



Condensed Interim Financial Statements

for the Half Year Ended
June 30, 2020



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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 Shahra-e-Faisal
Karachi.

Registered office

JS Bank Limited
Shaheen Commercial Complex
Dr. Ziauddin Ahmed Road
P.O. Box 4847 Karachi-74200, Pakistan
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0800-011-22
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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 کو طویل المدتی ریٹنگ ”AA“ (ڈبل اے مائنس) اور سب سے بہتر ممکنہ قلیل المدتی ریٹنگ میں ”A1+“ (اے ون پلس) تفویض کی ہے۔

اعتراف

بے 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

باصرتی

پریزیڈنٹ اور سی ای او

کراچی: 26 اگست 2020

سی ایس آر اقدامات، کوویڈ 19

کورونا 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 شرکاء کو داروں کے ساتھ مل کر 110 ملین روپے کا فنڈ قائم کیا۔

ایک پلنچ میچنگ اقدام کے تحت جس میں جے ایس بینک اپنے شرکاء کو داروں کے ذریعہ کئے گئے تمام سپورٹ پلنچز کے مماثل کو یکساں طور پر فراہم کرتا ہے، یہ فنڈ جے ایس بینک کی سماجی خدمت کے جذبے پڑتی مشترکہ کوششوں سے فراہم کیا جاتا ہے جس سے اور اس 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 پرسنل پروٹیکٹیو آلات (PPE) کی میڈیکل سمیت 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 ٹیکنالوجیکل 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 پرعزم ادارے کے طور پر پہچانا جاتا ہے۔ سال 2020 میں حاصل ہونے والے پروقار ایوارڈز 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 ایوارڈز 2020، بہترین SME بینک، پاکستان

کر چکے ہیں۔ نیٹ 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 ایس 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 گھٹا 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 سیوریٹیز میں خاطر خواہ سرمایہ کاری کے منافع کو بہتر بنایا جس سے نیٹ انٹرسٹ آمدنی میں اضافہ ہوا۔ اس میں فیس پر مبنی آمدنی میں اضافہ کے ساتھ سیوریٹیز 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 گھٹا 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 مانیٹری زہمی 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 پیکیج 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 اوسط 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 ملین روپے تک پہنچ گیا۔ اسی عرصہ کے دوران کل ایڈوانسز تقریباً غلیظ رہے، جس میں 1 فیصد سال بسال (YoY) کی شرح نمو ریکارڈ کی گئی اور 8,202 ملین 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 لوفز (NPLs) 45 ملین روپے سے بڑھ کر 806 ملین 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 ملین 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 کسٹمرز 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 آپرٹنگ 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 ڈیفرل کی حوصلہ افزائی، اور تنظیم نو کی درخواستوں پر شرائط میں نرمی شامل ہیں۔

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

ڈائریکٹرز رپورٹ

ہم انتہائی مسرت کے ساتھ بے ایس پیک لمیٹڈ ("بے 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 نقل 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۔ مائٹری میں نرمی کے سبب طویل مدتی سرمایہ کاری کی آمدنی میں کمی کے مقابلے کم مدتی سرمایہ کاری کے بلڈز 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 بنیاد وجہ بڑے پیمانے کے مینوفیکچررز (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 فیصد سال بسال (YoY) کے مقابلے میں 25 فیصد سال بسال (YoY) کا اضافہ ہے۔

بیرونی طرف سے، عالمی بینک، الیمین ڈویلپمنٹ بینک، الیمین 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، پہلے 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

		(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Note	----- Rupees in '000 -----	
ASSETS			
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
LIABILITIES			
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
NET ASSETS		<u>20,224,810</u>	<u>17,333,255</u>
REPRESENTED BY			
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>
CONTINGENCIES AND COMMITMENTS	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

		Quarter ended		Half year ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Note		----- Rupees in '000 -----			
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
Total non mark-up / interest income		1,768,804	803,190	2,975,623	1,571,349

Total Income		4,377,377	2,449,906	8,126,057	5,282,621
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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
Total non-mark-up / interest expenses		3,291,148	2,735,952	6,207,755	5,285,483
Profit / (loss) before provisions		1,086,229	(286,046)	1,918,302	(2,862)

Provisions and write offs - net	31	242,591	365,136	446,207	593,653
Extraordinary / unusual items		-	-	-	-

PROFIT / (LOSS) BEFORE TAXATION		843,638	(651,182)	1,472,095	(596,515)
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Taxation	32	369,854	(176,100)	615,769	(154,838)
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PROFIT / (LOSS) AFTER TAXATION		473,784	(475,082)	856,326	(441,677)
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----- 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
Total comprehensive income / (loss)	2,189,998	(346,809)	2,891,555	233,080

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

* 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 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, 2020	June 30, 2019
		----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES			
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>
Adjustments:			
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			
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			
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>
Decrease / (increase) in operating assets			
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>
Increase / (decrease) in operating liabilities			
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>
CASH FLOW FROM INVESTING ACTIVITIES			
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
Net cash flow used in investing activities		<u>(83,069,963)</u>	<u>(3,654,350)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
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)
Net cash used in financing activities		<u>(598,480)</u>	<u>(398,244)</u>
Increase in cash and cash equivalents		<u>7,832,389</u>	<u>2,799,353</u>
Cash and cash equivalents at beginning of the year		25,415,261	32,577,913
Cash and cash equivalents at end of the period	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) June 30, 2020	(Audited) December 31, 2019
	Note	----- Rupees in '000 -----	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		7,636,549	5,572,604
Foreign currencies		<u>2,909,710</u>	<u>896,523</u>
		<u>10,546,259</u>	<u>6,469,127</u>
With State Bank of Pakistan in:			
Local currency current account		16,396,170	13,292,331
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>
		19,591,766	16,690,577
With National Bank of Pakistan in:			
Local currency current accounts		2,559,120	2,286,205
National Prize Bonds		28,939	143,440
		<u>32,726,084</u>	<u>25,589,349</u>
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		406,788	143,754
In deposit accounts		<u>73</u>	<u>67</u>
		406,861	143,821
Outside Pakistan			
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>1,132,529</u>	<u>462,836</u>
7.1	This represents general provision held under IFRS 9 by Bahrain branch of the Bank.		
8. LENDINGS TO FINANCIAL INSTITUTIONS			
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>9,977,451</u>	<u>30,320,540</u>
8.1	This represents general provision held under IFRS 9 by Bahrain branch of the Bank.		
8.2 Particulars of lendings - gross			
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 Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

