



Condensed Interim  
Financial Statements  
for the Half Year Ended  
June 30, 2020



 **JS BANK**



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## Company Information

### Board of Directors

Mr. Kalim-ur-Rahman  
Non-Executive Director-Chairman

Mr. Adil Matcheswala  
Non-Executive Director

Mr. Ashraf Nawabi  
Non-Executive Director

Mr. G.M. Sikander  
Independent Director

Mr. Hassan Afzal  
Non-Executive Director

Mr. Munawar Alam Siddiqui  
Non-Executive Director

Ms. Nargis Ghaloo  
Independent Director

Mr. Sohail Aman  
Independent Director

Mr. Basir Shamsie  
President & CEO

### Audit Committee

Ms. Nargis Ghaloo                      Chairperson

Mr. Adil Matcheswala                  Member

Mr. G.M. Sikander                      Member

Mr. Munawar Alam Siddiqui        Member

### Human Resource, Remuneration & Nomination Committee

Mr. Sohail Aman                      Chairman

Mr. Adil Matcheswala                  Member

Mr. G.M. Sikander                      Member

Mr. Kalim-ur-Rahman                Member

### Risk Management Committee

Mr. Ashraf Nawabi                      Chairman

Mr. Munawar Alam Siddiqui        Member

Ms. Nargis Ghaloo                      Member

Mr. Basir Shamsie                      Member

### Board IT Committee

Mr. Hassan Afzal                      Chairman

Mr. Kalim-ur-Rahman                Member

Mr. Sohail Aman                      Member

Mr. Basir Shamsie                      Member

### Chief Financial Officer

Mr. Muhammad Yousuf Amanullah

### Company Secretary

Mr. Ashraf Shahzad

### Auditors

EY Ford Rhodes, Chartered Accountants  
(Member firm of Ernst & Young  
Global Limited)

### Legal Advisors

Bawaney & Partners  
Haidermota BNR  
Liaquat Merchant Associates

### Share Registrar

CDC Share Registrar Services Limited  
CDC House, 99 – B, Block 'B',  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi.

### Registered office

JS Bank Limited  
Shaheen Commercial Complex  
Dr. Ziauddin Ahmed Road  
P.O. Box 4847 Karachi-74200, Pakistan  
UAN: +92 21 111 JS Bank (572-265)  
0800-011-22  
www.jsbl.com

# Directors' Report to the Members

We are pleased to present the reviewed financial statements of JS Bank Limited ("JSBL") for the half year ended June 30, 2020.

## Economic Review

During the period under review, COVID-19 continued to impact economies across the world, including Pakistan, resulting in movement lockdowns which were gradually lifted in the latter part of the second quarter.

With the aim to drive economic growth, support businesses and the public at large, the Government of Pakistan and the State Bank of Pakistan (SBP) announced multiple relief measures. These included a cut of 400bps in interest rates during the second quarter (625bps during 1HCY20), taking the policy rate down to 7%. At the same time, the second quarter's average CPI declined to 8.48%. As a result of monetary easing, bond yields of shorter tenor investments declined sharply compared to the yield reduction for long term investments, thereby reducing the inversion within the yield curve.

The Economic Survey FY20 estimated GDP growth at -0.38% YoY primarily due to decline in LSM growth and extended lockdowns. The Government announced that it has met the revised tax collection target for FY20, reporting a 4% YoY growth; while next year's target announced in the Federal Budget FY21 stands at PKR 4.96trn, a YoY growth of 25%.

On the external side, SBP's foreign exchange reserves increased during the second quarter to US\$11bn on account of inflows under loans from World Bank, Asian Development Bank, Asian Infrastructure Investment Bank and China. Moreover, the substantial decline in the current account deficit also greatly supported the foreign exchange reserves position. As a result, despite some volatile movements during the second quarter, the rupee closed almost unchanged as compared to 1QCY20-end.

## Banking Sector Review

The State Bank of Pakistan (SBP) continued monetary easing initiated during 1QCY20 by further cutting the Policy Rate by a cumulative 400bps during the second quarter, bringing it down to 7% -- lowest since July 2018. SBP also extended relief packages to industries, consumers, and SMEs during the second quarter with the objective of further reducing the cost of borrowing for business customers, and at the same time increasing the liquidity available to banks to promote lending. The weighted average banking spreads declined by 20bps YoY during 5MCY20.

The banking sector's deposits witnessed a growth of 12% YoY during 2QCY20, reaching PKR 16,229 billion. During the same period, total Advances remained almost flat, recording 1% YoY growth rate, and clocking in at PKR 8,202 billion. The sector's Advances-to-Deposit Ratio (ADR) declined to 51%, as compared to 56% during 2QCY19, even though private sector credit growth witnessed a modest increase of 3% YoY. Non-Performing Loans (NPLs) grew by PKR 45 billion to PKR 806 billion by end 1QCY20, taking the Infection ratio from 9.3% to 9.8%. Investments, however, increased by 40% YoY to PKR 10,681 billion as a result of banks' high liquidity and the consequent investment in long-term and short-term government securities.

## **Business Overview**

The Bank's strategy is based on continuous process of identifying the key challenges that impact our business. These are addressed by fulfilling customer needs through innovative products and services, strong alliances, and automation of service delivery.

The economic incentive provided by the central bank is centered around a drastic reduction of 625bps in the policy rate, putting pressure on the Bank's operating margins. On the lending side, a large number of initiatives given by the SBP, include rebated refinance funding for salaries of business concerns, hospitals and industrial undertakings, encouragement for principal deferral on consumer and business loans, and relaxation of terms on restructuring requests.

The Bank's deposits have continued to show remarkable growth during first half 2020, while advances have remained stable. The Bank's total deposits have crossed PKR 400 billion mark with current account deposits of over PKR 100 billion during the half year ended June 30, 2020. In terms of net advances, a slight decline of 0.53% was observed during the same period.

Committed to its role of acting as a catalyst of progress within the national financial industry, JS Bank is continuing its journey of greater impact by providing customers with innovative and value-added financial products and services designed to make their lives simple, easy and convenient.

## **Financial Performance**

The Bank earned a profit before tax of PKR 1,472 million (profit after tax of PKR 856 million) for the half year ended June 30, 2020 as compared to a loss before tax of PKR 597 million (loss after tax of PKR 442 million) in the corresponding period last year. The increase in profit is mainly due to a significant increase in the Bank's deposits at a reduced average cost which improved the profitability of the substantial investment in the government securities, thereby increasing the net interest income. This was also supported by an increase in the fee-based income as well as gains on the sale of securities. The break-up value per share of the Bank as of June 30, 2020 is PKR 15.6.

The Bank's deposits have increased from PKR 369,790 million as of December 31, 2019 to PKR 405,832 million as of June 30, 2020, whereas advances remained more or less unchanged at PKR 241,608 million, reflecting a continued focus of the Bank on prudent growth and core business activities. Further, investments increased from PKR 142,568 million to PKR 180,783 million during the same period.

The earnings per share is PKR 0.66 for the half year ended June 30, 2020.

## **Consolidated Financial Statements**

In the consolidated financial statements, the Group earned profit before tax of PKR 1,514 million (profit after tax of 762 million) for the half year ended June 30, 2020 as compared to loss before tax of PKR 648 million (loss after tax of PKR 575 million) in the corresponding period last year.

The earnings per share is PKR 0.60 for the half year ended June 30, 2020.

## **CSR Initiatives - Covid-19**

Responding to the unprecedented challenges faced by the nation by the Corona Virus (COVID-19), JS Bank has established a PKR 110 million fund in association with key partners to help address the impact of the pandemic.



Based on a pledge matching initiative wherein JS Bank equally matched all support pledges made by its partners, this fund is rooted in JS Bank's philanthropic philosophy of collaborative efforts and focus on addressing some of the immediate and long-term issues related to the pandemic.

The three-tiered strategy revolves primarily around providing immediate relief, pandemic control, and future response capacity building. The first phase focus on provision of rations and necessities to food insecure families, while the second phase saw distribution of Personal Protective Equipment (PPE) and donations to medical and other frontline institutions including non-governmental organizations.

Understanding the necessity of a long-term solution, the third phase of the program will focus on mitigating the long-term health impact of the virus through medical and technological Research and Development.

### **Recognition**

JS Bank stands today as one of Pakistan's fastest growing banks. Our products are leaders in the SME, consumer finance, insurance solutions and digital banking space.

In 2020 the Bank has been recognized for its commitment to excellence on a national and international level. The prestigious awards that we received in the year 2020 include:

- Asiamoney Award - Best Bank for SMEs - Pakistan
- Asiamoney Award - Best Bank for CSR - Pakistan
- Asian Banking Finance Awards 2020 - SME Bank of the Year - Pakistan

### **Credit Ratings**

The Pakistan Credit Rating Agency Limited (PACRA) has assigned to the Bank a long-term rating of "AA-" (Double A Minus) and a short-term rating of "A1+" (A One Plus) which is the highest possible rating for this category.

### **Acknowledgments**

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

For and on behalf of the Board,

**Basir Shamsie**  
President & CEO

**Kalim-ur-Rahman**  
Chairman

Karachi: August 26, 2020

## کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے بینک کوٹویل المدتی ریٹنگ ”AA“ (ڈبل اے مائنس) اور سب سے بہتر ممکنہ قلیل المدتی ریٹنگ میں ”A1+“ (اے ون پلس) تفویض کی ہے۔

## اعتراف

جے ایس بینک کی جانب سے ہم اپنے صارفین اور اسٹیک ہولڈرز کا ان کے تعاون پر دل سے شکر گزار ہیں۔ ہم منسٹری آف فنانس، اسٹیٹ بینک آف پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیٹری اداروں کا بینک کی رہنمائی اور تعاون فراہم کرنے پر بھی ممنون ہیں۔ آخر میں ہم ایک فاتح ٹیم کے طور پر کام کرنے والے انتظامی ٹیم اور ملازمین کا ان کی انتھک محنت پر بھی شکریہ ادا کرنا چاہیں گے۔

منجانب بورڈ،

کلیم الرحمن  
چیئر مین

باصر مشی  
پریزیڈنٹ اور سی ای او

کراچی، 26 اگست 2020

## سی ایس این آر اقدامات، کوویڈ 19

کوورونا وائرس (COVID-19) کے ذریعہ قوم کو درپیش خلاف توقع چیلنجوں کا مقابلہ کرنے کیلئے، جے ایس بینک نے وباء کے اثرات سے نمٹنے کیلئے اہم شرکات داروں کے ساتھ مل کر 110 ملین روپے کا فنڈ قائم کیا۔

ایک پلج پیچنگ اقدام کے تحت جس میں جے ایس بینک اپنے شرکات داروں کے ذریعہ کئے گئے تمام سپورٹ پلج کے مماثل کو یکساں طور پر فراہم کرتا ہے، یہ فنڈ جے ایس بینک کی سماجی خدمت کے جذبے پڑی مشترکہ کوششوں سے فراہم کیا جاتا ہے جس سے واپس وباء سے متعلق کچھ فوری اور طویل مدتی امور کو حل کرنے پر توجہ دی گئی۔

بنیادی طور پر حکمت عملی میں تین درجہ ہیں جو فوری امداد، وباء پر قابو پانے کے اقدامات اور مستقبل میں رد عمل کی صلاحیت میں اضافہ کے گرد گھومتے ہیں۔ پہلے فیئر میں غذائی قلت کے شکار خاندانوں تک راشن اور ضروریات کی فراہمی پر توجہ دی جائے گی، جبکہ دوسرے مرحلہ میں پرنٹ پروٹیکٹیو آلات (PPE) کی میڈیکل سیت دیگر فرنٹ لائن ادارے بشمول غیر سرکاری تنظیموں کو عطیہ کئے جائیں گے۔

طویل مدتی حل کی ضرورت کو سمجھتے ہوئے، اس پروگرام کے تیسرے مرحلے میں میڈیکل اینڈ ٹیکنالوجی ریسرچ اینڈ ڈویلپمنٹ کے ذریعہ وائرس کے طویل مدتی صحت پر پڑنے والے اثرات کو کم کرنے پر توجہ دی جائے گی۔

## پہچان

جے ایس بینک آج پاکستان کے سب سے تیزی سے ترقی کرنے والے بینکوں میں سے ایک ہے۔ ہماری مصنوعات SME، کنزیومر فنانس، انشورنس سلوشنز اور ڈیجیٹل بینکنگ کی فضا میں رہنمائی کر رہی ہیں۔

سال 2020ء میں بینک کو قومی اور بین الاقوامی سطح پر برتری کیلئے پرموزم ادارے کے طور پر پہچانا جاتا ہے۔ سال 2020 میں حاصل ہونے والے پروکار ایوارڈ میں درج ذیل شامل ہیں:

- ایشیائی ایوارڈ برائے SMEs کیلئے پاکستان کا بہترین بینک
- ایشیائی ایوارڈ برائے CSR کیلئے پاکستان کا بہترین بینک
- ایشیائی بینکنگ فنانس ایوارڈ 2020ء، بہترین SME بینک، پاکستان

کر چکے ہیں۔ ہیٹ ایڈوانسز کے معاملے میں اسی عرصہ کے دوران 0.53 فیصد کی معمولی کمی دیکھی گئی۔

قومی مالیاتی صنعت میں پیشرفت کے ایک متحرک ادارے کی حیثیت سے اپنے کردار کیلئے پرعزم، بے لیں بینک صارفین کی زندگی آسان، سادہ اور آرام دہ بنانے کیلئے ڈیزائن کردہ جدید اور ویلیو ایڈڈ مالیاتی مصنوعات اور خدمات مہیا کر کے زیادہ سے زیادہ اثرات کے سفر کو جاری رکھے ہوئے ہے۔

## مالی کارکردگی

بینک نے 30 جون 2020 کو ختم ہونے والے نصف سال میں قبل از ٹیکس منافع 1,472 ملین روپے (بعد از ٹیکس منافع 856 ملین روپے) حاصل کیا جو گزشتہ سال اسی مدت میں قبل از ٹیکس نقصان 597 ملین روپے (بعد از ٹیکس گھانا 442 ملین روپے) تھا۔ منافع میں اضافہ کی بنیادی وجہ ایک کم اوسط قیمت پر بینک ڈیپازٹس میں نمایاں اضافہ کی وجہ ہے جس نے سرکاری سکیورٹیز میں خاطر خواہ سرمایہ کاری کے منافع کو بہتر بنایا جس سے ہیٹ انٹرسٹ آمدنی میں اضافہ ہوا۔ اس میں فیس پرینی آمدنی میں اضافہ کے ساتھ سکیورٹیز کی فروخت پر ہونے والا منافع بھی معاون ثابت ہوا۔ 30 جون 2020 تک بینک کے حصص کی بریک اپ ویلیو 15.6 روپے فی شیئر رہی۔

بینک کے ڈیپازٹس 31 دسمبر 2019 تک 369,790 ملین روپے سے بڑھ کر 30 جون 2020 تک 405,832 ملین روپے ہو گئے، جبکہ ایڈوانسز تقریباً بغیر کسی تبدیلی کے 241,608 ملین روپے رہے، جو سمجھداری سے نمو اور بنیادی کاروباری سرگرمیوں پر بینک کی مستقل توجہ کی عکاسی کرتا ہے۔ مزید برآں اسی مدت کے دوران سرمایہ کاری 142,568 ملین روپے سے 180,783 ملین روپے تک بڑھ گئی۔

30 جون 2020 کو ختم ہونے والی ششماہی کیلئے فی شیئر آمدنی 0.66 روپے رہی۔

## مستحکم مالیاتی تفصیلات

مستحکم مالیاتی تفصیلات میں، گروپ نے 30 جون 2020 کو ختم ہونے والی ششماہی پر قبل از ٹیکس منافع 1,514 ملین روپے (بعد از ٹیکس منافع 762 ملین روپے) حاصل کیا جو گزشتہ سال اسی مدت میں قبل از ٹیکس نقصان 648 ملین روپے (بعد از ٹیکس گھانا 575 ملین روپے) تھا۔

30 جون 2020 کو ختم ہونے والی ششماہی کیلئے فی شیئر آمدنی 0.60 روپے رہی۔

## شعبہ بینکاری کا جائزہ

اسٹیٹ بینک آف پاکستان (SBP) نے دوسری سہ ماہی کے دوران مجموعی طور پر 400 بیس پوائنٹس (bps) کے ذریعہ پالیسی کی شرح کو پہلی سہ ماہی (1QCY20) کے دوران شروع کی جانے والی مائیکری زمی کو جاری رکھا، جولائی 2018 کے بعد مسلسل کمی سے 7 فیصد تک لے گیا۔ کاروباری صارفین کیلئے قرضوں کی لاگت میں کمی کے غرض سے دوسری سہ ماہی کے دوران اسٹیٹ بینک (SBP) نے صنعتوں، صارفین اور چھوٹے اور درمیانے درجے کے اداروں (SME) کیلئے ریلیف پیکج میں توسیع کی، اس کے ساتھ قرضوں کے فروغ کیلئے بینکوں کو دستیاب لیکویڈیٹی میں بھی اضافہ کیا گیا۔ مالی سال 2020 کے پہلے 5 ماہ (5MCY20) کے دوران اوسطاً بینکاری کے پھیلاؤ میں 20 بیس پوائنٹس (bps) سال بسال (YoY) کی کمی واقع ہوئی۔

مالی سال 2020 کی دوسری سہ ماہی (2QCY20) کے دوران بینکنگ سیکٹر کے ڈیپازٹ میں 12 فیصد سال بسال (YoY) کا اضافہ دیکھا گیا، جو 16,229 بلین روپے تک پہنچ گیا۔ اسی عرصہ کے دوران کل ایڈوانسز تقریباً فلپٹ رہے، جس میں 1 فیصد سال بسال (YoY) کی شرح نمو ریکارڈ کی گئی اور 8,202 بلین روپے پر رہا۔ اس شعبہ کا ایڈوانس ٹو ڈیپازٹ ریشو (ADR) مالی سال 2019 کی دوسری سہ ماہی (2QCY19) کے دوران 56 فیصد کے مقابلے 51 فیصد رہ گیا، جبکہ پرائیویٹ سیکٹر میں قرضوں میں 3 فیصد سال بسال (YoY) کا معمولی اضافہ دیکھا گیا۔ مالی سال 2020 کی پہلی سہ ماہی (1QCY20) کے اختتام پر نان پرفارمنگ لوز (NPLs) 45 بلین روپے سے بڑھ کر 806 بلین روپے تک پہنچ گئے، جس سے انفیکشن کا تناسب 9.3 فیصد سے 9.8 فیصد تک ہو گیا۔ تاہم، بینکوں کی اضافی لیکویڈیٹی اور اس کے نتیجے میں طویل المدتی اور قلیل مدتی سرکاری سکیورٹیز میں ہونے والی سرمایہ کاری کے نتیجے میں سرمایہ کاری (Investments) میں 40 فیصد سال بسال (YoY) اضافہ سے 10,681 بلین روپے ہو گیا۔

## کاروباری جائزہ

بینک کی حکمت عملی ان اہم چیلنجوں کی شناخت کے مستقل عمل پر مبنی ہے جو ہمارے کاروبار کو متاثر کرتی ہے۔ ان کو جدید پروڈکٹس، خدمات، مضبوط اشتراک اور خدمات کی فراہمی کیلئے آٹومیٹک ڈریلے سٹریٹجی کی ضروریات کو پورا کرتے ہوئے حل کیا جاتا ہے۔

مرکزی بینک کی فراہم کردہ معاشی مراعات پالیسی شرح میں 625 بیس پوائنٹس (bps) کی زبردستی کمی کے گرد مرکوز ہیں، جس سے بینک کے آپریٹنگ مارجن پر دباؤ بڑھتا ہے۔ قرض جاری کرنے کی طرف، اسٹیٹ بینک کی جانب سے بڑے پیمانے پر اقدامات اٹھائے گئے ہیں جس میں کاروباری خدشات، اپتالوں اور صنعتوں کی تنخواہوں کیلئے چھوٹی ری فنانس فنڈز، صارفین اور کاروباری قرضوں پر پرنسپل ڈیفیلرل کی حوصلہ افزائی، اور تنظیم نو کی درخواستوں پر شرائط میں زمی شامل ہیں۔

2020 کی پہلی سہ ماہی کے دوران بینک کے ڈیپازٹس میں نمایاں اضافہ دیکھنے میں آیا، جبکہ ایڈوانس مستحکم رہے۔ 30 جون 2020 کو ختم ہونے والی سہ ماہی کے دوران بینک کے کل ڈیپازٹس 100 بلین روپے سے زائد رہے جس سے کرنٹ اکاؤنٹ کے ڈیپازٹس 400 بلین روپے کے ہدف کو عبور

# ڈائریکٹرز رپورٹ

ہم انتہائی مسرت کے ساتھ جے ایس بیکنگ لمیٹڈ ("جے ایس بی ایل") کے 30 جون 2020 کو ختم ہونے والی ششماہی کے مالیاتی بیانات کا جائزہ پیش کر رہے ہیں۔

## معیشت

زیر جائزہ مدت کے دوران، کوویڈ 19 نے پاکستان سمیت دنیا بھر کی معیشتوں کو متاثر کیا، جس کے نتیجے میں نفلن و حرکت کی بندش کے ساتھ لاک ڈاؤن ہو گیا جو آہستہ آہستہ دوسری سہ ماہی کے اختتام میں اٹھا دیا گیا۔

معاشی نمو کے فروغ، کاروبار اور بڑے پیمانے پر عوام کی معاونت کے مقصد کے ساتھ، حکومت پاکستان اور اسٹیٹ بینک آف پاکستان (ایس بی پی) نے متعدد امدادی اقدامات کا اعلان کیا۔ ان میں دوسری سہ ماہی کے دوران شرح سود میں 400 بیس پوائنٹس (bps) کی کمی شامل ہے (1HCY20) کے دوران 625 بیس پوائنٹس (bps)، جس سے پالیسی ریٹ کم ہو کر 7 فیصد رہ گیا۔ اسی دوران، دوسری سہ ماہی کا اوسط صارفین کی قیمت کے اشاریے (CPI) 8.48 فیصد کم ہو گیا۔ مانیٹری میں زمی کے سبب طویل مدتی سرمایہ کاری کی آمدنی میں کمی کے مقابلے کم مدتی سرمایہ کاری کے بانڈز کی آمدنی میں تیزی سے کمی ہوئی اس طرح آمدنی میں Yield Curve کو کم کرتا ہے۔

مالی سال 2020 (FY20) کے اقتصادی سروے میں جی ڈی پی میں نمو کا تخمینہ منفی 0.38- فیصد سال بسال (YoY) لگایا جس کی بنیادی وجہ بڑے پیمانے کے مینوفیکچرنگ (LSM) کی شرح نمو میں کمی اور لاک ڈاؤن میں توسیع شامل تھی۔ حکومت نے اعلان کیا کہ رواں مالی سال 2020 (FY20) کیلئے ٹیکس وصولی کے نظر ثانی شدہ ہدف کو پورا کیا، جس میں 4 فیصد سال بسال (YoY) کا اضافہ رپورٹ کیا گیا۔ جبکہ آئندہ سال کے وفاقی بجٹ FY21 میں اعلان کردہ ہدف 4.96 ٹریلین روپے مختص کیا گیا، جس میں 25 فیصد سال بسال (YoY) کا اضافہ ہے۔

بیرونی طرف سے، عالمی بینک، ایٹین ڈویلپمنٹ بینک، ایٹین انفراسٹرکچر انویسٹمنٹ بینک اور بینک آف چائنا کے جاری کردہ قرضوں کی رقم وصول ہونے کی وجہ سے دوسری سہ ماہی کے دوران اسٹیٹ بینک کے زرمبادلہ کے ذخائر 11 بلین ڈالر ہو گئے۔ مزید برآں کرنٹ اکاؤنٹ خسارے میں نمایاں کمی سے زرمبادلہ کے ذخائر کو مستحکم پوزیشن پر رکھنے میں مددگار ثابت ہوئی۔ اس کے نتیجے میں دوسری سہ ماہی کے دوران کچھ اتار چڑھاؤ کے باوجود پچھلے سہ ماہی 1QCY20 کے مقابلے روپے کی قدر میں تقریباً کوئی تبدیلی نہیں ہوئی۔

## INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF JS BANK LIMITED

### REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

#### Introduction

We have reviewed the accompanying Unconsolidated condensed interim statement of financial position of JS Bank Limited as at 30 June 2020, the related condensed interim statement of profit and loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three months ended 30 June 2020 and 30 June 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2020.

#### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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



Chartered Accountants  
Place: Karachi  
Date: 28 August 2020

Condensed Interim  
**Unconsolidated**  
Financial Statements

# Condensed Interim Unconsolidated Statement of Financial Position

as at June 30, 2020

|   | Note | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|---|------|----------------------------------|-----------------------------------|
| ----- Rupees in '000 -----                          |      |                                  |                                   |
| <b>ASSETS</b>                                       |      |                                  |                                   |
| Cash and balances with treasury banks               | 6    | 32,726,084                       | 25,589,349                        |
| Balances with other banks                           | 7    | 1,132,529                        | 462,836                           |
| Lendings to financial institutions                  | 8    | 9,977,451                        | 30,320,540                        |
| Investments   | 9    | 180,783,122                      | 142,568,470                       |
| Advances  | 10   | 241,608,328                      | 242,944,509                       |
| Fixed assets  | 11   | 9,182,119                        | 9,692,701                         |
| Intangible assets                                   | 12   | 2,348,651                        | 2,271,360                         |
| Deferred tax assets                                 | 18   | -                                | 8,756                             |
| Other assets  | 13   | 16,828,971                       | 15,816,623                        |
| Assets held for sale                                | 11.3 | 374,000                          | 374,000                           |
|   |      | 494,961,255                      | 470,049,144                       |
| <b>LIABILITIES</b>                                  |      |                                  |                                   |
| Bills payable                                       | 14   | 4,259,070                        | 3,804,491                         |
| Borrowings  | 15   | 36,567,066                       | 54,468,283                        |
| Deposits and other accounts                         | 16   | 405,832,042                      | 369,789,964                       |
| Liabilities against assets subject to finance lease |      | -                                | -                                 |
| Subordinated debt                                   | 17   | 7,494,800                        | 7,494,800                         |
| Deferred tax liabilities                            | 18   | 1,621,314                        | -                                 |
| Other liabilities                                   | 19   | 18,962,153                       | 17,158,351                        |
|   |      | 474,736,445                      | 452,715,889                       |
| <b>NET ASSETS</b>                                   |      | <u>20,224,810</u>                | <u>17,333,255</u>                 |
| <b>REPRESENTED BY</b>                               |      |                                  |                                   |
| Share capital - net                                 |      | 10,119,242                       | 10,119,242                        |
| Reserves  |      | 1,958,370                        | 1,749,673                         |
| Surplus on revaluation of assets                    | 20   | 2,626,520                        | 636,700                           |
| Unappropriated profit                               |      | 5,520,678                        | 4,827,640                         |
|   |      | <u>20,224,810</u>                | <u>17,333,255</u>                 |
| <b>CONTINGENCIES AND COMMITMENTS</b>                |      |                                  |                                   |
|   | 21   |                                  |                                   |

The annexed notes from 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

\_\_\_\_\_  
President and  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

# Condensed Interim Unconsolidated Profit and Loss Account (Un-audited)

for the Half Year Ended June 30, 2020

|                                      | Note | Quarter ended |               | Half year ended |               |
|--------------------------------------|------|---------------|---------------|-----------------|---------------|
|                                      |      | June 30, 2020 | June 30, 2019 | June 30, 2020   | June 30, 2019 |
| Mark-up / return / interest earned   | 23   | 11,426,373    | 9,721,626     | 24,349,843      | 19,060,161    |
| Mark-up / return / interest expensed | 24   | 8,817,800     | 8,074,910     | 19,199,409      | 15,348,889    |
| Net mark-up / interest income        |      | 2,608,573     | 1,646,716     | 5,150,434       | 3,711,272     |

## NON MARK-UP / INTEREST INCOME

|  |    |                  |                  |                  |                  |
|--|----|------------------|------------------|------------------|------------------|
| Fee and commission income                  | 25 | 913,419          | 692,792          | 1,761,477        | 1,345,061        |
| Dividend income                            |    | 11,621           | 46,886           | 54,447           | 47,160           |
| Foreign Exchange Income / (loss)           |    | 158,948          | (102,580)        | 351,923          | 183,870          |
| (Loss) / income from derivatives           |    | (1,008)          | 428,589          | 18,738           | 296,626          |
| Gain / (loss) on securities                | 26 | 682,352          | (307,169)        | 784,152          | (369,539)        |
| Other income                               | 27 | 3,472            | 44,672           | 4,886            | 68,171           |
| <b>Total non mark-up / interest income</b> |    | <b>1,768,804</b> | <b>803,190</b>   | <b>2,975,623</b> | <b>1,571,349</b> |
| <b>Total Income</b>                        |    | <b>4,377,377</b> | <b>2,449,906</b> | <b>8,126,057</b> | <b>5,282,621</b> |

## NON MARK-UP / INTEREST EXPENSES

|  |    |                  |                  |                  |                  |
|--|----|------------------|------------------|------------------|------------------|
| Operating expenses                           | 28 | 3,213,936        | 2,736,196        | 6,121,471        | 5,285,235        |
| Workers welfare fund                         | 29 | 6,669            | (437)            | 11,697           | -                |
| Other charges                                | 30 | 70,543           | 193              | 74,587           | 248              |
| <b>Total non-mark-up / interest expenses</b> |    | <b>3,291,148</b> | <b>2,735,952</b> | <b>6,207,755</b> | <b>5,285,483</b> |
| <b>Profit / (loss) before provisions</b>     |    | <b>1,086,229</b> | <b>(286,046)</b> | <b>1,918,302</b> | <b>(2,862)</b>   |
| Provisions and write offs - net              | 31 | 242,591          | 365,136          | 446,207          | 593,653          |
| Extraordinary / unusual items                |    | -                | -                | -                | -                |
| <b>PROFIT / (LOSS) BEFORE TAXATION</b>       |    | <b>843,638</b>   | <b>(651,182)</b> | <b>1,472,095</b> | <b>(596,515)</b> |
| Taxation                                     | 32 | 369,854          | (176,100)        | 615,769          | (154,838)        |
| <b>PROFIT / (LOSS) AFTER TAXATION</b>        |    | <b>473,784</b>   | <b>(475,082)</b> | <b>856,326</b>   | <b>(441,677)</b> |

|   |    | ----- Rupee ----- |        |      |        |
|---|----|-------------------|--------|------|--------|
| Basic and diluted earnings / (loss) per share | 33 | 0.37              | (0.37) | 0.66 | (0.36) |

The annexed notes from 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

President and  
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

# Condensed Interim Unconsolidated Statement of Comprehensive Income

for the Half Year Ended June 30, 2020

|  | Quarter ended              |                  | Half year ended  |                |
|--|----------------------------|------------------|------------------|----------------|
|  | June 30, 2020              | June 30, 2019    | June 30, 2020    | June 30, 2019  |
|  | ----- Rupees in '000 ----- |                  |                  |                |
| Profit / (loss) after taxation for the period                                    | 473,784                    | (475,082)        | 856,326          | (441,677)      |
| Other comprehensive income   |                            |                  |                  |                |
| Items that may be reclassified to profit and loss account in subsequent periods: |                            |                  |                  |                |
| Effect of translation of net investment in foreign branches                      | 10,073                     | 48,209           | 37,432           | 52,214         |
| Movement in surplus on revaluation of investments - net of tax                   | 1,701,376                  | 97,812           | 1,972,166        | 649,650        |
| Movement in general provision under IFRS 9 - net of tax                          | 4,765                      | (17,748)         | 25,631           | (27,107)       |
|  | 1,706,141                  | 80,064           | 1,997,797        | 622,543        |
|  | 1,716,214                  | 128,273          | 2,035,229        | 674,757        |
| <b>Total comprehensive income / (loss)</b>                                       | <b>2,189,998</b>           | <b>(346,809)</b> | <b>2,891,555</b> | <b>233,080</b> |

The annexed notes from 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

\_\_\_\_\_  
President and  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

