
Other assets	-	20,493,816	-	-	-	-	-	-	-	-	-	20,493,816
		458,662,484	394,207,613	12,602,712	3,584,148	1,004,753	517	465	9,075	-	23,744	47,229,457
Liabilities												
Bills payable	-	1,292,129	-	-	-	-	-	-	-	-	-	1,292,129
Borrowings	2.93% - 4.1%	355,486,464	154,692,157	44,019,222	85,955,516	70,819,569	-	-	-	-	-	-
Deposits and other accounts	0.02% - 10.85%	66,540,142	23,388,809	8,905,185	1,935,377	1,670,977	2,667,573	3,324,081	6,648,162	3,324,117	3,324,117	11,351,744
Other liabilities	-	9,686,726	-	-	-	-	-	-	-	-	-	9,686,726
		433,005,461	178,080,966	52,924,407	87,890,893	72,490,546	2,667,573	3,324,081	6,648,162	3,324,117	3,324,117	22,330,599
On-balance sheet gap		25,657,023	216,126,647	(40,321,695)	(84,306,745)	(71,485,793)	(2,667,056)	(3,323,616)	(6,639,087)	(3,324,117)	(3,300,373)	24,898,858
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign Exchange contracts forward purchases		422,569,825	12,190,767	119,973,085	115,457,138	174,948,835	-	-	-	-	-	-
- forward foreign Exchange contracts forward sales		(409,580,631)	(12,190,311)	(111,709,652)	(109,184,723)	(176,495,945)	-	-	-	-	-	-
- Government securities transactions forward sales		(206,972,965)	(206,972,965)	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(193,983,771)	(206,972,509)	8,263,433	6,272,415	(1,547,110)	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			9,154,138	(32,058,262)	(78,034,330)	(73,032,903)	(2,667,056)	(3,323,616)	(6,639,087)	(3,324,117)	(3,300,373)	24,898,858
Cumulative Yield/Interest Risk Sensitivity Gap			9,154,138	(22,904,124)	(100,938,454)	(173,971,357)	(176,638,413)	(179,962,029)	(186,601,116)	(189,925,233)	(193,225,606)	(168,326,748)

42.3 *Operational Risk*

The Branches' operational risk is related to possible losses which may be incurred as a result of failures occurring in the branches' day to day operations, such as breakdown in electronic and telecommunication, routines or other systems. Additional factors being insufficient levels of professional skills or human errors. In order to keep the Branches' operational risks to a minimum level, various suites of risk tools are used to manage operational risk using a common categorization of risk.

Branches' approach to operational risk is not designed to eliminate risk, rather, to contain it within the acceptable levels, as determined by senior management, and to ensure that the Branches have used sufficient information to make informed decisions about additional controls, adjustments to controls, or other risk responses.

42.3.1 Operational Risk-Disclosures Basel II Specific

The Branches use Basic Indicator Approach to calculate capital charge for operational risk as per Basel II regulatory framework.

This approach is considered to be most suitable in view of the business model of the Branches.

42.4 *Liquidity Risk*

Liquidity risk is the risk that the Branches will be unable to meet their net funding requirements. Liquidity risk can be caused by market destruction of credit downgrades, which may cause certain sources of funding to become unavailable. To guard against this risk the Branches' assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarizes the maturity profile of the branches assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the branches deposit retention history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets /liabilities will be realized / settled.

Moreover, the Branches' are fully compliant with Basel III LCR and NSFR, which ensure sufficient stock of High Quality Liquidity Assets in relation to its liability profile.

[redacted]