	(Un-audited) June 30, 2020				(Audited) December 31, 2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
9. INVESTMENTS								
9.1 Investments by type								
Held-for-trading securities								
Federal Government Securities	8,019,568	-	70	8,019,638	55,601,087	-	(2,618)	55,598,469
Available-for-sale securities								
Federal Government Securities	122,417,535	-	2,163,189	124,580,724	47,826,618	-	(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	-	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
Held-to-maturity securities								
Federal Government Securities	132,619,541	(538,106)	2,239,073	134,320,508	53,291,429	(506,640)	(795,030)	51,989,759
Associates								
Subsidiaries	36,281,788	-	-	36,281,788	32,859,882	-	-	32,859,882
	242,067	-	-	242,067	201,239	-	-	201,239
	1,919,121	-	-	1,919,121	1,919,121	-	-	1,919,121
Total Investments	179,082,085	(538,106)	2,239,143	180,783,122	143,872,758	(506,640)	(797,648)	142,568,470
	Rupees in '000							
9.2 Investments by segments:								
Held-for-trading securities								
Federal Government Securities								
Market Treasury Bills	8,019,568	-	70	8,019,638	55,601,087	-	(2,618)	55,598,469
Available-for-sale securities								
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	47,826,618	-	(809,244)	47,019,374
Shares:								
Listed Companies								
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)	-	-
Unlisted Companies								
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
Non Government Debt Securities								
Listed								
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
Unlisted								
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
Foreign Securities								
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
	3,650,766	-	(358,399)	3,292,367	2,406	-	-	2,406
Held-to-maturity securities								
Federal Government Securities:								
Pakistan Investment Bonds	36,281,788	-	-	36,281,788	32,859,882	-	-	32,859,882
Associates								
Omar Jibran 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
Subsidiaries								
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
Total Investments	179,082,085	(538,106)	2,239,143	180,783,122	143,872,758	(506,640)	(797,648)	142,568,470

Notes to the Condensed Interim Unconsolidated Financial Statements

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*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) June 30, 2020		(Audited) December 31, 2019	
	Cost	Market value	Cost	Market value
	----- Rupees in '000 -----			
9.3 Investments given as collateral				
Available-for-sale securities				
Federal Government Securities:				
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
Foreign Debt Securities				
Government Debt Securities	2,589,087	2,384,308	-	-
	10,942,001	10,791,575	26,685,429	25,928,317
		Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
			----- Rupees in '000 -----	

9.4 Provision for diminution in value of investments

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		538,106	506,640

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

		Performing		Non Performing		Total	
		(Un-audited) June 30, 2020	(Audited) December 31, 2019	(Un-audited) June 30, 2020	(Audited) December 31, 2019	(Un-audited) June 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----							
10.	ADVANCES						
	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	235,377,016	236,099,972	10,057,090	10,353,164	245,434,106	246,453,136
	Provision against advances						
	General	(236,469)	(161,166)	-	-	(236,469)	(161,166)
	General provision - under IFRS-9	(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	235,115,386	235,931,286	6,492,942	7,013,223	241,608,328	242,944,509

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

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:

		(Un-audited) June 30, 2020		(Audited) December 31, 2019	
		Non Performing Loans	Provision	Non Performing Loans	Provision
----- Rupees in '000 -----					
Category of Classification					
Domestic					
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
Total		10,057,090	3,564,148	10,353,164	3,339,941

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) June 30, 2020				(Audited) 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	3,564,148	236,469	25,161	3,825,778	3,339,941	161,166	7,520	3,508,627

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) June 30, 2020	(Audited) December 31, 2019	(Un-audited) June 30, 2020	(Audited) December 31, 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.

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
		----- Rupees in '000 -----	
11. FIXED ASSETS			
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) June 30, 2020	(Audited) December 31, 2019
11.1 Capital work-in-progress	---- 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, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	----- Rupees in '000 -----					
Capital work-in-progress - net	4,117	208,445	-	-	-	-
Property and equipment						
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) June 30, 2020	(Audited) December 31, 2019
11.3 Assets held for sale	---- Rupees in '000 ----	
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) June 30, 2020	(Audited) December 31, 2019
12. INTANGIBLE ASSETS	---- Rupees in '000 ----	
Capital work-in-progress	12.1 110,084	97,744
Computer software and goodwill	12.2 <u>2,238,567</u>	<u>2,173,616</u>
	<u>2,348,651</u>	<u>2,271,360</u>
12.1 Capital work-in-progress		
Advance for purchase of software	<u>110,084</u>	<u>97,744</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 -----

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	119,103	1,480
	131,443	1,480

13. OTHER ASSETS

(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
	16,748,871	15,736,460
Less: Provision held against other assets	(13,580)	(13,580)
Other assets (net of provisions)	16,735,291	15,722,880
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	93,680	93,743
Other assets - total	16,828,971	15,816,623

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

14. BILLS PAYABLE

In Pakistan	4,020,886	3,583,500
Outside Pakistan	238,184	220,991
	<u>4,259,070</u>	<u>3,804,491</u>

15. BORROWINGS

Secured

Borrowings from State Bank of Pakistan under:

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>

Borrowing from financial institutions

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>

Total secured

<u>35,653,553</u>	<u>51,527,935</u>
-------------------	-------------------

Unsecured

Call borrowings	302,491	2,303,356
Overdrawn nostro accounts	611,022	636,992
Total unsecured	913,513	2,940,348

<u>36,567,066</u>	<u>54,468,283</u>
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15.1 Particulars of borrowings