# Condensed Interim Unconsolidated Statement of Changes in Equity

for the Half Year Ended June 30, 2020

|   | Reserves          |                    |                              | Surplus/(deficit) on revaluation of |                  |                    | Unappropriated profit | Total             |
|---|-------------------|--------------------|------------------------------|-------------------------------------|------------------|--------------------|-----------------------|-------------------|
|   | Share capital     | Statutory reserve* | Exchange translation reserve | Investments                         | Fixed Assets     | Non Banking Assets |                       |                   |
| ----- Rupees in '000 -----  |                   |                    |                              |                                     |                  |                    |                       |                   |
| <b>Balance as at December 31, 2018</b>  | 10,119,242        | 1,641,237          | 70,934                       | (2,180,113)                         | 1,051,666        | 92,858             | 4,821,202             | 15,617,026        |
| <b>Total comprehensive income for the half year ended June 30, 2019 - un-audited</b>        | -                 | -                  | -                            | -                                   | -                | -                  | (441,677)             | (441,677)         |
| Loss after taxation   | -                 | -                  | 52,214                       | 622,543                             | -                | -                  | -                     | 674,757           |
| Other comprehensive income - net of tax   | -                 | -                  | 52,214                       | 622,543                             | -                | -                  | (441,677)             | 233,080           |
| Transfer to statutory reserve   | -                 | -                  | -                            | -                                   | -                | -                  | -                     | -                 |
| <b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b> | -                 | -                  | -                            | -                                   | -                | -                  | -                     | -                 |
| Fixed assets  | -                 | -                  | -                            | -                                   | (10,268)         | -                  | 10,268                | -                 |
| Non-banking assets acquired in satisfaction of claims                                       | -                 | -                  | -                            | -                                   | -                | (41)               | 41                    | -                 |
| <b>Transaction with owners recorded directly in equity</b>                                  | -                 | -                  | -                            | -                                   | -                | -                  | -                     | -                 |
| Preference dividend for the year ended December 31, 2018 @ 12% p.a.                         | -                 | -                  | -                            | -                                   | -                | -                  | (24,164)              | (24,164)          |
| <b>Balance as at June 30, 2019 - un-audited</b>   | 10,119,242        | 1,641,237          | 123,148                      | (1,557,570)                         | 1,041,398        | 92,817             | 4,365,670             | 15,825,942        |
| <b>Total comprehensive income for the half year ended December 31, 2019</b>                 | -                 | -                  | -                            | -                                   | -                | -                  | 466,330               | 466,330           |
| Profit after taxation   | -                 | -                  | (19,643)                     | 1,040,801                           | 30,985           | -                  | (11,160)              | 1,040,983         |
| Other comprehensive (loss) / income - net of tax  | -                 | -                  | (19,643)                     | 1,040,801                           | 30,985           | -                  | 455,170               | 1,507,313         |
| Transfer to statutory reserve   | -                 | 4,931              | -                            | -                                   | -                | -                  | (4,931)               | -                 |
| <b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b> | -                 | -                  | -                            | -                                   | -                | -                  | -                     | -                 |
| Fixed assets  | -                 | -                  | -                            | -                                   | (11,690)         | -                  | 11,690                | -                 |
| Non-banking assets acquired in satisfaction of claims                                       | -                 | -                  | -                            | -                                   | -                | (41)               | 41                    | -                 |
| <b>Balance as at December 31, 2019 - audited</b>  | 10,119,242        | 1,646,168          | 103,505                      | (516,769)                           | 1,060,693        | 92,776             | 4,827,640             | 17,333,255        |
| <b>Total comprehensive income for the half year ended June 30, 2020 - un-audited</b>        | -                 | -                  | -                            | -                                   | -                | -                  | 856,326               | 856,326           |
| Profit after taxation   | -                 | -                  | 37,432                       | 1,997,797                           | -                | -                  | -                     | 2,035,229         |
| Other comprehensive income - net of tax   | -                 | -                  | 37,432                       | 1,997,797                           | -                | -                  | 856,326               | 2,891,555         |
| Transfer to statutory reserve   | -                 | 171,265            | -                            | -                                   | -                | -                  | (171,265)             | -                 |
| <b>Transfer from surplus on revaluation of assets to unappropriated profit - net of tax</b> | -                 | -                  | -                            | -                                   | -                | -                  | -                     | -                 |
| Fixed assets  | -                 | -                  | -                            | -                                   | (7,936)          | -                  | 7,936                 | -                 |
| Non-banking assets acquired in satisfaction of claims                                       | -                 | -                  | -                            | -                                   | -                | (41)               | 41                    | -                 |
| <b>Balance as at June 30, 2020 - un-audited</b>   | <u>10,119,242</u> | <u>1,817,433</u>   | <u>140,937</u>               | <u>1,481,028</u>                    | <u>1,052,757</u> | <u>92,735</u>      | <u>5,520,678</u>      | <u>20,224,810</u> |

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

The annexed notes from 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

President and  
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

# Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

for the Half Year Ended June 30, 2020

|  | Note | June 30,<br>2020           | June 30,<br>2019         |
|--|------|----------------------------|--------------------------|
|  |      | ----- Rupees in '000 ----- |                          |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   |      |                            |                          |
| Profit / (loss) before taxation  |      | 1,472,095                  | (596,515)                |
| Less: Dividend income  |      | (54,447)                   | (47,160)                 |
|  |      | <u>1,417,648</u>           | <u>(643,675)</u>         |
| <b>Adjustments:</b>  |      |                            |                          |
| Depreciation   | 28   | 340,473                    | 379,562                  |
| Depreciation on non-banking assets   | 28   | 4,539                      | 234                      |
| Depreciation - Right of use assets   | 28   | 506,114                    | 372,542                  |
| Amortisation of intangible assets  | 28   | 54,523                     | 43,661                   |
| Mark-up / return / interest expense on lease liability<br>against right-of-use assets          | 24   | 232,046                    | 229,063                  |
| Charge for defined benefit plan  |      | 107,560                    | 65,939                   |
| Unrealised (gain) / loss on revaluation of investments classified<br>as held-for-trading - net | 26   | (70)                       | 1,042                    |
| Unrealised gain on revaluation of derivative instruments - net                                 |      | (25,736)                   | (500,998)                |
| Unrealised gain on revaluation of forward foreign exchange contracts                           |      | (263,878)                  | -                        |
| Provisions and write offs - net  | 31   | 446,207                    | 593,653                  |
| Provision for workers welfare fund   |      | 11,697                     | -                        |
| Gain on sale of fixed assets - net   | 27   | (246)                      | (68,171)                 |
|  |      | <u>1,413,229</u>           | <u>1,116,527</u>         |
|  |      | <u>2,830,877</u>           | <u>472,852</u>           |
| <b>Decrease / (increase) in operating assets</b>   |      |                            |                          |
| Lendings to financial institutions   |      | 20,344,115                 | (2,657,548)              |
| Held-for-trading securities  |      | 47,578,901                 | 15,218,378               |
| Advances   |      | 1,019,030                  | 1,539,654                |
| Other assets (excluding advance and current taxation)  |      | (783,271)                  | (929,475)                |
|  |      | <u>68,158,775</u>          | <u>13,171,009</u>        |
| <b>Increase / (decrease) in operating liabilities</b>  |      |                            |                          |
| Bills payable  |      | 454,579                    | 393,810                  |
| Borrowings   |      | (17,875,247)               | (45,148,134)             |
| Deposits   |      | 36,042,078                 | 39,692,113               |
| Other liabilities  |      | 2,047,775                  | (1,412,176)              |
|  |      | <u>20,669,185</u>          | <u>(6,474,387)</u>       |
|  |      | <u>19,658,837</u>          | <u>7,169,474</u>         |
| Gratuity paid  |      | (151,881)                  | -                        |
| Income tax paid  |      | (6,124)                    | (317,527)                |
|  |      | <u>91,500,832</u>          | <u>6,851,947</u>         |
| <b>Net cash flow from operating activities</b>   |      |                            |                          |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   |      |                            |                          |
| Net investments in available-for-sale securities   |      | (79,328,112)               | (10,444,375)             |
| Net investments in held-to-maturity securities   |      | (3,421,906)                | 8,093,341                |
| Investment in associated companies   |      | (40,828)                   | (21,239)                 |
| Dividends received   |      | 54,447                     | 47,160                   |
| Investment in fixed assets   |      | (243,191)                  | (1,483,036)              |
| Investment in intangible assets  |      | (131,814)                  | (2,073)                  |
| Proceeds from sale of fixed assets   |      | 4,009                      | 103,658                  |
| Effect of translation of net investment in foreign branch                                      |      | 37,432                     | 52,214                   |
| <b>Net cash flow used in investing activities</b>  |      | <u>(83,069,963)</u>        | <u>(3,654,350)</u>       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |      |                            |                          |
| Payment of lease liability against right of use assets   |      | (598,480)                  | (373,080)                |
| Sub-ordinated loans  |      | -                          | (1,000)                  |
| Dividend paid to preference shareholders   |      | -                          | (24,164)                 |
| <b>Net cash used in financing activities</b>   |      | <u>(598,480)</u>           | <u>(398,244)</u>         |
|  |      | <u>7,832,389</u>           | <u>2,799,353</u>         |
| <b>Increase in cash and cash equivalents</b>   |      |                            |                          |
| Cash and cash equivalents at beginning of the year   |      | 25,415,261                 | 32,577,913               |
| <b>Cash and cash equivalents at end of the period</b>  | 34   | <u><u>33,247,650</u></u>   | <u><u>35,377,266</u></u> |

The annexed notes from 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

\_\_\_\_\_  
President and  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

## 1. STATUS AND NATURE OF BUSINESS

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

The Bank is a scheduled bank, engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and is operating through 359 (December 31, 2019: 359) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (December 31, 2019: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to AA- (Double A Minus) whereas short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

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

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

- 1.3 The Bank is the holding company of JS Investments Limited, JS Global Capital Limited and JS ABAMCO Commodities Limited.

## 2. BASIS OF PRESENTATION

These condensed interim unconsolidated financial statements are separate financial statements of the Bank in which the investments in subsidiaries and associates are stated at cost and are accounted for on the basis of direct equity interest rather than on the basis of reported results. The consolidated condensed interim financial statements of the Bank are being issued separately.

These condensed interim unconsolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Bank operates and functional currency of the Bank, in that environment as well. The amounts are rounded to nearest thousand except as stated otherwise.

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

## 2.1 Statement of compliance

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

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

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

The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD circular letter No. 5 dated March 22, 2019 and IAS 34.

These condensed interim unconsolidated financial Statements do not include all the information and disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2019.

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

IFRS10 "Consolidated Financial Statements" was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed through S.R.O56(I)/2016 dated January 28, 2016, that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

Through S.R.O. 229 (I)/2019 dated February 14, 2019, the SECP has deferred the applicability of the IFRS 9 'Financial Instruments' for all companies required to prepare their financial statements in accordance with the requirements of IFRS for reporting period/year ending on or after June 30, 2019 (earlier application is permitted). However, SBP has extended the effective date of applicability of IFRS 9 to annual periods beginning on or after January 01, 2021 vide SBP BPRD Circular No.4 dated October 23, 2019.

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

Therefore, the Bank has not considered the impact of IFRS 9 for its Pakistan operations in these unconsolidated financial statements.

Further, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime and for this SBP would issue guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan.

## 2.2 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current period

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations. Therefore not detailed in these condensed interim unconsolidated financial statements other than IFRS 9 and reason for that is mentioned in note 2.1 as above.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for the accounting periods as stated below:

| Standard, Interpretation or Amendment  | Effective date (annual periods beginning on or after) |
|--|---|
| - IFRS 9 'Financial Instruments (refer note 2.1 above)   | January 01, 2021                                      |
| Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan. |   |
| - IFRS 1 - First time adoption of IFRSs  | January 01, 2014                                      |
| - IFRS 17 - Insurance Contracts  | January 01, 2021                                      |

## 3 CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements are the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2019.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Bank for the year ended December 31, 2019.

## 5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2019 except for the following additional considerations due to the COVID-19.



# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

## 5.1 COVID - 19 outbreak and it's impact

The COVID-19 and the measures to reduce its spread has impacted the economy of Pakistan significantly. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include:

- (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent;
- (ii) increasing the regulatory limit on extension of credit to SMEs by 125 million to Rs 180 million;
- (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent.
- (iv) allowing banks to defer clients' payment of principal and profit on financing obligations by one year; and
- (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.
- (vi) Relaxing credit requirements for exporters and importers; and
- (vii) Refinance schemes to support employment to prevent layoff of workers and health sector to combat COVID-19 Pandemic.

COVID 19 has impacted the banks in Pakistan from various facets which includes increase in overall credit risk pertaining to loans and advances portfolio in certain sectors, reduced fee income due to slowdown in economic activity, operational issues such as operations of Branches, managing cyber security threat and managing investment banking activities including arrangement of syndicate loans, debt and capital advisory services etc. We have discussed below the major aspects of COVID 19 on the Bank's risk management policies.

### 5.1.1 Assets quality and credit risk

The Risk department of the Bank is regularly conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. The Bank has further strengthened its credit review procedures in the light of COVID-19. The Bank has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained is sufficient.

### 5.1.2 Liquidity management

Bank has received applications for deferral of principal and / or restructuring / rescheduling and is expected to receive further such applications. These applications are being reviewed by the Bank as per its established policies. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Bank has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Bank is sufficient to cater any adverse movement in cash flow maturity profile.

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

## 5.1.3 Equity investments

SBP has given relaxation in recognition of impairment of equity securities in phased manner equally on quarterly basis during calendar year ending on December 31, 2020. The Bank has taken the impact of impairment on the basis of that relaxation in these unconsolidated condensed interim financial statements.

## 5.1.4 Foreign Exchange Risks

Due to recent economic slowdown, the PKR has devalued against USD significantly from December 31, 2019 and the USD / PKR parity stood at Rs.168.05 as at June 30, 2020. The exchange rate is expected to remain volatile till the uncertainty around COVID-19 resolves. The Bank has reviewed its Net Open Position and has had no significant impact on profitability.

## 5.1.5 Operations

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network (“VPN”) connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

The Bank is communicating with its customers on how they can connect with the Bank through its full suite of channels including digital and online channels. The Bank has taken all measures to ensure that service levels are maintained, customer complaints are resolved as per SLAs and the Bank continues to meet the expectations of their clients as they would in a normal scenario.

## 5.1.6 Capital Adequacy Ratio

Under the current scenario, the Banks are under pressure to extend further credit to its borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Bank from Capital Adequacy Ratio perspective. The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the Banks to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Bank for its tier 2 capital. Further, the regulatory limit for retail loans has also increased by SBP to 180 million, which will now result in reduced Risk Weighted Assets for some of its loans. In addition to the measures by SBP, the Senior management of the Bank is continuously monitoring the impacts of various decisions on its CAR and taking further lending decisions based on the overall impacts on RWA. The Bank also believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|  | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--|----------------------------------|-----------------------------------|
|  | Note                             | ----- Rupees in '000 -----        |
| <b>6. CASH AND BALANCES WITH TREASURY BANKS</b>  |                                  |                                   |
| <b>In hand</b>   |                                  |                                   |
| Local currency   | 7,636,549                        | 5,572,604                         |
| Foreign currencies   | <u>2,909,710</u>                 | <u>896,523</u>                    |
|  | <b>10,546,259</b>                | <b>6,469,127</b>                  |
| <b>With State Bank of Pakistan in:</b>   |                                  |                                   |
| Local currency current account   | <u>16,396,170</u>                | <u>13,292,331</u>                 |
| Foreign currency current account - non remunerative                                    | 983,096                          | 831,532                           |
| Foreign currency deposit account - remunerative  | <u>2,212,500</u>                 | <u>2,566,714</u>                  |
|  | <b>19,591,766</b>                | <b>16,690,577</b>                 |
| <b>With National Bank of Pakistan in:</b>  |                                  |                                   |
| Local currency current accounts  | 2,559,120                        | 2,286,205                         |
| <b>National Prize Bonds</b>  | 28,939                           | 143,440                           |
|  | <u><b>32,726,084</b></u>         | <u><b>25,589,349</b></u>          |
| <b>7. BALANCES WITH OTHER BANKS</b>  |                                  |                                   |
| <b>In Pakistan</b>   |                                  |                                   |
| In current accounts  | 406,788                          | 143,754                           |
| In deposit accounts  | <u>73</u>                        | <u>67</u>                         |
|  | <b>406,861</b>                   | <b>143,821</b>                    |
| <b>Outside Pakistan</b>  |                                  |                                   |
| In current accounts  | 725,727                          | 319,083                           |
|  | <u>1,132,588</u>                 | <u>462,904</u>                    |
| Less: General provision under IFRS 9   | 7.1 (59)                         | (68)                              |
| Balances with other banks - net of provision   | <u><b>1,132,529</b></u>          | <u><b>462,836</b></u>             |
| 7.1 This represents general provision held under IFRS 9 by Bahrain branch of the Bank. |                                  |                                   |
| <b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>   |                                  |                                   |
| Call money lendings  | 140,042                          | 283,887                           |
| Repurchase agreement lendings (Reverse Repo)   | 9,837,645                        | 30,037,915                        |
| Due against bills re-discounting   | -                                | -                                 |
|  | <u>9,977,687</u>                 | <u>30,321,802</u>                 |
| Less: General provision under IFRS 9   | (236)                            | (1,262)                           |
| Lending to Financial Institutions - net of provision                                   | <u><b>9,977,451</b></u>          | <u><b>30,320,540</b></u>          |
| 8.1 This represents general provision held under IFRS 9 by Bahrain branch of the Bank. |                                  |                                   |
| <b>8.2 Particulars of lendings - gross</b>   |                                  |                                   |
| In local currency  | 9,837,752                        | 30,037,915                        |
| In foreign currencies  | <u>139,935</u>                   | <u>283,887</u>                    |
|  | <u><b>9,977,687</b></u>          | <u><b>30,321,802</b></u>          |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

| 9. INVESTMENTS                            | (Un-audited)<br>June 30, 2020 |                                |                        |                    | (Audited)<br>December 31, 2019 |                             |                        |                    |
|---|-------------------------------|--------------------------------|------------------------|--------------------|--------------------------------|-----------------------------|------------------------|--------------------|
|   | Cost /<br>Amortised<br>cost   | Provision<br>for<br>diminution | Surplus /<br>(Deficit) | Carrying<br>Value  | Cost /<br>Amortised<br>cost    | Provision for<br>diminution | Surplus /<br>(Deficit) | Carrying<br>Value  |
| Rupees in '000                            |                               |                                |                        |                    |                                |                             |                        |                    |
| 9.1 Investments by type                   |                               |                                |                        |                    |                                |                             |                        |                    |
| <b>Held-for-trading securities</b>        |                               |                                |                        |                    |                                |                             |                        |                    |
| Federal Government Securities             | 8,019,568                     | -                              | 70                     | 8,019,638          | 55,601,087                     | -                           | (2,618)                | 55,598,469         |
| <b>Available-for-sale securities</b>      |                               |                                |                        |                    |                                |                             |                        |                    |
| Federal Government Securities             | 122,417,535                   | -                              | 2,163,189              | 124,580,724        | 47,828,618                     | -                           | (809,244)              | 47,019,374         |
| Shares                                    | 3,334,676                     | (168,055)                      | 433,526                | 3,600,147          | 2,092,667                      | (136,589)                   | 20,675                 | 1,976,753          |
| Non Government Debt Securities            | 3,216,564                     | (370,051)                      | 757                    | 2,847,270          | 3,367,738                      | (370,051)                   | (6,461)                | 2,991,226          |
| Foreign Securities                        | 3,650,766                     | -                              | (358,399)              | 3,292,367          | 2,406                          | -                           | -                      | 2,406              |
| <b>Held-to-maturity securities</b>        |                               |                                |                        |                    |                                |                             |                        |                    |
| Federal Government Securities             | 132,619,541                   | (538,106)                      | 2,239,073              | 134,320,508        | 53,291,429                     | (506,640)                   | (795,030)              | 51,989,759         |
| <b>Associates</b>                         |                               |                                |                        |                    |                                |                             |                        |                    |
| Subsidiaries                              | 36,281,788                    | -                              | -                      | 36,281,788         | 32,859,882                     | -                           | -                      | 32,859,882         |
| <b>Associates</b>                         |                               |                                |                        |                    |                                |                             |                        |                    |
| Subsidiaries                              | 242,067                       | -                              | -                      | 242,067            | 201,239                        | -                           | -                      | 201,239            |
| Subsidiaries                              | 1,919,121                     | -                              | -                      | 1,919,121          | 1,919,121                      | -                           | -                      | 1,919,121          |
| <b>Total Investments</b>                  | <b>179,082,085</b>            | <b>(538,106)</b>               | <b>2,239,143</b>       | <b>180,783,122</b> | <b>143,872,758</b>             | <b>(506,640)</b>            | <b>(797,648)</b>       | <b>142,568,470</b> |
| (Un-audited) June 30, 2020                |                               |                                |                        |                    |                                |                             |                        |                    |
| (Audited) December 31, 2019               |                               |                                |                        |                    |                                |                             |                        |                    |
|   | Cost /<br>Amortised<br>cost   | Provision<br>for<br>diminution | Surplus /<br>(Deficit) | Carrying<br>Value  | Cost /<br>Amortised<br>cost    | Provision for<br>diminution | Surplus /<br>(Deficit) | Carrying<br>Value  |
| Rupees in '000                            |                               |                                |                        |                    |                                |                             |                        |                    |
| 9.2 Investments by segments:              |                               |                                |                        |                    |                                |                             |                        |                    |
| <b>Held-for-trading securities</b>        |                               |                                |                        |                    |                                |                             |                        |                    |
| Federal Government Securities             |                               |                                |                        |                    |                                |                             |                        |                    |
| Market Treasury Bills                     | 8,019,568                     | -                              | 70                     | 8,019,638          | 55,601,087                     | -                           | (2,618)                | 55,598,469         |
| <b>Available-for-sale securities</b>      |                               |                                |                        |                    |                                |                             |                        |                    |
| Federal Government Securities:            |                               |                                |                        |                    |                                |                             |                        |                    |
| Market Treasury Bills                     | 64,641,887                    | -                              | 784,267                | 65,426,154         | 12,071,266                     | -                           | (364)                  | 12,070,902         |
| Pakistan Investment Bonds                 | 57,775,648                    | -                              | 1,378,922              | 59,154,570         | 35,757,352                     | -                           | (808,880)              | 34,948,472         |
|   | 122,417,535                   | -                              | 2,163,189              | 124,580,724        | 47,828,618                     | -                           | (809,244)              | 47,019,374         |
| <b>Shares:</b>                            |                               |                                |                        |                    |                                |                             |                        |                    |
| <b>Listed Companies</b>                   |                               |                                |                        |                    |                                |                             |                        |                    |
| Ordinary shares                           | 3,187,087                     | (31,466)                       | 433,526                | 3,589,147          | 1,945,078                      | -                           | 20,675                 | 1,965,753          |
| Preference shares                         | 136,589                       | (136,589)                      | -                      | -                  | 136,589                        | (136,589)                   | -                      | -                  |
| <b>Unlisted Companies</b>                 |                               |                                |                        |                    |                                |                             |                        |                    |
| Ordinary shares                           | 11,000                        | -                              | -                      | 11,000             | 11,000                         | -                           | -                      | 11,000             |
|   | 3,334,676                     | (168,055)                      | 433,526                | 3,600,147          | 2,092,667                      | (136,589)                   | 20,675                 | 1,976,753          |
| <b>Non Government Debt Securities</b>     |                               |                                |                        |                    |                                |                             |                        |                    |
| <b>Listed</b>                             |                               |                                |                        |                    |                                |                             |                        |                    |
| Term Finance Certificates                 | 305,184                       | (155,169)                      | (15)                   | 150,000            | 305,183                        | (155,169)                   | (14)                   | 150,000            |
| Sukuk Certificates                        | 308,583                       | -                              | 772                    | 309,355            | 396,750                        | -                           | (6,447)                | 390,303            |
| <b>Unlisted</b>                           |                               |                                |                        |                    |                                |                             |                        |                    |
| Term Finance Certificates                 | 1,200,064                     | (214,882)                      | -                      | 985,182            | 1,179,739                      | (214,882)                   | -                      | 964,857            |
| Sukuk Certificates                        | 1,375,000                     | -                              | -                      | 1,375,000          | 1,458,333                      | -                           | -                      | 1,458,333          |
| Preference shares                         | 27,733                        | -                              | -                      | 27,733             | 27,733                         | -                           | -                      | 27,733             |
|   | 3,216,564                     | (370,051)                      | 757                    | 2,847,270          | 3,367,738                      | (370,051)                   | (6,461)                | 2,991,226          |
| <b>Foreign Securities</b>                 |                               |                                |                        |                    |                                |                             |                        |                    |
| Government Debt Securities *              | 3,111,053                     | -                              | (257,148)              | 2,853,905          | -                              | -                           | -                      | -                  |
| Non Government Debt Securities *          | 537,307                       | -                              | (101,251)              | 436,056            | -                              | -                           | -                      | -                  |
| Ordinary shares                           | 2,406                         | -                              | 2,406                  | 2,406              | 2,406                          | -                           | -                      | 2,406              |
|   | 3,650,766                     | -                              | (358,399)              | 3,292,367          | 2,406                          | -                           | -                      | 2,406              |
| <b>Held-to-maturity securities</b>        |                               |                                |                        |                    |                                |                             |                        |                    |
| Federal Government Securities:            |                               |                                |                        |                    |                                |                             |                        |                    |
| Pakistan Investment Bonds                 | 36,281,788                    | -                              | -                      | 36,281,788         | 32,859,882                     | -                           | -                      | 32,859,882         |
| <b>Associates</b>                         |                               |                                |                        |                    |                                |                             |                        |                    |
| Omar Jbran Engineering Industries Limited | 180,000                       | -                              | -                      | 180,000            | 180,000                        | -                           | -                      | 180,000            |
| Veda Transit Solutions Private Limited    | 41,800                        | -                              | -                      | 41,800             | 972                            | -                           | -                      | 972                |
| Intercity Touring Company Private Limited | 20,267                        | -                              | -                      | 20,267             | 20,267                         | -                           | -                      | 20,267             |
|   | 242,067                       | -                              | -                      | 242,067            | 201,239                        | -                           | -                      | 201,239            |
| <b>Subsidiaries</b>                       |                               |                                |                        |                    |                                |                             |                        |                    |
| JS Global Capital Limited                 | 1,357,929                     | -                              | -                      | 1,357,929          | 1,357,929                      | -                           | -                      | 1,357,929          |
| JS Investments Limited                    | 561,192                       | -                              | -                      | 561,192            | 561,192                        | -                           | -                      | 561,192            |
|   | 1,919,121                     | -                              | -                      | 1,919,121          | 1,919,121                      | -                           | -                      | 1,919,121          |
| <b>Total Investments</b>                  | <b>179,082,085</b>            | <b>(538,106)</b>               | <b>2,239,143</b>       | <b>180,783,122</b> | <b>143,872,758</b>             | <b>(506,640)</b>            | <b>(797,648)</b>       | <b>142,568,470</b> |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

\*Deficit on revaluation of foreign debt securities includes expected credit loss relating to investments held by the Banks' Bahrain Branch as further explained in note 20.1.

- 9.2.3** Included herein are the investments in related parties amounting to Rs.2,736.585 million (December 31, 2019: Rs.1,552.306 million) having market value of Rs. 3,131.354 million (December 31, 2019: Rs.1,554.335 million).
- 9.2.2** Included herein is the investment of Rs.65.022 million (December 31, 2019: Rs.65.022 million) in a related party at the rate of 6 months KIBOR + 1.75% matured on December 04, 2017. Due to weak financial position of the investee the Bank has recognised full impairment loss on these Term Finance Certificates.
- 9.2.4** This represents investment in an associated company of amounting to Rs. 27.733 million (December 31, 2019: Rs. 27.733 million).
- 9.2.4.1** The market value of securities classified as held-to-maturity as at amounted to Rs. 36,237.951 million (December 31, 2019: Rs. 31,341.410 million).
- 9.2.5** During the period, Veda Transit Solutions Private Limited, an associate of the Bank, has issued shares against advance subscription of Rs. 40.828 million made by the Bank. Resultantly, shareholding of the Bank increased to 9.12% (December 31, 2019: 8%). The Bank has classified the investment as associate on account of it's significant influence over the investee company.

|   | (Un-audited)<br>June 30, 2020 |                   | (Audited)<br>December 31, 2019   |                                   |
|---|-------------------------------|-------------------|----------------------------------|-----------------------------------|
|   | Cost                          | Market value      | Cost                             | Market value                      |
| ----- Rupees in '000 -----                                  |                               |                   |                                  |                                   |
| <b>9.3 Investments given as collateral</b>                  |                               |                   |                                  |                                   |
| <b>Available-for-sale securities</b>                        |                               |                   |                                  |                                   |
| <b>Federal Government Securities:</b>                       |                               |                   |                                  |                                   |
| Market Treasury Bills                                       | 7,352,914                     | 7,405,967         | 4,453,165                        | 4,452,597                         |
| Pakistan Investment Bonds                                   | 1,000,000                     | 1,001,300         | 22,232,264                       | 21,475,720                        |
|   | <b>8,352,914</b>              | <b>8,407,267</b>  | 26,685,429                       | 25,928,317                        |
| <b>Foreign Debt Securities</b>                              |                               |                   |                                  |                                   |
| Government Debt Securities                                  | 2,589,087                     | 2,384,308         | -                                | -                                 |
|   | <b>10,942,001</b>             | <b>10,791,575</b> | <b>26,685,429</b>                | <b>25,928,317</b>                 |
|   |                               | Note              | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
| ----- Rupees in '000 -----                                  |                               |                   |                                  |                                   |
| <b>9.4 Provision for diminution in value of investments</b> |                               |                   |                                  |                                   |
| Opening balance   |                               |                   | 506,640                          | 851,940                           |
| Charge  |                               | 9.4.1             | 32,302                           | 251,675                           |
| Reversal during the period / year                           |                               |                   | (836)                            | (596,975)                         |
| Charge / (reversal) for the period / year                   |                               |                   | 31,466                           | (345,300)                         |
| Closing Balance   |                               |                   | <b>538,106</b>                   | <b>506,640</b>                    |

- 9.4.1** SBP vide BPRD Circular Letter No. 13 of 2020 dated March 26, 2020 has provided regulatory relief to banks to recognize impairment losses resulting from the valuation of listed equity securities held as "Available for Sale" (AFS) in a phased manner equally on quarterly basis during calendar year ending on December 31, 2020. Pursuant to the circular, out of total impairment loss of Rs. 62.932 million, a portion of the impairment loss, amounting to Rs.31.466 million has not been recognized in these unconsolidated condensed interim financial statements.

Had there been no relaxation, there would have been increase in provision for diminution in value of investments and surplus on revaluation of available for sale securities - net of tax by Rs. 31.466 and Rs. 20.453 million respectively, and decrease in unappropriated Profit by Rs. 15.356 million and profit after taxation by Rs.12.271 million respectively.

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | (Un-audited)<br>June 30, 2020 |                | (Audited)<br>December 31, 2019 |                |
|---|-------------------------------|----------------|--------------------------------|----------------|
|   | NPI                           | Provision      | NPI                            | Provision      |
| ----- Rupees in '000 -----                                    |                               |                |                                |                |
| <b>9.3.2 Particulars of provision against debt securities</b> |                               |                |                                |                |
| <b>Category of classification</b>                             |                               |                |                                |                |
| <b>Domestic</b>   |                               |                |                                |                |
| Other assets especially mentioned                             | -                             | -              | -                              | -              |
| Substandard   | -                             | -              | -                              | -              |
| Doubtful  | -                             | -              | -                              | -              |
| Loss  | -                             | -              | -                              | -              |
|   | <b>370,051</b>                | <b>370,051</b> | <b>370,051</b>                 | <b>370,051</b> |
|   | <b>370,051</b>                | <b>370,051</b> | <b>370,051</b>                 | <b>370,051</b> |

|   |        | Performing         |                    | Non Performing    |                   | Total              |                    |
|---|--------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
|   |        | (Un-audited)       | (Audited)          | (Un-audited)      | (Audited)         | (Un-audited)       | (Audited)          |
|   |        | June 30, 2020      | December 31, 2019  | June 30, 2020     | December 31, 2019 | June 30, 2020      | December 31, 2019  |
| ----- Rupees in '000 -----                  |        |                    |                    |                   |                   |                    |                    |
| <b>10. ADVANCES</b>                         | Note   |                    |                    |                   |                   |                    |                    |
| Loans, cash credits, running finances, etc. |        | 224,804,040        | 224,986,858        | 10,057,090        | 10,353,164        | 234,861,130        | 235,340,022        |
| Bills discounted and purchased              |        | 10,572,976         | 11,113,114         | -                 | -                 | 10,572,976         | 11,113,114         |
| Advances - gross                            |        | <b>235,377,016</b> | <b>236,099,972</b> | <b>10,057,090</b> | <b>10,353,164</b> | <b>245,434,106</b> | <b>246,453,136</b> |
| Provision against advances                  |        |                    |                    |                   |                   |                    |                    |
| General                                     |        | (236,469)          | (161,166)          | -                 | -                 | (236,469)          | (161,166)          |
| General provision - under IFRS-9            | 10.3.2 | (25,161)           | (7,520)            | -                 | -                 | (25,161)           | (7,520)            |
| Specific                                    |        | -                  | -                  | (3,564,148)       | (3,339,941)       | (3,564,148)        | (3,339,941)        |
|   | 10.3   | (261,630)          | (168,686)          | (3,564,148)       | (3,339,941)       | (3,825,778)        | (3,508,627)        |
| Advances - net of provision                 |        | <b>235,115,386</b> | <b>235,931,286</b> | <b>6,492,942</b>  | <b>7,013,223</b>  | <b>241,608,328</b> | <b>242,944,509</b> |

|   |  | (Un-audited)       | (Audited)          |
|---|--|--------------------|--------------------|
|   |  | June 30, 2020      | December 31, 2019  |
| ----- Rupees in '000 -----                  |  |                    |                    |
| <b>10.1 Particulars of advances (gross)</b> |  |                    |                    |
| In local currency                           |  | 237,244,371        | 237,733,122        |
| In foreign currencies                       |  | 8,189,735          | 8,720,014          |
|   |  | <b>245,434,106</b> | <b>246,453,136</b> |

**10.2** Advances include Rs.10,057.089 million (December 31, 2019: Rs.10,353.164 million) which have been placed under non-performing status as detailed below:

| Category of Classification        | (Un-audited)<br>June 30, 2020 |                  | (Audited)<br>December 31, 2019 |                  |
|-----------------------------------|-------------------------------|------------------|--------------------------------|------------------|
|                                   | Non Performing Loans          | Provision        | Non Performing Loans           | Provision        |
|                                   | ----- Rupees in '000 -----    |                  |                                |                  |
| <b>Domestic</b>                   |                               |                  |                                |                  |
| Other Assets Especially Mentioned | 94,615                        | 515              | 841,058                        | 1,721            |
| Substandard                       | 748,556                       | 39,468           | 1,159,072                      | 64,681           |
| Doubtful                          | 2,749,043                     | 465,091          | 2,442,270                      | 426,283          |
| Loss                              | 6,464,876                     | 3,059,074        | 5,910,764                      | 2,847,256        |
| <b>Total</b>                      | <b>10,057,090</b>             | <b>3,564,148</b> | <b>10,353,164</b>              | <b>3,339,941</b> |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

## 10.3 Particulars of provision against advances

|                                 | (Un-audited)<br>June 30, 2020 |                |                                  |                  | (Audited)<br>December 31, 2019 |                |                                  |                  |
|---------------------------------|-------------------------------|----------------|----------------------------------|------------------|--------------------------------|----------------|----------------------------------|------------------|
|                                 | Specific                      | General        | General provision - under IFRS-9 | Total            | Specific                       | General        | General provision - under IFRS-9 | Total            |
|                                 | ----- Rupees in '000 -----    |                |                                  |                  |                                |                |                                  |                  |
| Opening balance                 | 3,339,941                     | 161,166        | 7,520                            | 3,508,627        | 2,989,888                      | 155,661        | 10,746                           | 3,156,295        |
| Exchange adjustments            | -                             | -              | 1,475                            | 1,475            | -                              | -              | 1,095                            | 1,095            |
| Charge for the period / year    | 288,769                       | 75,303         | 16,166                           | 380,238          | 880,994                        | 5,505          | -                                | 886,499          |
| Reversals for the period / year | (64,562)                      | -              | -                                | (64,562)         | (526,146)                      | -              | (4,321)                          | (530,467)        |
|                                 | 224,207                       | 75,303         | 16,166                           | 315,676          | 354,848                        | 5,505          | (4,321)                          | 356,032          |
| Amounts written off             | -                             | -              | -                                | -                | (4,795)                        | -              | -                                | (4,795)          |
| Closing balance                 | <u>3,564,148</u>              | <u>236,469</u> | <u>25,161</u>                    | <u>3,825,778</u> | <u>3,339,941</u>               | <u>161,166</u> | <u>7,520</u>                     | <u>3,508,627</u> |

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

|                    | Secured portfolio                |                                   | Unsecured portfolio              |                                   |
|--------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
|                    | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|                    | ----- Percentages -----          |                                   |                                  |                                   |
| Consumer financing | 1%                               | 1%                                | 5%                               | 4%                                |
| Housing finance    | 1.5%                             | 0.5%                              | -                                | -                                 |

10.3.2 The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at June 30, 2020, the Bank has availed cumulative benefit of FSV of Rs. 4,597.223 million (December 31, 2019: Rs.4,120.009 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have reduced by Rs.3,002.620 million (December 31, 2019: Rs. 2,678.006 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

10.3.3 The SBP vide BPRD circular letter number 13 of 2020 dated March 26, 2020, has relaxed certain classification criteria of SBP Prudential Regulation R-8 (Classification and Provisioning of Assets). Accordingly, certain exposures as at June 30, 2020 relating to facilities of customers have not been classified as non-performing on account of such relaxation.

