

**Form - 8**

JSB-183-19  
October 30, 2019

The General Manager  
Pakistan Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road  
Karachi.

**Subject: Transmission of Quarterly Report for the period ended September 30, 2019**

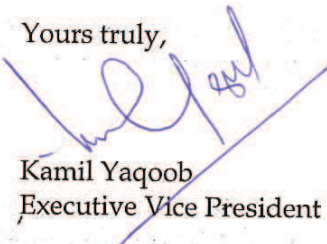
Dear Sir,

We have to inform you that the Quarterly Report of the Bank for the period ended September 30, 2019 have been transmitted through PUCARS and is also available on Company's website.

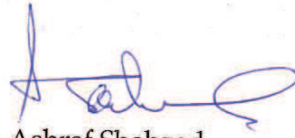
You may please inform the TRE Certificate Holders of the Exchange accordingly.

Thank you,

Yours truly,



Kamil Yaqoob  
Executive Vice President



Ashraf Shahzad  
Company Secretary

# Impacting Lives





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# Company Information

## Board of Directors

Mr. Kalim-ur-Rahman  
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. G.M. Sikander	Member
Mr. Adil Matcheswala	Member
Mr. Munawar Alam Siddiqui	Member

## Chief Financial Officer

Mr. Muhammad Yousuf Amanullah

## Company Secretary

Mr. Ashraf Shahzad

## Auditors

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

## Legal Advisors

Bawaney & Partners  
Haidermota BNR  
Liaquat Merchant Associates

## Share Registrar

Central Depository Company of Pakistan 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  
UAN: +92 21 111 JS Bank (572-265)  
0800-011-22  
[www.jsbl.com](http://www.jsbl.com)

\* Mr. Sohail Aman has been appointed as Director of JS Bank Limited with effect from October 24, 2019.

# Directors' Report

We are pleased to present the unaudited financial statements of JS Bank Limited ("JSBL") along with the consolidated financial statements for the nine months period ended September 30, 2019.

## Economy Review

Pakistan entered a fresh US\$6 billion IMF program at the beginning of the quarter. The commencement of the program was followed by external flows from other global bodies including the Asian Development Bank. The first tranche of the IMF program has been received while the release of the remainder amount is dependent upon achievement of quarterly economic targets of the country.

During this period, pressure on the external front from Current Account Deficit (CAD) eased with CAD for 2MFY20 declining by 55% YoY to US\$1.3 billion (2.8% of GDP), mainly due to a drop in imports. On the other hand, the fiscal deficit as a percentage of GDP rose to 8.9%, compared to 6.6% in the same period last year. Headline inflation was another highlighted area as the Consumer Price Index (CPI) for 1QFY20 averaged 10.08%, vis-à-vis CPI of 6.08% during the same period last year. The State Bank of Pakistan (SBP) increased the Policy Rate by 100bps to 13.25% during 1QFY20 in view of the increased inflation mainly due to the rupee devaluation and subsequent hikes in energy and utility prices during the past year.

## Banking Sector Review

The spread in the banking sector has continued to increase based on revision of 100bps in the policy rate by the SBP. Weighted average banking spreads during 8M2019 marked an increase of 91 basis points (bps) YoY, averaging at 5.72%.

The sector saw an overall deposit growth of 8% reaching PKR 14,026 billion while advances grew by 6% YoY to PKR 7,975 billion. The slow pace of growth was reflective of an overall economy slowdown resulting in reduced market financing demands. A point of concern for the industry is an increase in Non-Performing Loans (NPL) by PKR 145 billion to PKR 768 billion as of Jun-2019 with the Infection ratio going up by 100bps to 9.5%.

Investments increased by 39% YoY to PKR 9,269 billion on healthy participation in government paper auctions during the period with Investment-to-Deposit Ratio (IDR) reaching a 19-month high of 66%.