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) June 30, 2020			(Audited) December 31, 2019		
In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
----- Rupees in '000 -----					

16. DEPOSITS AND OTHER ACCOUNTS

Customers

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>

Financial Institutions

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) June 30, 2020	(Audited) December 31, 2019
		----- Rupees in '000 -----	
17. SUBORDINATED DEBT	Note		
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 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 absorber 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

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
---- Rupees in '000 ----			
18. DEFERRED TAX (ASSETS) / LIABILITIES			
Deferred tax debits arising from:			
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>
Deferred tax credits arising due to:			
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><u>1,621,314</u></u>	<u><u>(8,756)</u></u>
19. OTHER LIABILITIES			
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	11.3.1	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><u>18,962,153</u></u>	<u><u>17,158,351</u></u>

Notes to the Condensed Interim Unconsolidated Financial Statements

for the Half Year Ended June 30, 2020

	Note	(Un-audited) June 30, 2020 ----- Rupees in '000 -----	(Audited) December 31, 2019
20. SURPLUS ON REVALUATION OF ASSETS			
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		<u>93,680</u>	<u>93,743</u>
		3,719,703	658,440
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		<u>(945)</u>	<u>(967)</u>
		(1,093,183)	(21,740)
		2,626,520	636,700
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) June 30, 2020 ----- Rupees in '000 -----	(Audited) December 31, 2019
21. CONTINGENCIES AND COMMITMENTS			
Guarantees	21.1	61,475,380	45,650,803
Commitments	21.2	<u>103,845,591</u>	<u>76,025,492</u>
		165,320,971	121,676,295
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	61,475,380	45,650,803
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

		(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Note	----- Rupees in '000 -----	
21.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
- letters of credit	21.2.1	13,456,446	13,965,258
	Commitments in respect of:		
- 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
	Commitments for acquisition of:		
- Fixed assets	21.2.5	158,853	131,093
		<u>103,845,591</u>	<u>76,025,492</u>
21.2.1	Included herein are the outstanding letter of credits of Rs. 40.823 million (December 31, 2019: Rs.44.368 million) of related parties.		
21.2.2	Commitments in respect of forward foreign exchange contracts		
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) June 30, 2020	(Audited) December 31, 2019
		----- Rupees in '000 -----	
21.2.3	Commitments in respect of derivative instruments		
Purchase		2,735,177	3,622,107
Sale		53,571,777	3,123,485
		<u>56,306,954</u>	<u>6,745,592</u>
21.2.3.1	Interest rate swaps (notional principal)		
Purchase		1,499,668	2,099,175
Sale		1,500,668	2,100,175
		<u>3,000,336</u>	<u>4,199,350</u>
21.2.3.2	Options (notional principal)		
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		<u>124,947</u>	<u>499,622</u>

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) June 30, 2020					
		Interest Rate Swaps		Options		Forward securities	
		Notional principal	Mark to Market	Notional principal	Mark to Market	Notional principal	Mark to Market
----- Rupees in '000 -----							
22.1	Product analysis						
	With Banks for						
	Hedging	3,000,336	9,736	53,181,671	15,971	-	-
	Market making	-	-	-	-	124,947	29
	With FIs other than banks						
	Hedging	-	-	-	-	-	-
	Market making	-	-	-	-	-	-
	Total						
	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 -----					
With Banks for						
Hedging	4,199,350	13,327	-	8,885	-	-
Market making	-	-	-	-	499,622	196
With FIs other than banks						
Hedging	-	-	-	-	-	-
Market making	-	-	-	-	-	-
Total						
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.

		----- Un-audited ----- June 30, June 30, 2020 2019 ----- Rupees in '000 -----	
23. MARK-UP / RETURN / INTEREST EARNED	Note		
On:			
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 -----	
		June 30, 2020	June 30, 2019
		----- Rupees in '000 -----	
25. FEE AND COMMISSION INCOME	Note		
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>
26. GAIN / (LOSS) ON SECURITIES			
Realised	26.1	784,082	(368,497)
Unrealised - held for trading		70	(1,042)
		<u>784,152</u>	<u>(369,539)</u>
26.1 Realised gain / (loss) on:			
Federal government securities			
Market treasury bills		86,437	6,015
Pakistan investment bonds		707,404	(334,668)
Ijara sukuk certificates		25	633
Shares			
Listed companies		(12,850)	(28,543)
Non Government Debt Securities			
Sukuk certificates		450	-
Mutual fund units		2,995	482
Foreign currency bonds		(379)	(12,416)
		<u>784,082</u>	<u>(368,497)</u>
27. OTHER INCOME - NET			
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
	Property expense		
	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
		1,124,326	1,060,365
	Information technology expenses		
	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
		415,489	340,371
	Other operating expenses		
	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	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
		1,463,067	1,219,148
		6,121,471	5,285,235

28.1

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 -----	
		June 30, 2020	June 30, 2019
30. OTHER CHARGES		----- Rupees in '000 -----	
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

In this regard the Bank does not accept the levy of Super Tax on constitutional grounds and has been contesting the matter in the High Court and other appellate forums.

		----- Un-audited -----			
		Quarter ended		Half year ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
		----- Rupees in '000 -----			
33.	BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE				
	Profit (loss) after taxation for the period - attributable to ordinary equity holders of the Bank	473,784	(475,082)	856,326	(441,677)
	Preference dividend paid for the year December 31, 2018 @ 12% p.a	-	-	-	(24,164)
	Profit (loss) after taxation for the period - attributable to ordinary equity holders of the Bank for basic earnings	<u>473,784</u>	<u>(475,082)</u>	<u>856,326</u>	<u>(465,841)</u>
		----- Number -----			
	Weighted average number of outstanding ordinary shares during the year for basic earnings	<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>0.37</u>	<u>(0.37)</u>	<u>0.66</u>	<u>(0.36)</u>