## 11. FIXED ASSETS

|                          | Note        | (Un-audited)             | (Audited)            |
|--------------------------|-------------|--------------------------|----------------------|
|                          |             | June 30,<br>2020         | December 31,<br>2019 |
|                          |             | ---- Rupees in '000 ---- |                      |
| Capital work-in-progress | 11.1        | 142,284                  | 138,167              |
| Property and equipment   | 11.2 & 11.3 | 5,797,372                | 5,961,042            |
| Right-of-use assets      |             | 3,242,463                | 3,593,492            |
|                          |             | <u>9,182,119</u>         | <u>9,692,701</u>     |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|  | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--|----------------------------------|-----------------------------------|
| <b>11.1 Capital work-in-progress</b>           | ---- Rupees in '000 ----         |                                   |
| Civil works                                    | 137,510                          | 116,365                           |
| Advance for purchase of furniture and fixtures | 290                              | 290                               |
| Advance for purchase of equipment              | 4,484                            | 21,512                            |
|  | <u>142,284</u>                   | <u>138,167</u>                    |

11.2 The following additions, book value of disposals and write offs have been made to fixed assets during the period:

|   | (Un-audited)               |                  |                  |                  |                  |                  |
|---|----------------------------|------------------|------------------|------------------|------------------|------------------|
|   | Additions                  |                  | Disposal         |                  | Write offs       |                  |
|   | June 30,<br>2020           | June 30,<br>2019 | June 30,<br>2020 | June 30,<br>2019 | June 30,<br>2020 | June 30,<br>2019 |
|   | ----- Rupees in '000 ----- |                  |                  |                  |                  |                  |
| Capital work-in-progress - net            | 4,117                      | 208,445          | -                | -                | -                | -                |
| <b>Property and equipment</b>             |                            |                  |                  |                  |                  |                  |
| Building on lease hold land               | -                          | 640,701          | -                | -                | -                | -                |
| Lease hold improvements                   | 74,491                     | 62,954           | 29               | 1,789            | 43,754           | -                |
| Furniture and fixture                     | 25,399                     | 37,217           | 921              | 493              | 5,138            | -                |
| Electrical, office and computer equipment | 139,655                    | 306,877          | 2,049            | 3,807            | 9,616            | -                |
| Vehicles                                  | -                          | 222,217          | 764              | 29,398           | -                | -                |
|   | 239,545                    | 1,269,966        | 3,763            | 35,487           | 58,508           | -                |
|   | <u>243,662</u>             | <u>1,478,411</u> | <u>3,763</u>     | <u>35,487</u>    | <u>58,508</u>    | <u>-</u>         |

|                                  | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|----------------------------------|----------------------------------|-----------------------------------|
| <b>11.3 Assets held for sale</b> | ---- Rupees in '000 ----         |                                   |
| Building on leasehold land       | 374,000                          | 374,000                           |

11.3.1 In 2019, Bank had entered into an agreement to sell the Bank property located at 13th floor of Ocean Tower, plot No. G-3, Khayaban-e-Iqbal, Block 9, KDA Scheme No. 5, Clifton Karachi, Pakistan ("Property") of Rs. 375 million and therefore, measured the property as a non-current asset held for sale. In this respect, subsequent to period end the sale proceeds were realised on August 11, 2020.

|                                      | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--------------------------------------|----------------------------------|-----------------------------------|
| <b>12. INTANGIBLE ASSETS</b>         | ---- Rupees in '000 ----         |                                   |
| Capital work-in-progress             | 110,084                          | 97,744                            |
| Computer software and goodwill       | 2,238,567                        | 2,173,616                         |
|                                      | <u>2,348,651</u>                 | <u>2,271,360</u>                  |
| <b>12.1 Capital work-in-progress</b> |                                  |                                   |
| Advance for purchase of software     | 110,084                          | 97,744                            |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

----- Un-audited -----  
**June 30,**                      **June 30,**  
**2020**                              **2019**  
 ----- Rupees in '000 -----

## 12.2 Additions to intangible assets

The following additions have been made to intangible assets during the period:

|                                |                       |                     |
|--------------------------------|-----------------------|---------------------|
| Capital work-in-progress - net | 12,340                | -                   |
| Computer software              | <u>119,103</u>        | <u>1,480</u>        |
|                                | <u><b>131,443</b></u> | <u><b>1,480</b></u> |

## 13. OTHER ASSETS

Note                      (Un-audited)                      (Audited)  
    **June 30,**                      **December 31,**  
    **2020**                              **2019**  
 ----- Rupees in '000 -----

|   |       |                          |                          |
|---|-------|--------------------------|--------------------------|
| Income/ Mark-up accrued in local currency                                       |       | 9,433,007                | 8,731,263                |
| Income/ Mark-up accrued in foreign currency                                     |       | 120,536                  | 48,511                   |
| Advances, deposits, advance rent and other prepayments                          |       | 884,892                  | 446,321                  |
| Acceptances   |       | 3,160,974                | 3,221,212                |
| Dividend receivable   |       | -                        | 208,948                  |
| Taxation (payments less provision)  |       | 518,560                  | 573,873                  |
| Receivable against bancassurance / bancatakaful                                 |       | 20,639                   | 67,952                   |
| Stationery and stamps in hand   |       | 15,371                   | 23,290                   |
| Receivable in respect of home remittance  |       | 61,913                   | 37,139                   |
| Due from State Bank of Pakistan   |       | 181,038                  | 116,489                  |
| Rebates receivable from SBP and others  |       | 284,823                  | 465,965                  |
| Non-banking assets acquired in satisfaction of claims                           |       | 1,084,206                | 1,088,682                |
| Mark to market gain on derivative instruments                                   |       | 25,736                   | 22,408                   |
| Mark to market gain on forward foreign exchange contracts                       |       | 263,878                  | 65,955                   |
| Advance for subscription of shares  | 9.2.5 | -                        | 40,828                   |
| Inter bank fund transfer settlement   |       | -                        | 14,477                   |
| Credit card settlement  |       | 57,067                   | 29,924                   |
| Insurance   |       | 36,654                   | 39,100                   |
| Others  |       | 599,577                  | 494,123                  |
|   |       | <u>16,748,871</u>        | <u>15,736,460</u>        |
| Less: Provision held against other assets                                       |       | <u>(13,580)</u>          | <u>(13,580)</u>          |
| Other assets (net of provisions)  |       | <u><b>16,735,291</b></u> | <u><b>15,722,880</b></u> |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims |       | 93,680                   | 93,743                   |
| Other assets - total  |       | <u><b>16,828,971</b></u> | <u><b>15,816,623</b></u> |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|  | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--|----------------------------------|-----------------------------------|
|  | ---- Rupees in '000 ----         |                                   |
| <b>14. BILLS PAYABLE</b>                                       |                                  |                                   |
| In Pakistan  | 4,020,886                        | 3,583,500                         |
| Outside Pakistan   | 238,184                          | 220,991                           |
|  | <u>4,259,070</u>                 | <u>3,804,491</u>                  |
| <b>15. BORROWINGS</b>  |                                  |                                   |
| <b>Secured</b>   |                                  |                                   |
| <b>Borrowings from State Bank of Pakistan under:</b>           |                                  |                                   |
| Export Refinancing Scheme (ERF)                                | 18,286,096                       | 17,792,778                        |
| Long-Term Finance Facility (LTFF)                              | 1,806,783                        | 1,877,760                         |
| Financing Facility for Storage of Agricultural Produce (FFSAP) | 3,428,561                        | 300,440                           |
| Repurchase agreement borrowings                                | -                                | 16,849,097                        |
|  | <u>23,521,440</u>                | <u>36,820,075</u>                 |
| <b>Borrowing from financial institutions</b>                   |                                  |                                   |
| Repurchase agreement borrowings                                | 10,201,126                       | 12,746,732                        |
| Refinancing facility for mortgage loans                        | 1,930,987                        | 1,961,128                         |
|  | <u>12,132,113</u>                | <u>14,707,860</u>                 |
| <b>Total secured</b>   | <u>35,653,553</u>                | <u>51,527,935</u>                 |
| <b>Unsecured</b>   |                                  |                                   |
| Call borrowings  | 302,491                          | 2,303,356                         |
| Overdrawn nostro accounts                                      | 611,022                          | 636,992                           |
| <b>Total unsecured</b>   | <u>913,513</u>                   | <u>2,940,348</u>                  |
|  | <u>36,567,066</u>                | <u>54,468,283</u>                 |
| <b>15.1 Particulars of borrowings</b>                          |                                  |                                   |
| In local currency  | 33,856,427                       | 51,527,935                        |
| In foreign currencies  | 2,710,639                        | 2,940,348                         |
|  | <u>36,567,066</u>                | <u>54,468,283</u>                 |

|  | (Un-audited)<br>June 30, 2020 |                          |                    | (Audited)<br>December 31, 2019 |                          |                    |
|--|-------------------------------|--------------------------|--------------------|--------------------------------|--------------------------|--------------------|
|  | In Local<br>Currency          | In Foreign<br>Currencies | Total              | In Local<br>Currency           | In Foreign<br>Currencies | Total              |
|  | ----- Rupees in '000 -----    |                          |                    |                                |                          |                    |
| <b>16. DEPOSITS AND OTHER ACCOUNTS</b> |                               |                          |                    |                                |                          |                    |
| <b>Customers</b>                       |                               |                          |                    |                                |                          |                    |
| Current deposits                       | 90,791,095                    | 6,359,263                | 97,150,358         | 70,341,319                     | 6,412,941                | 76,754,260         |
| Savings deposits                       | 84,030,142                    | 3,991,177                | 88,021,319         | 73,442,779                     | 2,898,794                | 76,341,573         |
| Term deposits                          | 172,653,818                   | 12,125,396               | 184,779,214        | 164,602,876                    | 11,409,815               | 176,012,691        |
| Margin deposits                        | 7,433,231                     | 2,739                    | 7,435,970          | 5,455,786                      | 15,234                   | 5,471,020          |
|  | <u>354,908,286</u>            | <u>22,478,575</u>        | <u>377,386,861</u> | <u>313,842,760</u>             | <u>20,736,784</u>        | <u>334,579,544</u> |
| <b>Financial Institutions</b>          |                               |                          |                    |                                |                          |                    |
| Current deposits                       | 950,353                       | 362,141                  | 1,312,494          | 859,151                        | -                        | 859,151            |
| Savings deposits                       | 11,124,122                    | -                        | 11,124,122         | 13,450,440                     | -                        | 13,450,440         |
| Term deposits                          | 16,008,565                    | -                        | 16,008,565         | 20,900,829                     | -                        | 20,900,829         |
|  | <u>28,083,040</u>             | <u>362,141</u>           | <u>28,445,181</u>  | <u>35,210,420</u>              | <u>-</u>                 | <u>35,210,420</u>  |
|  | <u>382,991,326</u>            | <u>22,840,716</u>        | <u>405,832,042</u> | <u>349,053,180</u>             | <u>20,736,784</u>        | <u>369,789,964</u> |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|  |      | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--|------|----------------------------------|-----------------------------------|
|  | Note | ----- Rupees in '000 -----       | -----                             |
| <b>17. SUBORDINATED DEBT</b>             |      |                                  |                                   |
| Term Finance Certificates - First Issue  | 17.1 | 2,996,400                        | 2,996,400                         |
| Term Finance Certificates - Second Issue | 17.2 | 1,998,400                        | 1,998,400                         |
| Term Finance Certificates - Third Issue  | 17.3 | 2,500,000                        | 2,500,000                         |
|  |      | <u>7,494,800</u>                 | <u>7,494,800</u>                  |

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

Purpose: To contribute toward the Bank’s Tier II Capital for complying with the Capital Adequacy Ratio requirement and to utilize the funds in the Bank’s business operations as permitted by its Memorandum & Articles of Association.

Issue date: December 14, 2016

Tenure: Up to Seven years from the Issue date.

Maturity Date: December 14, 2023

Rating: A + (Single A Plus)

Profit Rate: Floating rate of return at Base rate + 1.4 percent per annum;

Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.

Profit payment: Semi-annual

Redemption: The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.

Security: The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.

Call Option: Exercisable in part or in full on or after the 10th redemption, subject to SBP’s approval.

Lock-in-clause: Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

Loss absorbency clause: Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule vide BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger as declared by SBP of the non-viability event as declared by SBP, subject to a cap of 467,836,257 shares.

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

Purpose: To contribute toward the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date: December 29, 2017

Tenure: Up to Seven years from the Issue date.

Maturity Date: December 29, 2024

Rating: A + (Single A Plus)

Profit Rate: Floating rate of return at Base rate + 1.4 percent per annum;

Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.

Profit payment: Semi-annual

Redemption: The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.

Security: The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.

Call Option: Exercisable in part or in full on or after the 10th redemption, with prior approval of SBP.

Lock-in-clause: Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.



# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

Loss absorbency clause: Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger of Point of Non-Viability (PONV) as declared by SBP, subject to a cap of 319,982,544 shares.

17.3 In 2018, the Bank has issued Rs.2.5 billion of rated, privately placed and listed, unsecured, subordinated, perpetual and non-cumulative additional Tier I capital term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66(1) of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 (the "Circular") and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose: To contribute toward the Bank's Tier I Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date: December 31, 2018

Maturity date: Perpetual

Rating: A (Single A)

Profit Rate: Floating rate of return at Base rate + 2.25 percent per annum;  
Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.

Profit payment: Semi-annually on a non-cumulative basis

Redemption: Not applicable

Security: The Issue is unsecured and subordinated as to payment of Principal and profit to all other claims except common shares.

Call Option: Exercisable in part or in full at a par value on or after five years from the issue date, with prior approval of SBP. The Bank shall not exercise the call option unless the called instrument is replaced with capital of same or better quality.

Lock-in-clause: Payment of profit will me be made from current year's earning and subject to compliance with MCR or CAR set by SBP.

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

## Loss absorbcency clause:

Pre-Specified Trigger ("PST")

Upon the occurrence of a Pre-Specified Trigger as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013 which stipulates that if an Issuer's Common Equity Tier 1 ("CET 1") ratio falls to or below 6.625% of Risk Weighted Assets ("RWA"), the Issuer will have full discretion to determine the amount of TFCs to be permanently converted into common shares or written off, subject to SBP regulations / instructions, and the cap specified below. The Bank will be able to exercise this discretion subject to:

- If and when Bank's CET 1 reaches the loss absorption trigger point, the aggregate amount of Additional Tier-1 capital to be converted must at least be the amount sufficient to immediately return the CET 1 ratio to above 6.625% of total RWA (if possible);
- The converted amount should not exceed the amount needed to bring the CET 1 ratio to 8.5% of RWA (i.e. minimum CET 1 of 6.0% plus capital conservation buffer of 2.5%); and
- In case, conversion of Additional Tier-1 capital Instrument is not possible following the trigger event, the amount of the Instrument must be written off in the accounts resulting in increase in CET 1 of the Issuer.

Point of Non-Viability ("PONV")

Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, which stipulates that SBP may, at its option, fully and permanently convert the TFCs into common shares of the Issuer and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Value of the TFCs' divided by market value per share of the Issuer's common / ordinary share on the date of the PONV trigger event as declared by SBP, subject to the cap specified below:

The PONV trigger event is the earlier of:

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

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|---|----------------------------------|-----------------------------------|
| <b>18. DEFERRED TAX (ASSETS) / LIABILITIES</b>  |                                  | ---- Rupees in '000 ----          |
| <b>Deferred tax debits arising from:</b>  |                                  |                                   |
| Provision against investments   | (57,149)                         | (57,149)                          |
| Provision against loans and advances  | (149,634)                        | (132,305)                         |
| Other assets  | (90,991)                         | (628,569)                         |
| General provision under IFRS-9  | (22,711)                         | (3,097)                           |
| Intangible other than Goodwill  | (2,756)                          | (2,514)                           |
|   | <u>(323,241)</u>                 | <u>(823,634)</u>                  |
| <b>Deferred tax credits arising due to:</b>   |                                  |                                   |
| Fixed assets  | 237,714                          | 250,858                           |
| Goodwill  | 512,268                          | 512,268                           |
| Surplus on revaluation of operating fixed assets                                      | 294,761                          | 299,034                           |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims       | 945                              | 967                               |
| Mark to market gain on forward foreign exchange contracts                             | 92,357                           | 23,085                            |
| Unrealized gain on revaluation of derivative instruments                              | 9,008                            | 8,145                             |
| Unrealised gain / (loss) on revaluation of investments classified as held for trading | 25                               | (1,218)                           |
| Surplus/ (deficit) on revaluation of investments classified as available for sale     | 797,477                          | (278,261)                         |
|   | <u>1,944,555</u>                 | <u>814,878</u>                    |
|   | <u>1,621,314</u>                 | <u>(8,756)</u>                    |
| <b>19. OTHER LIABILITIES</b>  |                                  |                                   |
| Mark-up / return / interest payable in local currency                                 | 5,410,501                        | 4,092,845                         |
| Mark-up / return / interest payable in foreign currency                               | 58,783                           | 72,782                            |
| Unearned income on guarantees   | 147,100                          | 99,505                            |
| Accrued expenses  | 582,181                          | 304,086                           |
| Acceptances   | 3,160,974                        | 3,221,212                         |
| Unclaimed dividends   | 4,214                            | 4,214                             |
| Payable in respect of defined benefit obligation - net                                | 107,560                          | 151,881                           |
| Withholding taxes payable   | 334,844                          | 414,407                           |
| Government challan collection   | 125,514                          | 66,867                            |
| Donation payable  | -                                | 1,991                             |
| Security deposits against leases, lockers and others                                  | 3,819,124                        | 4,172,975                         |
| Sindh Workers' Welfare Fund   | 85,473                           | 73,777                            |
| Payable in respect of home remittance   | 669,268                          | 446,387                           |
| Retention money payable   | 36,444                           | 34,248                            |
| Lease liability against right-of-use assets   | 3,485,022                        | 3,696,371                         |
| Advance against assets held for sale  | 37,500                           | 37,500                            |
| Insurance payable   | 68,287                           | 12,693                            |
| Debit card settlement   | 58,632                           | 73,084                            |
| Inter bank fund transfer settlement   | 261,004                          | -                                 |
| Others  | 509,728                          | 181,526                           |
|   | <u>18,962,153</u>                | <u>17,158,351</u>                 |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|  | Note       | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--|------------|----------------------------------|-----------------------------------|
| ----- Rupees in '000 -----                             |            |                                  |                                   |
| <b>20. SURPLUS ON REVALUATION OF ASSETS</b>            |            |                                  |                                   |
| Surplus / (deficit) on revaluation of:                 |            |                                  |                                   |
| Available-for-sale securities                          | 9.1 & 20.1 | 2,278,505                        | (795,030)                         |
| Fixed assets   | 20.2       | 1,347,518                        | 1,359,727                         |
| Non-banking assets acquired in satisfaction of claims  |            | 93,680                           | 93,743                            |
|  |            | <b>3,719,703</b>                 | <b>658,440</b>                    |
| Deferred tax on (deficit) / surplus on revaluation of: |            |                                  |                                   |
| Available-for-sale securities                          |            | (797,477)                        | 278,261                           |
| Fixed assets   |            | (294,761)                        | (299,034)                         |
| Non-banking assets acquired in satisfaction of claims  |            | (945)                            | (967)                             |
|  |            | <b>(1,093,183)</b>               | <b>(21,740)</b>                   |
|  |            | <b>2,626,520</b>                 | <b>636,700</b>                    |

20.1 This includes general provision under IFRS 9 of Rs. 39.432 million (December 31, 2019: Rs. Nil) by Bahrain branch of the Bank.

20.2 This includes Rs. 141.731 million (December 31, 2019: Rs. 141.731 million) which relates to assets held for sale as disclosed in note 11.3.

|  | Note   | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--|--------|----------------------------------|-----------------------------------|
| ----- Rupees in '000 -----               |        |                                  |                                   |
| <b>21. CONTINGENCIES AND COMMITMENTS</b> |        |                                  |                                   |
| Guarantees                               | 21.1   | 61,475,380                       | 45,650,803                        |
| Commitments                              | 21.2   | 103,845,591                      | 76,025,492                        |
|  |        | <b>165,320,971</b>               | <b>121,676,295</b>                |
| 21.1 Guarantees:                         |        |                                  |                                   |
| Financial guarantees                     |        | 2,839,185                        | 2,464,411                         |
| Performance guarantees                   |        | 35,451,379                       | 21,483,841                        |
| Other guarantees                         |        | 23,184,816                       | 21,702,551                        |
|  | 21.1.1 | <b>61,475,380</b>                | <b>45,650,803</b>                 |

21.1.1 Included herein are outstanding guarantees of Rs.24.125 million (December 31, 2019: Rs.14.217 million) of related parties.

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|  | Note  | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--|---|----------------------------------|-----------------------------------|
|  |   | ----- Rupees in '000 -----       |                                   |
| <b>21.2 Commitments:</b>   |   |                                  |                                   |
| <b>Documentary credits and short-term trade-related transactions</b> |   |                                  |                                   |
| - letters of credit  | 21.2.1  | 13,456,446                       | 13,965,258                        |
| <b>Commitments in respect of:</b>                                    |   |                                  |                                   |
| - Forward foreign exchange contracts                                 | 21.2.2  | 33,687,656                       | 55,111,366                        |
| - Derivative instruments   | 21.2.3  | 56,306,954                       | 6,745,592                         |
| - Forward lending  | 21.2.4  | 235,682                          | 72,183                            |
| <b>Commitments for acquisition of:</b>                               |   |                                  |                                   |
| - Fixed assets   | 21.2.5  | 158,853                          | 131,093                           |
|  |   | <u>103,845,591</u>               | <u>76,025,492</u>                 |
| <b>21.2.1</b>  | Included herein are the outstanding letter of credits of Rs. 40.823 million (December 31, 2019: Rs.44.368 million) of related parties.  |                                  |                                   |
| <b>21.2.2</b>  | <b>Commitments in respect of forward foreign exchange contracts</b>   |                                  |                                   |
| Purchase   |   | 20,414,093                       | 33,104,108                        |
| Sale   |   | 13,273,563                       | 22,007,258                        |
|  |   | <u>33,687,656</u>                | <u>55,111,366</u>                 |
|  | The Bank utilises foreign exchange instruments to meet the needs of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk. At year end, all foreign exchange contracts have a remaining maturity of less than one year. |                                  |                                   |
|  |   | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|  |   | ----- Rupees in '000 -----       |                                   |
| <b>21.2.3</b>  | <b>Commitments in respect of derivative instruments</b>   |                                  |                                   |
| Purchase   |   | 2,735,177                        | 3,622,107                         |
| Sale   |   | 53,571,777                       | 3,123,485                         |
|  |   | <u>56,306,954</u>                | <u>6,745,592</u>                  |
| <b>21.2.3.1</b>  | <b>Interest rate swaps (notional principal)</b>   |                                  |                                   |
| Purchase   |   | 1,499,668                        | 2,099,175                         |
| Sale   |   | 1,500,668                        | 2,100,175                         |
|  |   | <u>3,000,336</u>                 | <u>4,199,350</u>                  |
| <b>21.2.3.2</b>  | <b>Options (notional principal)</b>   |                                  |                                   |
| Purchase   |   | 1,110,562                        | 1,023,310                         |
| Sale   |   | 52,071,109                       | 1,023,310                         |
|  |   | <u>53,181,671</u>                | <u>2,046,620</u>                  |
| <b>21.2.3.3</b>  | <b>Commitments in respect of forward government securities</b>  |                                  |                                   |
| Purchase   |   | 124,947                          | 499,622                           |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

(Un-audited)  
June 30,  
2020  
----- Rupees in '000 -----

(Audited)  
December 31,  
2019

## 21.2.4 Commitments in respect of forward lending

Undrawn formal standby facilities, credit lines and other commitments to lend

235,682      72,183

21.2.4.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the Bank without the risk of incurring significant penalty or expense.

## 21.2.5 Commitments for acquisition of fixed assets

158,853      131,093

21.2.6 There are no changes in contingent liabilities since the date of annual unconsolidated audited financial statements for the year ended December 31, 2019.

## 22. DERIVATIVE INSTRUMENTS

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

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

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

These transactions cover the aspects of both market making and hedging. The risk management related to derivative is disclosed in note 45 to the unconsolidated financial statements for the year ended December 31, 2019.

Accounting policies in respect of derivative financial instruments are described in note 4.5.2 of the unconsolidated annual financial statements for the year ended December 31, 2019.

|      |                                  | (Un-audited)<br>June 30, 2020 |                |                    |                |                    |                |
|------|----------------------------------|-------------------------------|----------------|--------------------|----------------|--------------------|----------------|
|      |                                  | Interest Rate Swaps           |                | Options            |                | Forward securities |                |
|      |                                  | Notional principal            | Mark to Market | Notional principal | Mark to Market | Notional principal | Mark to Market |
| 22.1 | Product analysis                 | ----- Rupees in '000 -----    |                |                    |                |                    |                |
|      | <b>With Banks for</b>            |                               |                |                    |                |                    |                |
|      | Hedging                          | 3,000,336                     | 9,736          | 53,181,671         | 15,971         | -                  | -              |
|      | Market making                    | -                             | -              | -                  | -              | 124,947            | 29             |
|      | <b>With FIs other than banks</b> |                               |                |                    |                |                    |                |
|      | Hedging                          | -                             | -              | -                  | -              | -                  | -              |
|      | Market making                    | -                             | -              | -                  | -              | -                  | -              |
|      | <b>Total</b>                     |                               |                |                    |                |                    |                |
|      | Hedging                          | 3,000,336                     | 9,736          | 53,181,671         | 15,971         | -                  | -              |
|      | Market making                    | -                             | -              | -                  | -              | 124,947            | 29             |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|                                  | (Audited)           |                    |                |                    |                    |     |
|----------------------------------|---------------------|--------------------|----------------|--------------------|--------------------|-----|
|                                  | December 31, 2019   |                    |                |                    |                    |     |
|                                  | Interest Rate Swaps |                    | Options        |                    | Forward securities |     |
| Notional principal               | Mark to Market      | Notional principal | Mark to Market | Notional principal | Mark to Market     |     |
| ----- Rupees in '000 -----       |                     |                    |                |                    |                    |     |
| <b>With Banks for</b>            |                     |                    |                |                    |                    |     |
| Hedging                          | 4,199,350           | 13,327             | -              | 8,885              | -                  | -   |
| Market making                    | -                   | -                  | -              | -                  | 499,622            | 196 |
| <b>With FIs other than banks</b> |                     |                    |                |                    |                    |     |
| Hedging                          | -                   | -                  | -              | -                  | -                  | -   |
| Market making                    | -                   | -                  | -              | -                  | -                  | -   |
| <b>Total</b>                     |                     |                    |                |                    |                    |     |
| Hedging                          | 4,199,350           | 13,327             | -              | 8,885              | -                  | -   |
| Market making                    | -                   | -                  | -              | -                  | 499,622            | 196 |

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

- 22.1.1 The notional value of options includes Rs. 1,101.562 million (December 31, 2019: Rs. 1,023.310 million) and the Bank has entered back to back arrangement to close the position at period end.

| 23. MARK-UP / RETURN / INTEREST EARNED       | Note | ----- Un-audited -----     |                   |
|--|------|----------------------------|-------------------|
|  |      | June 30,<br>2020           | June 30,<br>2019  |
|  |      | ----- Rupees in '000 ----- |                   |
| <b>On:</b>                                   |      |                            |                   |
| Loans and advances                           |      | 14,929,136                 | 14,531,912        |
| Investments                                  |      | 8,582,879                  | 4,110,443         |
| Lendings to financial institutions           |      | 37,393                     | 34,693            |
| Balances with other banks                    |      | 5,288                      | 27,141            |
| Securities purchased under resale agreements |      | 795,147                    | 355,972           |
|  |      | <u>24,349,843</u>          | <u>19,060,161</u> |

## 24. MARK-UP / RETURN / INTEREST EXPENSED

|   |      |                   |                   |
|---|------|-------------------|-------------------|
| Deposits  |      | 17,056,289        | 12,094,303        |
| Borrowings  | 24.1 | 1,172,551         | 2,264,803         |
| Sub-ordinated debt  |      | 555,709           | 467,297           |
| Cost of foreign currency swaps against foreign currency deposits / borrowings |      | 182,814           | 293,423           |
| Lease liability against right-of-use assets                                   |      | 232,046           | 229,063           |
|   |      | <u>19,199,409</u> | <u>15,348,889</u> |

### 24.1 Borrowings

|  |                  |                  |
|--|------------------|------------------|
| Export Refinancing Scheme (ERF)                                | 173,836          | 168,425          |
| Long-Term Finance Facility (LTFF)                              | 22,822           | 14,725           |
| Financing Facility for Storage of Agricultural Produce (FFSAP) | 4,600            | 1,656            |
| Securities sold under repurchase agreements                    | 724,263          | 1,839,197        |
| Other borrowings   | 247,030          | 240,800          |
|  | <u>1,172,551</u> | <u>2,264,803</u> |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|  |      | ----- Un-audited -----<br>June 30,<br>2020 | June 30,<br>2019 |
|--|------|--|------------------|
|  | Note | ----- Rupees in '000 -----                 |                  |
| <b>25. FEE AND COMMISSION INCOME</b>                 |      |  |                  |
| Branch banking customer fees                         |      | 145,331                                    | 89,416           |
| Consumer finance related fees                        |      | 12,415                                     | 9,434            |
| Card related fees (debit and credit cards)           |      | 278,888                                    | 227,941          |
| Credit related fees                                  |      | 228,656                                    | 154,278          |
| Investment banking fees                              |      | 37,384                                     | 38,550           |
| Commission on trade                                  |      | 308,965                                    | 254,988          |
| Commission on guarantees                             |      | 184,581                                    | 175,055          |
| Commission on cash management                        |      | 2,415                                      | 3,112            |
| Commission on remittances including home remittances |      | 176,555                                    | 54,737           |
| Commission on bancassurance                          |      | 71,117                                     | 71,172           |
| Commission on distribution of mutual funds           |      | 22,489                                     | 63,885           |
| Commission on online Services                        |      | 141,248                                    | 80,764           |
| Postage & Courier income                             |      | 11,729                                     | 7,305            |
| Rebate income  |      | 112,067                                    | 107,506          |
| Rebate on primary dealership                         |      | 27,637                                     | 6,918            |
|  |      | <u>1,761,477</u>                           | <u>1,345,061</u> |
| <b>26. GAIN / (LOSS) ON SECURITIES</b>               |      |  |                  |
| Realised   | 26.1 | 784,082                                    | (368,497)        |
| Unrealised - held for trading                        |      | 70   | (1,042)          |
|  |      | <u>784,152</u>                             | <u>(369,539)</u> |
| <b>26.1 Realised gain / (loss) on:</b>               |      |  |                  |
| <b>Federal government securities</b>                 |      |  |                  |
| Market treasury bills                                |      | 86,437                                     | 6,015            |
| Pakistan investment bonds                            |      | 707,404                                    | (334,668)        |
| Ijara sukuk certificates                             |      | 25   | 633              |
| <b>Shares</b>  |      |  |                  |
| Listed companies                                     |      | (12,850)                                   | (28,543)         |
| <b>Non Government Debt Securities</b>                |      |  |                  |
| Sukuk certificates                                   |      | 450  | -                |
| <b>Mutual fund units</b>                             |      | 2,995                                      | 482              |
| <b>Foreign currency bonds</b>                        |      | (379)                                      | (12,416)         |
|  |      | <u>784,082</u>                             | <u>(368,497)</u> |
| <b>27. OTHER INCOME - NET</b>                        |      |  |                  |
| Gain on sale of operating fixed assets - net         |      | 246  | 68,171           |
| Others   |      | 4,640                                      | -                |
|  |      | <u>4,886</u>                               | <u>68,171</u>    |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|     |   | ----- Un-audited -----     |                                 |
|-----|---|----------------------------|---------------------------------|
|     |   | June 30,                   | June 30,                        |
|     |   | 2020                       | 2019                            |
|     |   | ----- Rupees in '000 ----- |                                 |
| 28. | OPERATING EXPENSES                                  | Note                       |                                 |
|     | Total compensation expense                          |                            | 3,118,589      2,665,351        |
|     | <b>Property expense</b>                             |                            |                                 |
|     | Rent & taxes  |                            | 17,277      142,544             |
|     | Insurance   |                            | 2,638      5,275                |
|     | Utilities cost                                      |                            | 161,376      131,737            |
|     | Security (including guards)                         |                            | 222,954      171,330            |
|     | Repair & maintenance (including janitorial charges) |                            | 114,306      120,102            |
|     | Depreciation  |                            | 95,122      116,601             |
|     | Depreciation - Right of Use Assets                  |                            | 506,114      372,542            |
|     | Depreciation on non banking assets                  |                            | 4,539      234                  |
|     |   |                            | <b>1,124,326      1,060,365</b> |
|     | <b>Information technology expenses</b>              |                            |                                 |
|     | Software maintenance                                |                            | 76,262      68,137              |
|     | Hardware maintenance                                |                            | 129,883      87,162             |
|     | Depreciation  |                            | 97,740      82,775              |
|     | Amortisation  |                            | 54,523      43,661              |
|     | Network charges                                     |                            | 57,081      58,636              |
|     |   |                            | <b>415,489      340,371</b>     |
|     | <b>Other operating expenses</b>                     |                            |                                 |
|     | Directors' fees and allowances                      |                            | 9,150      3,450                |
|     | Legal & professional charges                        |                            | 89,814      83,295              |
|     | Insurance   |                            | 85,831      70,045              |
|     | Outsourced services costs                           |                            | 79,925      73,030              |
|     | Travelling & conveyance                             |                            | 51,720      44,869              |
|     | NIFT clearing charges                               |                            | 19,902      19,521              |
|     | Depreciation  |                            | 147,611      180,186            |
|     | Training & development                              |                            | 7,700      16,751               |
|     | Postage & courier charges                           |                            | 52,527      44,952              |
|     | Communication                                       |                            | 57,781      51,011              |
|     | Stationery & printing                               |                            | 106,671      119,750            |
|     | Marketing, advertisement & publicity                |                            | 228,487      120,628            |
|     | Donations   |                            | 60,841      -                   |
|     | Auditors Remuneration                               |                            | 3,474      3,529                |
|     | Staff Auto fuel & maintenance                       |                            | 97,511      108,435             |
|     | Bank Charges  |                            | 31,581      29,630              |
|     | Stamp Duty  |                            | 7,395      19,311               |
|     | Online verification charges                         |                            | 7,636      7,168                |
|     | Brokerage, fee and commission                       |                            | 18,693      15,619              |
|     | Card related fees (debit and credit cards)          |                            | 3,287      4,135                |
|     | CDC and other charges                               |                            | 2,355      2,747                |
|     | Consultancy fee                                     |                            | 20,457      21,441              |
|     | Deposit protection corporation                      | 28.1                       | 72,910      69,880              |
|     | Entertainment expenses                              |                            | 35,076      31,518              |
|     | Fee and Subscription                                |                            | 96,017      25,657              |
|     | Employees social security                           |                            | 4,948      3,867                |
|     | Generator fuel & maintenance                        |                            | 35,685      34,483              |
|     | Others  |                            | 28,082      14,240              |
|     |   |                            | <b>1,463,067      1,219,148</b> |
|     |   |                            | <b>6,121,471      5,285,235</b> |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

28.1 Under the provision of section 5(2) of the Deposit Protection Corporation Act, 2016 (the Act), and DPC Circular No. 04 of 2018, the Bank is liable to pay annual premium, on quarterly basis, to the Deposit Protection Corporation, a subsidiary company of State Bank of Pakistan, @ 0.16% on eligible deposits as of December 31 of each preceding calendar year.