## Financial Performance

The Bank's core interest income grew due to enhanced focus on core businesses i.e. Retail and Institutional banking. This growth, however, was offset due to a legacy PIB portfolio of PKR 72.53 billion as of September 30, 2019 which carries a yield of 6.88% against current market yield of 13.2% for the same duration. The bulk of the portfolio will mature between December 2019 and March 2020 thereby easing the pressure on net interest income.

The Bank's deposits increased by 1.8%, to PKR 327,064 million on September 30, 2019 from PKR 321,413 million as of December 31, 2018. The overall Advances portfolio has decreased by 5.4% to PKR 238,393 million from PKR 251,991 million as of December 31, 2018, while the portfolio mix has shifted towards the SME and Agricultural sectors.

# Directors' Report

During the period under review, a loss before tax of PKR 798.7 million (loss after tax of PKR 577.9 million) was incurred as compared to profit before tax of PKR 1,227.2 million (profit after tax of PKR 756.2 million) in the corresponding period last year.

These results were attributable to the Bank's legacy portfolio of low yield PIBs decreasing by PKR 20.8 billion resulting in a capital loss of PKR 402.4 million, equity price downturn at the Pakistan Stock Exchange (PSX) resulting in an impairment of PKR 123.7 million and increase in provisioning to PKR 266 million primarily for limited industry specific customers due to changes in the commodity pricing cycle and sectoral supply and demand during the period under review.

The breakup value per share of the Bank was PKR 12.24, with loss per share standing at PKR 0.46, as at September 30, 2019.

## Consolidated Financial Statements

In the consolidated financial statements, a loss before tax of PKR 896.2 million (loss after tax of PKR 755.2 million) was incurred for the nine months ended September 30, 2019 as compared to profit before tax of PKR 1,347.8 million (profit after tax of PKR 798.5 million) in the corresponding period last year. The loss per share is PKR 0.58 for the period under review.

## Business Overview

The Bank's long-term strategy is based on identifying and fulfilling customer needs through provision of innovative products, strong alliances and automation of service delivery. Customer accessibility to product and service offerings was further strengthened through expansion in the branch network, digital channels and branchless banking agents. JS Bank now operates 345 branches across 172 cities including one overseas wholesale banking branch in Manama, Bahrain.

On the assets side, the Bank continued its proactive strategy of enhancing its exposure in advances, with special emphasis on Small and Medium Enterprise (SME) lending and financing renewable energy projects. The Bank's product menu was further increased to meet customer wants and needs, while simultaneously ensuring that all risk parameters are in-line for prudent expansion.

The Bank is making concerted efforts to optimize the revenue mix between mark-up and fee-based income. In addition to growing traditional fee income streams, the Bank has increased focus on cross selling various fee-based products to existing and new customers to further increase our customer base and profitability.

The Bank has launched MasterCard Contactless Debit Cards, with the aim to increase customer satisfaction, merchant acceptability and improve financial journeys. The Bank also strengthened its payroll solution with the addition of Debit Card issuance for Branchless Banking Wallet account holders, making this a one-of-its-kind offering in the Pakistan market. Such value additions are the hallmark of the Bank and are expected to act as a major revenue driver for this segment. On the digital front, JS Bank's Mobile Banking Application migration has been successfully completed, with numerous advanced features to facilitate customers. A shift in



# Directors' Report

marketing efforts towards digital channels has resulted in a focus on Return on Investment (ROI) based promotional efforts.

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.

## Recognition

JS Bank has been recognized for its performance at multiple national and international forums.

The prestigious awards that we received in the year 2019 include

- Pakistan's Best Mid-Sized Retail Bank - Asian Banking & Finance Awards 2019
- Pakistan's Best Consumer Finance Product - Asian Banking & Finance Awards 2019
- Pakistan's Best SME Bank - Asian Banking & Finance Awards 2019
- Best Bank for Small Medium Enterprises (SMEs) - Asiamoney Awards 2019
- Best Payment Technology/Solution Provider (Digital Traffic Challan) - DIGI Awards 2019

## 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 within the category.

## Acknowledgments

On behalf of JS Bank, we would like to extend our gratitude to our customers and stakeholders for their ongoing trust and 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 bodies for their continued support to our Bank. We would also thank our fellow colleagues for their commitment to hard work, excellence and their drive to succeed.