		(Un-audited) June 30, 2020	(Audited) December 31, 2019
		----- Rupees in '000 -----	
34.	CASH AND CASH EQUIVALENTS	Note	
	Cash and balances with treasury banks	6	32,726,084
	Balances with other banks	7	1,132,588
	Overdrawn nostro accounts	15	(611,022)
			<u>33,247,650</u>
	Less: General provision under IFRS 9		(59)
			<u>33,247,591</u>
			25,589,349
			462,904
			(636,992)
			25,415,261
			(68)
			25,415,193

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

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.
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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) June 30, 2020			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<u>On balance sheet financial instruments</u>				
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
<u>Off balance sheet financial instruments</u>				
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) December 31, 2019			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<u>On balance sheet financial instruments</u>				
Financial assets - measured at fair value				
Held-for-trading securities				
Investments				
Federal Government Securities	-	55,598,469	-	55,598,469
Available-for-sale securities				
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
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	31,341,410	-	31,341,410
	1,965,753	134,499,556	-	136,465,309
Non-Financial assets - measured at fair value				
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
<u>Off balance sheet financial instruments</u>				
Commitments in respect of:				
Forward foreign exchange contracts				
Purchase	-	32,885,546	-	32,885,546
Sale	-	21,722,741	-	21,722,741
Derivative instruments				
Forward government securities				
Purchase	-	499,818	-	499,818
Interest rate swaps				
Purchase	-	1,474,016	-	1,474,016
Sale	-	2,738,661	-	2,738,661
Options				
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 Finance	Trading and Sales	Retail Banking	Commercial Banking	Others	Total
June 30, 2020 (Un-audited)	Rupees in '000					
Profit & Loss						
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

June 30, 2020 (Un-audited)

Balance Sheet

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
Total Assets	61,473,820	184,241,234	334,827,361	119,338,776	48,311,557	748,192,748
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
Total liabilities	61,473,820	184,241,234	334,827,361	119,338,776	28,086,747	727,967,938
Equity	-	-	-	-	20,224,810	20,224,810
Total Equity & liabilities	61,473,820	184,241,234	334,827,361	119,338,776	48,311,557	748,192,748
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 Finance	Trading and Sales	Retail Banking	Commercial Banking	Others	Total
Rupees in '000						
June 30, 2019 (Un-audited)						
Profit & Loss						
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)
December 31, 2019 (Audited)						
Balance Sheet						
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	-	10,353,174
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
Total Assets	-	194,873,538	312,428,075	150,720,764	22,478,361	680,500,738
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
Total liabilities	-	194,873,538	312,428,075	150,720,764	5,145,106	663,167,483
Equity	-	-	-	-	17,333,255	17,333,255
Total Equity & liabilities	-	194,873,538	312,428,075	150,720,764	22,478,361	680,500,738
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:

for the Half Year Ended June 30, 2020

As at December 31, 2019 (Audited)

As at June 30, 2020 (Un-audited)

[illegible]

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	Directors	Key management personnel	Other related parties	Parent	Directors	Key management personnel	Other related parties
	(Rupees in '000)				(Rupees in '000)			
Borrowings								
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	-	-	-	-	-	-	-	-
Deposits and other accounts								
Opening balance	271,648	24,444	59,593	23,104	8,622,201	336,515	74,950	1,606,413
Received during the period / year	7,187,494	43,434	337,911	412,460	77,654,605	4,332,669	1,437,872	539,270,222
Withdrawn during the period / year	(6,975,311)	(52,637)	(320,893)	(371,202)	(77,542,451)	(4,364,266)	(1,450,123)	(1,042,362)
Transfer in / (out) - net	-	2,777	(11,876)	-	1,444,739	(33,300)	(3,106)	41,874
Closing balance	483,831	18,018	64,635	64,362	10,179,094	271,648	59,593	8,622,201
Subordinated loans	-	-	-	-	889,510	-	-	889,598
Other Liabilities								
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	-
Represented By								
Share Capital	9,793,073	-	905	-	45,655	9,793,073	900	81,765
Contingencies and Commitments								
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	(Rupees in '000)					
							Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
Income												
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	-	-	-	-	-	560
Other income	-	-	-	-	-	-	-	-	-	1,063	-	-
Expense												
Mark-up / return / interest paid	12,697	566	916	94,182	1,952	566,951	- 19,483	1,103	1,628	110,595	-	677,948
Commission / charges paid	-	-	-	3,672	-	-	-	-	-	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	-	-
Payments made during the period												
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) (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)

(Un-audited) June 30, 2020	(Audited) December 31, 2019
10,119,242	10,119,242

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital	15,540,069	14,619,607
Eligible Additional Tier 1 (ADT 1) Capital	2,500,000	2,500,000
Total Eligible Tier 1 Capital	18,040,069	17,119,607
Eligible Tier 2 Capital	5,351,452	4,306,756

Total Eligible Capital (Tier 1 + Tier 2)

23,391,521	21,426,363
------------	------------

Risk Weighted Assets (RWAs):

Credit Risk	158,222,792	144,380,673
Market Risk	1,081,233	924,762
Operational Risk	20,468,251	20,468,251
Total	179,772,276	165,773,686

Common Equity Tier 1 Capital Adequacy ratio

8.64%	8.82%
-------	-------

Tier 1 Capital Adequacy Ratio

10.03%	10.33%
--------	--------

Total Capital Adequacy Ratio

13.01%	12.93%
--------	--------

38.2 Leverage Ratio (LR):

Eligible Tier-1 Capital	18,040,069	17,119,607
Total Exposures	553,068,456	501,440,747
Leverage Ratio	3.26%	3.41%

38.3 Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	147,156,692	83,221,592
Total Net Cash Outflow	55,113,571	55,819,412
Liquidity Coverage Ratio	267.01%	149.09%