The Bank's eligible deposits as of December 31, 2019 are amounting to Rs. 87,425.180 million on which total premium is payable of Rs. 139.880 million per annum (Rs. 34.970 million per quarter).

## 29. WORKERS WELFARE FUND

Provision held at 2% of the higher of profit before tax or taxable income to the extent of operations carried out under Sindh Workers' Welfare Act, 2014.

|   | Note | ----- Un-audited -----<br>June 30,<br>2020 | June 30,<br>2019 |
|---|------|--|------------------|
|   |      | ---- Rupees in '000 ----                   |                  |
| 30. OTHER CHARGES                           |      |  |                  |
| Penalties imposed by State Bank of Pakistan |      | 74,587                                     | 50               |
| Others                                      |      | -  | 198              |
|   |      | <u>74,587</u>                              | <u>248</u>       |

## 31. PROVISIONS AND WRITE OFFS - NET

|   |       |                |                |
|---|-------|----------------|----------------|
| Provisions for diminution in value of investments | 9.3.4 | 31,466         | 218,997        |
| Provisions against loans & advances - specific    |       | 224,207        | 435,704        |
| Provisions against loans & advances - general     |       | 75,303         | 345            |
| Provisions / (reversal) under IFRS-9 - general    |       | 52,564         | (59,311)       |
| Fixed assets written off                          |       | 58,508         | -              |
| Other assets written off                          |       | 4,159          | -              |
| Other reversals                                   |       | -              | (2,082)        |
|   |       | <u>446,207</u> | <u>593,653</u> |

## 32. TAXATION

|             |                |                  |
|-------------|----------------|------------------|
| Current     | 61,437         | 364,341          |
| Prior years | -              | -                |
| Deferred    | 554,332        | (519,179)        |
|             | <u>615,769</u> | <u>(154,838)</u> |

32.1 There are no material changes in tax contingencies as disclosed in unconsolidated annual financial statements for the year ended December 31, 2019 except below:

32.1.1 Subsequent to the reporting date, Sindh High Court has dismissed the Bank's petitions of Super Tax pertaining to Tax year 2017 and 2018. Based on the opinion of legal counsel, the Bank is now approaching the Supreme Court to challenge the aforesaid decision of the Sindh High Court and seek interim relief in respect of the outstanding super tax demand.



# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.5 to the annual unconsolidated financial statements for the year ended December 31, 2019.

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

## Fair value hierarchy

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

**Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Fair value measurements using unobservable inputs for the asset or liability.

## 35.1 Valuation techniques used in determination of fair values within level

| Item | Valuation approach and input used |
|------|-----------------------------------|
|------|-----------------------------------|

### Financial Instruments- Level 1

|                            |  |
|----------------------------|--|
| Shares of listed companies | Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange. |
|----------------------------|--|

### Financial instruments - Level 2

|   |  |
|---|--|
| Units of mutual funds   | Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the Mutual Funds Association of Pakistan (MUFAP) as at the close of the business days.  |
| Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS) | Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV rates (Reuters page).  |
| Debt Securities (TFCs) and Sukuk other than Government                            | Investments in debt securities (comprising Term Finance Certificates, Bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP. |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|   |   |
|---|---|
| Overseas Government Sukuks, Overseas and Euro Bonds | The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.   |
| Forward foreign exchange contracts                  | The valuation has been determined by interpolating the foreign exchange revaluation rates announced by the State Bank of Pakistan.  |
| Derivatives   | The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currencies involved, interest rates, yield curves, volatilities, contracts duration, etc. |

## Financial instruments in level 3

|   |
|---|
| Currently, no financial instruments are classified in level 3.  |
| 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. |

## Non- financial assets- Level 3

|   |  |
|---|--|
| Fixed assets - Land and building                | Fixed assets and Non-banking assets under satisfaction of claims are carried at revalued amounts determined by professional valuers based on their assessment of the market values as disclosed in note 10 and 13 of the unconsolidated annual financial statements December 31, 2019. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements. |
| Non-banking assets under satisfaction of claims |  |

- 35.2 The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the year.
- 35.3 The following table provides an analysis of financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | (Un-audited)<br>June 30, 2020 |             |           |             |
|---|-------------------------------|-------------|-----------|-------------|
|   | Level 1                       | Level 2     | Level 3   | Total       |
|   | ----- Rupees in '000 -----    |             |           |             |
| <b><u>On balance sheet financial instruments</u></b>        |                               |             |           |             |
| Financial assets - measured at fair value                   |                               |             |           |             |
| Held-for-trading securities                                 |                               |             |           |             |
| Investments   |                               |             |           |             |
| Federal Government Securities                               | -                             | 8,019,638   | -         | 8,019,638   |
| Available-for-sale securities                               |                               |             |           |             |
| Investments   |                               |             |           |             |
| Federal Government Securities                               | -                             | 124,580,724 | -         | 124,580,724 |
| Shares  | 3,589,147                     | -           | -         | 3,589,147   |
| Non Government Debt Securities                              | -                             | 459,355     | -         | 459,355     |
| Foreign Securities  | -                             | 3,289,961   | -         | 3,289,961   |
|   | 3,589,147                     | 128,330,040 | -         | 131,919,187 |
| Financial assets - disclosed but not measured at fair value |                               |             |           |             |
| Investments   |                               |             |           |             |
| Federal Government Securities                               | -                             | 36,281,788  | -         | 36,281,788  |
|   | 3,589,147                     | 172,631,466 | -         | 176,220,613 |
| Non-Financial assets - measured at fair value               |                               |             |           |             |
| Revalued fixed assets                                       | -                             | -           | 3,779,612 | 3,779,612   |
| Non-banking assets acquired in satisfaction of claims       | -                             | -           | 1,177,886 | 1,177,886   |
|   | -                             | -           | 4,957,498 | 4,957,498   |
| <b><u>Off balance sheet financial instruments</u></b>       |                               |             |           |             |
| Commitments in respect of:                                  |                               |             |           |             |
| Forward foreign exchange contracts                          |                               |             |           |             |
| Purchase  | -                             | 21,071,299  | -         | 21,071,299  |
| Sale  | -                             | 13,666,888  | -         | 13,666,888  |
| Derivative instruments:                                     |                               |             |           |             |
| Forward government securities                               |                               |             |           |             |
| Purchase  | -                             | 124,976     | -         | 124,976     |
| Interest rate swaps   |                               |             |           |             |
| Purchase  | -                             | 1,620,946   | -         | 1,620,946   |
| Sale  | -                             | 1,611,210   | -         | 1,611,210   |
| Options   |                               |             |           |             |
| Purchase  | -                             | 1,103,926   | -         | 1,103,926   |
| Sale  | -                             | 52,093,716  | -         | 52,093,716  |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|  | (Audited)                  |             |           | Total       |
|--|----------------------------|-------------|-----------|-------------|
|  | December 31, 2019          |             |           |             |
|  | Level 1                    | Level 2     | Level 3   |             |
|  | ----- Rupees in '000 ----- |             |           |             |
| <b><u>On balance sheet financial instruments</u></b>               |                            |             |           |             |
| <b>Financial assets - measured at fair value</b>                   |                            |             |           |             |
| <b>Held-for-trading securities</b>                                 |                            |             |           |             |
| Investments  |                            |             |           |             |
| Federal Government Securities                                      | -                          | 55,598,469  | -         | 55,598,469  |
| <b>Available-for-sale securities</b>                               |                            |             |           |             |
| Investments  |                            |             |           |             |
| Federal Government Securities                                      | -                          | 47,019,374  | -         | 47,019,374  |
| Shares   | 1,965,753                  | -           | -         | 1,965,753   |
| Non Government Debt Securities                                     | -                          | 540,303     | -         | 540,303     |
|  | 1,965,753                  | 47,559,677  | -         | 49,525,430  |
| <b>Financial assets - disclosed but not measured at fair value</b> |                            |             |           |             |
| Investments  |                            |             |           |             |
| Federal Government Securities                                      | -                          | 31,341,410  | -         | 31,341,410  |
|  | 1,965,753                  | 134,499,556 | -         | 136,465,309 |
| <b>Non-Financial assets - measured at fair value</b>               |                            |             |           |             |
| Revalued fixed assets  | -                          | -           | 3,797,180 | 3,797,180   |
| Non-banking assets acquired in satisfaction of claims              | -                          | -           | 1,182,425 | 1,182,425   |
|  | -                          | -           | 4,979,605 | 4,979,605   |
| <b><u>Off balance sheet financial instruments</u></b>              |                            |             |           |             |
| <b>Commitments in respect of:</b>                                  |                            |             |           |             |
| <b>Forward foreign exchange contracts</b>                          |                            |             |           |             |
| Purchase   | -                          | 32,885,546  | -         | 32,885,546  |
| Sale   | -                          | 21,722,741  | -         | 21,722,741  |
| <b>Derivative instruments</b>                                      |                            |             |           |             |
| <b>Forward government securities</b>                               |                            |             |           |             |
| Purchase   | -                          | 499,818     | -         | 499,818     |
| <b>Interest rate swaps</b>   |                            |             |           |             |
| Purchase   | -                          | 1,474,016   | -         | 1,474,016   |
| Sale   | -                          | 2,738,661   | -         | 2,738,661   |
| <b>Options</b>   |                            |             |           |             |
| Purchase   | -                          | 1,024,638   | -         | 1,024,638   |
| Sale   | -                          | 1,030,868   | -         | 1,030,868   |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

## 36. SEGMENT INFORMATION

Segment Details with respect to business activities

|   | Corporate<br>Finance | Trading and<br>Sales | Retail<br>Banking  | Commercial<br>Banking | Others            | Total              |
|---|----------------------|----------------------|--------------------|-----------------------|-------------------|--------------------|
| June 30, 2020 (Un-audited) ----- Rupees in '000 ----- |                      |                      |                    |                       |                   |                    |
| <b>Profit &amp; Loss</b>                              |                      |                      |                    |                       |                   |                    |
| Net mark-up/return/profit / (loss)                    | 273,309              | (940,991)            | 5,718,342          | 1,359,624             | (1,259,850)       | 5,150,434          |
| Inter segment revenue - net                           | (2,831)              | -                    | (560,647)          | (127,452)             | 690,930           | -                  |
| Non mark-up / return / interest income                | 27,345               | 1,277,558            | 1,210,201          | 602,665               | (142,146)         | 2,975,623          |
| Total Income  | 297,823              | 336,567              | 6,367,896          | 1,834,837             | (711,066)         | 8,126,057          |
| Segment direct expenses                               | 22,585               | 66,371               | 2,578,342          | 315,082               | 3,225,375         | 6,207,755          |
| Inter segment expense allocation                      | 71,316               | 185,548              | 1,860,826          | 652,891               | (2,770,581)       | -                  |
| Total expenses  | 93,901               | 251,919              | 4,439,168          | 967,973               | 454,794           | 6,207,755          |
| Provisions  | 3,020                | -                    | 156,587            | 56,619                | 229,981           | 446,207            |
| Profit before tax                                     | 200,902              | 84,648               | 1,772,141          | 810,245               | (1,395,841)       | 1,472,095          |
| <b>June 30, 2020 (Un-audited)</b>                     |                      |                      |                    |                       |                   |                    |
| <b>Balance Sheet</b>                                  |                      |                      |                    |                       |                   |                    |
| Cash & Bank balances                                  | 120,381              | -                    | 30,663,525         | 3,074,707             | -                 | 33,858,613         |
| Investments   | 2,291,536            | 174,403,825          | -                  | 4,087,761             | -                 | 180,783,122        |
| Net inter segment lending                             | -                    | -                    | 211,079,458        | 26,815,476            | 15,336,559        | 253,231,493        |
| Lendings to financial institutions                    | -                    | 9,837,409            | -                  | 140,042               | -                 | 9,977,451          |
| Advances - net  |                      |                      |                    |                       |                   |                    |
| Advances - performing                                 | 57,761,903           | -                    | 90,553,575         | 82,982,755            | 4,078,783         | 235,377,016        |
| Advances - non-performing                             | 1,300,000            | -                    | 3,551,225          | 4,950,147             | 255,718           | 10,057,090         |
| Advances - (Provisions)/reversals - Net               | -                    | -                    | (1,020,422)        | (2,712,112)           | (93,244)          | (3,825,778)        |
|   | 59,061,903           | -                    | 93,084,378         | 85,220,790            | 4,241,257         | 241,608,328        |
| Others  | -                    | -                    | -                  | -                     | 28,733,741        | 28,733,741         |
| <b>Total Assets</b>                                   | <b>61,473,820</b>    | <b>184,241,234</b>   | <b>334,827,361</b> | <b>119,338,776</b>    | <b>48,311,557</b> | <b>748,192,748</b> |
| Borrowings  | -                    | 18,443,065           | -                  | 18,124,001            | -                 | 36,567,066         |
| Subordinated debt                                     | -                    | -                    | -                  | -                     | 7,494,800         | 7,494,800          |
| Deposits & other accounts                             | 2,957,624            | -                    | 329,296,910        | 73,577,348            | 160               | 405,832,042        |
| Net inter segment borrowing                           | 58,516,196           | 165,798,169          | 1,556,357          | 27,360,771            | -                 | 253,231,493        |
| Others  | -                    | -                    | 3,974,094          | 276,656               | 20,591,787        | 24,842,537         |
| <b>Total liabilities</b>                              | <b>61,473,820</b>    | <b>184,241,234</b>   | <b>334,827,361</b> | <b>119,338,776</b>    | <b>28,086,747</b> | <b>727,967,938</b> |
| Equity  | -                    | -                    | -                  | -                     | 20,224,810        | 20,224,810         |
| <b>Total Equity &amp; liabilities</b>                 | <b>61,473,820</b>    | <b>184,241,234</b>   | <b>334,827,361</b> | <b>119,338,776</b>    | <b>48,311,557</b> | <b>748,192,748</b> |
| Contingencies & Commitments                           | -                    | 81,264,006           | 59,700,072         | 24,178,777            | 178,116           | 165,320,971        |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | Corporate<br>Finance | Trading and<br>Sales | Retail<br>Banking  | Commercial<br>Banking | Others            | Total              |
|---|----------------------|----------------------|--------------------|-----------------------|-------------------|--------------------|
| June 30, 2019 (Un-audited) ----- Rupees in '000 ----- |                      |                      |                    |                       |                   |                    |
| <b>Profit &amp; Loss</b>                              |                      |                      |                    |                       |                   |                    |
| Net mark-up/return/profit / (loss)                    | -                    | 1,537,131            | (2,723,969)        | 4,898,110             | -                 | 3,711,272          |
| Inter segment revenue - net                           | -                    | (4,503,195)          | 7,886,625          | (3,383,430)           | -                 | -                  |
| Non mark-up / return / interest income                | 38,423               | 123,961              | 881,069            | 459,725               | 68,171            | 1,571,349          |
| Total Income  | 38,423               | (2,842,103)          | 6,043,725          | 1,974,405             | 68,171            | 5,282,621          |
| Segment direct expenses                               | 53,054               | 64,703               | 2,853,360          | 425,501               | 271,264           | 3,667,882          |
| Inter segment expense allocation                      | -                    | 151,343              | 855,650            | 610,608               | -                 | 1,617,601          |
| Total expenses  | 53,054               | 216,046              | 3,709,010          | 1,036,109             | 271,264           | 5,285,483          |
| Provisions  | -                    | 211,385              | 92,382             | 289,886               | -                 | 593,653            |
| Profit before tax                                     | (14,631)             | (3,269,534)          | 2,242,333          | 648,410               | (203,093)         | (596,515)          |
| <b>December 31, 2019 (Audited)</b>                    |                      |                      |                    |                       |                   |                    |
| <b>Balance Sheet</b>                                  |                      |                      |                    |                       |                   |                    |
| Cash & Bank balances                                  | -                    | 17,153,413           | 8,898,772          | -                     | -                 | 26,052,185         |
| Investments   | -                    | 142,568,470          | -                  | -                     | -                 | 142,568,470        |
| Net inter segment lending                             | -                    | -                    | 202,362,517        | -                     | 8,089,077         | 210,451,594        |
| Lendings to financial institutions                    | -                    | 30,320,540           | -                  | -                     | -                 | 30,320,540         |
| Advances - net  | -                    | -                    | -                  | -                     | -                 | -                  |
| Advances - performing                                 | -                    | -                    | 94,201,743         | 141,898,229           | -                 | 236,099,972        |
| Advances - non-performing                             | -                    | -                    | 3,508,735          | 6,844,429             | -                 | 10,353,164         |
| Advances (Provisions) - Net                           | -                    | -                    | (469,382)          | (3,039,245)           | -                 | (3,508,627)        |
|   | -                    | -                    | 97,241,096         | 145,703,413           | -                 | 242,944,509        |
| Others  | -                    | 4,831,115            | 3,925,690          | 5,017,351             | 14,389,284        | 28,163,440         |
| <b>Total Assets</b>                                   | -                    | <b>194,873,538</b>   | <b>312,428,075</b> | <b>150,720,764</b>    | <b>22,478,361</b> | <b>680,500,738</b> |
| Borrowings  | -                    | 36,295,878           | 7,090,687          | 11,081,718            | -                 | 54,468,283         |
| Subordinated debt                                     | -                    | 7,494,800            | -                  | -                     | -                 | 7,494,800          |
| Deposits & other accounts                             | -                    | -                    | 295,347,351        | 74,442,613            | -                 | 369,789,964        |
| Net inter segment borrowing                           | -                    | 150,619,213          | -                  | 59,832,381            | -                 | 210,451,594        |
| Others  | -                    | 463,647              | 9,990,037          | 5,364,052             | 5,145,106         | 20,962,842         |
| <b>Total liabilities</b>                              | -                    | <b>194,873,538</b>   | <b>312,428,075</b> | <b>150,720,764</b>    | <b>5,145,106</b>  | <b>663,167,483</b> |
| Equity  | -                    | -                    | -                  | -                     | 17,333,255        | 17,333,255         |
| <b>Total Equity &amp; liabilities</b>                 | -                    | <b>194,873,538</b>   | <b>312,428,075</b> | <b>150,720,764</b>    | <b>22,478,361</b> | <b>680,500,738</b> |
| Contingencies & Commitments                           | -                    | 59,810,338           | 43,939,275         | 17,795,589            | 131,093           | 121,676,295        |

## 37. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, employee benefit plans, its directors & Key Management Personnel and other related parties.

The Banks enters into transactions with related parties in the ordinary course of business and on Arm's Length basis i.e. 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 transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements are as follows:

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

As at December 31, 2019 (Audited)

As at June 30, 2020 (Un-audited)

|  | Parent           | Directors | Key management personnel | Subsidiaries | Associates | Other related parties | Parent | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
|--|------------------|-----------|--------------------------|--------------|------------|-----------------------|--------|-----------|--------------------------|--------------|------------|-----------------------|
|  | (Rupees in '000) |           |                          |              |            |                       |        |           |                          |              |            |                       |
| <b>Lendings to financial institutions</b>          |                  |           |                          |              |            |                       |        |           |                          |              |            |                       |
| Opening balance                                    | -                | -         | -                        | -            | -          | -                     | -      | -         | -                        | -            | -          | -                     |
| Addition during the period / year                  | -                | -         | -                        | -            | -          | 2,000,000             | -      | -         | -                        | -            | -          | -                     |
| Repaid during the period / year                    | -                | -         | -                        | -            | -          | (2,000,000)           | -      | -         | -                        | -            | -          | -                     |
| Closing balance                                    | -                | -         | -                        | -            | -          | -                     | -      | -         | -                        | -            | -          | -                     |
| <b>Investments</b>                                 |                  |           |                          |              |            |                       |        |           |                          |              |            |                       |
| Opening balance                                    | -                | -         | -                        | 1,919,121    | -          | 1,617,327             | -      | -         | -                        | 1,919,121    | 180,000    | 1,964,110             |
| Investment made during the period / year           | -                | -         | -                        | -            | 40,828     | 2,409,279             | -      | -         | -                        | -            | 48,972     | 1,542,891             |
| Investment redeemed / disposed off during the year | -                | -         | -                        | -            | -          | (1,225,000)           | -      | -         | -                        | -            | -          | (1,889,774)           |
| Closing balance                                    | -                | -         | -                        | 1,919,121    | 40,828     | 2,801,606             | -      | -         | -                        | 1,919,121    | 228,972    | 1,617,327             |
| Provision for diminution in value of investments   | -                | -         | -                        | -            | -          | 65,022                | -      | -         | -                        | -            | -          | 65,022                |
| <b>Advances</b>                                    |                  |           |                          |              |            |                       |        |           |                          |              |            |                       |
| Opening balance                                    | -                | -         | 596,257                  | -            | -          | 1,946,481             | -      | 5,230     | 448,575                  | -            | -          | 2,823,598             |
| Addition during the period / year                  | -                | 30        | 115,236                  | -            | -          | 1,737,430             | -      | 316       | 322,530                  | -            | -          | 5,096,823             |
| Repaid during the period / year                    | -                | (555)     | (19,615)                 | -            | -          | (2,012,707)           | -      | (5,548)   | (120,115)                | -            | -          | (6,320,068)           |
| Transfer in / (out) - net                          | -                | 23,126    | 144,623                  | -            | 224,744    | 2,512,630             | -      | 64,793    | 64,793                   | -            | -          | 356,126               |
| Closing balance                                    | -                | 22,601    | 736,501                  | -            | 224,744    | 4,183,834             | -      | 596,257   | 596,257                  | -            | -          | 1,946,481             |
| Provision held against advances                    | -                | -         | -                        | -            | -          | -                     | -      | -         | -                        | -            | -          | -                     |
| <b>Fixed Assets</b>                                |                  |           |                          |              |            |                       |        |           |                          |              |            |                       |
| Purchase of building                               | -                | -         | -                        | -            | -          | -                     | -      | -         | -                        | 607,299      | -          | -                     |
| Cost of disposal                                   | -                | -         | -                        | -            | -          | -                     | -      | -         | 43,410                   | -            | -          | 17,657                |
| Accumulated depreciation of disposal               | -                | -         | -                        | -            | -          | -                     | -      | -         | (12,927)                 | -            | -          | (8,012)               |
| WDV of disposal                                    | -                | -         | -                        | -            | -          | -                     | -      | -         | 30,483                   | -            | -          | 9,655                 |
| <b>Other Assets</b>                                |                  |           |                          |              |            |                       |        |           |                          |              |            |                       |
| Interest mark-up accrued                           | -                | -         | 422                      | -            | -          | 76,103                | -      | 48        | 473                      | -            | -          | 49,640                |
| Receivable against bancassurance / bancatakalu     | -                | -         | -                        | -            | -          | 20,639                | -      | -         | -                        | -            | 40,828     | 67,952                |
| Advance for subscription of TFC - unsecured        | -                | -         | -                        | -            | -          | -                     | -      | -         | -                        | -            | -          | 97,806                |
| Prepaid insurance                                  | -                | -         | -                        | -            | -          | -                     | -      | -         | -                        | -            | -          | -                     |
| Dividend Receivable                                | -                | -         | -                        | -            | -          | -                     | -      | -         | -                        | 208,948      | -          | 1,000                 |
| Other receivable                                   | -                | -         | -                        | -            | -          | -                     | -      | -         | -                        | 6,133        | -          | 1,000                 |
| Provision against other assets                     | -                | -         | -                        | -            | -          | -                     | -      | -         | -                        | -            | -          | 2,438                 |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | As at June 30, 2020 (Un-audited) |                          |              |               | As at December 31, 2019 (Audited) |              |             |                          |              |                |                       |         |
|---|----------------------------------|--------------------------|--------------|---------------|-----------------------------------|--------------|-------------|--------------------------|--------------|----------------|-----------------------|---------|
|   | Parent                           | Key management personnel | Subsidiaries | Associates    | Other related parties             | Parent       | Directors   | Key management personnel | Subsidiaries | Associates     | Other related parties |         |
|   | (Rupees in '000)                 |                          |              |               |                                   |              |             |                          |              |                |                       |         |
| <b>Borrowings</b>   |                                  |                          |              |               |                                   |              |             |                          |              |                |                       |         |
| Opening balance   | -                                | -                        | -            | -             | -                                 | -            | -           | -                        | -            | -              | 4,800,000             |         |
| Borrowings during the period / year                       | -                                | -                        | 8,076,237    | -             | -                                 | -            | -           | -                        | -            | -              | 174,203,491           |         |
| Settled during the period / year                          | -                                | -                        | (8,076,237)  | -             | -                                 | -            | -           | -                        | -            | -              | (179,009,491)         |         |
| Closing balance   | -                                | -                        | -            | -             | -                                 | -            | -           | -                        | -            | -              | -                     |         |
| <b>Deposits and other accounts</b>                        |                                  |                          |              |               |                                   |              |             |                          |              |                |                       |         |
| Opening balance   | 271,648                          | 24,444                   | 59,593       | 1,246,363     | 23,104                            | 8,622,201    | 336,515     | 24,308                   | 74,950       | 1,606,413      | 9,666,833             |         |
| Received during the period / year                         | 7,187,494                        | 43,434                   | 337,911      | 249,546,460   | 412,460                           | 77,654,605   | 4,332,669   | 160,210                  | 1,437,872    | 539,270,222    | 1,023,592             |         |
| Withdrawn during the period / year                        | (6,975,311)                      | (52,637)                 | (320,893)    | (249,400,473) | (371,202)                         | (77,542,451) | (4,364,266) | (137,680)                | (1,450,123)  | (6,38,630,272) | (1,042,362)           |         |
| Transfer in / (out) - net                                 | -                                | 2,777                    | (11,876)     | -             | -                                 | 1,444,739    | (33,300)    | (22,394)                 | (3,106)      | -              | 41,874                |         |
| Closing balance   | 483,831                          | 18,018                   | 64,635       | 1,392,350     | 64,392                            | 10,179,094   | 271,648     | 24,444                   | 59,593       | 1,246,363      | 23,104                |         |
| <b>Subordinated loans</b>                                 | -                                | -                        | -            | -             | -                                 | 889,510      | -           | -                        | -            | -              | -                     | 889,598 |
| <b>Other Liabilities</b>                                  |                                  |                          |              |               |                                   |              |             |                          |              |                |                       |         |
| Interest / return / mark-up payable on deposits           | -                                | -                        | 74           | -             | -                                 | 139,639      | -           | 114                      | -            | -              | -                     | 286,949 |
| Interest / return / mark-up payable on subordinated loans | -                                | -                        | -            | -             | -                                 | 1,682        | -           | -                        | -            | -              | -                     | 2,220   |
| Payable to defined benefit plan                           | -                                | -                        | -            | -             | -                                 | 107,560      | -           | -                        | -            | -              | -                     | 147,885 |
| Others payable  | -                                | -                        | -            | 755           | -                                 | -            | -           | -                        | 5,639        | -              | -                     | -       |
| <b>Represented By</b>                                     |                                  |                          |              |               |                                   |              |             |                          |              |                |                       |         |
| Share Capital   | 9,733,073                        | -                        | 905          | -             | -                                 | 45,655       | 9,733,073   | 17,330                   | 900          | -              | -                     | 81,765  |
| <b>Contingencies and Commitments</b>                      |                                  |                          |              |               |                                   |              |             |                          |              |                |                       |         |
| Letter of guarantee                                       | -                                | -                        | -            | -             | -                                 | 24,125       | -           | -                        | -            | -              | -                     | 14,217  |
| Letter of Credit  | -                                | -                        | -            | -             | -                                 | 40,823       | -           | -                        | -            | -              | -                     | 44,368  |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | For the half year ended June 30, 2020 Un-audited |           |                          |              |            | For the half year ended June 30, 2019 Un-audited |        |           |                          |              |            |                       |
|---|--|-----------|--------------------------|--------------|------------|--|--------|-----------|--------------------------|--------------|------------|-----------------------|
|   | Parent   | Directors | Key management personnel | Subsidiaries | Associates | Other related parties                            | Parent | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
| <b>Income</b>                                     |  |           |                          |              |            |  |        |           |                          |              |            |                       |
| Mark-up / return / interest earned                | -  | 1,476     | 31,212                   | -            | 16,367     | 163,612  | -      | 88        | 8,742                    | -            | -          | 165,123               |
| Fee and commission income                         | -  | 9         | 94                       | 40           | -          | 116,434  | -      | 74        | 151                      | -            | -          | 152,940               |
| Dividend income                                   | -  | -         | -                        | -            | -          | 52,794   | -      | -         | -                        | -            | -          | 47,161                |
| Gain / (loss) on sale of securities - Net         | -  | -         | -                        | -            | -          | 2,995  | -      | -         | -                        | -            | -          | 580                   |
| Other income                                      | -  | -         | -                        | -            | -          | -  | -      | -         | -                        | 1,063        | -          | -                     |
| <b>Expense</b>                                    |  |           |                          |              |            |  |        |           |                          |              |            |                       |
| Mark-up / return / interest paid                  | 12,697   | 566       | 916                      | 94,182       | 1,952      | 566,951  | -      | 1,103     | 1,628                    | 110,595      | -          | 677,948               |
| Commission / charges paid                         | -  | -         | -                        | 3,872        | -          | -  | -      | -         | -                        | 1,416        | -          | -                     |
| Preference Dividend Paid                          | -  | -         | -                        | -            | -          | -  | 23,419 | -         | 199                      | -            | -          | -                     |
| Remuneration paid                                 | -  | -         | 253,879                  | -            | -          | -  | -      | -         | 268,669                  | -            | -          | -                     |
| Non-executive directors' fee                      | -  | 7,040     | -                        | -            | -          | -  | -      | 3,450     | -                        | -            | -          | -                     |
| Net charge for defined contribution plans         | -  | -         | -                        | -            | -          | 113,705  | -      | -         | -                        | -            | -          | 104,965               |
| Net charge / (reversal) for defined benefit plans | -  | -         | -                        | -            | -          | 107,560  | -      | -         | -                        | -            | -          | 65,939                |
| Donation  | -  | -         | -                        | -            | -          | 56,500   | -      | -         | -                        | -            | -          | -                     |
| Rental expense                                    | -  | -         | -                        | -            | -          | 92   | -      | -         | -                        | 2,945        | -          | -                     |
| Advisory fee                                      | -  | -         | -                        | -            | -          | -  | -      | -         | -                        | -            | -          | 15,000                |
| Other expenses                                    | 225  | -         | -                        | -            | -          | -  | -      | -         | -                        | -            | -          | 621                   |
| Reimbursement of expenses                         | 2,473  | -         | 3,034                    | -            | -          | 32,509   | 1,211  | 388       | -                        | 401          | -          | -                     |
| <b>Payments made during the period</b>            |  |           |                          |              |            |  |        |           |                          |              |            |                       |
| Insurance premium paid                            | -  | -         | -                        | -            | -          | 354,929  | -      | -         | -                        | -            | -          | 272,416               |
| Insurance claims settled                          | -  | -         | -                        | -            | -          | 2,793  | -      | -         | -                        | -            | -          | 6,548                 |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

|  | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--|----------------------------------|-----------------------------------|
|  | ----- Rupees in '000 -----       |                                   |
| <b>38. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b> |                                  |                                   |
| <b>38.1 Minimum Capital Requirement (MCR):</b>                           |                                  |                                   |
| Paid-up capital (net of losses)  | <u>10,119,242</u>                | <u>10,119,242</u>                 |
| <b>Capital Adequacy Ratio (CAR):</b>                                     |                                  |                                   |
| Eligible Common Equity Tier 1 (CET 1) Capital                            | <u>15,540,069</u>                | 14,619,607                        |
| Eligible Additional Tier 1 (ADT 1) Capital                               | <u>2,500,000</u>                 | 2,500,000                         |
| Total Eligible Tier 1 Capital  | <u>18,040,069</u>                | 17,119,607                        |
| Eligible Tier 2 Capital  | <u>5,351,452</u>                 | 4,306,756                         |
| Total Eligible Capital (Tier 1 + Tier 2)                                 | <u>23,391,521</u>                | <u>21,426,363</u>                 |
| <b>Risk Weighted Assets (RWAs):</b>                                      |                                  |                                   |
| Credit Risk  | <u>158,222,792</u>               | 144,380,673                       |
| Market Risk  | <u>1,081,233</u>                 | 924,762                           |
| Operational Risk   | <u>20,468,251</u>                | 20,468,251                        |
| Total  | <u>179,772,276</u>               | 165,773,686                       |
| Common Equity Tier 1 Capital Adequacy ratio                              | <u>8.64%</u>                     | 8.82%                             |
| Tier 1 Capital Adequacy Ratio  | <u>10.03%</u>                    | 10.33%                            |
| Total Capital Adequacy Ratio   | <u>13.01%</u>                    | 12.93%                            |
| <b>38.2 Leverage Ratio (LR):</b>   |                                  |                                   |
| Eligible Tier-1 Capital  | 18,040,069                       | 17,119,607                        |
| Total Exposures  | <u>553,068,456</u>               | 501,440,747                       |
| Leverage Ratio   | <u>3.26%</u>                     | 3.41%                             |
| <b>38.3 Liquidity Coverage Ratio (LCR):</b>                              |                                  |                                   |
| Total High Quality Liquid Assets   | 147,156,692                      | 83,221,592                        |
| Total Net Cash Outflow   | <u>55,113,571</u>                | 55,819,412                        |
| Liquidity Coverage Ratio   | <u>267.01%</u>                   | 149.09%                           |
| <b>38.4 Net Stable Funding Ratio (NSFR):</b>                             |                                  |                                   |
| Total Available Stable Funding   | 326,951,287                      | 308,715,925                       |
| Total Required Stable Funding  | <u>265,449,464</u>               | 274,288,642                       |
| Net Stable Funding Ratio   | <u>123.17%</u>                   | 112.55%                           |

# Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

## 39. RECLASSIFICATION

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions to enhance comparability with the current period's financial statements, which are as follows:

|  | Reclassified                               |                                     | Rs. in '000 |
|--|--|-------------------------------------|-------------|
|  | From                                       | To                                  |             |
| <b>Statement of financial position</b> | <b>Other liabilities</b>                   | <b>Other assets</b>                 |             |
|  | Others                                     | Credit card settlement              | 29,924      |
|  | Others                                     | Inter bank fund transfer settlement | (91,642)    |
|  | Others                                     | Others                              | 290,068     |
| <b>Cashflow Statement</b>              | <b>CASH FLOW FROM OPERATING ACTIVITIES</b> |                                     |             |
|  | Other liabilities                          | Other assets                        | (165,858)   |

## 40. GENERAL

40.1 These condensed interim unconsolidated financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BPRD Circular no. 5 dated March 22, 2019 and related clarifications / modifications.