On behalf of the Board

**Basir Shamsie**  
President & CEO

**Kalim-ur-Rahman**  
Director

Karachi: October 24, 2019



- بہترین بینک برائے اسمال میڈیم انٹرپرائز (SMEs)، ایشیائی ایوارڈ 2019
- ادائیگی کی بہترین ٹیکنالوجی/حل فراہم کرنے والا (ڈیجیٹل ٹریفک چلان)، DIGI ایوارڈ 2019

### کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے بینک کو 'AA-' (ڈبل اے مائنس) کی طویل المدتی ریٹنگ، سب سے بہتر قلیل المدتی ریٹنگ میں 'A1+' (اے ون پلس) تفویض کی ہے، جو اپنی کیٹگری میں سب سے اعلیٰ درجہ کے ریٹنگ ہے۔

### اعتراف

جے ایس بینک کی جانب سے ہم اپنے صارفین اور اسٹیک ہولڈرز کا ان کے تعاون پر دل سے شکر گزار ہیں۔ ہم منسٹری آف فنانس، اسٹیٹ بینک آف پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیٹری اداروں کا بینک کو تعاون فراہم کرنے کیلئے بھی ممنون ہیں۔ ہم اپنے ساتھیوں اور جانفشانی کے ساتھ بینک کو ترقی، خوشحالی اور کامیابی کی نئی بلندیوں کی طرف گامزن کرنے والے ملازمین کا ان کی انتھک محنت پر بھی شکریہ ادا کرنا چاہیں گے۔

منجانب بورڈ،

کلیم الرحمن

چیرمین

ناصر سٹشی

پریزیڈنٹ اور سی ای او

کراچی: 24 اکتوبر 2019ء

اضافہ کیا گیا، جبکہ اسی دوران یہ بھی یقینی بنایا کہ خطرے کے تمام پیرامیٹرز دانشمندانہ توسیع کی راہ پر استوار ہوں۔

بینک مارک اپ اور فیس کی مد میں حاصل ہونے والی آمدنی کے مابین محصول کو بہتر بنانے کیلئے ٹھوس کوششیں کر رہا ہے۔ بینک کی حسب معمول فیس کی رواں آمدنی میں اضافے کیلئے بینک نے اپنے موجودہ اور نئے کسٹمرز کو فیس کی بنیاد پر متعدد پروڈکٹس کی فروخت پر اپنی توجہ مرکوز رکھی ہے۔

بینک نے ماسٹر کارڈ کے ذریعے کانٹیکٹ لیس ڈیبٹ کارڈز کا آغاز کیا ہے، جس کا مقصد صارفین کا اعتماد، مرچنٹ پر قبولیت اور اضافی مالیاتی سفر کو بہتر بنانا ہے۔ بینک نے ادائیگیوں کے حل کو مستحکم کرنے کیلئے برانچ لیس بینکنگ والٹ

اکاؤنٹ ہولڈرز کیلئے ڈیبٹ کارڈ جاری کیا ہے جو پاکستانی مارکیٹ میں اپنی نوعیت کی واحد پیشکش ہے۔ اس طرح کی خصوصیات میں اضافے سے بینک کی توقع ہے کہ اس شعبہ میں بڑی آمدنی حاصل کر سکے گا۔ ڈیجیٹل شعبہ میں، JS بینک موبائل بینکنگ اپیلیکیشن کی منتقلی کامیابی سے مکمل ہو چکی ہے، جس میں صارفین کی سہولت کیلئے متعدد جدید خصوصیات شامل کی گئیں ہیں۔ ڈیجیٹل چینلز کی طرف مارکیٹنگ کی کوششوں کے نتیجے میں ریٹن آن انویسٹمنٹ (ROI) پر مبنی پروموشنل طریقوں پر توجہ دی گئی ہے۔