38.4 Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	326,951,287	308,715,925
Total Required Stable Funding	265,449,464	274,288,642
Net Stable Funding Ratio	123.17%	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	
Statement of financial position	Other liabilities	Other assets	
	Others	Credit card settlement	29,924
	Others	Inter bank fund transfer settlement	(91,642)
	Others	Others	290,068
Cashflow Statement	CASH FLOW FROM OPERATING ACTIVITIES		
	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) June 30, 2020	(Audited) December 31, 2019
	Note	----- Rupees in '000 -----	
ASSETS			
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
		497,459,611	473,441,568
LIABILITIES			
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
		475,203,037	453,960,256
NET ASSETS		22,256,574	19,481,312
REPRESENTED BY			
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
		21,774,689	18,973,041
Non-controlling interest		481,885	508,271
		22,256,574	19,481,312

CONTINGENCIES AND COMMITMENTS

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

		Quarter ended		Half year ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Note		----- 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
Net mark-up / interest income		2,643,962	1,684,284	5,226,451	3,785,501
NON MARK-UP / INTEREST INCOME					
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
Total non mark-up / interest income		1,942,950	988,943	3,353,619	1,944,447
Total Income		4,586,912	2,673,227	8,580,070	5,729,948
NON MARK-UP / INTEREST EXPENSES					
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
Total non-mark-up / interest expenses		3,513,990	3,001,160	6,646,183	5,784,561
Profit / (loss) before provisions		1,072,922	(327,933)	1,933,887	(54,613)
Provisions and write offs - net	31	216,568	365,136	420,184	593,653
Extraordinary / unusual items		-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION		856,354	(693,069)	1,513,703	(648,266)
Taxation	32	502,627	(107,349)	751,486	(73,620)
PROFIT / (LOSS) AFTER TAXATION		353,727	(585,720)	762,217	(574,646)
Attributable to:					
Equity holders of the Bank		371,786	(544,248)	773,674	(523,393)
Non-controlling interest		(18,059)	(41,472)	(11,457)	(51,253)
		353,727	(585,720)	762,217	(574,646)
----- Rupee -----					
Basic and diluted earnings / (loss) per share	33	0.29	(0.42)	0.60	0.42

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	
	Reserves		Surplus / (Deficit) on revaluation of			Un-appropriated profit	Sub-total			
	Share capital	Statutory reserve*	Exchange translation	Investments	Fixed assets					Non banking assets
	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	-	-	-	-	-	-	(623,393)	(623,393)	(51,253)	(574,646)
Other comprehensive income - net of tax	-	-	52,214	567,012	269,784	-	899,013	899,013	97,644	996,652
	-	-	52,214	567,012	269,784	-	(523,385)	365,625	46,391	412,016
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax										
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	-	(11,000)	1,299,337	(183,679)	1,115,661
	-	-	(19,643)	1,147,557	182,513	-	267,018	1,577,445	(143,746)	1,433,699
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	-	-	-	-	-	-	773,674	773,674	(11,457)	762,217
Other comprehensive income / (loss) net of tax	-	-	37,432	1,984,254	76,572	-	(2,316)	2,095,942	(2,519)	2,093,423
	-	-	37,432	1,984,254	76,572	-	771,358	2,869,618	(13,976)	2,855,640
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	10,119,242	1,817,432	140,937	1,618,459	1,638,390	92,735	6,347,494	21,773,689	481,885	22,255,574

* 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 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, 2020	June 30, 2019
		----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES			
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>
Adjustments:			
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>
Decrease / (increase) in operating assets			
Lendings to financial institutions		20,344,115	(2,657,548)
Held-for-trading securities		48,213,880	15,638,700
Advances		1,191,015	1,596,989
Other assets (excluding advance taxation)		(882,492)	(548,032)
		<u>68,866,518</u>	<u>14,030,109</u>
Increase / (decrease) in operating liabilities			
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)
Net cash flow from / (used) in operating activities		<u>91,841,510</u>	<u>6,661,495</u>
CASH FLOW FROM INVESTING ACTIVITIES			
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
Net cash flows (used in) / from investing activities		<u>(83,322,261)</u>	<u>(3,182,415)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
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>
Increase / (decrease) in cash and cash equivalents		<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
Cash and cash equivalents at end of the period	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

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- 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 Companying 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 Company's 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 returns 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) June 30, 2020	(Audited) December 31, 2019
	Note	----- Rupees in '000 -----	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		7,636,816	5,573,428
Foreign currencies		<u>2,909,710</u>	<u>896,523</u>
		10,546,526	6,469,951
With State Bank of Pakistan in:			
Local currency current account		<u>16,396,170</u>	<u>13,292,331</u>
Foreign currency current account - non remunerative		<u>983,096</u>	<u>831,532</u>
Foreign currency deposit account - remunerative		<u>2,212,500</u>	<u>2,566,714</u>
		19,591,766	16,690,577
With National Bank of Pakistan in:			
Local currency current accounts		2,559,120	2,286,205
National Prize Bonds		28,939	143,440
		<u>32,726,351</u>	<u>25,590,173</u>
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		389,517	150,722
In deposit accounts		<u>43,359</u>	<u>6,565</u>
		432,876	157,287
Outside Pakistan			
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>
7.1	This represents general provision held under IFRS 9 by Bahrain branch of the Holding Company.		
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		140,042	283,887
Repurchase agreement lendings (Reverse Repo)		<u>9,837,645</u>	<u>30,037,915</u>
		9,977,687	30,321,802
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>
8.1	This represents general provision held under IFRS 9 by Bahrain branch of the Holding company.		
8.2 Particulars of lendings - gross			
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) June 30, 2020				(Audited) December 31, 2019			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
		Rupees in '000							
9.	INVESTMENTS								
9.1	Investments by type								
	Held-for-trading securities								
	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
		8,353,886	-	(1,208)	8,352,678	56,532,623	-	9,003	56,541,626
	Available-for-sale securities								
	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	(696,507)	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
		134,077,619	(864,562)	2,399,735	135,612,792	54,847,322	(859,119)	(511,410)	53,476,793
	Held-to-maturity securities								
	Federal Government Securities	36,281,788	-	-	36,281,788	32,859,882	-	-	32,859,882
	Associates	270,252	-	-	270,252	246,322	-	-	246,322
	Total Investments	178,983,545	(864,562)	2,398,527	180,517,510	144,486,149	(859,119)	(502,407)	143,124,623
		(Un-audited) June 30, 2020				(Audited) December 31, 2019			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
		Rupees in '000							
9.2	Investments by segments:								
	Held-for-trading securities								
	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
	Shares:								
	Listed Companies								
	Ordinary 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
	Available-for-sale securities								
	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
	Shares:								
	Listed Companies								
	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)	-	-
	Unlisted Companies								
	Ordinary shares	11,000	-	-	11,000	11,000	-	-	11,000
		3,357,737	(168,055)	432,274	3,621,956	2,115,728	(136,589)	25,107	2,004,246
	Non Government Debt Securities								
	Listed								
	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
	Unlisted								
	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	1,458,333	-	-	1,458,333
	Preference shares	27,733	-	-	27,733	27,733	-	-	27,733
		3,788,587	(696,507)	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								
	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
		3,650,766	-	(358,399)	3,292,367	2,406	-	-	2,406
	Held-to-maturity securities								
	Federal Government Securities:								
	Pakistan Investment Bonds	36,281,788	-	-	36,281,793	32,859,882	-	-	32,859,882
	Associates								
	Omar Jitran Engineering Industries Limited	212,849	-	-	212,849	224,782	-	-	224,782
	Veda Trust Solutions (Private) Limited	47,919	-	-	47,919	4,774	-	-	4,774
	Intercity Touring Company (Private) Limited	9,484	-	-	9,484	16,766	-	-	16,766
		270,252	-	-	270,252	246,322	-	-	246,322
	Total Investments	178,983,545	(864,562)	2,398,527	180,517,515	144,486,149	(859,119)	(502,407)	143,124,623