42.4.1 *Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Branches*

	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)													
Assets															
Cash and balances with treasury banks	32,354,350	304,240	1,825,442	2,129,682	4,867,845	-	-	-	-	-	-	-	-	23,227,141
Balances with other banks	13,270,408	442,347	2,654,082	3,096,429	7,077,550	-	-	-	-	-	-	-	-	-
Lending to financial institutions	214,503,548	-	103,042,313	40,564,575	70,896,660	-	-	-	-	-	-	-	-	-
Investments	211,180,688	-	-	-	13,918,296	-	-	81,947,743	56,100,114	35,164,568	20,340,239	3,689,728	-	-
Advances	29,162,284	-	-	-	1,232,872	2,094,746	2,300,888	10,434,893	3,707,408	4,437,253	258	2,987	1,589,749	3,361,852
Fixed assets	628,978	965	-	-	73	1,195	1,132	4,361	6,383	5,258	27,840	37,519	31,917	512,357
Intangible assets	3,863	355	-	-	-	350	354	840	402	335	704	503	20	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	4,313,952	-	1,863,818	1,414,550	843,374	12,901	122,021	168,253	87,953	1,082	-	-	-	-
	505,398,071	747,907	109,185,855	47,205,236	98,836,470	2,109,192	2,424,195	92,555,890	59,902,238	39,608,494	20,369,041	3,730,717	1,621,686	27,101,350
Liabilities														
Bills payable	4,125,334	137,511	825,067	962,578	2,200,178	-	-	-	-	-	-	-	-	-
Borrowings	351,242,058	-	667,092	83,308,009	52,493,336	182,720,168	32,053,453	-	-	-	-	-	-	-
Deposits and other accounts	94,465,934	2,472,323	19,633,947	17,508,271	41,442,192	3,250,000	10,084,200	-	40,000	37,001	-	-	-	-
Deferred tax liabilities	93,908	3,130	18,782	21,912	50,084	-	-	-	-	-	-	-	-	-
Other liabilities	17,756,365	13,903	76,336	4,170,585	5,195,982	4,392,448	911,661	1,639,722	161,830	47,179	170,189	199,926	394,007	382,617
	467,683,599	2,626,867	21,221,224	105,969,355	101,381,752	190,362,616	43,049,314	1,639,722	201,830	84,180	170,189	199,926	394,007	382,617
Net assets	37,714,472	(1,878,960)	87,964,431	(58,764,119)	(2,545,282)	(188,253,424)	(40,625,119)	90,916,168	59,700,408	39,524,314	20,198,852	3,530,791	1,227,679	26,718,733
Head office capital account	23,227,140													
Reserves	-													
Unappropriated / Unremitted profit	14,362,357													
Surplus / (Deficit) on revaluation of assets	124,975													
	37,714,472													

	2018														
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
		(Rupees in '000)													
Assets															
Cash and balances with treasury banks	27,658,474	227,640	1,365,838	1,593,477	3,642,234	-	-	-	-	-	-	-	-	20,829,285
Balances with other banks	4,015,685	133,856	803,137	936,993	2,141,699	-	-	-	-	-	-	-	-	-
Lending to financial institutions	207,924,067	-	116,017,715	91,906,352	-	-	-	-	-	-	-	-	-	-
Investments	175,857,020	-	174,852,475	-	-	-	-	-	1,004,545	-	-	-	-	-
Advances	22,713,422	-	1,138,479	1,846,319	1,687,929	5,936,866	6,665,819	3,881,135	346,213	-	186,142	465	9,075	1,014,980
Fixed assets	590,331	-	-	-	-	-	-	26	19	351	12,622	21,113	16,720	539,480
Intangible assets	2,788	128	-	-	16	116	16	182	197	197	787	627	522	-
Deferred tax assets	7,961	266	1,597	1,863	4,235	-	-	-	-	-	-	-	-	-
Other assets	20,493,816	-	1,987,635	92,686	4,092,474	6,733,531	6,863,298	702,714	355	21,123	-	-	-	-
	459,263,564	361,890	296,166,876	96,377,690	11,568,587	12,670,513	13,529,133	4,584,057	1,351,329	21,671	199,551	22,205	26,317	22,383,745
Liabilities														
Bills payable	1,292,129	43,071	258,426	301,497	689,135	-	-	-	-	-	-	-	-	-
Borrowings	355,486,464	-	61,515,822	12,497,571	80,678,764	32,910,270	11,108,952	85,955,516	-	70,819,569	-	-	-	-
Deposits and other accounts	66,540,142	1,189,697	7,138,182	18,827,879	30,575,352	5,083,000	2,810,000	656,817	6,000	253,215	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	9,686,726	-	4,151,031	1,980,965	1,925,905	876,166	76,646	675,999	14	-	-	-	-	-
	433,005,461	1,232,768	73,063,461	33,607,912	113,869,156	38,869,436	13,995,598	87,288,332	6,014	71,072,784	-	-	-	-
Net assets	26,258,103	(970,878)	223,103,415	62,769,778	(102,300,569)	(26,198,923)	(466,465)	(82,704,275)	1,345,315	(71,051,113)	199,551	22,205	26,317	22,383,745
Head office capital account	20,829,285													
Reserves	-													
Unappropriated / Unremitted profit	5,486,348													
Surplus / (Deficit) on revaluation of assets	(57,530)													
	26,258,103													