40.2 The figures in these condensed interim unconsolidated financial statements have been rounded off to the nearest thousand.

## 41. DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on August 26, 2020.

\_\_\_\_\_  
President and  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

## INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF JS BANK LIMITED

REPORT ON REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

### Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of JS Bank Limited as at 30 June 2020, the related consolidated condensed interim statement of profit and loss, consolidated condensed interim statement of comprehensive income, consolidated condensed interim statement of changes in equity, and consolidated condensed interim statement of cash flows, and notes to the financial statements for the six- month period then ended (here-in-after referred to as the "consolidated condensed interim financial statements"). Management is responsible for the preparation and presentation of these consolidated condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the financial statements based on our review. The figures of the consolidated condensed interim profit and loss account and consolidated condensed interim statement of comprehensive income for the three months ended 30 June 2020 and 30 June 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2020.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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



Chartered Accountants  
Place: Karachi  
Date: 28 August 2020

Condensed Interim  
**Consolidated**  
Financial Statements

# Condensed Interim Consolidated Statement of Financial Position

as at June 30, 2020

|   |      | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|---|------|----------------------------------|-----------------------------------|
|   | Note | ----- Rupees in '000 -----       |                                   |
| <b>ASSETS</b>                                       |      |                                  |                                   |
| Cash and balances with treasury banks               | 6    | 32,726,351                       | 25,590,173                        |
| Balances with other banks                           | 7    | 1,158,544                        | 476,302                           |
| Lendings to financial institutions                  | 8    | 9,977,451                        | 30,320,540                        |
| Investments   | 9    | 180,517,510                      | 143,124,623                       |
| Advances  | 10   | 241,777,142                      | 243,285,308                       |
| Fixed assets  | 11   | 10,287,038                       | 10,693,945                        |
| Intangible assets                                   | 12   | 2,378,550                        | 2,302,474                         |
| Deferred tax assets                                 | 18   | -                                | 125,857                           |
| Other assets  | 13   | 18,263,025                       | 17,148,346                        |
| Assets held for sale                                | 11.3 | 374,000                          | 374,000                           |
|   |      | <b>497,459,611</b>               | <b>473,441,568</b>                |
| <b>LIABILITIES</b>                                  |      |                                  |                                   |
| Bills payable                                       | 14   | 4,259,070                        | 3,804,491                         |
| Borrowings  | 15   | 36,567,066                       | 54,468,283                        |
| Deposits and other accounts                         | 16   | 404,439,694                      | 368,543,603                       |
| Liabilities against assets subject to finance lease |      | -                                | -                                 |
| Subordinated debt                                   | 17   | 7,494,800                        | 7,494,800                         |
| Deferred tax liabilities                            | 18   | 1,506,528                        | -                                 |
| Other liabilities                                   | 19   | 20,935,879                       | 19,649,079                        |
|   |      | <b>475,203,037</b>               | <b>453,960,256</b>                |
| <b>NET ASSETS</b>                                   |      | <b><u>22,256,574</u></b>         | <b><u>19,481,312</u></b>          |
| <b>REPRESENTED BY</b>                               |      |                                  |                                   |
| Share capital - net                                 |      | 10,119,242                       | 10,119,242                        |
| Reserves  |      | 1,958,369                        | 1,749,672                         |
| Surplus on revaluation of assets                    | 20   | 3,349,584                        | 1,308,531                         |
| Unappropriated profit                               |      | 6,347,494                        | 5,795,596                         |
|   |      | <b>21,774,689</b>                | <b>18,973,041</b>                 |
| Non-controlling interest                            |      | 481,885                          | 508,271                           |
|   |      | <b><u>22,256,574</u></b>         | <b><u>19,481,312</u></b>          |
| <b>CONTINGENCIES AND COMMITMENTS</b>                |      |                                  |                                   |
|   | 21   |                                  |                                   |

The annexed notes from 1 to 41 form an integral part of these condensed interim consolidated financial statements.

\_\_\_\_\_  
President and  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

# Condensed Interim Consolidated Profit and Loss Account (Un-audited)

for the Half Year Ended June 30, 2020

|  | Note | Quarter ended    |                  | Half year ended  |                  |
|--|------|------------------|------------------|------------------|------------------|
|  |      | June 30, 2020    | June 30, 2019    | June 30, 2020    | June 30, 2019    |
| ----- Rupees in '000 -----                           |      |                  |                  |                  |                  |
| Mark-up / return / interest earned                   | 23   | 11,443,317       | 9,745,271        | 24,401,323       | 19,106,531       |
| Mark-up / return / interest expensed                 | 24   | 8,799,355        | 8,060,987        | 19,174,872       | 15,321,030       |
| <b>Net mark-up / interest income</b>                 |      | <b>2,643,962</b> | <b>1,684,284</b> | <b>5,226,451</b> | <b>3,785,501</b> |
| <b>NON MARK-UP / INTEREST INCOME</b>                 |      |                  |                  |                  |                  |
| Fee, commission and brokerage income                 | 25   | 1,064,825        | 823,203          | 2,092,725        | 1,606,586        |
| Dividend income                                      |      | 32,791           | 95,873           | 85,017           | 126,124          |
| Foreign exchange income / (loss)                     |      | 158,948          | (102,580)        | 351,923          | 183,870          |
| (Loss) / income from derivatives                     |      | (2,539)          | 437,737          | 17,207           | 301,903          |
| Gain / (loss) on securities                          | 26   | 660,018          | (323,567)        | 782,597          | (368,999)        |
| Share of (loss) / profit from associates             |      | (1,411)          | 8,220            | (15,798)         | 13,804           |
| Other income   | 27   | 30,318           | 50,057           | 39,948           | 81,159           |
| <b>Total non mark-up / interest income</b>           |      | <b>1,942,950</b> | <b>988,943</b>   | <b>3,353,619</b> | <b>1,944,447</b> |
| <b>Total Income</b>                                  |      | <b>4,586,912</b> | <b>2,673,227</b> | <b>8,580,070</b> | <b>5,729,948</b> |
| <b>NON MARK-UP / INTEREST EXPENSES</b>               |      |                  |                  |                  |                  |
| Operating expenses                                   | 28   | 3,435,971        | 3,001,127        | 6,557,876        | 5,783,747        |
| Workers welfare fund                                 | 29   | 7,476            | (160)            | 13,720           | 566              |
| Other charges  | 30   | 70,543           | 193              | 74,587           | 248              |
| <b>Total non-mark-up / interest expenses</b>         |      | <b>3,513,990</b> | <b>3,001,160</b> | <b>6,646,183</b> | <b>5,784,561</b> |
| <b>Profit / (loss) before provisions</b>             |      | <b>1,072,922</b> | <b>(327,933)</b> | <b>1,933,887</b> | <b>(54,613)</b>  |
| Provisions and write offs - net                      | 31   | 216,568          | 365,136          | 420,184          | 593,653          |
| Extraordinary / unusual items                        |      | -                | -                | -                | -                |
| <b>PROFIT / (LOSS) BEFORE TAXATION</b>               |      | <b>856,354</b>   | <b>(693,069)</b> | <b>1,513,703</b> | <b>(648,266)</b> |
| Taxation   | 32   | 502,627          | (107,349)        | 751,486          | (73,620)         |
| <b>PROFIT / (LOSS) AFTER TAXATION</b>                |      | <b>353,727</b>   | <b>(585,720)</b> | <b>762,217</b>   | <b>(574,646)</b> |
| ----- Rupee -----                                    |      |                  |                  |                  |                  |
| <b>Basic and diluted earnings / (loss) per share</b> | 33   | <b>0.29</b>      | <b>(0.42)</b>    | <b>0.60</b>      | <b>0.42</b>      |

The annexed notes from 1 to 41 form an integral part of these condensed interim consolidated financial statements.

President and  
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

# Condensed Interim Consolidated Statement of Comprehensive Income

for the Half Year Ended June 30, 2020

|   | Quarter ended              |               | Half year ended |               |
|---|----------------------------|---------------|-----------------|---------------|
|   | June 30, 2020              | June 30, 2019 | June 30, 2020   | June 30, 2019 |
|   | ----- Rupees in '000 ----- |               |                 |               |
| Profit / (loss) after tax for the period  | 353,727                    | (585,720)     | 762,217         | (574,646)     |
| Other comprehensive income / (loss)   |                            |               |                 |               |
| Items that may be reclassified to profit and loss account in subsequent periods:      |                            |               |                 |               |
| Effect of translation of net investment in foreign branch                             | 10,073                     | 48,209        | 37,432          | 52,214        |
| Movement in surplus / (deficit) on revaluation of investments - net of tax            | 1,920,426                  | (5,667)       | 1,956,104       | 564,474       |
| Movement in general provision under IFRS 9 - net                                      | 4,765                      | (17,748)      | 25,631          | (27,107)      |
| Share of other comprehensive loss from associated companies - net of tax              | (2,316)                    | -             | (2,316)         | -             |
|   | 1,922,875                  | (23,415)      | 1,979,419       | 537,367       |
| Items that will not be reclassified to profit and loss account in subsequent periods: |                            |               |                 |               |
| Movement in surplus on revaluation of operating fixed assets - net of tax             | 75,356                     | 365,354       | 75,356          | 365,354       |
| Share of other comprehensive income from associated companies - net of tax            | 2,316                      | 31,727        | 1,216           | 31,727        |
|   | 77,672                     | 397,081       | 76,572          | 397,081       |
| Total other comprehensive income  | 2,010,620                  | 421,875       | 2,093,423       | 986,662       |
| Total comprehensive income / (loss)   | 2,364,347                  | (163,845)     | 2,855,640       | 412,016       |
| Attributable to:  |                            |               |                 |               |
| Equity holders of the Bank  | 2,348,534                  | (214,545)     | 2,869,616       | 365,625       |
| Non-controlling interest  | 15,813                     | 50,700        | (13,976)        | 46,391        |
|   | 2,364,347                  | (163,845)     | 2,855,640       | 412,016       |

The annexed notes from 1 to 41 form an integral part of these condensed interim consolidated financial statements.

President and  
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

# Condensed Interim Consolidated Statement of Changes in Equity

for the Half Year Ended June 30, 2020

|   | Attributable to shareholders of the Bank |                      |                |                                       |                    |                        |                  | Non-controlling interest | Total          |                   |
|---|--|----------------------|----------------|---------------------------------------|--------------------|------------------------|------------------|--------------------------|----------------|-------------------|
|   | Share capital                            | Reserves             |                | Surplus / (Deficit) on revaluation of |                    |                        | Sub-total        |                          |                |                   |
|   | Statutory reserve*                       | Exchange translation | Investments    | Fixed assets                          | Non banking assets | Un-appropriated profit |                  |                          |                |                   |
|   | Rupees in '000                           |                      |                |                                       |                    |                        |                  |                          |                |                   |
| Opening balance as at January 01, 2019 - audited  | 10,119,242                               | 1,641,236            | 70,934         | (2,080,364)                           | 1,164,974          | 92,858                 | 5,825,742        | 16,834,622               | 1,604,197      | 18,438,819        |
| Total comprehensive income for the half year ended June 30, 2019 - un-audited             |  |                      |                |                                       |                    |                        |                  |                          |                |                   |
| Loss after taxation   | -  | -                    | -              | -                                     | -                  | -                      | (523,393)        | (623,393)                | (51,253)       | (574,646)         |
| Other comprehensive income - net of tax   | -  | -                    | 52,214         | 567,012                               | 269,784            | -                      | 8                | 899,013                  | 97,644         | 996,657           |
| Transfer from surplus on revaluation of assets to unappropriated profit - net of tax      | -  | -                    | 52,214         | 567,012                               | 269,784            | -                      | (523,393)        | 365,625                  | 46,391         | 412,016           |
| Fixed assets  | -  | -                    | -              | (13,398)                              | -                  | 13,398                 | -                | -                        | -              | -                 |
| Non-banking assets acquired in satisfaction of claims                                     | -  | -                    | -              | -                                     | (41)               | 41                     | -                | -                        | -              | -                 |
| Transaction with owners recorded directly in equity                                       |  |                      |                |                                       |                    |                        |                  |                          |                |                   |
| Preference dividend paid for the year ended December 31, 2018 @ 12% p.a.                  | -  | -                    | -              | -                                     | -                  | (24,164)               | -                | (24,164)                 | -              | (24,164)          |
| Balance as at June 30, 2019 - unaudited   | 10,119,242                               | 1,641,236            | 123,148        | (1,513,352)                           | 1,421,360          | 92,817                 | 5,291,632        | 17,176,083               | 1,650,588      | 18,826,671        |
| Total comprehensive income for the half year ended December 31, 2019 - audited            |  |                      |                |                                       |                    |                        |                  |                          |                |                   |
| Profit / (loss) after taxation  | -  | -                    | -              | -                                     | -                  | -                      | 278,108          | 278,108                  | 39,930         | 318,038           |
| Other comprehensive income/ (loss) - net of tax   | -  | -                    | (19,643)       | 1,147,557                             | 182,513            | -                      | (11,090)         | 1,299,337                | (183,679)      | 1,115,661         |
| Transfer to statutory reserve   | -  | 4,931                | -              | -                                     | -                  | -                      | (4,931)          | -                        | -              | -                 |
| Transfer from surplus on revaluation of assets to unappropriated profit - net of tax      | -  | -                    | -              | -                                     | -                  | -                      | -                | -                        | -              | -                 |
| Fixed assets  | -  | -                    | -              | (22,323)                              | -                  | 22,323                 | -                | -                        | -              | -                 |
| Non-banking assets acquired in satisfaction of claims                                     | -  | -                    | -              | -                                     | (41)               | 41                     | -                | -                        | -              | -                 |
| Transaction with owners recorded directly in equity                                       |  |                      |                |                                       |                    |                        |                  |                          |                |                   |
| Interim cash dividend to non-controlling interest by subsidiary company @ Rs. 4 per share | -  | -                    | -              | -                                     | -                  | -                      | -                | -                        | (38,152)       | (38,152)          |
| Buy-back of shares by subsidiary from NCI   | -  | -                    | -              | -                                     | -                  | -                      | -                | -                        | (1,001,653)    | (1,001,653)       |
| Gain arising on buy back of shares by subsidiary  | -  | -                    | -              | -                                     | -                  | -                      | 219,513          | 219,513                  | 41,234         | 260,747           |
| Balance as at December 31, 2019 - audited   | 10,119,242                               | 1,646,167            | 103,505        | (365,799)                             | 1,581,550          | 92,776                 | 5,795,596        | 18,973,041               | 508,271        | 19,481,312        |
| Total comprehensive income for the half year ended June 30, 2020 - un-audited             |  |                      |                |                                       |                    |                        |                  |                          |                |                   |
| Profit / (loss) after taxation  | -  | -                    | 37,432         | 1,984,254                             | 76,572             | -                      | 773,674          | 773,674                  | (11,457)       | 762,217           |
| Other comprehensive income/ (loss) net of tax   | -  | -                    | 37,432         | 1,984,254                             | 76,572             | -                      | (2,319)          | 2,055,943                | (2,519)        | 2,053,423         |
| Transfer to statutory reserve   | -  | 171,265              | -              | -                                     | -                  | -                      | (171,265)        | -                        | -              | -                 |
| Transfer from surplus on revaluation of assets to unappropriated profit - net of tax      | -  | -                    | -              | -                                     | -                  | -                      | -                | -                        | -              | -                 |
| Fixed assets  | -  | -                    | -              | (19,732)                              | -                  | 19,732                 | -                | -                        | -              | -                 |
| Non-banking assets acquired in satisfaction of claims                                     | -  | -                    | -              | -                                     | (41)               | 41                     | -                | -                        | -              | -                 |
| Pre-acquisition surplus (net) on available-for-sale investments realised during the year  | -  | -                    | -              | -                                     | -                  | -                      | (67,968)         | (67,968)                 | (12,410)       | (80,378)          |
| Balance as at June 30, 2020 - unaudited   | <u>10,119,242</u>                        | <u>1,817,432</u>     | <u>140,937</u> | <u>1,618,459</u>                      | <u>1,638,390</u>   | <u>92,735</u>          | <u>6,347,494</u> | <u>21,773,689</u>        | <u>481,885</u> | <u>22,255,574</u> |

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

The annexed notes from 1 to 41 form an integral part of these condensed interim consolidated financial statements.

President and  
Chief Executive Officer

Chief Financial Officer

Director

Director

Chairman

# Condensed Interim Consolidated Cash Flow Statement (Un-audited)

for the Half Year Ended June 30, 2020

|  | Note | June 30,<br>2020           | June 30,<br>2019         |
|--|------|----------------------------|--------------------------|
|  |      | ----- Rupees in '000 ----- |                          |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>   |      |                            |                          |
| Profit before taxation   |      | 1,513,703                  | (648,266)                |
| Less: Dividend income  |      | (85,017)                   | (126,124)                |
| Add / (less): Share of loss / (profit) from associates                             |      | 15,798                     | (13,804)                 |
|  |      | <u>1,444,484</u>           | <u>(788,194)</u>         |
| <b>Adjustments:</b>  |      |                            |                          |
| Depreciation   | 28   | 382,118                    | 419,460                  |
| Depreciation on non-banking assets   | 28   | 4,539                      | 234                      |
| Depreciation - right of use assets   | 28   | 541,982                    | 417,392                  |
| Amortisation of intangible assets  | 29   | 56,940                     | 45,905                   |
| Charge for defined benefit plan  |      | 107,560                    | 65,939                   |
| Unrealised gain on revaluation of investments classified as held-for-trading - net | 26   | 1,210                      | 9,089                    |
| Unrealised gain on revaluation of forward foreign exchange contracts               |      | (263,878)                  | -                        |
| Unrealised gain on revaluation of derivative instruments - net                     |      | (25,736)                   | (506,275)                |
| Provisions and write offs - net  | 31   | 420,184                    | 593,653                  |
| Provision for workers welfare fund   |      | 13,720                     | 566                      |
| Mark-up / return / interest expense on lease liability against right-of-use assets | 24   | 259,046                    | 276,349                  |
| Gain on sale of fixed assets - net   |      | (9,612)                    | (72,802)                 |
|  |      | <u>1,488,073</u>           | <u>1,249,510</u>         |
|  |      | <u>2,932,557</u>           | <u>461,316</u>           |
| <b>Decrease / (increase) in operating assets</b>                                   |      |                            |                          |
| Lendings to financial institutions   |      | 20,344,115                 | (2,657,548)              |
| Held-for-trading securities  |      | 48,213,880                 | 15,638,700               |
| Advances   |      | 1,191,016                  | 1,596,989                |
| Other assets (excluding advance taxation)  |      | (882,492)                  | (548,032)                |
|  |      | <u>68,866,518</u>          | <u>14,030,109</u>        |
| <b>Increase / (decrease) in operating liabilities</b>                              |      |                            |                          |
| Bills payable  |      | 454,579                    | 393,810                  |
| Borrowings   |      | (17,875,247)               | (45,148,134)             |
| Deposits and other accounts  |      | 35,896,091                 | 38,800,839               |
| Other liabilities  |      | 1,784,305                  | (1,509,753)              |
|  |      | <u>20,259,728</u>          | <u>(7,463,238)</u>       |
|  |      | <u>92,058,803</u>          | <u>7,028,187</u>         |
| Gratuity paid  |      | (151,881)                  | -                        |
| Income tax paid  |      | (65,412)                   | (366,692)                |
| <b>Net cash flow from / (used) in operating activities</b>                         |      | <u>91,841,510</u>          | <u>6,661,495</u>         |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   |      |                            |                          |
| Net investment in available-for-sale securities                                    |      | (79,230,297)               | (10,584,585)             |
| Net investment in held-to-maturity securities                                      |      | (3,421,906)                | 8,093,341                |
| Investment in associated companies   |      | (40,828)                   | (21,239)                 |
| Dividend received  |      | 83,524                     | 122,496                  |
| Investments in fixed assets  |      | (637,939)                  | (950,440)                |
| Investments in intangible assets   |      | (133,016)                  | (2,315)                  |
| Proceeds from sale of fixed assets   |      | 20,769                     | 108,113                  |
| Effect of translation of net investment in foreign branch                          |      | 37,432                     | 52,214                   |
| <b>Net cash flows (used in) / from investing activities</b>                        |      | <u>(83,322,261)</u>        | <u>(3,182,415)</u>       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |      |                            |                          |
| Dividend paid on preference shares   |      | -                          | (24,164)                 |
| Payment of lease liability against right of use assets                             |      | (674,868)                  | (457,367)                |
| Sub-ordinated loans  |      | -                          | (1,000)                  |
|  |      | <u>(674,868)</u>           | <u>(482,531)</u>         |
| <b>Increase / (decrease) in cash and cash equivalents</b>                          |      | <u>7,844,381</u>           | <u>2,996,549</u>         |
| Cash and cash equivalents at beginning of the period                               |      | 25,429,551                 | 32,587,698               |
| <b>Cash and cash equivalents at end of the period</b>                              | 34   | <u><u>33,273,932</u></u>   | <u><u>35,584,247</u></u> |

The annexed notes from 1 to 41 form an integral part of these consolidated condensed interim financial statements.

\_\_\_\_\_  
President and  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

## 1. STATUS AND NATURE OF BUSINESS

### 1.1 The "Group" consists of:

#### 1.1.1 Holding Company: JS Bank Limited

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

The Bank is a scheduled bank, engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and is operating through 359 (December 31, 2019: 359) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (December 31, 2019: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to AA-(Double A Minus) whereas short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

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

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

The ultimate parent of the Group is Jahangir Siddiqui & Co. Ltd. which holds 75.02% shares of the Bank.

#### 1.1.3 Composition of the Group

| Note                          | Ownership interest and voting power held by |        |                   |        |
|-------------------------------|---|--------|-------------------|--------|
|                               | June 30, 2020                               |        | December 31, 2019 |        |
|                               | The Group                                   | NCI    | The Group         | NCI    |
| Subsidiary companies          |   |        |                   |        |
| JS Global Capital Limited     | 83.53%                                      | 16.47% | 67.16%            | 32.84% |
| JS Investment Limited         | 84.56%                                      | 15.44% | 65.16%            | 34.84% |
| JS ABAMCO Commodities Limited | 84.56%                                      | 15.44% | 65.16%            | 34.84% |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

1.1.4 During the period, the board of directors of the JS Global Capital Limited (JSGCL), held in their meeting held on February 20, 2020 authorized the management of the JSGCL to conduct detailed due diligence, work out share value and appoint an advisor / consultant for the purpose to participate in the process of acquisition of upto 77.12% of the total issued paid up share capital of BIPL Securities Limited.

## 1.2 Composition of the Associated Companies

|   | Ownership interest and voting power held by |     |                   |     |
|---|---|-----|-------------------|-----|
|   | June 30, 2020                               |     | December 31, 2019 |     |
|   | The Group                                   | NCI | The Group         | NCI |
| Associated companies                        |   |     |                   |     |
| Omar Jibran Engineering Industries Limited  | 9.60%                                       | -   | 9.60%             | -   |
| Veda Transit Solutions (Private) Limited    | 9.12%                                       | -   | 8.00%             | -   |
| Intercity Touring Company (Private) Limited | 9.12%                                       | -   | 9.12%             | -   |

## 2. BASIS OF PRESENTATION

2.1 These consolidated financial statements include financial statements of JS Holding Company Limited and its subsidiary companies, (the "Group") and share of the profit or loss / reserves of associates.

These consolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Holding Company operates and functional currency of the Holding Company, in that environment as well. The amounts are rounded off to the nearest thousand rupees except as stated otherwise.

### 2.2 Statement of Compliance

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

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

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

The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD circular letter No. 5 dated March 22, 2019 and IAS 34.

These condensed interim consolidated financial Statements do not include all the information and disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2019.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

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

IFRS10 "Consolidated Financial Statements" was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed through S.R.O56(I)/2016 dated January 28, 2016, that the requirement of consolidation under section 228 of the Companies Act, 2017 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under trust structure. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim consolidated financial Statements.

Through S.R.O. 229 (I)/2019 dated February 14, 2019, the SECP has extended the applicability of the IFRS 9 'Financial Instruments' for all companies required to prepare their financial statements in accordance with the requirements of IFRS for reporting period/year ending on or after June 30, 2019 (earlier application is permitted). However, SBP has further extended the effective date of applicability of IFRS 9 from annual period beginning on or after January 01, 2021 vide SBP BPRD Circular No. 4 dated October 23, 2019. Therefore, the Group has not considered the impact of IFRS 9 for its Pakistan operations in these condensed interim consolidated financial Statements.

Further, the Holding Company considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing loans and advances, the implementation of IFRS 9 may require changes in the regulatory regime and for this SBP would issue guidance and instruction on the application of IFRS 9 for the Holding Companying sector of Pakistan.

## 2.3 BASIS OF CONSOLIDATION

### 2.3.1 The Group

- The condensed interim consolidated financial Statements include the financial statements of the Holding Company (The Holding Company) and its subsidiary companies together - "the Group".
- Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its investment with investee and has the ability to effect those return through its power over the investee except investment in mutual funds established under trust structure where IFRS 10 'Consolidated Financial Statements' is not applicable in case of investment by companies in mutual funds established under Trust structure.
- These condensed interim consolidated financial Statements incorporate the financial statements of subsidiaries from the date that control commences until the date that control ceases.



# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Non-controlling interests are that part of the net results of operations and of net assets of subsidiaries attributable to interest which are not owned by the holding company.
- Material intra-group balances and transactions are eliminated.

## 2.3.2 Associates

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

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Holding Company's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Holding Company's operations. Therefore not detailed in these condensed interim unconsolidated financial statements other than IFRS 9 and reason for that is mentioned in note 2.1 as above.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for the accounting periods as stated below:

| Standard, Interpretation or Amendment  | Effective date (annual periods beginning on or after) |
|--|---|
| IFRS 9 'Financial Instruments (refer note 2.1 above)   | January 01, 2021                                      |
| Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan. |   |
| IFRS 1 - First time adoption of IFRSs  | January 01, 2014                                      |
| IFRS 17 - Insurance Contracts  | January 01, 2021                                      |

## 3. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The basis for accounting estimates adopted in the preparation of these condensed interim unconsolidated financial statements are the same as that applied in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2019.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied in the preparation of the audited annual consolidated financial statements of the Holding Company for the year ended December 31, 2019.

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

## 5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Holding Company are consistent with those disclosed in the audited annual consolidated financial statements for the year ended December 31, 2019 except following additional considerations due to the COVID-19.

### 5.1 COVID - 19 outbreak and its impact

The COVID-19 and the measures to reduce its spread has impacted the economy of Pakistan significantly. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 625 basis points to 7 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include:

- (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent;
- (ii) increasing the regulatory limit on extension of credit to SMEs by 125 million to Rs 180 million;
- (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent
- (iv) allowing banks to defer clients' payment of principal and profit on financing obligations by one year; and
- (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.
- (vi) Relaxing credit requirements for exporters and importers; and
- (vii) Refinance schemes to support employment to prevent layoff of workers and health sector to combat COVID-19 Pandemic.

COVID 19 has impacted the Holding Company in Pakistan from various facets which includes increase in overall credit risk pertaining to loans and advances portfolio in certain sectors, reduced fee income due to slowdown in economic activity, operational issues such as operations of Branches and managing cyber security threats. We have discussed below the major aspects of COVID 19 on the Holding Company's risk management policies.

#### 5.1.1 Assets quality and credit risk

The Risk department of the Holding Company is regularly conducting assessments to identify borrowers operating in various sectors which are most likely to get affected. The Holding Company has further strengthened its credit review procedures in the light of COVID-19. The Holding Company has conducted various stress tests on the Credit portfolio and is confident that the CAR buffer currently maintained is sufficient.

#### 5.1.2 Liquidity management

The Holding Company has received applications for deferral of principal and / or restructuring / rescheduling and is expected to receive further such applications. These applications are being reviewed by the Holding Company as per its established policies. The Asset and Liability Committee (ALCO) of the Holding Company is continuously monitoring the liquidity position and is taking due precautionary measures where needed. The Holding Company has conducted various stress testing on its liquidity ratios and is confident that the liquidity buffer currently maintained by the Holding Company is sufficient to cater any adverse movement in cash flow maturity profile.



# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

## 5.1.3 Equity investments

SBP has given relaxation in recognition of impairment of equity securities in phased manner equally on quarterly basis during calendar year ending on December 31, 2020. The Holding Company has taken the impact of impairment on the basis of that relaxation in these unconsolidated condensed interim financial statements.

## 5.1.4 Foreign Exchange Risk

Due to recent economic slowdown, the PKR has devalued against USD significantly from December 31, 2019 and the USD / PKR parity stood at Rs 168.05 as at June 30, 2020. The exchange rate is expected to remain volatile till the uncertainty around COVID 19 resolves. The Holding Company has reviewed its Net Open Position and has had no significant impact on profitability.