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.

9.3 Investments given as collateral

Available-for-sale securities

Federal Government Securities:

Market Treasury Bills
Pakistan Investment Bonds

Foreign Securities

Government Debt Securities
Non Government Debt Securities

(Un-audited) June 30, 2020		(Audited) December 31, 2019	
Cost	Market value	Cost	Market value
----- Rupees in '000 -----			
7,352,914	7,405,967	4,453,165	4,452,597
1,000,000	1,001,300	22,232,264	21,475,720
8,352,914	8,407,267	26,685,429	25,928,317
2,589,087	2,384,308	-	-
-	-	-	-
2,589,087	2,384,308	-	-
10,942,001	10,791,575	26,685,429	25,928,317

Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
9.4 Provision for diminution in value of investments		
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) June 30, 2020	(Audited) 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) June 30, 2020	(Audited) December 31, 2019	(Un-audited) June 30, 2020	(Audited) December 31, 2019	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----					
10. ADVANCES	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	(25,161)	(7,520)	-	-	(25,161)	(7,520)
Specific	-	-	(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) June 30, 2020		(Audited) December 31, 2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- Rupees in '000 -----				
Domestic				
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
Total	10,057,090	3,564,148	10,353,164	3,339,941

- 10.3 Particulars of provision against advances

	(Un-audited) June 30, 2020				(Audited) 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)
Closing Balance	3,564,148	236,469	25,161	3,825,778	3,339,941	161,166	7,520	3,508,627

- 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) June 30, 2020	(Audited) December 31, 2019	(Un-audited) June 30, 2020	(Audited) 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 been 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) June 30, 2020	(Audited) December 31, 2019
	Note	---- Rupees in '000 ----	
11. FIXED ASSETS			
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>
11.1 Capital work-in-progress			
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, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	Rupees in '000					
Capital work-in-progress - net	4,117	268,937	-	-	-	-
Property and equipment						
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) June 30, 2020	(Audited) December 31, 2019
	Note	Rupees in '000	
11.3 Assets held for sale			
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) June 30, 2020	(Audited) December 31, 2019
	Note	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, 2020	(Audited) June 30, 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	<u>120,350</u>	<u>1,480</u>
	<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) June 30, 2020	(Audited) December 31, 2019
		----- Rupees in '000 -----	
13. OTHER ASSETS	Note		
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>
13.1 Provision held against other assets			
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>
14. BILLS PAYABLE			
In Pakistan		4,020,886	3,583,500
Outside Pakistan		238,184	220,991
		<u>4,259,070</u>	<u>3,804,491</u>

Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

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

(Audited)
December 31,
2019

15. BORROWINGS

Secured

Borrowings from State Bank of Pakistan under:

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
	23,521,440	36,820,075

Borrowing from financial institutions

Repurchase agreement borrowings	10,201,126	12,746,732
Refinancing facility for mortgage loans	1,930,987	1,961,128
	12,132,113	14,707,860

Total secured

35,653,553 **51,527,935**

Unsecured

Call borrowings	302,491	2,303,356
Overdrawn nostro accounts	611,022	636,992
Total unsecured	913,513	2,940,348

36,567,066 **54,468,283**

15.1 Particulars of borrowings

In local currency	33,856,427	51,527,935
In foreign currencies	2,710,639	2,940,348
	36,567,066	54,468,283

(Un-audited) June 30, 2020			(Audited) December 31, 2019		
In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
----- Rupees in '000 -----					

16. DEPOSITS AND OTHER ACCOUNTS

Customers

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
	354,908,286	22,478,575	377,386,861	313,842,760	20,736,784	334,579,544

Financial Institutions

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
	26,690,692	362,141	27,052,833	33,964,059	-	33,964,059
	381,598,978	22,840,716	404,439,694	347,806,819	20,736,784	368,543,603