42.4.2 **Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Branches**

	2019									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	32,354,350	2,139,681	2,854,419	1,237,556	2,895,554	-	-	-	-	23,227,140
Balances with other banks	13,270,408	9,833,023	3,198,424	120,925	118,036	-	-	-	-	-
Lending to financial institutions	214,503,548	214,503,548	-	-	-	-	-	-	-	-
Investments	211,160,688	13,918,296	-	81,947,743	91,264,682	20,340,239	3,689,728	-	-	-
Advances	29,162,284	1,232,672	4,395,434	10,434,693	8,144,659	258	2,967	1,589,749	2,072,070	1,289,782
Fixed assets	628,978	1,038	2,327	4,361	11,619	27,840	37,519	31,917	128,335	384,022
Intangible assets	3,863	355	705	840	737	704	503	19	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	4,313,952	3,921,743	134,922	168,253	89,034	-	-	-	-	-
	505,398,071	245,550,356	10,586,231	93,914,371	102,524,321	20,369,041	3,730,717	1,621,685	2,200,405	24,900,944
Liabilities										
Bills payable	4,125,334	4,125,334	-	-	-	-	-	-	-	-
Borrowings	351,242,058	136,468,437	214,773,621	-	-	-	-	-	-	-
Deposits and other accounts	94,465,934	14,273,397	20,064,711	7,201,322	8,115,974	8,142,742	7,333,558	14,667,115	14,667,115	-
Deferred tax liabilities	93,908	93,908	-	-	-	-	-	-	-	-
Other liabilities	17,756,365	9,456,786	5,304,110	1,639,722	209,009	170,189	199,926	394,007	191,308	191,308
	467,683,599	164,417,862	240,142,442	8,841,044	8,324,983	8,312,931	7,533,484	15,061,122	14,858,423	191,308
Net assets	37,714,472	81,132,494	(229,556,211)	85,073,327	94,199,338	12,056,110	(3,802,767)	(13,439,437)	(12,658,018)	24,709,636
Head office capital account	23,227,140									
Reserves	-									
Unappropriated/ Unremitted profit	14,362,357									
Surplus/(Deficit) on revaluation of assets	124,975									
	37,714,472									

	2018									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	27,658,474	1,600,958	2,135,742	925,968	2,166,520	-	-	-	-	20,829,286
Balances with other banks	4,015,685	2,975,517	967,857	36,592	35,719	-	-	-	-	-
Lending to financial institutions	207,924,067	207,924,067	-	-	-	-	-	-	-	-
Investments	175,857,020	174,852,475	-	-	1,004,545	-	-	-	-	-
Advances	22,713,422	4,672,728	12,602,712	3,584,148	643,173	186,142	466	9,075	507,489	507,489
Fixed assets	590,331	-	-	25	370	12,622	21,113	16,721	269,740	269,740
Intangible assets	2,788	143	131	182	394	787	627	524	-	-
Deferred tax assets	7,961	7,961	-	-	-	-	-	-	-	-
Other assets	20,493,816	6,172,795	13,596,829	702,714	21,478	-	-	-	-	-
	459,263,564	398,206,644	29,303,271	5,249,629	3,872,199	199,551	22,206	26,320	777,229	21,606,515
Liabilities										
Bills payable	1,292,129	1,292,129	-	-	-	-	-	-	-	-
Borrowings	355,486,464	154,692,157	44,019,222	85,955,516	70,819,569	-	-	-	-	-
Deposits and other accounts	66,540,142	24,830,481	10,281,016	3,350,940	3,255,681	3,915,129	4,181,365	8,362,729	8,362,801	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	9,686,726	8,057,901	952,812	675,999	14	-	-	-	-	-
	433,005,461	188,872,668	55,253,050	89,982,455	74,075,264	3,915,129	4,181,365	8,362,729	8,362,801	-
Net assets	26,258,103	209,333,976	(25,949,779)	(84,732,826)	(70,203,065)	(3,715,578)	(4,159,159)	(8,336,409)	(7,585,572)	21,606,515
Head office capital account	20,829,285									
Reserves	-									
Unappropriated/ Unremitted profit	5,486,348									
Surplus/(Deficit) on revaluation of assets	(57,530)									
	26,258,103									

43 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on ____________ by the Chief Executive Officer and Head of Finance of the Branches.

44 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison.

Chief Executive Officer

Head of Finance