## 5.1.5 Operations

The Holding Company is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to our customers. The senior management of the Holding Company is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Holding Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network (“VPN”) connections. Further, the Holding Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

The Holding Company is communicating with its customers on how they can connect with the Holding Company through its full suite of channels including digital and online channels. The Holding Company has taken all measures to ensure that service levels are maintained, customer complaints are resolved as per SLAs and the Holding Company continues to meet the expectations of their clients as they would in a normal scenario.

## 5.1.6 Capital Adequacy Ratio

Under the current scenario, the Holding Companies are under pressure to extend further credit to its borrowers, while overall deteriorating credit risk and increased NPL may also put additional pressures on the Holding Company from Capital Adequacy Ratio perspective. The SBP has relaxed the Capital Conversion Buffer (CCB) requirements for the Holding Companies to 1.5%, resulting in an overall CAR requirement of 11.5%. The reduced CCB has also provided an additional limit to the Holding Company for its tier 2 capital. Further the regulatory limit for retail loans has also increased by SBP to 180 million, which will now result in reduced Risk Weighted Assets, RWA, for some of its loans. In addition to the measures by SBP, the Senior management of the Holding Company is continuously monitoring the impacts of various decisions on its CAR and taking further lending decisions based on the overall impacts on RWA. The Holding Company also believes that it has sufficient buffer in its CAR requirement to meet any adverse movements in credit, market or operational risks.

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|  | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--|----------------------------------|-----------------------------------|
|  | Note                             | ----- Rupees in '000 -----        |
| <b>6. CASH AND BALANCES WITH TREASURY BANKS</b>  |                                  |                                   |
| <b>In hand</b>   |                                  |                                   |
| Local currency   | 7,636,816                        | 5,573,428                         |
| Foreign currencies   | <u>2,909,710</u>                 | <u>896,523</u>                    |
|  | <u>10,546,526</u>                | <u>6,469,951</u>                  |
| <b>With State Bank of Pakistan in:</b>   |                                  |                                   |
| Local currency current account   | <u>16,396,170</u>                | <u>13,292,331</u>                 |
| Foreign currency current account - non remunerative  | 983,096                          | 831,532                           |
| Foreign currency deposit account - remunerative  | <u>2,212,500</u>                 | <u>2,566,714</u>                  |
|  | <u>19,591,766</u>                | <u>16,690,577</u>                 |
| <b>With National Bank of Pakistan in:</b>  |                                  |                                   |
| Local currency current accounts  | 2,559,120                        | 2,286,205                         |
| <b>National Prize Bonds</b>  | 28,939                           | 143,440                           |
|  | <u>32,726,351</u>                | <u>25,590,173</u>                 |
| <b>7. BALANCES WITH OTHER BANKS</b>  |                                  |                                   |
| <b>In Pakistan</b>   |                                  |                                   |
| In current accounts  | 389,517                          | 150,722                           |
| In deposit accounts  | <u>43,359</u>                    | <u>6,565</u>                      |
|  | <u>432,876</u>                   | <u>157,287</u>                    |
| <b>Outside Pakistan</b>  |                                  |                                   |
| In current accounts  | 725,727                          | 319,083                           |
|  | <u>1,158,603</u>                 | <u>476,370</u>                    |
| Less: General provision under IFRS 9   | 7.1 (59)                         | (68)                              |
| Balances with other banks - net of provision   | <u>1,158,544</u>                 | <u>476,302</u>                    |
| <b>7.1</b> This represents general provision held under IFRS 9 by Bahrain branch of the Holding Company. |                                  |                                   |
| <b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>   |                                  |                                   |
| Call money lendings  | 140,042                          | 283,887                           |
| Repurchase agreement lendings (Reverse Repo)   | <u>9,837,645</u>                 | <u>30,037,915</u>                 |
|  | <u>9,977,687</u>                 | <u>30,321,802</u>                 |
| Less: General provision under IFRS 9   | (236)                            | (1,262)                           |
| Lending to Financial Institutions - net of provision   | <u>9,977,451</u>                 | <u>30,320,540</u>                 |
| <b>8.1</b> This represents general provision held under IFRS 9 by Bahrain branch of the Holding company. |                                  |                                   |
| <b>8.2 Particulars of lendings - gross</b>   |                                  |                                   |
| In local currency  | 9,837,752                        | 30,037,915                        |
| In foreign currencies  | <u>139,935</u>                   | <u>283,887</u>                    |
|  | <u>9,977,687</u>                 | <u>30,321,802</u>                 |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | (Un-audited)<br>June 30, 2020 |                          |                     |                    | (Audited)<br>December 31, 2019 |                          |                     |                    |
|---|-------------------------------|--------------------------|---------------------|--------------------|--------------------------------|--------------------------|---------------------|--------------------|
|   | Cost / Amortised cost         | Provision for diminution | Surplus / (Deficit) | Carrying Value     | Cost / Amortised cost          | Provision for diminution | Surplus / (Deficit) | Carrying Value     |
| <b>9. INVESTMENTS</b>                       | Rupees in '000                |                          |                     |                    |                                |                          |                     |                    |
| <b>9.1 Investments by type</b>              |                               |                          |                     |                    |                                |                          |                     |                    |
| <b>Held-for-trading securities</b>          |                               |                          |                     |                    |                                |                          |                     |                    |
| Federal Government Securities               | 8,019,568                     | -                        | 70                  | 8,019,638          | 55,601,087                     | -                        | (2,618)             | 55,598,469         |
| Shares                                      | 96,296                        | -                        | 1,597               | 97,893             | 486,634                        | -                        | 551                 | 487,185            |
| Open end mutual funds                       | 238,022                       | -                        | (2,875)             | 235,147            | 444,902                        | -                        | 11,070              | 455,972            |
|   | <u>8,353,886</u>              | -                        | (1,208)             | <u>8,352,678</u>   | <u>56,532,623</u>              | -                        | 9,003               | <u>56,541,626</u>  |
| <b>Available-for-sale securities</b>        |                               |                          |                     |                    |                                |                          |                     |                    |
| Federal Government Securities               | 122,417,535                   | -                        | 2,163,189           | 124,580,724        | 47,828,618                     | -                        | (809,244)           | 47,019,374         |
| Shares                                      | 3,357,737                     | (168,055)                | 432,274             | 3,621,956          | 2,115,728                      | (136,589)                | 25,107              | 2,004,246          |
| Non Government Debt Securities              | 3,788,587                     | -                        | 1,876               | 3,093,956          | 3,931,294                      | (696,507)                | (6,889)             | 3,227,898          |
| Open end mutual funds                       | 862,994                       | -                        | 160,795             | 1,023,789          | 969,276                        | (26,023)                 | 279,616             | 1,222,869          |
| Foreign Securities                          | 3,650,766                     | -                        | (358,399)           | 3,292,367          | 2,406                          | -                        | -                   | 2,406              |
|   | <u>134,077,619</u>            | <u>(864,562)</u>         | <u>2,399,735</u>    | <u>135,612,792</u> | <u>54,847,322</u>              | <u>(859,119)</u>         | <u>(511,410)</u>    | <u>53,476,793</u>  |
| <b>Held-to-maturity securities</b>          |                               |                          |                     |                    |                                |                          |                     |                    |
| Federal Government Securities               | 36,281,788                    | -                        | -                   | 36,281,788         | 32,859,882                     | -                        | -                   | 32,859,882         |
| Associates                                  | 270,252                       | -                        | -                   | 270,252            | 246,322                        | -                        | -                   | 246,322            |
| <b>Total Investments</b>                    | <u>178,983,545</u>            | <u>(864,562)</u>         | <u>2,398,527</u>    | <u>180,517,510</u> | <u>144,486,149</u>             | <u>(859,119)</u>         | <u>(502,407)</u>    | <u>143,124,623</u> |
|   | (Un-audited)<br>June 30, 2020 |                          |                     |                    | (Audited)<br>December 31, 2019 |                          |                     |                    |
| <b>9.2 Investments by segments:</b>         | Rupees in '000                |                          |                     |                    |                                |                          |                     |                    |
| <b>Held-for-trading securities</b>          |                               |                          |                     |                    |                                |                          |                     |                    |
| Federal Government Securities               | 8,019,568                     | -                        | 70                  | 8,019,638          | 55,601,087                     | -                        | (2,618)             | 55,598,469         |
| Market Treasury Bills                       | -                             | -                        | -                   | -                  | -                              | -                        | -                   | -                  |
| Pakistan Investment Bonds                   | 8,019,568                     | -                        | 70                  | 8,019,638          | 55,601,087                     | -                        | (2,618)             | 55,598,469         |
| <b>Shares:</b>                              |                               |                          |                     |                    |                                |                          |                     |                    |
| <b>Listed Companies</b>                     |                               |                          |                     |                    |                                |                          |                     |                    |
| Ordinary shares                             | 96,296                        | -                        | 1,597               | 97,893             | 486,634                        | -                        | 551                 | 487,185            |
| <b>Open End Mutual Funds</b>                | 238,022                       | -                        | (2,875)             | 235,147            | 444,902                        | -                        | 11,070              | 455,972            |
| <b>Available-for-sale securities</b>        |                               |                          |                     |                    |                                |                          |                     |                    |
| <b>Federal Government Securities:</b>       |                               |                          |                     |                    |                                |                          |                     |                    |
| Market Treasury Bills                       | 64,641,887                    | -                        | 784,267             | 65,426,154         | 12,071,266                     | -                        | (364)               | 12,070,902         |
| Pakistan Investment Bonds                   | 57,775,648                    | -                        | 1,378,922           | 59,154,570         | 35,757,352                     | -                        | (808,880)           | 34,948,472         |
|   | <u>122,417,535</u>            | -                        | <u>2,163,189</u>    | <u>124,580,724</u> | <u>47,828,618</u>              | -                        | <u>(809,244)</u>    | <u>47,019,374</u>  |
| <b>Shares:</b>                              |                               |                          |                     |                    |                                |                          |                     |                    |
| <b>Listed Companies</b>                     |                               |                          |                     |                    |                                |                          |                     |                    |
| Ordinary shares                             | 3,210,148                     | (31,466)                 | 432,274             | 3,610,956          | 1,968,139                      | -                        | 25,107              | 1,993,246          |
| Preference shares                           | 136,589                       | (136,589)                | -                   | -                  | 136,589                        | (136,589)                | -                   | -                  |
| <b>Unlisted Companies</b>                   |                               |                          |                     |                    |                                |                          |                     |                    |
| Ordinary shares                             | 11,000                        | -                        | -                   | 11,000             | 11,000                         | -                        | -                   | 11,000             |
|   | <u>3,357,737</u>              | <u>(168,055)</u>         | <u>432,274</u>      | <u>3,621,956</u>   | <u>2,115,728</u>               | <u>(136,589)</u>         | <u>25,107</u>       | <u>2,004,246</u>   |
| <b>Non Government Debt Securities</b>       |                               |                          |                     |                    |                                |                          |                     |                    |
| <b>Listed</b>                               |                               |                          |                     |                    |                                |                          |                     |                    |
| Term Finance Certificates                   | 430,184                       | (155,169)                | (15)                | 275,000            | 445,183                        | (155,169)                | (134)               | 289,880            |
| Sukuk Certificates                          | 323,583                       | -                        | 652                 | 324,235            | 493,850                        | -                        | (6,755)             | 487,095            |
| <b>Unlisted</b>                             |                               |                          |                     |                    |                                |                          |                     |                    |
| Term Finance Certificates                   | 1,526,520                     | (541,338)                | -                   | 985,182            | 1,506,195                      | (541,338)                | -                   | 964,857            |
| Sukuk Certificates-unlisted                 | 1,480,587                     | -                        | 1,239               | 1,481,806          | 1,459,333                      | -                        | -                   | 1,459,333          |
| Preference shares                           | 27,733                        | -                        | -                   | 27,733             | 27,733                         | -                        | -                   | 27,733             |
|   | <u>3,788,587</u>              | <u>(696,507)</u>         | <u>1,876</u>        | <u>3,093,956</u>   | <u>3,931,294</u>               | <u>(696,507)</u>         | <u>(6,889)</u>      | <u>3,227,898</u>   |
| <b>Open End Mutual Funds</b>                | 862,994                       | -                        | 160,795             | 1,023,789          | 969,276                        | (26,023)                 | 279,616             | 1,222,869          |
| <b>Foreign Securities</b>                   |                               |                          |                     |                    |                                |                          |                     |                    |
| Government Debt Securities                  | 3,111,053                     | -                        | (257,148)           | 2,853,905          | -                              | -                        | -                   | -                  |
| Non Government Debt Securities              | 537,307                       | -                        | (101,251)           | 436,056            | -                              | -                        | -                   | -                  |
| Ordinary shares                             | 2,406                         | -                        | -                   | 2,406              | 2,406                          | -                        | -                   | 2,406              |
|   | <u>3,650,766</u>              | -                        | <u>(358,399)</u>    | <u>3,292,367</u>   | <u>2,406</u>                   | -                        | -                   | <u>2,406</u>       |
| <b>Held-to-maturity securities</b>          |                               |                          |                     |                    |                                |                          |                     |                    |
| <b>Federal Government Securities:</b>       |                               |                          |                     |                    |                                |                          |                     |                    |
| Pakistan Investment Bonds                   | 36,281,788                    | -                        | -                   | 36,281,793         | 32,859,882                     | -                        | -                   | 32,859,882         |
| <b>Associates</b>                           |                               |                          |                     |                    |                                |                          |                     |                    |
| Omer Jibran Engineering Industries Limited  | 212,849                       | -                        | -                   | 212,849            | 224,782                        | -                        | -                   | 224,782            |
| Yedaq Transit Solutions (Private) Limited   | 47,919                        | -                        | -                   | 47,919             | 4,774                          | -                        | -                   | 4,774              |
| Intercity Touring Company (Private) Limited | 9,484                         | -                        | -                   | 9,484              | 16,766                         | -                        | -                   | 16,766             |
|   | <u>270,252</u>                | -                        | -                   | <u>270,252</u>     | <u>246,322</u>                 | -                        | -                   | <u>246,322</u>     |
| <b>Total Investments</b>                    | <u>178,983,545</u>            | <u>(864,562)</u>         | <u>2,398,527</u>    | <u>180,517,515</u> | <u>144,486,149</u>             | <u>(859,119)</u>         | <u>(502,407)</u>    | <u>143,124,623</u> |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

- 9.2.1 This represents the investments in related parties of the Group.
- 9.2.2 Included herein are the investments in related parties amounting to Rs.2,736.585 million (December 31, 2019: Rs.1,552.306 million) having market value of Rs. 3,131.354 million (December 31, 2019: Rs.1,554.335 million).
- 9.2.3 Included herein are the investments in related parties amounting to Rs.15.000 million (December 31, 2019: Rs.15.000 million) having market value of Rs.14.880 million (December 31, 2019: Rs.14.880 million).
- 9.2.4 Included herein is the investment of Rs.391.478 million (December 31, 2019: Rs.391.478 million) in a related party at the rate of 6 months KIBOR + 1.75% to 11% having maturity dates of December 04, 2017 to October 19, 2020. Due to weak financial position of the investee, the Group has recognised full impairment loss on these Term Finance Certificates.
- 9.2.5 Included herein are the investments in an associated company amounting to Rs. 27.733 million (December 31, 2019: Rs.27.733 million).
- 9.2.6 This represents the investments in related parties amounting to Rs.862.994 million (December 31, 2019: Rs.969.276 million) having market value of Rs.1,023.769 million (December 31, 2019: Rs.1,222.869 million).
- 9.2.7 The market value of securities classified as held-to-maturity as at amounted to Rs. 36,237.951 million (December 31, 2019: Rs. 31,341.410 million).
- 9.2.8 During the period, Veda Transit Solutions Private Limited, an associate of the Bank, has issued shares against advance subscription of Rs. 40.828 million made by the Bank. Resultantly, shareholding of the Bank increased to 9.12% (December 31, 2019: 8%). The Bank has classified the investment as associate on account of it's significant influence over the investee company.

|                                       | (Un-audited)<br>June 30, 2020 |                   | (Audited)<br>December 31, 2019 |                   |
|---------------------------------------|-------------------------------|-------------------|--------------------------------|-------------------|
|                                       | Cost                          | Market value      | Cost                           | Market value      |
| ----- Rupees in '000 -----            |                               |                   |                                |                   |
| 9.3 Investments given as collateral   |                               |                   |                                |                   |
| Available-for-sale securities         |                               |                   |                                |                   |
| <b>Federal Government Securities:</b> |                               |                   |                                |                   |
| Market Treasury Bills                 | 7,352,914                     | 7,405,967         | 4,453,165                      | 4,452,597         |
| Pakistan Investment Bonds             | 1,000,000                     | 1,001,300         | 22,232,264                     | 21,475,720        |
|                                       | 8,352,914                     | 8,407,267         | 26,685,429                     | 25,928,317        |
| <b>Foreign Securities</b>             |                               |                   |                                |                   |
| Government Debt Securities            | 2,589,087                     | 2,384,308         | -                              | -                 |
| Non Government Debt Securities        | -                             | -                 | -                              | -                 |
|                                       | 2,589,087                     | 2,384,308         | -                              | -                 |
|                                       | <u>10,942,001</u>             | <u>10,791,575</u> | <u>26,685,429</u>              | <u>25,928,317</u> |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|---|----------------------------------|-----------------------------------|
|   | ----- Rupees in '000 -----       |                                   |
| <b>9.4 Provision for diminution in value of investments</b> |                                  |                                   |
| Opening balance   | 859,119                          | 1,204,419                         |
| Charge during the period / year                             | 32,302                           | 251,675                           |
| Reversal during the period / year                           | (26,859)                         | (596,975)                         |
| Charge / (reversals) during the period                      | 5,443                            | (345,300)                         |
| Closing balance   | 864,562                          | 859,119                           |

**9.4.1** SBP vide BPRD Circular Letter No. 13 of 2020 dated March 26, 2020 has provided regulatory relief to the Holding Company to recognize impairment losses resulting from the valuation of listed equity securities held as "Available for Sale" (AFS) in a phased manner equally on quarterly basis during calendar year ending on December 31, 2020. Pursuant to the circular, out of total impairment loss of Rs. 62.932 million, a portion of the impairment loss, amounting to Rs.31.466 million has not been recognized in these unconsolidated condensed interim financial statements.

Had there been no relaxation, there would have been increase in provision for diminution in value of investments and surplus on revaluation of available for sale securities - net of tax by Rs. 31.466 and Rs. 20.453 million respectively, and decrease in unappropriated Profit by Rs. 15.356 million and profit after taxation by Rs.12.271 million respectively.

|  | (Un-audited)<br>June 30, 2020 |           | (Audited)<br>December 31, 2019 |           |
|--|-------------------------------|-----------|--------------------------------|-----------|
|  | NPI                           | Provision | NPI                            | Provision |
|  | ----- Rupees in '000 -----    |           |                                |           |

## 9.4.2 Particulars of provision against debt securities

### Category of classification

#### Domestic

|                                   |         |         |         |         |
|-----------------------------------|---------|---------|---------|---------|
| Other assets especially mentioned | -       | -       | -       | -       |
| Substandard                       | -       | -       | -       | -       |
| Doubtful                          | -       | -       | -       | -       |
| Loss                              | 696,507 | 696,507 | 696,507 | 696,507 |
|                                   | 696,507 | 696,507 | 696,507 | 696,507 |

|   |        | Performing                       |                                   | Non Performing                   |                                   | Total                            |                                   |
|---|--------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
|   |        | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|   |        | ----- Rupees in '000 -----       |                                   |                                  |                                   |                                  |                                   |
| <b>10. ADVANCES</b>                         | Note   |                                  |                                   |                                  |                                   |                                  |                                   |
| Loans, cash credits, running finances, etc. |        | 235,545,830                      | 225,327,657                       | 10,057,090                       | 10,353,164                        | 245,602,920                      | 235,680,821                       |
| Bills discounted and purchased              |        | -                                | 11,113,114                        | -                                | -                                 | -                                | 11,113,114                        |
| Advances - gross                            |        | 235,545,830                      | 236,440,771                       | 10,057,090                       | 10,353,164                        | 245,602,920                      | 246,793,935                       |
| Provision against advances                  |        |                                  |                                   |                                  |                                   |                                  |                                   |
| General                                     |        | (236,469)                        | (161,166)                         | -                                | -                                 | (236,469)                        | (161,166)                         |
| General provision - under IFRS-9            | 10.3.2 | (25,161)                         | (7,520)                           | -                                | -                                 | (25,161)                         | (7,520)                           |
| Specific                                    | 10.3   | -                                | -                                 | (3,564,148)                      | (3,339,941)                       | (3,564,148)                      | (3,339,941)                       |
|   |        | (261,630)                        | (168,686)                         | (3,564,148)                      | (3,339,941)                       | (3,825,778)                      | (3,508,627)                       |
| Advances - net of provision                 |        | 235,284,200                      | 236,272,085                       | 6,492,942                        | 7,013,223                         | 241,777,142                      | 243,285,308                       |

## 10.1 Particulars of advances (gross)

|                       |             |             |
|-----------------------|-------------|-------------|
| In local currency     | 168,814     | 238,073,921 |
| In foreign currencies | 245,434,106 | 8,720,014   |
|                       | 245,602,920 | 246,793,935 |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

- 10.2 Advances include Rs.10,057.090 million (December 31, 2019: Rs.10,353.164 million) which have been placed under non-performing status as detailed below:

| Category of Classification | (Un-audited)<br>June 30, 2020 |                  | (Audited)<br>December 31, 2019 |                  |
|----------------------------|-------------------------------|------------------|--------------------------------|------------------|
|                            | Non Performing Loans          | Provision        | Non Performing Loans           | Provision        |
| ----- Rupees in '000 ----- |                               |                  |                                |                  |
| <b>Domestic</b>            |                               |                  |                                |                  |
| Other Assets Especially    |                               |                  |                                |                  |
| Mentioned                  | 94,615                        | 515              | 841,058                        | 1,721            |
| Substandard                | 748,556                       | 39,468           | 1,159,072                      | 64,681           |
| Doubtful                   | 2,749,043                     | 465,091          | 2,442,270                      | 426,283          |
| Loss                       | 6,464,876                     | 3,059,074        | 5,910,764                      | 2,847,256        |
| <b>Total</b>               | <b>10,057,090</b>             | <b>3,564,148</b> | <b>10,353,164</b>              | <b>3,339,941</b> |

- 10.3 Particulars of provision against advances

|   | (Un-audited)<br>June 30, 2020 |                |                                  |                  | (Audited)<br>December 31, 2019 |                |                                  |                  |
|---|-------------------------------|----------------|----------------------------------|------------------|--------------------------------|----------------|----------------------------------|------------------|
|   | Specific                      | General        | General provision - under IFRS-9 | Total            | Specific                       | General        | General provision - under IFRS-9 | Total            |
| ----- Rupees in '000 -----                  |                               |                |                                  |                  |                                |                |                                  |                  |
| Opening balance                             | 3,339,941                     | 161,166        | 7,520                            | 3,508,627        | 2,989,888                      | 155,661        | 10,746                           | 3,156,295        |
| Exchange adjustments                        | -                             | -              | 1,475                            | 1,475            | -                              | -              | 1,095                            | 1,095            |
| Charge for the period/ year                 | 288,769                       | 75,303         | 16,166                           | 380,238          | 880,994                        | 5,505          | -                                | 886,499          |
| Reversals                                   | (64,562)                      | -              | -                                | (64,562)         | (526,146)                      | -              | (4,321)                          | (530,467)        |
|   | 224,207                       | 75,303         | 16,166                           | 315,676          | 354,848                        | 5,505          | (4,321)                          | 356,032          |
| Amount written off from the opening balance | -                             | -              | -                                | -                | (4,795)                        | -              | -                                | (4,795)          |
| <b>Closing Balance</b>                      | <b>3,564,148</b>              | <b>236,469</b> | <b>25,161</b>                    | <b>3,825,778</b> | <b>3,339,941</b>               | <b>161,166</b> | <b>7,520</b>                     | <b>3,508,627</b> |

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

|                         | Secured portfolio             |                                | Unsecured portfolio           |                                |
|-------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|
|                         | (Un-audited)<br>June 30, 2020 | (Audited)<br>December 31, 2019 | (Un-audited)<br>June 30, 2020 | (Audited)<br>December 31, 2019 |
| ----- Percentages ----- |                               |                                |                               |                                |
| Consumer financing      | 1%                            | 1%                             | 5%                            | 4%                             |
| Housing finance         | 1.5%                          | 0.5%                           | -                             | -                              |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

**10.3.2** The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at June 30, 2020, the Bank has availed cumulative benefit of FSV of Rs. 4,597.223 million (December 31, 2019: Rs.4,120.009 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have reduced by Rs.3,002.620 million (December 31, 2019: Rs. 2,678.006 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

## 10.3.3 Advances - Deferred & Restructured / Rescheduled

The SBP vide BPRD circular letter number 13 of 2020 dated March 26, 2020, has relaxed certain classification criteria of SBP Prudential Regulation R-8 (Classification and Provisioning of Assets). Accordingly, certain exposures of the Holding Company as at June 30, 2020 relating to facilities of customers have not been classified as non-performing on account of such relaxation.

|  |        | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--|--------|----------------------------------|-----------------------------------|
|  | Note   | ---- Rupees in '000 ----         |                                   |
| <b>11. FIXED ASSETS</b>                        |        |                                  |                                   |
| Capital work-in-progress                       | 11.1   | 526,639                          | 146,181                           |
| Property and equipment                         |        | 6,244,330                        | 6,438,632                         |
| Right-of-use assets                            | 11.1.1 | 3,516,069                        | 4,109,132                         |
|  |        | <u>10,287,038</u>                | <u>10,693,945</u>                 |
| <b>11.1 Capital work-in-progress</b>           |        |                                  |                                   |
| Civil works                                    |        | 147,266                          | 124,350                           |
| Advance for purchase of leasehold Building     | 11.1.1 | 374,423                          | -                                 |
| Advance for purchase of furniture and fixtures |        | 290                              | 290                               |
| Advance for purchase of vehicles               |        | 4,484                            | -                                 |
| Advance for purchase of equipment and software |        | 176                              | 21,541                            |
|  |        | <u>526,639</u>                   | <u>146,181</u>                    |

**11.1.1** During the period, the Company entered into an 'agreement to sale' with JS Lands (Private) Limited (a related party), after obtaining shareholders' approval in Annual general meeting held on April 22, 2020, whereby, the Company agrees to acquire certain properties at an estimated cost of Rs.748.5 million (out of which Rs. 374.423 million has been paid during the period), subject to completion of certain work as explained in the exhibit of 'agreement to sale'. Up till the previous reporting period, such properties were accounted for under IFRS 16 'Leases', as the same were on rental basis. However, pursuant to the aforementioned agreement, the Company has now reassessed the situation and modified the lease term in view of expected date of transfer of ownership which is estimated to be materialized by end of August 2020. Accordingly, the right of use asset, earlier recorded has been reduced by Rs.206.165 million, with corresponding liability reduced by Rs.225.932 million. Consequently, the Company has recognised Rs.19.766 million as gain on lease modification during the period (which is included in other operating income).

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

- 11.2 The following additions, book value of disposals and writeoffs have been made to fixed assets during the period:

|   | (Un-audited)     |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
|   | Additions        |                  | Disposal         |                  | Write offs       |                  |
|   | June 30,<br>2020 | June 30,<br>2019 | June 30,<br>2020 | June 30,<br>2019 | June 30,<br>2020 | June 30,<br>2019 |
| Rupees in '000                            |                  |                  |                  |                  |                  |                  |
| Capital work-in-progress - net            | 4,117            | 268,937          | -                | -                | -                | -                |
| <b>Property and equipment</b>             |                  |                  |                  |                  |                  |                  |
| Building on lease hold land               | -                | 33,402           | -                | -                | -                | -                |
| Lease hold improvements                   | 83,397           | 361,086          | -                | 1,789            | 43,754           | -                |
| Furniture and fixture                     | 25,529           | 73,272           | 29               | 822              | 5,138            | -                |
| Electrical, office and computer equipment | 141,280          | 355,600          | 2,063            | 3,985            | 9,616            | -                |
| Vehicles                                  | -                | 226,334          | 9,065            | 28,715           | -                | -                |
|   | 250,206          | 1,049,694        | 11,157           | 35,311           | 58,508           | -                |
|   | <u>254,323</u>   | <u>1,318,631</u> | <u>11,157</u>    | <u>35,311</u>    | <u>58,508</u>    | <u>-</u>         |

|                            | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|----------------------------|----------------------------------|-----------------------------------|
|                            | --- Rupees in '000 ---           |                                   |
| 11.3 Assets held for sale  | Note                             |                                   |
| Building on leasehold land | 11.3.1                           | <u>374,000</u> <u>374,000</u>     |

- 11.3.1 In 2019, Bank had entered into an agreement to sell the Bank property located at 13th floor of Ocean Tower, plot No. G-3, Khayaban-e-Iqbal, Block 9, KDA Scheme No. 5, Clifton Karachi, Pakistan ("Property") of Rs. 375 million and therefore, measured the property as a non-current asset held for sale. In this respect, subsequent to period end the sale proceeds were realised on August 11, 2020.

|                                  | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|----------------------------------|----------------------------------|-----------------------------------|
|                                  | --- Rupees in '000 ---           |                                   |
| 12. INTANGIBLE ASSETS            |                                  |                                   |
| Capital work-in-progress         | 12.1                             | 119,827    107,533                |
| Computer software and goodwill   |                                  | <u>2,258,723</u> <u>2,194,941</u> |
|                                  |                                  | <u>2,378,550</u> <u>2,302,474</u> |
| 12.1 Capital work-in-progress    |                                  |                                   |
| Advance for purchase of software |                                  | <u>119,595</u> <u>107,255</u>     |

|                                     | ---- Un-audited ----     |                  |
|-------------------------------------|--------------------------|------------------|
|                                     | June 30,<br>2020         | June 30,<br>2019 |
|                                     | ---- Rupees in '000 ---- |                  |
| 12.2 Additions to intangible assets |                          |                  |

The following additions have been made to intangible assets during the period:

|                                |                |              |
|--------------------------------|----------------|--------------|
| Capital work-in-progress - net | 21,851         | -            |
| Computer software              | 120,350        | 1,480        |
|                                | <u>142,201</u> | <u>1,480</u> |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|   |      | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|---|------|----------------------------------|-----------------------------------|
| <b>13. OTHER ASSETS</b>   | Note | ----- Rupees in '000 -----       |                                   |
| Income/ Mark-up accrued in local currency - net of provision                    |      | 9,437,462                        | 8,746,909                         |
| Income/ Mark-up accrued in foreign currency                                     |      | 120,536                          | 48,511                            |
| Trade receivable from brokerage and advisory business - net                     |      | 1,147,452                        | 976,902                           |
| Advances, deposits, advance rent and other prepayments                          |      | 1,227,542                        | 1,040,356                         |
| Acceptances   |      | 3,160,974                        | 3,221,212                         |
| Dividend receivable   |      | 1,493                            | -                                 |
| Taxation (payments less provision)  |      | 740,767                          | 794,463                           |
| Balances due from funds under management  |      | 108,340                          | 123,074                           |
| Receivable against bancassurance / bancatakaful                                 |      | 20,639                           | 67,952                            |
| Stationery and stamps in hand   |      | 15,371                           | 23,290                            |
| Receivable in respect of home remittance  |      | 61,913                           | 37,139                            |
| Due from State Bank of Pakistan   |      | 181,038                          | 116,489                           |
| Rebates receivable from SBP and others  |      | 284,823                          | 465,965                           |
| Non-banking assets acquired in satisfaction of claims                           |      | 1,084,206                        | 1,088,682                         |
| Mark to market gain on derivative instruments                                   |      | 24,205                           | 22,498                            |
| Mark to market gain on forward foreign exchange contracts                       |      | 263,878                          | 65,955                            |
| Advance for subscription of investments securities                              |      | -                                | 63,108                            |
| Inter bank fund transfer settlement   |      | -                                | 14,477                            |
| Credit card settlement  |      | 57,067                           | 29,924                            |
| Insurance   | 13.1 | 36,654                           | 39,100                            |
| Others  |      | 627,893                          | 501,505                           |
|   |      | <u>18,602,253</u>                | <u>17,487,511</u>                 |
| Less: Provision held against other assets                                       |      | <u>(432,908)</u>                 | <u>(432,908)</u>                  |
| Other assets (net of provisions)  |      | 18,169,345                       | 17,054,603                        |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims |      | 93,680                           | 93,743                            |
|   |      | <u>18,263,025</u>                | <u>17,148,346</u>                 |
| <b>13.1 Provision held against other assets</b>                                 |      |                                  |                                   |
| Trade receivable from brokerage and advisory business - net                     |      | 430,318                          | 430,318                           |
| Others  |      | 29,590                           | 29,590                            |
|   |      | <u>432,908</u>                   | <u>432,908</u>                    |
| <b>14. BILLS PAYABLE</b>  |      |                                  |                                   |
| In Pakistan   |      | 4,020,886                        | 3,583,500                         |
| Outside Pakistan  |      | 238,184                          | 220,991                           |
|   |      | <u>4,259,070</u>                 | <u>3,804,491</u>                  |

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for the Half Year Ended June 30, 2020

|  | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--|----------------------------------|-----------------------------------|
|  | ---- Rupees in '000 ----         |                                   |
| <b>15. BORROWINGS</b>  |                                  |                                   |
| <b>Secured</b>   |                                  |                                   |
| <b>Borrowings from State Bank of Pakistan under:</b>           |                                  |                                   |
| Export Refinancing Scheme (ERF)                                | 18,286,096                       | 17,792,778                        |
| Long-Term Finance Facility (LTFF)                              | 1,806,783                        | 1,877,760                         |
| Financing Facility for Storage of Agricultural produce (FFSAP) | 3,428,561                        | 300,440                           |
| Repurchase agreement borrowings                                | -                                | 16,849,097                        |
|  | <u>23,521,440</u>                | <u>36,820,075</u>                 |
| <b>Borrowing from financial institutions</b>                   |                                  |                                   |
| Repurchase agreement borrowings                                | 10,201,126                       | 12,746,732                        |
| Refinancing facility for mortgage loans                        | 1,930,987                        | 1,961,128                         |
|  | <u>12,132,113</u>                | <u>14,707,860</u>                 |
| <b>Total secured</b>   | <u>35,653,553</u>                | <u>51,527,935</u>                 |
| <b>Unsecured</b>   |                                  |                                   |
| Call borrowings  | 302,491                          | 2,303,356                         |
| Overdrawn nostro accounts                                      | 611,022                          | 636,992                           |
| <b>Total unsecured</b>   | <u>913,513</u>                   | <u>2,940,348</u>                  |
|  | <u><u>36,567,066</u></u>         | <u><u>54,468,283</u></u>          |
| <b>15.1 Particulars of borrowings</b>                          |                                  |                                   |
| In local currency  | 33,856,427                       | 51,527,935                        |
| In foreign currencies  | 2,710,639                        | 2,940,348                         |
|  | <u><u>36,567,066</u></u>         | <u><u>54,468,283</u></u>          |

|  | (Un-audited)<br>June 30, 2020 |                          |                           | (Audited)<br>December 31, 2019 |                          |                           |
|--|-------------------------------|--------------------------|---------------------------|--------------------------------|--------------------------|---------------------------|
|  | In Local<br>Currency          | In Foreign<br>Currencies | Total                     | In Local<br>Currency           | In Foreign<br>Currencies | Total                     |
|  | ----- Rupees in '000 -----    |                          |                           |                                |                          |                           |
| <b>16. DEPOSITS AND OTHER ACCOUNTS</b> |                               |                          |                           |                                |                          |                           |
| <b>Customers</b>                       |                               |                          |                           |                                |                          |                           |
| Current deposits                       | 90,791,095                    | 6,359,263                | 97,150,358                | 70,341,319                     | 6,412,941                | 76,754,260                |
| Savings deposits                       | 84,030,142                    | 3,991,177                | 88,021,319                | 73,442,779                     | 2,898,794                | 76,341,573                |
| Term deposits                          | 172,653,818                   | 12,125,396               | 184,779,214               | 164,602,876                    | 11,409,815               | 176,012,691               |
| Margin deposits                        | 7,433,231                     | 2,739                    | 7,435,970                 | 5,455,786                      | 15,234                   | 5,471,020                 |
|  | <u>354,908,286</u>            | <u>22,478,575</u>        | <u>377,386,861</u>        | <u>313,842,760</u>             | <u>20,736,784</u>        | <u>334,579,544</u>        |
| <b>Financial Institutions</b>          |                               |                          |                           |                                |                          |                           |
| Current deposits                       | 950,126                       | 362,141                  | 1,312,267                 | 858,905                        | -                        | 858,905                   |
| Savings deposits                       | 9,732,001                     | -                        | 9,732,001                 | 12,204,325                     | -                        | 12,204,325                |
| Term deposits                          | 16,008,565                    | -                        | 16,008,565                | 20,900,829                     | -                        | 20,900,829                |
|  | <u>26,690,692</u>             | <u>362,141</u>           | <u>27,052,833</u>         | <u>33,964,059</u>              | <u>-</u>                 | <u>33,964,059</u>         |
|  | <u><u>381,598,978</u></u>     | <u><u>22,840,716</u></u> | <u><u>404,439,694</u></u> | <u><u>347,806,819</u></u>      | <u><u>20,736,784</u></u> | <u><u>368,543,603</u></u> |

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for the Half Year Ended June 30, 2020

|  |      | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|--|------|----------------------------------|-----------------------------------|
|  | Note | ----- Rupees in '000 -----       |                                   |
| <b>17. SUBORDINATED DEBT</b>             |      |                                  |                                   |
| Term Finance Certificates - First Issue  | 17.1 | 2,996,400                        | 2,996,400                         |
| Term Finance Certificates - Second Issue | 17.2 | 1,998,400                        | 1,998,400                         |
| Term Finance Certificates - Third Issue  | 17.3 | <u>2,500,000</u>                 | <u>2,500,000</u>                  |
|  |      | <u><b>7,494,800</b></u>          | <u><b>7,494,800</b></u>           |

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

**Purpose:** To contribute toward the Bank's Tier II Capital for complying with the Capital Adequacy Ratio requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

**Issue date:** December 14, 2016

**Tenure:** Up to Seven years from the Issue date.

**Maturity Date:** December 14, 2023

**Rating:** A + (Single A Plus)

**Profit Rate:** Floating rate of return at Base rate + 1.4 percent per annum;

Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period

**Profit payment:** Semi-annual

**Redemption:** The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.

**Security:** The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.

**Call Option:** Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.

**Lock-in-clause:** Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

Loss absorbency clause: Upon the occurrence of a Point of Non-Viability event as defined by SBP's Basel III Capital Rule vide BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger as declared by SBP of the non-viability event as declared by SBP, subject to a cap of 467,836,257 shares.