Notes to the Condensed Interim Consolidated Financial Statements

for the Half Year Ended June 30, 2020

		(Un-audited) June 30, 2020 ----- Rupees in '000 -----	(Audited) December 31, 2019 ----- Rupees in '000 -----
17. SUBORDINATED DEBT	Note		
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 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) June 30, 2020	(Audited) December 31, 2019
	Note	---- Rupees in '000 ----	
18. DEFERRED TAX (ASSETS) / LIABILITIES			
Deductible Temporary Differences on:			
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 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>
Taxable Temporary Differences on:			
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 acquired in satisfaction of claims		945	967
Mark to market gain / (loss) on forward foreign exchange contracts		92,357	(51,092)
Unrealized gain on revaluation of derivative financial instruments		9,008	82,321
Surplus / (deficit) on revaluation of investments classified assets as available for sale		795,593	(253,627)
		<u>1,963,318</u>	<u>918,252</u>
		<u>1,506,528</u>	<u>(125,857)</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	11.3.1	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) June 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----			
20. SURPLUS ON REVALUATION OF ASSETS			
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		<u>(945)</u>	<u>(967)</u>
		<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		<u>25,115</u>	<u>27,634</u>
		<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) June 30, 2020	(Audited) December 31, 2019
----- Rupees in '000 -----			
21. CONTINGENCIES AND COMMITMENTS			
Guarantees	21.1	61,475,380	45,650,803
Commitments	21.2	<u>104,802,487</u>	<u>77,013,578</u>
		<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) June 30, 2020 ----- Rupees in '000 -----	(Audited) December 31, 2019
21.2 Commitments:			
Documentary credits and short-term trade -related transactions			
- letters of credit	21.2.1	13,456,446	13,965,258
Commitments in respect of:			
- 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
Commitments for acquisition of:			
- operating fixed assets	21.2.7	624,860	220,771
		<u>104,802,487</u>	<u>77,013,578</u>
21.2.1	Included herein the outstanding letter of credits of Rs. 51.007 million (December 31, 2019: Rs.44.368 million) of related parties.		
21.2.2 Commitments in respect of forward foreign exchange contracts			
Purchase		20,414,093	33,104,108
Sale		<u>13,273,563</u>	<u>22,007,258</u>
		<u>33,687,656</u>	<u>55,111,366</u>
21.2.2.1	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) June 30, 2020 ----- Rupees in '000 -----	(Audited) December 31, 2019
21.2.3 Commitments in respect of derivative instruments			
Purchase		2,735,177	3,622,107
Sale		<u>53,668,853</u>	<u>3,616,588</u>
		<u>56,404,030</u>	<u>7,238,695</u>
21.2.3.1 Interest rate swaps (notional principal)			
Purchase		1,499,668	2,099,175
Sale		<u>1,500,668</u>	<u>2,100,175</u>
		<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) June 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
21.2.3.2 Options (notional principal)		
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>
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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) 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 -----					
With Banks for							
Hedging		3,000,336	9,736	53,181,671	15,971	-	-
Market making		-	-	-	-	222,023	(1,502)
With FIs other than banks							
Hedging		-	-	-	-	-	-
Market making		-	-	-	-	-	-
Total							
Hedging		3,000,336	9,736	53,181,671	15,971	-	-
Market making		-	-	-	-	222,023	(1,502)
		(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 -----					
With Banks for							
Hedging		-	8,885	4,199,350	13,327	-	-
Market making		-	-	-	-	992,725	286
With FIs other than banks							
Hedging		-	-	-	-	-	-
Market making		-	-	-	-	-	-
Total							
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 -----

23. MARK-UP / RETURN / INTEREST EARNED

Note

On:

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>

24. MARK-UP / RETURN / INTEREST EXPENSED

On:

Deposits	17,004,752	12,029,599
Borrowings	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>

24.1

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>

25. FEE AND COMMISSION INCOME

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, 2020	June 30, 2019
Note		----- Rupees in '000 -----	
26. GAIN / (LOSS) ON SECURITIES			
Realised	26.1	783,807	(359,910)
Unrealised - held for trading		(1,210)	(9,089)
		<u>782,597</u>	<u>(368,999)</u>
26.1 Realised gain / (loss) on:			
Federal government securities			
Market treasury bills		86,455	6,015
Pakistan investment bonds		707,432	(333,815)
Ijara sukuk certificates		25	633
Shares			
Listed companies		(3,577)	(28,926)
Non Government Debt Securities			
Term finance certificates		6,086	6,674
Sukuk certificates		450	-
Mutual fund units		(12,685)	1,925
Foreign currency bonds		(379)	(12,416)
		<u>783,807</u>	<u>(359,910)</u>
27. OTHER INCOME - NET			
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

		----- Un-audited ----- June 30, 2020	June 30, 2019
	Note	----- Rupees in '000 -----	
28. OPERATING EXPENSES			
Total compensation expense		3,339,172	2,901,471
Property expense			
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
		1,211,344	1,162,134
Information technology expenses			
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
		441,129	360,652
Other operating expenses			
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		72,910	69,880
Entertainment expenses	28.1	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
		1,589,808	1,367,861
		6,581,453	5,792,118
Less: Reimbursement of selling and distribution expenses		(23,577)	(8,371)
		<u>6,557,876</u>	<u>5,783,747</u>

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 ----- June 30, 2020	June 30, 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	5,443	218,997
Provisions against loans & advances - specific		224,207	435,704
Provisions against loans & advances - general		75,303	345
Provisions / (reversals)- 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>420,184</u>	<u>593,653</u>

32. TAXATION

Current	119,108	392,892
Prior years	-	4,942
Deferred	632,378	(471,454)
	<u>751,486</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 -----			
33.	BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE				
	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 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>	<u>0.42</u>
		(Un-audited)		(Audited)	
		June 30,		December 31,	
		2020		2019	
34.	CASH AND CASH EQUIVALENTS	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	(611,022)	(636,992)	
			<u>33,273,932</u>	<u>25,429,551</u>	
	Less: General provision under IFRS 9		(59)	(68)	
			<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.
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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

On balance sheet financial instruments

Financial assets - measured at fair value

Held-for-trading securities

Investments

Federal Government Securities
Shares
Open end mutual funds

Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----			
-	8,019,638	-	8,019,638
97,893	-	-	97,893
-	170,599	-	170,599
97,893	8,190,237	-	8,288,130

Available-for-sale securities

Investments

Federal Government Securities
Shares
Non Government Debt Securities
Foreign Securities
Open end mutual funds