قومی مالیاتی صنعت میں انقلابی ترقی کیلئے بھرپور کردار ادا کرنے کیلئے پرعزم، JS بینک جدت، ویلیو ایڈڈ مالیاتی مصنوعات اور خدمات میں مزید بہتری سے صارفین کی زندگی سادہ، آسان اور آرام دہ بنانے کے سفر کو جاری رکھے ہوئے ہے۔

## پہچان

JS بینک کو قومی اور بین الاقوامی سطح پر برتری کیلئے پرعزم ادارے کے طور پر پہچانا جاتا ہے۔ سال 2019 میں حاصل ہونے والے پروکار ایوارڈ میں درج ذیل شامل ہیں:

- پاکستان کا بہترین درمیانے درجے کا ریٹیل بینک، ایشین بینکنگ اینڈ فنانس ایوارڈ 2019
- پاکستان کا بہترین کنزیومر فنانس پروڈکٹ، ایشین بینکنگ اینڈ فنانس ایوارڈ 2019
- پاکستان کا بہترین SME بینک، ایشین بینکنگ اینڈ فنانس ایوارڈ 2019

مالی نتائج بینک کے لیگاسی پورٹ فولیو سے PIB پیداوار میں 20.8 ملین روپے کی کمی سے منسوب ہیں جس کے نتیجے میں مجموعی سرمائے میں 402.4 ملین روپے کا نقصان ہوا۔ پاکستان اسٹاک ایکسچینج (PSX) میں حصص کی مالیت کمی ہوئی جس کے نتیجے میں 123.7 ملین روپے کے دباؤ اور ابتدائی طور پر مخصوص صارفین کیلئے اجناس کی قیمتوں میں تبدیلی کے طریقہ کار اور شعبہ جاتی سپلائی اور طلب میں تبدیلی کی وجہ سے بنیادی طور پر محدود صنعت کے مخصوص صارفین کیلئے 266 ملین روپے کی فراہمی میں اضافہ ہوا۔

30 ستمبر 2019 تک بینک کے حصص کی بریک اپ ویلیو 12.24 روپے فی شیئر تھی جس میں اسی مدت کے دوران فی حصص کا نقصان 0.46 روپے ہوا۔

### مستحکم مالیاتی تفصیلات

مستحکم مالیاتی تفصیلات میں، 30 ستمبر 2019 کو ختم ہونے والے نو ماہ میں قبل از ٹیکس نقصان 896.2 ملین روپے (بعد از ٹیکس نقصان 755.2 ملین روپے) ہوا جو گزشتہ سال اسی مدت میں قبل از ٹیکس منافع 1,347.8 ملین روپے (بعد از ٹیکس منافع 798.5 ملین روپے) تھا۔ زیر جائزہ اسی مدت کے دوران فی حصص نقصان 0.58 روپے فی شیئر رہا۔

### کاروباری جائزہ

جدید پروڈکٹس، اشتراک اور خود کارڈ لیوری سروس کے ذریعے کسٹمرز کی ضروریات کو پہچاننا اور انہیں پورا کرنا بینک کی طویل المدتی حکمت عملی کی بنیاد ہے۔ کسٹمر کو بینکنگ کا مؤثر اور اطمینان بخش تجربہ فراہم کرنے کیلئے برانچ نیٹ ورک میں اضافے، ڈیجیٹل چینلز اور برانچ لیس بینکنگ ایجنٹس کے ذریعے کسٹمر کی رسائی کو مزید آسان اور بہتر بنایا گیا۔ JS بینک کی اب 172 شہروں میں 345 برانچیں ہیں جس میں ایک بیرون ملک ہول سیل بینکنگ برانچ مانامہ، بحرین کی بھی شامل ہے۔

اثاثوں کے حوالے سے بینک نے ایڈوانسز میں اضافہ کیلئے حکمت عملی جاری رکھی ہوئی ہے، جس میں چھوٹے اور درمیانے درجے کی انٹرپرائزز (SME) کو قرض دینے اور قابل تجدید توانائی کے منصوبوں میں سرمایہ کاری پر خصوصی توجہ پر زور دیا گیا ہے۔ بینک کے پروڈکٹ مینو میں صارفین کی خواہشات اور ضروریات کو مد نظر رکھتے ہوئے مزید