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

Purpose: To contribute toward the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date: December 29, 2017

Tenure: Up to Seven years from the Issue date.

Maturity Date: December 29, 2024

Rating: A + (Single A Plus)

Profit Rate: Floating rate of return at Base rate + 1.4 percent per annum;

Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period.

Profit payment: Semi-annual

Redemption: The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.

Security: The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.

Call Option: Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.

Lock-in-clause: Principal and profit will be payable subject to compliance with MCR or CAR set by SBP.



# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

Loss absorbency clause: Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank and/or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Face Value of the TFCs' divided by market value per share of the Bank's common share on the date of trigger of Point of Non-Viability (PONV) as declared by SBP, subject to a cap of 319,982,544 shares.

17.3 In 2018, the Holding company has issued Rs.2.5 billion of rated, privately placed, unsecured, subordinated, perpetual and non-cumulative term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66(1) of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 (the "Circular") and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose: To contribute toward the Bank's Tier I Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date: December 31, 2018

Maturity Date: Perpetual

Rating: A (Single A)

Profit Rate: Floating rate of return at Base rate + 2.25 percent per annum;  
Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period

Profit payment frequency: Semi-annually on a non-cumulative basis

Redemption: Not applicable

Security: The Issue is unsecured and subordinated as to payment of Principal and profit to all other claims except common shares.

Call Option: Exercisable in part or in full at a par value on or after five years from the issue date, with prior approval of SBP. The Bank shall not exercise the call option unless the called instrument is replaced with capital of same or better quality.

Lock-in-clause: Payment of profit will be made from current year's earning and subject to compliance with MCR or CAR set by SBP.

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

## Loss absorbcency clause:

Pre-Specified Trigger ("PST")

Upon the occurrence of a Pre-Specified Trigger as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013 which stipulates that if an Issuer's Common Equity Tier 1 ("CET 1") ratio falls to or below 6.625% of Risk Weighted Assets ("RWA"), the Issuer will have full discretion to determine the amount of TFCs to be permanently converted into common shares or written off, subject to SBP regulations / instructions, and the cap specified below. The Bank will be able to exercise this discretion subject to:

- If and when Bank's CET 1 reaches the loss absorption trigger point, the aggregate amount of Additional Tier-1 capital to be converted must at least be the amount sufficient to immediately return the CET 1 ratio to above 6.625% of total RWA (if possible);
- The converted amount should not exceed the amount needed to bring the CET 1 ratio to 8.5% of RWA (i.e. minimum CET 1 of 6.0% plus capital conservation buffer of 2.5%);
- In case, conversion of Additional Tier-1 capital Instrument is not possible following the trigger event, the amount of the Instrument must be written off in the accounts resulting in increase in CET 1 of the Issuer;

Point of Non-Viability ("PONV")

Upon the occurrence of a Point of Non-Viability event as defined under SBP BPRD Circular # 6 of 2013 dated August 15, 2013, which stipulates that SBP may, at its option, fully and permanently convert the TFCs into common shares of the Issuer and / or have them immediately written off (either partially or in full). Number of shares to be issued to TFC holders at the time of conversion will be equal to the 'Outstanding Value of the TFCs' divided by market value per share of the Issuer's common / ordinary share on the date of the PONV trigger event as declared by SBP, subject to the cap specified below;

The PONV trigger event is the earlier of:

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

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|  | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December<br>31, 2019 |
|--|----------------------------------|-----------------------------------|
| 18. DEFERRED TAX (ASSETS) / LIABILITIES  |                                  |                                   |
|  | ---- Rupees in '000 ----         |                                   |
| <b>Deductible Temporary Differences on:</b>  |                                  |                                   |
| Provision against investments  | (57,149)                         | (57,149)                          |
| Provision against loans and advances   | (149,634)                        | (132,305)                         |
| Minimum tax  | (221,270)                        | (845,243)                         |
| General provision under IFRS-9   | (22,711)                         | (3,097)                           |
| Intangible other than Goodwill   | (2,756)                          | (2,507)                           |
| Unrealised loss on revaluation of investments<br>classified as held for trading              | (127)                            | (665)                             |
| Provision for workers' welfare fund  | (3,143)                          | (3,143)                           |
|  | <u>(456,790)</u>                 | <u>(1,044,109)</u>                |
| <b>Taxable Temporary Differences on:</b>   |                                  |                                   |
| Operating fixed assets   | 250,295                          | 260,103                           |
| Liability against assets subject to finance lease - net                                      | 8,091                            | (7,082)                           |
| Goodwill   | 512,268                          | 512,268                           |
| Surplus on revaluation of operating fixed assets   | 294,761                          | 374,394                           |
| Surplus on revaluation of non-banking assets<br>acquired in satisfaction of claims           | 945                              | 967                               |
| Mark to market gain / (loss) on forward foreign<br>exchange contracts                        | 92,357                           | (51,092)                          |
| Unrealized gain on revaluation of derivative<br>financial instruments                        | 9,008                            | 82,321                            |
| Surplus / (deficit) on revaluation of investments<br>classified assets as available for sale | 795,593                          | (253,627)                         |
|  | <u>1,963,318</u>                 | <u>918,252</u>                    |
|  | <u><u>1,506,528</u></u>          | <u><u>(125,857)</u></u>           |
| 19. OTHER LIABILITIES  |                                  |                                   |
| Mark-up / return / interest payable in local currency  | 5,531,140                        | 4,166,772                         |
| Mark-up / return / interest payable in foreign currency                                      | 58,783                           | 72,782                            |
| Unearned commission income on guarantees   | 147,100                          | 99,505                            |
| Accrued expenses   | 679,044                          | 415,112                           |
| Acceptances  | 3,160,974                        | 3,221,212                         |
| Trade payable from brokerage business  | 1,214,156                        | 1,426,057                         |
| Unclaimed dividends  | 7,576                            | 7,576                             |
| Dividend payable   | 5,380                            | 41,102                            |
| Payable in respect of defined benefit obligation - net                                       | 107,560                          | 151,881                           |
| Withholding taxes payable  | 448,622                          | 539,702                           |
| Government challan collection  | 125,514                          | 66,867                            |
| Donation payable   | -                                | 1,991                             |
| Security deposits against leases, lockers and others   | 3,819,124                        | 4,172,975                         |
| Provision for Workers' Welfare Fund  | 127,448                          | 113,795                           |
| Payable in respect of home remittance  | 669,268                          | 446,387                           |
| Retention money payable  | 36,444                           | 34,248                            |
| Lease liability against right-of-use assets  | 3,793,455                        | 4,260,358                         |
| Advance against assets held for sale   | 37,500                           | 37,500                            |
| Insurance payable  | 68,287                           | 12,693                            |
| Debit card settlement  | 58,632                           | 73,084                            |
| Inter bank fund transfer   | 261,004                          | -                                 |
| Others   | 578,868                          | 287,480                           |
|  | <u>20,935,879</u>                | <u>19,649,079</u>                 |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|  | Note       | (Un-audited)<br>June 30,<br>2020<br>----- Rupees in '000 ----- | (Audited)<br>December 31,<br>2019 |
|--|------------|--|-----------------------------------|
| <b>20. SURPLUS ON REVALUATION OF ASSETS</b>  |            |  |                                   |
| Surplus / (deficit) on revaluation of:   |            |  |                                   |
| Available-for-sale securities  | 9.1 & 20.2 | 2,439,167  | (591,788)                         |
| Operating fixed assets   | 20.3       | 1,933,151  | 1,955,940                         |
| Non-banking assets acquired in satisfaction of claims  |            | <u>93,680</u>  | <u>93,743</u>                     |
|  |            | <u>4,465,998</u>   | <u>1,457,895</u>                  |
| Deferred tax on (deficit) / surplus on revaluation of:   |            |  |                                   |
| Available-for-sale securities  |            | (795,593)  | 253,627                           |
| Operating fixed assets   |            | (294,761)  | (374,390)                         |
| Non-banking assets acquired in satisfaction of claims  |            | (945)  | (967)                             |
|  |            | <u>(1,091,299)</u>   | <u>(121,730)</u>                  |
|  |            | <u>3,374,699</u>   | <u>1,336,165</u>                  |
| 20.1 Group's share   |            | 3,349,584  | 1,308,531                         |
| Non-controlling interest   |            | 25,115   | 27,634                            |
|  |            | <u>3,374,699</u>   | <u>1,336,165</u>                  |
| 20.2 This includes general provision under IFRS 9 of Rs. 39.432 million (December 31, 2019: Rs. Nil) by Bahrain branch of the Bank.              |            |  |                                   |
| 20.3 This includes Rs. 141.731 million (December 31, 2019: Rs. 141.731 million) which relates to assets held for sale as disclosed in note 11.3. |            |  |                                   |
|  | Note       | (Un-audited)<br>June 30,<br>2020<br>----- Rupees in '000 ----- | (Audited)<br>December 31,<br>2019 |
| <b>21. CONTINGENCIES AND COMMITMENTS</b>   |            |  |                                   |
| Guarantees   | 21.1       | 61,475,380   | 45,650,803                        |
| Commitments  | 21.2       | 104,802,487  | 77,013,578                        |
|  |            | <u>166,277,867</u>   | <u>122,664,381</u>                |
| 21.1 Guarantees:   |            |  |                                   |
| Financial guarantees   |            | 2,839,185  | 2,464,411                         |
| Performance guarantees   |            | 35,451,379   | 21,483,841                        |
| Other guarantees   |            | <u>23,184,816</u>  | <u>21,702,551</u>                 |
|  | 21.1.1     | <u>61,475,380</u>  | <u>45,650,803</u>                 |
| 21.1.1 Included herein are outstanding guarantees of Rs.24.125 million (December 31, 2019: Rs.14.217 million) of related parties.                |            |  |                                   |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | Note  | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|---|---|----------------------------------|-----------------------------------|
|   |   | ----- Rupees in '000 -----       |                                   |
| <b>21.2 Commitments:</b>  |   |                                  |                                   |
| <b>Documentary credits and short-term trade related transactions</b>                              |   |                                  |                                   |
| - letters of credit   | 21.2.1  | 13,456,446                       | 13,965,258                        |
| <b>Commitments in respect of:</b>   |   |                                  |                                   |
| - Forward foreign exchange contracts  | 21.2.2  | 33,687,656                       | 55,111,366                        |
| - Derivative instruments  | 21.2.3  | 56,404,030                       | 7,238,695                         |
| - Forward lending   | 21.2.4  | 235,682                          | 72,183                            |
| - Bank Guarantee from a commercial Bank in favor of National Clearing Company of Pakistan Limited | 21.2.5  | 400,000                          | 400,000                           |
| - Outstanding settlements against margin financing contracts - net                                | 21.2.6  | (6,187)                          | 5,305                             |
| <b>Commitments for acquisition of:</b>  |   |                                  |                                   |
| - operating fixed assets  | 21.2.7  | 624,860                          | 220,771                           |
|   |   | <u>104,802,487</u>               | <u>77,013,578</u>                 |
| <b>21.2.1</b>   | Included herein the outstanding letter of credits of Rs. 51.007 million (December 31, 2019: Rs.44.368 million) of related parties.  |                                  |                                   |
| <b>21.2.2 Commitments in respect of forward foreign exchange contracts</b>                        |   |                                  |                                   |
| Purchase  |   | 20,414,093                       | 33,104,108                        |
| Sale  |   | 13,273,563                       | 22,007,258                        |
|   |   | <u>33,687,656</u>                | <u>55,111,366</u>                 |
| <b>21.2.2.1</b>   | The Holding company utilises foreign exchange instruments to meet the needs of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk. At quarter end, all foreign exchange contracts have a remaining maturity of less than one year. |                                  |                                   |
|   |   | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|   |   | ----- Rupees in '000 -----       |                                   |
| <b>21.2.3 Commitments in respect of derivative instruments</b>                                    |   |                                  |                                   |
| Purchase  |   | 2,735,177                        | 3,622,107                         |
| Sale  |   | 53,668,853                       | 3,616,588                         |
|   |   | <u>56,404,030</u>                | <u>7,238,695</u>                  |
| <b>21.2.3.1 Interest rate swaps (notional principal)</b>  |   |                                  |                                   |
| Purchase  |   | 1,499,668                        | 2,099,175                         |
| Sale  |   | 1,500,668                        | 2,100,175                         |
|   |   | <u>3,000,336</u>                 | <u>4,199,350</u>                  |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|                                       | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
|---------------------------------------|----------------------------------|-----------------------------------|
| 21.2.3.2 Options (notional principal) |                                  |                                   |
|                                       | ----- Rupees in '000 -----       |                                   |
| Purchase                              | 1,110,562                        | 1,023,310                         |
| Sale                                  | 52,071,109                       | 1,023,310                         |
|                                       | <u>53,181,671</u>                | <u>2,046,620</u>                  |

## 21.2.3.3 Commitments in respect of forward government securities

|          |                |                |
|----------|----------------|----------------|
| Purchase | 124,947        | 499,622        |
| Sale     | 97,076         | 493,103        |
|          | <u>222,023</u> | <u>992,725</u> |

## 21.2.4 Commitments in respect of forward lending

|   |                |               |
|---|----------------|---------------|
| Undrawn formal standby facilities, credit lines and other commitments to lend | <u>235,682</u> | <u>72,183</u> |
|---|----------------|---------------|

21.2.4.1 These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

|  |                |                |
|--|----------------|----------------|
| 21.2.5 Bank Guarantee from a commercial Bank in favor of National Clearing Company of Pakistan Limited | <u>400,000</u> | <u>400,000</u> |
|--|----------------|----------------|

|   |                |              |
|---|----------------|--------------|
| 21.2.6 Outstanding settlements against margin financing contracts - net | <u>(6,187)</u> | <u>5,305</u> |
|---|----------------|--------------|

|  |                |                |
|--|----------------|----------------|
| 21.2.7 Commitments for acquisition of operating fixed assets | <u>624,860</u> | <u>220,771</u> |
|--|----------------|----------------|

21.2.8 There are no changes in contingent liabilities since the date of annual consolidated audited financial statements for the year ended December 31, 2019.

## 22. DERIVATIVE INSTRUMENTS

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

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

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

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

These transactions cover the aspects of both market making and hedging. The risk management related to derivative is disclosed in note 45 to the financial statements.

Accounting policies in respect of derivative financial instruments are described in note 4.5.2 of the consolidated annual financial statements for the year ended December 31, 2019.

|                                  |  | (Un-audited)<br>June 30, 2020  |                |                    |                |                    |                |
|----------------------------------|--|--------------------------------|----------------|--------------------|----------------|--------------------|----------------|
|                                  |  | Interest Rate Swaps            |                | Options            |                | Forward securities |                |
|                                  |  | Notional principal             | Mark to Market | Notional principal | Mark to Market | Notional principal | Mark to Market |
| 22.1 Product analysis            |  | ----- Rupees in '000 -----     |                |                    |                |                    |                |
| <b>With Banks for</b>            |  |                                |                |                    |                |                    |                |
| Hedging                          |  | 3,000,336                      | 9,736          | 53,181,671         | 15,971         | -                  | -              |
| Market making                    |  | -                              | -              | -                  | -              | 222,023            | (1,502)        |
| <b>With FIs other than banks</b> |  |                                |                |                    |                |                    |                |
| Hedging                          |  | -                              | -              | -                  | -              | -                  | -              |
| Market making                    |  | -                              | -              | -                  | -              | -                  | -              |
| <b>Total</b>                     |  |                                |                |                    |                |                    |                |
| Hedging                          |  | 3,000,336                      | 9,736          | 53,181,671         | 15,971         | -                  | -              |
| Market making                    |  | -                              | -              | -                  | -              | 222,023            | (1,502)        |
|                                  |  | (Audited)<br>December 31, 2019 |                |                    |                |                    |                |
|                                  |  | Interest Rate Swaps            |                | Options            |                | Forward securities |                |
|                                  |  | Notional principal             | Mark to Market | Notional principal | Mark to Market | Notional principal | Mark to Market |
|                                  |  | ----- Rupees in '000 -----     |                |                    |                |                    |                |
| <b>With Banks for</b>            |  |                                |                |                    |                |                    |                |
| Hedging                          |  | -                              | 8,885          | 4,199,350          | 13,327         | -                  | -              |
| Market making                    |  | -                              | -              | -                  | -              | 992,725            | 286            |
| <b>With FIs other than banks</b> |  |                                |                |                    |                |                    |                |
| Hedging                          |  | -                              | -              | -                  | -              | -                  | -              |
| Market making                    |  | -                              | -              | -                  | -              | -                  | -              |
| <b>Total</b>                     |  |                                |                |                    |                |                    |                |
| Hedging                          |  | -                              | 8,885          | 4,199,350          | 13,327         | -                  | -              |
| Market making                    |  | -                              | -              | -                  | -              | 992,725            | 286            |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|   |      | ----- Un-audited -----     |                   |
|---|------|----------------------------|-------------------|
|   |      | June 30,                   | June 30,          |
|   |      | 2020                       | 2019              |
|   |      | ----- Rupees in '000 ----- |                   |
| <b>23. MARK-UP / RETURN / INTEREST EARNED</b>                                 | Note |                            |                   |
| <b>On:</b>  |      |                            |                   |
| Loans and advances  |      | 14,961,564                 | 14,562,207        |
| Investments   |      | 8,600,716                  | 4,125,922         |
| Lendings to financial institutions  |      | 37,393                     | 34,693            |
| Balances with other banks   |      | 6,503                      | 27,737            |
| Securities purchased under resale agreements                                  |      | 795,147                    | 355,972           |
|   |      | <u>24,401,323</u>          | <u>19,106,531</u> |
| <b>24. MARK-UP / RETURN / INTEREST EXPENSED</b>                               |      |                            |                   |
| <b>On:</b>  |      |                            |                   |
| Deposits  |      | 17,004,752                 | 12,029,599        |
| Borrowings  | 24.1 | 1,172,551                  | 2,264,803         |
| Sub-ordinated debt  |      | 555,709                    | 467,297           |
| Cost of foreign currency swaps against foreign currency deposits / borrowings |      | 182,814                    | 293,423           |
| Lease liability against right-of-use assets                                   |      | 259,046                    | 265,908           |
|   |      | <u>19,174,872</u>          | <u>15,321,030</u> |
| <b>24.1 Borrowings</b>  |      |                            |                   |
| Export Refinancing Scheme (ERF)   |      | 173,836                    | 168,425           |
| Long-Term Finance Facility (LTFF)   |      | 22,822                     | 14,725            |
| Financing Facility for Storage of Agricultural produce (FFSAP)                |      | 4,600                      | 1,656             |
| Securities sold under repurchase agreements                                   |      | 724,263                    | 1,839,197         |
| Other borrowings  |      | 247,030                    | 240,800           |
|   |      | <u>1,172,551</u>           | <u>2,264,803</u>  |
| <b>25. FEE AND COMMISSION INCOME</b>  |      |                            |                   |
| Branch banking customer fees  |      | 145,291                    | 89,375            |
| Consumer finance related fees   |      | 12,415                     | 9,434             |
| Card related fees (debit and credit cards)                                    |      | 278,888                    | 227,941           |
| Credit related fees   |      | 228,656                    | 154,278           |
| Investment banking fees   |      | 53,902                     | 59,302            |
| Commission on trade   |      | 308,965                    | 254,988           |
| Commission on guarantees  |      | 184,581                    | 175,055           |
| Commission on cash management   |      | 2,415                      | 3,112             |
| Commission on remittances including home remittances                          |      | 176,555                    | 54,737            |
| Commission on bancassurance   |      | 71,117                     | 71,172            |
| Commission on distribution of mutual funds                                    |      | 22,489                     | 63,885            |
| Commission on online Services   |      | 141,248                    | 80,764            |
| Postage & Courier income  |      | 11,729                     | 7,305             |
| Rebate income   |      | 112,067                    | 107,506           |
| Rebate on primary dealership  |      | 27,637                     | 6,918             |
| Brokerage income  |      | 213,319                    | 136,380           |
| Management fee  |      | 101,451                    | 104,434           |
|   |      | <u>2,092,725</u>           | <u>1,606,586</u>  |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|  |      | ----- Un-audited -----     |                  |
|--|------|----------------------------|------------------|
|  |      | June 30,                   | June 30,         |
|  |      | 2020                       | 2019             |
|  | Note | ----- Rupees in '000 ----- |                  |
| <b>26. GAIN / (LOSS) ON SECURITIES</b> |      |                            |                  |
| Realised                               | 26.1 | 783,807                    | (359,910)        |
| Unrealised - held for trading          |      | (1,210)                    | (9,089)          |
|  |      | <u>782,597</u>             | <u>(368,999)</u> |
| <b>26.1 Realised gain / (loss) on:</b> |      |                            |                  |
| <b>Federal government securities</b>   |      |                            |                  |
| Market treasury bills                  |      | 86,455                     | 6,015            |
| Pakistan investment bonds              |      | 707,432                    | (333,815)        |
| Ijara sukuk certificates               |      | 25                         | 633              |
| <b>Shares</b>                          |      |                            |                  |
| Listed companies                       |      | (3,577)                    | (28,926)         |
| <b>Non Government Debt Securities</b>  |      |                            |                  |
| Term finance certificates              |      | 6,086                      | 6,674            |
| Sukuk certificates                     |      | 450                        | -                |
| <b>Mutual fund units</b>               |      | (12,685)                   | 1,925            |
| <b>Foreign currency bonds</b>          |      | (379)                      | (12,416)         |
|  |      | <u>783,807</u>             | <u>(359,910)</u> |
| <b>27. OTHER INCOME - NET</b>          |      |                            |                  |
| Rent on Property                       |      | -                          | 3,897            |
| Gain on sale of fixed assets - net     |      | 9,612                      | 72,802           |
| Gain on termination of lease liability |      | 19,755                     | -                |
| Others                                 |      | 10,581                     | 4,460            |
|  |      | <u>39,948</u>              | <u>81,159</u>    |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|  | Note | ----- Un-audited -----<br>June 30,<br>2020 | June 30,<br>2019 |
|--|------|--|------------------|
|  |      | ----- Rupees in '000 -----                 |                  |
| <b>28. OPERATING EXPENSES</b>                            |      |  |                  |
| Total compensation expense                               |      | 3,339,172                                  | 2,901,471        |
| <b>Property expense</b>                                  |      |  |                  |
| Rent & taxes   |      | 20,497                                     | 153,748          |
| Insurance  |      | 2,639                                      | 5,277            |
| Utilities cost   |      | 171,107                                    | 139,162          |
| Security (including guards)                              |      | 223,718                                    | 172,201          |
| Repair & maintenance (including janitorial charges)      |      | 127,717                                    | 134,499          |
| Depreciation   |      | 119,145                                    | 412,375          |
| Depreciation on right-of-use assets                      |      | 541,982                                    | 144,638          |
| Depreciation on non banking assets                       |      | 4,539                                      | 234              |
|  |      | <b>1,211,344</b>                           | <b>1,162,134</b> |
| <b>Information technology expenses</b>                   |      |  |                  |
| Software maintenance                                     |      | 82,547                                     | 72,117           |
| Hardware maintenance                                     |      | 136,058                                    | 92,223           |
| Depreciation   |      | 103,411                                    | 87,458           |
| Amortisation   |      | 56,940                                     | 45,905           |
| Network charges  |      | 62,173                                     | 62,949           |
|  |      | <b>441,129</b>                             | <b>360,652</b>   |
| <b>Other operating expenses</b>                          |      |  |                  |
| Directors' fees and allowances                           |      | 10,600                                     | 5,275            |
| Legal & professional charges                             |      | 103,147                                    | 100,813          |
| Insurance  |      | 90,799                                     | 73,551           |
| Outsourced services costs                                |      | 81,978                                     | 74,440           |
| Travelling & conveyance                                  |      | 71,953                                     | 68,800           |
| NIFT clearing charges                                    |      | 19,902                                     | 19,521           |
| Depreciation   |      | 159,562                                    | 187,364          |
| Depreciation on right-of-use assets                      |      | -  | 5,017            |
| Training & development                                   |      | 7,802                                      | 17,533           |
| Postage & courier charges                                |      | 53,045                                     | 45,218           |
| Communication  |      | 63,503                                     | 58,784           |
| Stationery & printing                                    |      | 109,252                                    | 122,037          |
| Marketing, advertisement & publicity                     |      | 233,324                                    | 124,727          |
| Donations  |      | 60,841                                     | 200              |
| Auditors remuneration                                    |      | 5,374                                      | 5,734            |
| Staff auto fuel & maintenance                            |      | 98,422                                     | 109,923          |
| Bank charges   |      | 31,679                                     | 29,813           |
| Stamp duty   |      | 7,395                                      | 19,324           |
| Online verification charges                              |      | 7,636                                      | 7,168            |
| Brokerage, fee and commission                            |      | 17,024                                     | 16,738           |
| Card related fees (debit and credit cards)               |      | 3,287                                      | 4,135            |
| CDC and other charges                                    |      | 13,420                                     | 16,992           |
| Consultancy fee  |      | 23,307                                     | 24,591           |
| Deposit protection corporation                           | 28.1 | 72,910                                     | 69,880           |
| Entertainment expenses                                   |      | 36,741                                     | 33,719           |
| Fee and Subscription                                     |      | 121,337                                    | 57,327           |
| Employees social security                                |      | 5,340                                      | 4,334            |
| Generator fuel & maintenance                             |      | 35,695                                     | 34,561           |
| Fee and allowances to Shariah Board                      |      | 32   | 23               |
| Royalty  |      | 15,000                                     | 15,000           |
| Others   |      | 29,501                                     | 15,319           |
|  |      | <b>1,589,808</b>                           | <b>1,367,861</b> |
|  |      | <b>6,581,453</b>                           | <b>5,792,118</b> |
| Less: Reimbursement of selling and distribution expenses |      | <b>(23,577)</b>                            | <b>(8,371)</b>   |
|  |      | <b>6,557,876</b>                           | <b>5,783,747</b> |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

28.1 Under the provision of section 5(2) of the Deposit Protection Corporation Act, 2016 (the Act), and DPC Circular No. 04 of 2018, the Bank is liable to pay annual premium, on quarterly basis, to the Deposit Protection Corporation, a subsidiary company of State Bank of Pakistan, @ 0.16% on eligible deposits as of December 31 of each preceding calendar year.

The Bank's eligible deposits as of December 31, 2019 are amounting to Rs. 87,425.180 million on which total premium is payable of Rs. 139.880 million per annum (Rs. 34.970 million per quarter).

## 29. WORKERS WELFARE FUND

Provision held at 2% of the higher of profit before tax or taxable income to the extent of operations carried out under Sindh Workers' Welfare Act, 2014.

|   | Note | ----- Un-audited -----<br>June 30, 2020 | June 30, 2019 |
|---|------|---|---------------|
|   |      | ---- Rupees in '000 ----                |               |
| <b>30. OTHER CHARGES</b>                    |      |   |               |
| Penalties imposed by State Bank of Pakistan |      | <b>74,587</b>                           | 50            |
| Others                                      |      | -                                       | 198           |
|   |      | <u><b>74,587</b></u>                    | <u>248</u>    |

## 31. PROVISIONS AND WRITE OFFS - NET

|   |       |                       |                |
|---|-------|-----------------------|----------------|
| Provisions for diminution in value of investments | 9.3.4 | <b>5,443</b>          | 218,997        |
| Provisions against loans & advances - specific    |       | <b>224,207</b>        | 435,704        |
| Provisions against loans & advances - general     |       | <b>75,303</b>         | 345            |
| Provisions / (reversals)- under IFRS-9 - general  |       | <b>52,564</b>         | (59,311)       |
| Fixed assets written off                          |       | <b>58,508</b>         | -              |
| Other assets written off                          |       | <b>4,159</b>          | -              |
| Other reversals                                   |       | -                     | (2,082)        |
|   |       | <u><b>420,184</b></u> | <u>593,653</u> |

## 32. TAXATION

|             |                       |                 |
|-------------|-----------------------|-----------------|
| Current     | <b>119,108</b>        | 392,892         |
| Prior years | -                     | 4,942           |
| Deferred    | <b>632,378</b>        | (471,454)       |
|             | <u><b>751,486</b></u> | <u>(73,620)</u> |

32.1 There are no material changes in tax contingencies as disclosed in consolidated annual financial statements for the year ended December 31, 2019 except below:

The Group does not accept the levy of Super Tax on constitutional grounds and has been contesting the matter in high court and other appellate forums. During the period, Sindh High Court dismissed the Group's petitions for Super Tax pertaining to Tax year 2017 and 2018. Based on the opinion of legal counsel, the Bank is now approaching the Supreme Court to challenge the aforesaid decision of the Sindh High Court and seek interim relief in respect of the outstanding super tax demand.