-	124,580,724	-	124,580,724
3,610,956	-	-	3,610,956
-	706,041	-	706,041
-	3,289,961	-	3,289,961
-	1,023,789	-	1,023,789
3,610,956	129,600,515	-	133,211,471

Financial assets - disclosed but not
measured at fair value

Investments

Federal Government Securities

-	36,281,788	-	36,281,788
3,708,849	174,072,540	-	177,781,389

Non-Financial assets - measured at fair value

Revalued fixed assets
Non-banking assets acquired in
satisfaction of claims

-	-	3,779,612	3,779,612
-	-	1,177,886	1,177,886
-	-	4,957,498	4,957,498

Off balance sheet financial instruments

Commitments in respect of:

Forward foreign exchange contracts

Purchase
Sale

-	21,071,299	-	21,071,299
-	13,666,888	-	13,666,888

Derivative instruments:

Forward government securities

Purchase

-	124,976	-	124,976
---	---------	---	---------

Interest rate swaps (notional principal)

Purchase
Sale

-	1,620,946	-	1,620,946
-	1,611,210	-	1,611,210

Options

Purchase
Sale

-	1,103,926	-	1,103,926
-	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 -----			
<u>On balance sheet financial instruments</u>				
Financial assets - measured at fair value				
Held-for-trading securities				
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
Available-for-sale securities				
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
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	31,341,410	-	31,341,410
	2,480,431	136,414,999	-	138,895,430
Non-Financial assets - measured at fair value				
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
<u>Off balance sheet financial instruments</u>				
Commitments in respect of:				
Forward foreign exchange contracts				
Purchase	-	32,885,546	-	32,885,546
Sale	-	21,722,741	-	21,722,741
Derivative instruments				
Forward government securities				
Purchase	-	499,818	-	499,818
Sale	-	493,193	-	493,193
Interest rate swaps				
Purchase	-	1,474,016	-	1,474,016
Sale	-	2,738,661	-	2,738,661
Options				
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							
Profit & Loss								
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

June 30, 2020 (Un-audited)

Balance Sheet

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
Total Assets	61,473,820	182,312,798	334,827,361	119,338,776	2,297,934	2,128,858	48,311,557	750,691,104
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
Total liabilities	61,473,820	184,290,736	334,827,361	117,946,428	1,362,079	447,366	28,086,740	728,434,530
Equity	-	-	-	-	-	-	21,774,689	21,774,689
Non-controlling interest	-	-	-	-	-	-	481,885	481,885
Total Equity & liabilities	61,473,820	184,290,736	334,827,361	117,946,428	1,362,079	447,366	50,343,314	750,691,104
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 Finance	Trading and Sales	Retail Banking	Commercial Banking	Brokerage	Asset management	Others	Total
June 30, 2019 (Un-audited)								
Rupees in '000								
Profit & Loss								
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)
December 31, 2019 (Audited)								
Balance Sheet								
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)
	-	-	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
Total Assets	-	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
Total liabilities	-	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
Total Equity & liabilities	-	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:

for the Half Year Ended June 30, 2020

As at December 31, 2019 (Audited)

As at June 30, 2020 (Un-audited)

[illegible]

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)									
Borrowings										
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	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	271,648	24,444	59,593	23,104	8,622,201	336,515	24,308	74,950	-	9,659,833
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	271,548	24,444	59,593	23,104	8,622,201
Subordinated loans	-	-	-	-	889,510	-	-	-	-	889,588
Other Liabilities										
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
Represented By										
Share Capital	9,733,073	-	905	-	45,655	9,733,073	17,330	900	-	81,765
Contingencies and Commitments										
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

	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	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)									
Mark-up / return / interest earned	1,154	1,476	31,212	16,387	163,612	986	88	8,742	-	186,688
Fee, commission and brokerage income	1,295	9	607	-	133,797	802	97	151	-	265,935
Dividend income	-	-	-	-	52,794	-	-	-	-	64,846
Gain / (loss) on sale of securities - Net	-	-	-	-	3,395	-	-	-	-	3,887
Rental income	-	-	-	-	-	-	-	-	-	3,035
Mark-up / return / interest paid	12,697	566	916	1,952	566,951	19,483	1,103	1,628	-	677,948
Preference Dividend Paid	-	-	-	-	-	23,419	-	199	-	-
Remuneration paid	-	19,145	371,947	-	-	-	-	390,864	-	-
Non-executive directors' fee	-	8,940	-	-	-	-	4,750	-	-	475
Net charge for defined contribution plans	-	-	-	-	124,804	-	-	-	-	116,985
Net charge / (reversal) for defined benefit plans	-	-	-	-	107,560	-	-	-	-	65,939
Donation	-	-	-	-	56,500	-	-	-	-	-
Rental expense	18,818	-	-	-	92	-	-	-	-	-
Advisory fee	-	-	-	-	-	-	-	-	-	15,000
Royalty	-	-	-	-	15,000	-	-	-	-	15,000
Other expenses	225	-	-	-	-	-	-	-	-	1,603
Reimbursement of expenses	2,473	-	3,034	-	32,509	1,211	388	-	-	-
Payments made during the year										
Insurance premium paid	-	-	-	-	388,151	-	-	-	-	288,094
Insurance claims settled	-	-	-	-	2,793	-	-	-	-	6,548

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>
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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%
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Tier 1 Capital Adequacy Ratio	<u>10.28%</u>	10.80%
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Total Capital Adequacy Ratio	<u>13.44%</u>	13.73%
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38.2 Leverage Ratio (LR):

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

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>	55,819,412
Liquidity Coverage Ratio	<u>282.31%</u>	149.09%

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>	274,288,642
Net Stable Funding Ratio	<u>122.70%</u>	112.55%



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 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	
Statement of financial position	Other liabilities	Other assets	
	Others	Credit card settlement	29,924
	Others	Inter bank fund transfer settlement	(91,642)
	Others	Others	290,068
Cashflow Statement	CASH FLOW FROM OPERATING ACTIVITIES		
	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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