بینکاری کے شعبے میں مجموعی طور پر سال بسال (YoY) کی بنیاد پر ڈیپازٹ کی شرح میں 8 فیصد اضافہ سے 14,026 بلین روپے تک پہنچ گیا ہے جبکہ ایڈوانسز 6 فیصد اضافہ سے 7,975 بلین روپے ہو گیا۔ ترقی کی سست رفتار مجموعی طور پر معیشت کی سست روی کی عکاسی کرتی ہے جس کے نتیجے میں مارکیٹ کی مالی طلب میں کمی واقع ہوئی ہے۔ نان پرفارمنگ لونز (NPL) میں اضافہ بینکاری شعبہ کی تشویش کا باعث ہے جس میں جون 2019 کے مقابلے 145 بلین روپے سے بڑھ کر 768 بلین روپے پر پہنچ گیا، اس منفی رجحان میں 100 بیس پوائنٹس (bps) سے 9.5 فیصد کی شرح سے اضافہ ہوا ہے۔

انویسٹمنٹ ٹوڈیپازٹ تناسب (IDR) کی مدت کے دوران سرکاری کاغذی نیلامی میں صحت مند شرکت کے باعث سرمایہ کاری میں سال بسال (YoY) کی بنیاد پر 39 فیصد کی شرح سے 9,269 بلین روپے کا اضافہ ہوا ہے، یہ 19 ماہ کی بلند ترین سطح 66 فیصد تک پہنچ گئی ہے۔

### مالی کارکردگی

بینک کی انٹرسٹ آمدنی بنیادی کاروبار یعنی ریٹیل اور ادارہ جاتی بینکنگ پر توجہ مرکوز کرنے کے باعث بڑھا۔ تاہم یہ نمونہ 30 ستمبر 2019 تک 72.53 بلین روپے کے پاکستان انویسٹمنٹ بانڈز (PIB) پورٹ فولیو کے متبادل ہوئی، جس کی 6.88 فیصد کی پیداوار اسی مدت کے مقابلے 13.2 فیصد ہے۔ پورٹ فولیو کا زیادہ تر حصہ دسمبر 2019 اور مارچ 2020 کے دوران مچھور ہوگا جس سے نیٹ انٹرسٹ کی آمدنی پر دباؤ مزید کم ہوگا۔

بینک کے 30 ستمبر 2019 پر ڈیپازٹس میں 1.8 فیصد اضافہ سے 327,064 ملین روپے ہو گیا جو 31 دسمبر 2018 کو 321,413 ملین روپے تھا۔ مجموعی طور پر ایس ایم ای (SME) اور زرعی شعبوں کی طرف پورٹ فولیو مکس کو تبدیل کرتے ہوئے بینک نے ایڈوانس پورٹ فولیو میں 5.4 فیصد سے 238,393 ملین روپے کی کمی ہوئی۔ جو 31 دسمبر 2018 کو 251,991 ملین روپے تھا۔

زیر جائزہ مدت کے دوران بینک نے قبل از ٹیکس نقصان 798.7 ملین روپے (بعد از ٹیکس گھٹا 577.9 ملین روپے رہا) حاصل کیا جو گزشتہ سال اسی مدت میں قبل از ٹیکس نقصان 1,227.2 ملین روپے (بعد از ٹیکس نقصان 756.2 ملین روپے) تھا۔

## ڈائریکٹرز رپورٹ

ہم انتہائی مسرت کے ساتھ JS بینک لمیٹڈ ("جے ایس بی ایل") کے مالیاتی بیانات کا جائزہ بشمول 30 ستمبر 2019 کو ختم ہونے والی نو ماہ کی مدت کی مستحکم مالی بیانات کا جائزہ پیش کر رہے ہیں۔