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | ----- Un-audited -----     |                            |                                  |                                   |
|---|----------------------------|----------------------------|----------------------------------|-----------------------------------|
|   | Quarter ended              |                            | Half year ended                  |                                   |
|   | June 30, 2020              | June 30, 2019              | June 30, 2020                    | June 30, 2019                     |
|   | ----- Rupees in '000 ----- |                            |                                  |                                   |
| <b>33. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE</b>  |                            |                            |                                  |                                   |
| Profit / (loss) after taxation for the period - attributable to ordinary equity holders of the holding company for diluted earnings | 371,786                    | (544,248)                  | 773,674                          | (523,393)                         |
| Preference dividend for the year<br>December 31, 2018 @ 12% p.a   | -                          | -                          | -                                | (24,164)                          |
| Profit / (loss) after taxation for the period - attributable to ordinary equity holders of the holding company for basic earnings   | <u>371,786</u>             | <u>(544,248)</u>           | <u>773,674</u>                   | <u>(547,557)</u>                  |
|   | ----- Number -----         |                            |                                  |                                   |
| Weighted average number of basic outstanding ordinary shares during the period  | <u>1,297,464,262</u>       | <u>1,297,464,262</u>       | <u>1,297,464,262</u>             | <u>1,297,464,262</u>              |
|   | ----- Rupee -----          |                            |                                  |                                   |
| Basic and diluted earnings / (loss) per share   | <u>0.29</u>                | <u>(0.42)</u>              | <u>0.60</u>                      | 0.42                              |
|   |                            |                            | (Un-audited)<br>June 30,<br>2020 | (Audited)<br>December 31,<br>2019 |
| <b>34. CASH AND CASH EQUIVALENTS</b>  | Note                       | ----- Rupees in '000 ----- |                                  |                                   |
| Cash and balances with treasury banks   | 6                          | 32,726,351                 | 25,590,173                       |                                   |
| Balances with other banks   | 7                          | 1,158,603                  | 476,370                          |                                   |
| Overdrawn nostro accounts   | 15                         | <u>(611,022)</u>           | <u>(636,992)</u>                 |                                   |
|   |                            | 33,273,932                 | 25,429,551                       |                                   |
| Less: General provision under IFRS 9  |                            | <u>(59)</u>                | <u>(68)</u>                      |                                   |
|   |                            | <u>33,273,873</u>          | <u>25,429,483</u>                |                                   |

## 35. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 4.5 to the annual consolidated financial statements for the year ended December 31, 2019.



# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

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

## Fair value hierarchy

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

**Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Fair value measurements using unobservable inputs for the asset or liability.

### 35.1 Valuation techniques used in determination of fair values within level

| Item | Valuation approach and input used |
|------|-----------------------------------|
|------|-----------------------------------|

#### Financial Instruments- Level 1

|                            |  |
|----------------------------|--|
| Shares of listed companies | Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange. |
|----------------------------|--|

#### Financial instruments - Level 2

|   |  |
|---|--|
| Units of mutual funds   | Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the Mutual Funds Association of Pakistan (MUFAP) as at the close of the business days.  |
| Market Treasury Bills(MTB) / Pakistan Investment Bonds(PIB), and GoP Sukuks (GIS) | Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV rates (Reuters page).  |
| Debt Securities (TFCs) and Sukuk other than Government                            | Investments in debt securities (comprising Term Finance Certificates, Bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP. |
| Overseas Government Sukuks, Overseas and Euro Bonds                               | The fair value of Overseas Government Sukuks, and Overseas Bonds are valued on the basis of price available on Bloomberg.  |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|                                    |   |
|------------------------------------|---|
| Forward foreign exchange contracts | The valuation has been determined by interpolating the foreign exchange revaluation rates announced by the State Bank of Pakistan.  |
| Derivatives                        | The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currencies involved, interest rates, yield curves, volatilities, contracts duration, etc. |

## Non- financial assets- Level 3

|   |  |
|---|--|
| Fixed assets - Land and building                | Fixed assets and Non-banking assets under satisfaction of claims are carried at revalued amounts determined by professional valuers based on their assessment of the market values as disclosed in note 10 and 13 of the consolidated annual financial statements December 31, 2019. The valuations are conducted by the valuation experts appointed by the Bank which are also on the panel of State Bank of Pakistan. The valuation experts used a market based approach to arrive at the fair value of the Bank's properties. The market approach used prices and other relevant information generated by market transactions involving identical or comparable or similar properties. These values are adjusted to reflect the current condition of the properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements. |
| Non-banking assets under satisfaction of claims |  |

## Financial instruments in level 3

|   |
|---|
| Currently, no financial instruments are classified in level 3.  |
| 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. |

- 35.2 The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the year.
- 35.3 The following table provides an analysis of financial assets that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

(Un-audited)  
June 30, 2020

|  | Level 1                    | Level 2     | Level 3   | Total       |
|--|----------------------------|-------------|-----------|-------------|
|  | ----- Rupees in '000 ----- |             |           |             |
| <b>On balance sheet financial instruments</b>                      |                            |             |           |             |
| <b>Financial assets - measured at fair value</b>                   |                            |             |           |             |
| <b>Held-for-trading securities</b>                                 |                            |             |           |             |
| Investments  |                            |             |           |             |
| Federal Government Securities                                      | -                          | 8,019,638   | -         | 8,019,638   |
| Shares   | 97,893                     | -           | -         | 97,893      |
| Open end mutual funds  | -                          | 170,599     | -         | 170,599     |
|  | 97,893                     | 8,190,237   | -         | 8,288,130   |
| <b>Available-for-sale securities</b>                               |                            |             |           |             |
| Investments  |                            |             |           |             |
| Federal Government Securities                                      | -                          | 124,580,724 | -         | 124,580,724 |
| Shares   | 3,610,956                  | -           | -         | 3,610,956   |
| Non Government Debt Securities                                     | -                          | 706,041     | -         | 706,041     |
| Foreign Securities   | -                          | 3,289,961   | -         | 3,289,961   |
| Open end mutual funds  | -                          | 1,023,789   | -         | 1,023,789   |
|  | 3,610,956                  | 129,600,515 | -         | 133,211,471 |
| <b>Financial assets - disclosed but not measured at fair value</b> |                            |             |           |             |
| Investments  |                            |             |           |             |
| Federal Government Securities                                      | -                          | 36,281,788  | -         | 36,281,788  |
|  | 3,708,849                  | 174,072,540 | -         | 177,781,389 |
| <b>Non-Financial assets - measured at fair value</b>               |                            |             |           |             |
| Revalued fixed assets  | -                          | -           | 3,779,612 | 3,779,612   |
| Non-banking assets acquired in satisfaction of claims              | -                          | -           | 1,177,886 | 1,177,886   |
|  | -                          | -           | 4,957,498 | 4,957,498   |
| <b>Off balance sheet financial instruments</b>                     |                            |             |           |             |
| <b>Commitments in respect of:</b>                                  |                            |             |           |             |
| <b>Forward foreign exchange contracts</b>                          |                            |             |           |             |
| Purchase   | -                          | 21,071,299  | -         | 21,071,299  |
| Sale   | -                          | 13,666,888  | -         | 13,666,888  |
| <b>Derivative instruments:</b>                                     |                            |             |           |             |
| <b>Forward government securities</b>                               |                            |             |           |             |
| Purchase   | -                          | 124,976     | -         | 124,976     |
| <b>Interest rate swaps (notional principal)</b>                    |                            |             |           |             |
| Purchase   | -                          | 1,620,946   | -         | 1,620,946   |
| Sale   | -                          | 1,611,210   | -         | 1,611,210   |
| <b>Options</b>   |                            |             |           |             |
| Purchase   | -                          | 1,103,926   | -         | 1,103,926   |
| Sale   | -                          | 52,093,716  | -         | 52,093,716  |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|  | (Audited)                  |             |           |             |
|--|----------------------------|-------------|-----------|-------------|
|  | December 31, 2019          |             |           |             |
|  | Level 1                    | Level 2     | Level 3   | Total       |
|  | ----- Rupees in '000 ----- |             |           |             |
| <b><u>On balance sheet financial instruments</u></b>               |                            |             |           |             |
| <b>Financial assets - measured at fair value</b>                   |                            |             |           |             |
| <b>Held-for-trading securities</b>                                 |                            |             |           |             |
| Investments  |                            |             |           |             |
| Federal Government Securities                                      | -                          | 55,598,469  | -         | 55,598,469  |
| Shares   | 487,185                    | -           | -         | 487,185     |
| Open end mutual funds  | -                          | 455,902     | -         | 455,902     |
|  | 487,185                    | 56,054,371  | -         | 56,541,556  |
| <b>Available-for-sale securities</b>                               |                            |             |           |             |
| Investments  |                            |             |           |             |
| Federal Government Securities                                      | -                          | 47,019,374  | -         | 47,019,374  |
| Shares   | 1,993,246                  | -           | -         | 1,993,246   |
| Non Government Debt Securities                                     | -                          | 776,975     | -         | 776,975     |
| Open end mutual funds  | -                          | 1,222,869   | -         | 1,222,869   |
|  | 1,993,246                  | 49,019,218  | -         | 51,012,464  |
| <b>Financial assets - disclosed but not measured at fair value</b> |                            |             |           |             |
| Investments  |                            |             |           |             |
| Federal Government Securities                                      | -                          | 31,341,410  | -         | 31,341,410  |
|  | 2,480,431                  | 136,414,999 | -         | 138,895,430 |
| <b>Non-Financial assets - measured at fair value</b>               |                            |             |           |             |
| Revalued fixed assets  | -                          | -           | 3,797,180 | 3,797,180   |
| Non-banking assets acquired in satisfaction of claims              | -                          | -           | 1,182,425 | 1,182,425   |
|  | -                          | -           | 4,979,605 | 4,979,605   |
| <b><u>Off balance sheet financial instruments</u></b>              |                            |             |           |             |
| <b>Commitments in respect of:</b>                                  |                            |             |           |             |
| <b>Forward foreign exchange contracts</b>                          |                            |             |           |             |
| Purchase   | -                          | 32,885,546  | -         | 32,885,546  |
| Sale   | -                          | 21,722,741  | -         | 21,722,741  |
| <b>Derivative instruments</b>                                      |                            |             |           |             |
| <b>Forward government securities</b>                               |                            |             |           |             |
| Purchase   | -                          | 499,818     | -         | 499,818     |
| Sale   | -                          | 493,193     | -         | 493,193     |
| <b>Interest rate swaps</b>   |                            |             |           |             |
| Purchase   | -                          | 1,474,016   | -         | 1,474,016   |
| Sale   | -                          | 2,738,661   | -         | 2,738,661   |
| <b>Options</b>   |                            |             |           |             |
| Purchase   | -                          | 1,024,638   | -         | 1,024,638   |
| Sale   | -                          | 1,030,868   | -         | 1,030,868   |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

## 36. SEGMENT INFORMATION

### 36.1 Segment Details with respect to business activities

|   | Corporate Finance | Trading and Sales  | Retail Banking     | Commercial Banking | Brokerage        | Asset management | Others            | Total              |
|---|-------------------|--------------------|--------------------|--------------------|------------------|------------------|-------------------|--------------------|
| June 30, 2020 (Un-audited) Rupees in '000       |                   |                    |                    |                    |                  |                  |                   |                    |
| <b>Profit &amp; Loss</b>                        |                   |                    |                    |                    |                  |                  |                   |                    |
| Net mark-up/return/profit / (loss)              | 273,309           | (889,454)          | 5,718,342          | 1,359,624          | 32,436           | (7,956)          | (1,259,850)       | 5,226,451          |
| Inter segment revenue - net                     | (2,831)           | -                  | (560,647)          | (127,452)          | -                | -                | 690,930           | -                  |
| Non mark-up / return / interest income          | 27,345            | 1,261,760          | 1,210,201          | 602,665            | 278,527          | 115,267          | (142,146)         | 3,353,619          |
| Total Income                                    | 297,823           | 372,306            | 6,367,896          | 1,834,837          | 310,963          | 107,311          | (711,066)         | 8,580,070          |
| Segment direct expenses                         | 22,585            | 62,459             | 2,578,342          | 315,082            | 268,244          | 174,096          | 3,225,375         | 6,646,183          |
| Inter segment expense allocation                | 71,316            | 185,548            | 1,860,826          | 652,891            | -                | -                | (2,770,581)       | -                  |
| Total expenses                                  | 93,901            | 248,007            | 4,439,168          | 967,973            | 268,244          | 174,096          | 454,794           | 6,646,183          |
| Provisions                                      | 3,020             | -                  | 156,587            | 56,619             | -                | (26,023)         | 229,981           | 420,184            |
| Profit before tax                               | 200,902           | 124,299            | 1,772,141          | 810,245            | 42,719           | (40,762)         | (1,395,841)       | 1,513,703          |
| <b>June 30, 2020 (Un-audited) Balance Sheet</b> |                   |                    |                    |                    |                  |                  |                   |                    |
| Cash & Bank balances                            | 120,381           | -                  | 30,663,525         | 3,074,707          | 23,061           | 3,221            | -                 | 33,884,895         |
| Investments                                     | 2,291,536         | 172,475,389        | -                  | 4,087,761          | 241,388          | 1,421,436        | -                 | 180,517,510        |
| Net inter segment lending                       | -                 | -                  | 211,079,458        | 26,815,476         | -                | -                | 15,336,559        | 253,231,493        |
| Lendings to financial institutions              | -                 | 9,837,409          | -                  | 140,042            | -                | -                | -                 | 9,977,451          |
| Advances - performing                           | 57,761,903        | -                  | 90,553,575         | 82,982,755         | 165,972          | 2,842            | 4,078,783         | 235,545,830        |
| Advances - non-performing                       | 1,300,000         | -                  | 3,551,225          | 4,950,147          | -                | -                | 255,718           | 10,057,090         |
| Advances - (provisions) / reversals - net       | -                 | -                  | (1,020,422)        | (2,712,112)        | -                | -                | (93,244)          | (3,825,778)        |
|   | 59,061,903        | -                  | 93,084,378         | 85,220,790         | 165,972          | 2,842            | 4,241,257         | 241,777,142        |
| Others  | -                 | -                  | -                  | -                  | 1,867,513        | 701,359          | 28,733,741        | 31,302,613         |
| <b>Total Assets</b>                             | <b>61,473,820</b> | <b>182,312,798</b> | <b>334,827,361</b> | <b>119,338,776</b> | <b>2,297,934</b> | <b>2,128,858</b> | <b>48,311,557</b> | <b>750,691,104</b> |
| Borrowings                                      | -                 | 18,443,065         | -                  | 18,124,001         | -                | -                | -                 | 36,567,066         |
| Subordinated debt                               | -                 | -                  | -                  | -                  | -                | -                | 7,494,800         | 7,494,800          |
| Deposits & other accounts                       | 2,957,624         | -                  | 329,296,910        | 72,185,000         | -                | -                | 160               | 404,439,694        |
| Net inter segment borrowing                     | 58,516,196        | 165,798,169        | 1,556,357          | 27,360,771         | -                | -                | -                 | 253,231,493        |
| Others  | -                 | 49,502             | 3,974,094          | 276,656            | 1,362,079        | 447,366          | 20,591,780        | 26,701,477         |
| <b>Total liabilities</b>                        | <b>61,473,820</b> | <b>184,290,736</b> | <b>334,827,361</b> | <b>117,946,428</b> | <b>1,362,079</b> | <b>447,366</b>   | <b>28,086,740</b> | <b>728,434,530</b> |
| Equity  | -                 | -                  | -                  | -                  | -                | -                | 21,774,689        | 21,774,689         |
| Non-controlling interest                        | -                 | -                  | -                  | -                  | -                | -                | 481,885           | 481,885            |
| <b>Total Equity &amp; liabilities</b>           | <b>61,473,820</b> | <b>184,290,736</b> | <b>334,827,361</b> | <b>117,946,428</b> | <b>1,362,079</b> | <b>447,366</b>   | <b>50,343,314</b> | <b>750,691,104</b> |
| Contingencies & Commitments                     | -                 | 81,264,006         | 59,700,072         | 24,178,777         | 956,896          | -                | 178,116           | 166,277,867        |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | Corporate<br>Finance | Trading and<br>Sales | Retail<br>Banking | Commercial<br>Banking | Brokerage | Asset<br>management | Others     | Total       |
|---|----------------------|----------------------|-------------------|-----------------------|-----------|---------------------|------------|-------------|
| <b>June 30, 2019 (Un-audited)</b>         |                      |                      |                   |                       |           |                     |            |             |
| ----- Rupees in '000 -----                |                      |                      |                   |                       |           |                     |            |             |
| <b>Profit &amp; Loss</b>                  |                      |                      |                   |                       |           |                     |            |             |
| Net mark-up / return / profit             | -                    | 1,537,131            | (2,723,969)       | 4,962,814             | 20,872    | (11,347)            | -          | 3,785,501   |
| Inter segment revenue - net               | -                    | (4,503,195)          | 7,886,625         | (3,383,430)           | -         | -                   | -          | -           |
| Non mark-up / return / interest income    | 38,423               | 137,765              | 881,069           | 459,725               | 225,954   | 133,340             | 68,171     | 1,944,447   |
| Total Income                              | 38,423               | (2,828,299)          | 6,043,725         | 2,039,109             | 246,826   | 121,993             | 68,171     | 5,729,948   |
| Segment direct expenses                   | 53,054               | 64,703               | 2,853,360         | 424,204               | 284,263   | 219,057             | 268,319    | 4,166,960   |
| Inter segment expense allocation          | -                    | 151,343              | 855,650           | 610,608               | -         | -                   | -          | 1,617,601   |
| Total expenses                            | 53,054               | 216,046              | 3,709,010         | 1,034,812             | 284,263   | 219,057             | 268,319    | 5,784,561   |
| Provisions                                | -                    | 211,385              | 92,382            | 289,886               | -         | -                   | -          | 593,653     |
| Profit before tax                         | (14,631)             | (3,255,730)          | 2,242,333         | 714,411               | (37,437)  | (97,064)            | (200,148)  | (648,266)   |
| <b>December 31, 2019 (Audited)</b>        |                      |                      |                   |                       |           |                     |            |             |
| <b>Balance Sheet</b>                      |                      |                      |                   |                       |           |                     |            |             |
| Cash & Bank balances                      | -                    | 17,153,412           | 8,898,772         | -                     | 11,141    | 3,150               | -          | 26,066,475  |
| Investments                               | -                    | 140,856,932          | -                 | -                     | 626,350   | 1,841,341           | -          | 143,124,623 |
| Net inter segment lending                 | -                    | -                    | 202,362,517       | -                     | -         | -                   | 8,089,077  | 210,451,594 |
| Lendings to financial institutions        | -                    | 30,320,540           | -                 | -                     | -         | -                   | -          | 30,320,540  |
| Advances - performing                     | -                    | -                    | 94,201,743        | 141,898,229           | 336,821   | 3,978               | -          | 236,440,771 |
| Advances - non-performing                 | -                    | -                    | 3,508,735         | 6,844,429             | -         | -                   | -          | 10,353,164  |
| Advances - (provisions) / reversals - net | -                    | -                    | (469,382)         | (3,039,245)           | -         | -                   | -          | (3,508,627) |
| Others                                    | -                    | -                    | 97,241,096        | 145,703,413           | 336,821   | 3,978               | -          | 243,285,308 |
| Others                                    | -                    | 4,831,115            | 3,925,690         | 5,017,351             | 1,933,157 | 548,024             | 14,189,285 | 30,444,622  |
| <b>Total Assets</b>                       | -                    | 192,961,999          | 312,428,075       | 150,720,764           | 2,907,469 | 2,396,493           | 22,278,362 | 683,693,162 |
| Borrowings                                | -                    | 36,295,878           | 7,090,687         | 11,081,718            | -         | -                   | -          | 54,468,283  |
| Subordinated debt                         | -                    | 7,494,800            | -                 | -                     | -         | -                   | -          | 7,494,800   |
| Deposits & other accounts                 | -                    | -                    | 295,347,351       | 73,196,252            | -         | -                   | -          | 368,543,603 |
| Net inter segment borrowing               | -                    | 150,619,213          | -                 | 59,832,381            | -         | -                   | -          | 210,451,594 |
| Others                                    | -                    | 513,149              | 9,990,037         | 5,364,052             | 1,858,304 | 762,518             | 4,765,510  | 23,253,570  |
| <b>Total liabilities</b>                  | -                    | 194,923,040          | 312,428,075       | 149,474,403           | 1,858,304 | 762,518             | 4,765,510  | 664,211,850 |
| Equity                                    | -                    | -                    | -                 | -                     | -         | -                   | 18,973,041 | 18,973,041  |
| Non-controlling interest                  | -                    | -                    | -                 | -                     | -         | -                   | 508,271    | 508,271     |
| <b>Total Equity &amp; liabilities</b>     | -                    | 194,923,040          | 312,428,075       | 149,474,403           | 1,858,304 | 762,518             | 24,246,822 | 683,693,162 |
| Contingencies & Commitments               | -                    | 59,810,338           | 43,939,275        | 17,795,589            | 988,086   | -                   | 131,093    | 122,664,381 |

## 37. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, associates, employee benefit plans, its directors & Key Management Personnel and other related parties.

The Banks enters into transactions with related parties in the ordinary course of business and on Arm's Length basis i.e. 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 transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements are as follows:

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | As at June 30, 2020 (Un-audited) |           |                          |            |                       | As at December 31, 2019 (Audited) |           |                          |            |                       |
|---|----------------------------------|-----------|--------------------------|------------|-----------------------|-----------------------------------|-----------|--------------------------|------------|-----------------------|
|   | Parent                           | Directors | Key management personnel | Associates | Other related parties | Parent                            | Directors | Key management personnel | Associates | Other related parties |
|   | (Rupees in '000)                 |           |                          |            |                       |                                   |           |                          |            |                       |
| <b>Lendings to financial institutions</b>                   |                                  |           |                          |            |                       |                                   |           |                          |            |                       |
| Opening balance   | -                                | -         | -                        | -          | -                     | -                                 | -         | -                        | -          | -                     |
| Addition during the period / year                           | -                                | -         | -                        | -          | 2,000,000             | -                                 | -         | -                        | -          | -                     |
| Repaid during the period / year                             | -                                | -         | -                        | -          | (2,000,000)           | -                                 | -         | -                        | -          | -                     |
| Closing balance   | -                                | -         | -                        | -          | -                     | -                                 | -         | -                        | -          | -                     |
| <b>Investments</b>  |                                  |           |                          |            |                       |                                   |           |                          |            |                       |
| Opening balance   | 15,000                           | -         | -                        | 228,972    | 3,234,272             | 20,250                            | -         | -                        | 180,000    | 3,230,125             |
| Investment made during the period / year                    | 5,000                            | -         | -                        | 40,828     | 2,409,279             | -                                 | -         | -                        | 48,972     | 3,498,164             |
| Investment redeemed / disposed off during the period / year | -                                | -         | -                        | -          | (1,225,000)           | (5,250)                           | -         | -                        | -          | (3,494,017)           |
| Closing balance   | 20,000                           | -         | -                        | 269,800    | 4,418,551             | 15,000                            | -         | -                        | 228,972    | 3,234,272             |
| Provision for diminution in value of investments            | -                                | -         | -                        | -          | 65,022                | -                                 | -         | -                        | -          | 65,022                |
| <b>Advances</b>   |                                  |           |                          |            |                       |                                   |           |                          |            |                       |
| Opening balance   | -                                | -         | 586,257                  | -          | 1,946,481             | -                                 | 5,230     | 448,575                  | -          | 2,823,598             |
| Addition during the period / year                           | -                                | 30        | 122,214                  | -          | 1,737,430             | -                                 | 316       | 322,590                  | -          | 5,086,823             |
| Repaid during the period / year                             | -                                | (555)     | (124,088)                | -          | (2,012,707)           | -                                 | (5,546)   | (120,115)                | -          | (6,320,088)           |
| Transfer in / (out) - net                                   | -                                | 23,126    | 155,982                  | 224,744    | 2,512,630             | -                                 | -         | (54,793)                 | -          | 356,128               |
| Closing balance   | -                                | 22,601    | 750,361                  | 224,744    | 4,183,834             | -                                 | -         | 596,257                  | -          | 1,946,481             |
| <b>Fixed Assets</b>   |                                  |           |                          |            |                       |                                   |           |                          |            |                       |
| Cost of disposal  | -                                | -         | -                        | -          | -                     | -                                 | -         | 49,410                   | -          | 17,657                |
| Accumulated depreciation of disposal                        | -                                | -         | -                        | -          | -                     | -                                 | -         | (12,927)                 | -          | (6,022)               |
| WDV of disposal   | -                                | -         | -                        | -          | -                     | -                                 | -         | 30,483                   | -          | 9,655                 |
| <b>Other Assets</b>   |                                  |           |                          |            |                       |                                   |           |                          |            |                       |
| Interest mark-up accrued                                    | 698                              | -         | 422                      | -          | 78,103                | 736                               | 48        | 473                      | -          | 49,640                |
| Receivable against bancassurance / bancatalafuli            | -                                | -         | -                        | -          | 20,639                | -                                 | -         | -                        | 40,828     | 67,952                |
| Advance for subscription of TFC - unsecured                 | -                                | -         | -                        | -          | -                     | 80,255                            | 2         | -                        | -          | 134,238               |
| Trade receivable  | 575                              | -         | 15                       | -          | 110,527               | -                                 | -         | -                        | -          | 97,806                |
| Prepaid insurance   | -                                | -         | -                        | -          | 374,423               | -                                 | -         | -                        | -          | 26,261                |
| Advance against purchase of property                        | 304                              | -         | -                        | 4,370      | 7,277                 | 296                               | -         | -                        | -          | 12,095                |
| Other receivable  | -                                | -         | -                        | -          | -                     | -                                 | -         | -                        | -          | -                     |
| Provision against other assets                              | -                                | -         | -                        | -          | -                     | -                                 | -         | -                        | -          | 2,438                 |

# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

|   | As at June 30, 2020 (Un-audited) |           |                          | As at December 31, 2019 (Audited) |                       |             |           |                          |             |                       |
|---|----------------------------------|-----------|--------------------------|-----------------------------------|-----------------------|-------------|-----------|--------------------------|-------------|-----------------------|
|   | Parent                           | Directors | Key management personnel | Associates                        | Other related parties | Parent      | Directors | Key management personnel | Associates  | Other related parties |
| <b>Borrowings</b>   |                                  |           |                          |                                   |                       |             |           |                          |             |                       |
| Opening balance   | -                                | -         | -                        | -                                 | -                     | -           | -         | -                        | -           | 4,800,000             |
| Borrowings during the period / year                       | -                                | -         | -                        | 8,076,237                         | -                     | -           | -         | -                        | -           | 174,209,491           |
| Settled during the period / year                          | -                                | -         | -                        | (8,076,237)                       | -                     | -           | -         | -                        | -           | (179,009,491)         |
| Closing balance   | -                                | -         | -                        | -                                 | -                     | -           | -         | -                        | -           | -                     |
| <b>Deposits and other accounts</b>                        |                                  |           |                          |                                   |                       |             |           |                          |             |                       |
| Opening balance   | 271,648                          | 24,444    | 59,593                   | 23,104                            | 8,622,201             | 338,515     | 24,308    | 74,950                   | -           | 9,656,833             |
| Received during the period / year                         | 7,187,494                        | 43,434    | 337,911                  | 412,460                           | 77,654,605            | 4,332,689   | 160,210   | 1,437,872                | 1,023,592   | 235,460,531           |
| Withdrawn during the period / year                        | (6,975,311)                      | (52,637)  | (320,993)                | (371,202)                         | (77,542,451)          | (4,364,266) | (137,680) | (1,450,123)              | (1,042,362) | (236,784,614)         |
| Transfer in / (out) - net                                 | -                                | 2,777     | (11,876)                 | -                                 | 1,444,739             | (33,300)    | (22,394)  | (3,106)                  | 41,874      | 288,451               |
| Closing balance   | 483,831                          | 18,018    | 64,635                   | 64,362                            | 10,179,094            | 271,648     | 24,444    | 59,593                   | 23,104      | 8,622,201             |
| <b>Subordinated loans</b>                                 | -                                | -         | -                        | -                                 | 889,510               | -           | -         | -                        | -           | 889,588               |
| <b>Other Liabilities</b>                                  |                                  |           |                          |                                   |                       |             |           |                          |             |                       |
| Interest / return / mark-up payable on deposits           | -                                | -         | 74                       | -                                 | 139,639               | -           | -         | 114                      | -           | 286,949               |
| Interest / return / mark-up payable on subordinated loans | -                                | -         | -                        | -                                 | 1,682                 | -           | -         | -                        | -           | 2,220                 |
| Accrued expenses  | -                                | -         | -                        | -                                 | 1,273                 | -           | -         | -                        | -           | -                     |
| Trade payable   | -                                | -         | 728                      | -                                 | 1,837                 | -           | 1,306     | 3,115                    | -           | 1,176                 |
| Payable to defined benefit plan                           | -                                | -         | -                        | -                                 | 107,560               | -           | -         | -                        | -           | 147,895               |
| Others payable  | -                                | -         | -                        | -                                 | 965                   | -           | -         | -                        | -           | 1,464                 |
| <b>Represented By</b>                                     |                                  |           |                          |                                   |                       |             |           |                          |             |                       |
| Share Capital   | 9,733,073                        | -         | 905                      | -                                 | 45,655                | 9,733,073   | 17,330    | 900                      | -           | 81,765                |
| <b>Contingencies and Commitments</b>                      |                                  |           |                          |                                   |                       |             |           |                          |             |                       |
| Letter of guarantee                                       | -                                | -         | -                        | -                                 | 24,125                | -           | -         | -                        | -           | 14,217                |
| Letter of Credit  | -                                | -         | -                        | -                                 | 40,823                | -           | -         | -                        | -           | 44,388                |



# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

(Un-audited) (Audited)  
June 30, December 31,  
2020 2019  
----- Rupees in '000 -----

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

### 38.1 Minimum Capital Requirement (MCR):

|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Paid-up capital (net of losses) | <u>10,119,242</u> | <u>10,119,242</u> |
|---------------------------------|-------------------|-------------------|

#### Capital Adequacy Ratio (CAR):

|   |                   |                   |
|---|-------------------|-------------------|
| Eligible Common Equity Tier 1 (CET 1) Capital | <u>16,764,743</u> | 16,145,623        |
| Eligible Additional Tier 1 (ADT 1) Capital    | <u>2,259,816</u>  | 2,118,958         |
| Total Eligible Tier 1 Capital                 | <u>19,024,559</u> | 18,264,581        |
| Eligible Tier 2 Capital                       | <u>5,829,203</u>  | 4,965,069         |
| Total Eligible Capital (Tier 1 + Tier 2)      | <u>24,853,762</u> | <u>23,229,650</u> |

#### Risk Weighted Assets (RWAs):

|                  |                    |                    |
|------------------|--------------------|--------------------|
| Credit Risk      | <u>160,049,320</u> | 142,862,324        |
| Market Risk      | <u>2,831,125</u>   | 4,219,399          |
| Operational Risk | <u>22,096,563</u>  | 22,096,563         |
| Total            | <u>184,977,008</u> | <u>169,178,286</u> |

|   |              |       |
|---|--------------|-------|
| Common Equity Tier 1 Capital Adequacy ratio | <u>9.06%</u> | 9.54% |
|---|--------------|-------|

|                               |               |        |
|-------------------------------|---------------|--------|
| Tier 1 Capital Adequacy Ratio | <u>10.28%</u> | 10.80% |
|-------------------------------|---------------|--------|

|                              |               |        |
|------------------------------|---------------|--------|
| Total Capital Adequacy Ratio | <u>13.44%</u> | 13.73% |
|------------------------------|---------------|--------|

### 38.2 Leverage Ratio (LR):

|                         |                    |                    |
|-------------------------|--------------------|--------------------|
| Eligible Tier-1 Capital | 19,024,559         | 18,264,582         |
| Total Exposures         | <u>574,428,849</u> | <u>544,436,725</u> |
| Leverage Ratio          | <u>3.31%</u>       | <u>3.35%</u>       |

### 38.3 Liquidity Coverage Ratio (LCR):

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Total High Quality Liquid Assets | 168,870,304       | 83,221,592        |
| Total Net Cash Outflow           | <u>59,817,612</u> | <u>55,819,412</u> |
| Liquidity Coverage Ratio         | <u>282.31%</u>    | <u>149.09%</u>    |

### 38.4 Net Stable Funding Ratio (NSFR):

|                                |                    |                    |
|--------------------------------|--------------------|--------------------|
| Total Available Stable Funding | 328,545,831        | 308,715,925        |
| Total Required Stable Funding  | <u>267,765,736</u> | <u>274,288,642</u> |
| Net Stable Funding Ratio       | <u>122.70%</u>     | <u>112.55%</u>     |



# Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

## 39. RECLASSIFICATION

Corresponding figures have been re-arranged and re-classified to refelect more appropriate presentation of events and transactions to enhance comparability with the current period's financial statements, which are as follows:

|  | Reclassified                               |                                     | Rs. in '000 |
|--|--|-------------------------------------|-------------|
|  | From                                       | To                                  |             |
| <b>Statement of financial position</b> | <b>Other liabilities</b>                   | <b>Other assets</b>                 |             |
|  | Others                                     | Credit card settlement              | 29,924      |
|  | Others                                     | Inter bank fund transfer settlement | (91,642)    |
|  | Others                                     | Others                              | 290,068     |
| <b>Cashflow Statement</b>              | <b>CASH FLOW FROM OPERATING ACTIVITIES</b> |                                     |             |
|  | Other liabilities                          | Other assets                        | (165,858)   |

## 40. GENERAL

40.1 These condensed interim consolidated financial statements have been prepared in accordance with the revised format for financial statements of Banks issued by the SBP through BPRD Circular no. 5 dated March 22, 2019 and related clarifications / modifications.

40.2 The figures in these condensed interim consolidated financial statements have been rounded off to the nearest thousand.

## 41. DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors of the Holding Company in their meeting held on August 26, 2020.

\_\_\_\_\_  
President and  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman







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