### معیشت

پاکستان سہ ماہی کے آغاز میں بین الاقوامی مالیاتی فنڈز (IMF) کے 6 ارب ڈالر کے نئے پروگرام میں شامل ہوا۔ پروگرام کے آغاز کے بعد ایشین ڈیولپمنٹ بینک سمیت دیگر عالمی اداروں کی جانب سے بیرونی ادائیگیاں شروع ہوئیں۔ آئی ایم ایف پروگرام کی پہلی قسط حاصل ہو گئی ہے جبکہ باقی رقم کی ادائیگی کا انحصار ملک کی سہ ماہی میں تعین کردہ معاشی اہدات کے حصول پر ہوگا۔

اس عرصے کے دوران کرنٹ اکاؤنٹ خسارہ (CAD) کے بیرونی سطح پر دباؤ کم ہوا جس کی وجہ سے مالی سال 2020 کے دوسرے ماہ (2MFY20) کرنٹ اکاؤنٹ خسارہ سال بسال (YoY) کی بنیاد پر 55 فیصد کم ہو کر 1.3 بلین ڈالر (جی ڈی پی کا 2.8 فیصد) ہو گیا، جس کی بڑی وجہ درآمدات میں کمی ہے۔ دوسری جانب، جی ڈی پی کی فیصد کے طور پر مالی خسارہ گزشتہ سال کی اسی مدت کے مقابلے 6.6 فیصد سے بڑھ کر 8.9 فیصد ہو گیا۔ سرفہرست مہنگائی بھی ایک نمایاں حصہ تھا کیونکہ مالی سال 2020 کی پہلی سہ ماہی (1QFY20) کے دوران صارف کی قیمتوں کے اشاریہ (CPI) اوسط 10.08 فیصد رہا جو گزشتہ سال اسی عرصے کے دوران CPI اوسط 6.08 فیصد تھا۔ اسٹیٹ بینک آف پاکستان (SBP) نے گزشتہ مالی سال کے دوران روپے کی قدر میں کمی اور نتیجتاً مہنگائی، توانائی اور ٹیلیٹی میں اضافہ کے باعث مالی سال 2020 کی پہلی سہ ماہی (1QFY20) کے دوران پالیسی ریٹ 100 بیس پوائنٹس (bps) بڑھا کر 13.25 فیصد کر دیا۔

### شعبہ بینکاری کا جائزہ

بینکاری کے شعبہ میں پھیلاؤ میں مسلسل اضافہ ہو رہا ہے جس کے باعث اسٹیٹ بینک نے پالیسی ریٹ میں 100 بیس پوائنٹس (bps) پر نظر ثانی کی۔ مالی سال 2019 کے 8 ماہ (8M2019) کے دوران اوسط بینکاری کے پھیلاؤ میں سال بسال (YoY) کی بنیاد پر 91 بیس پوائنٹس (bps) اضافہ ہوا، جو اوسط 5.72 فیصد ہے۔

# Unconsolidated Condensed Interim Statement of Financial Position

As at September 30, 2019

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Note	----- Rupees in '000 -----	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	21,093,931	32,110,840
Balances with other banks	7	1,140,415	968,575
Lendings to financial institutions	8	1,229,104	1,937,347
Investments	9	140,692,001	148,689,974
Advances	10	238,392,871	251,990,918
Fixed assets	11	11,736,075	6,245,328
Intangible assets	12	2,271,884	2,169,877
Deferred tax assets - net	13	611,956	287,062
Other assets	14	12,999,055	12,354,155
		430,167,292	456,754,076
<b>LIABILITIES</b>			
Bills payable	15	3,174,073	3,519,924
Borrowings	16	59,923,106	96,558,663
Deposits and other accounts	17	327,063,913	321,413,263
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	7,495,800	7,496,800
Deferred tax liabilities		-	-
Other liabilities	19	16,627,630	12,148,400
		414,284,522	441,137,050
<b>NET ASSETS</b>		<b>15,882,770</b>	<b>15,617,026</b>
<b>REPRESENTED BY</b>			
Share capital		10,119,242	10,119,242
Reserves		1,751,106	1,712,171
Deficit on revaluation of assets - net of tax	20	(224,787)	(1,035,589)
Unappropriated profit		4,237,209	4,821,202
		15,882,770	15,617,026
<b>CONTINGENCIES AND COMMITMENTS</b>	21		

The annexed notes from 1 to 39 form an integral part of these unconsolidated condensed interim financial statements.

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

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

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

For the nine months period ended September 30, 2019

		Quarter ended		Nine months period ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Note	----- Rupees in '000 -----			
Mark-up / return / interest earned	23	11,198,953	7,602,404	30,259,114	21,612,768
Mark-up / return / interest expensed	24	9,624,771	5,336,518	24,973,660	14,968,714
Net mark-up / interest income		1,574,182	2,265,886	5,285,454	6,644,054
NON MARK-UP / INTEREST INCOME					
Fee and commission income	25	663,686	549,393	2,008,747	2,001,267
Dividend income		9,935	7,452	57,095	72,483
Foreign exchange income		243,698	167,534	680,819	472,359
Income / (loss) from derivatives - net		1,595	(1,757)	44,970	23,676
Loss on securities - net	26	(194,565)	(487,916)	(564,104)	(531,182)
Other income - net	27	25,081	33,852	93,252	85,672
Total non mark-up / interest income		749,430	268,558	2,320,779	2,124,275
Total Income		2,323,612	2,534,444	7,606,233	8,768,329
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	28	2,617,093	2,532,107	7,902,328	7,476,200
Workers' Welfare Fund	29	-	2,361	-	24,544
Other charges	30	886	200	1,134	732
Total non-mark-up / interest expenses		2,617,979	2,534,668	7,903,462	7,501,476
(Loss) / profit before provisions		(294,367)	(224)	(297,229)	1,266,853
Reversals / (provisions) and write offs - net	31	92,158	118,274	(501,495)	(39,658)
Extraordinary / unusual items		-	-	-	-
(LOSS) PROFIT BEFORE TAXATION		(202,209)	118,050	(798,724)	1,227,195
Taxation	32	65,971	(46,175)	220,809	(471,025)
(LOSS) / PROFIT AFTER TAXATION		(136,238)	71,875	(577,915)	756,170
----- Rupee -----					
Basic and diluted (loss) / earnings per share	33	(0.11)	0.06	(0.46)	0.46

The annexed notes from 1 to 39 form an integral part of these unconsolidated condensed interim financial statements.

President and  
Chief Executive Officer

Chief Financial  
Officer

Director

Director

Chairman



# Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months period ended September 30, 2019

	Quarter ended		Nine months period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	----- Rupees in '000 -----			
		(Restated)		(Restated)
(Loss) / profit after taxation for the period	(136,238)	71,875	(577,915)	756,170
Other comprehensive (loss) / income				
Items that may be reclassified to profit or loss account in subsequent periods:				
Effect of translation of net investment in foreign branch	(13,279)	580	38,935	31,878
Movement in surplus / (deficit) on revaluation of investments - net of tax	211,725	(586,733)	861,375	(1,499,350)
Movement in general provision under IFRS 9 - net of tax	(5,380)	3,749	(32,487)	59,368
	206,345	(582,984)	828,888	(1,439,982)
	193,066	(582,404)	867,823	(1,408,104)
Items that will not be reclassified to profit or loss account in subsequent periods:				
Movement in surplus on revaluation of operating fixed assets - net of tax	-	-	-	384,273
Total comprehensive (loss) / income	56,828	(510,529)	289,908	(267,661)

The annexed notes from 1 to 39 form an integral part of these unconsolidated condensed interim financial statements.

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

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Chief Financial  
Officer

\_\_\_\_\_  
Director

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Director

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Chairman

# Unconsolidated Condensed Interim Statement of Changes in Equity

For the nine months period ended September 30, 2019

	Reserves				Surplus/(Deficit) on revaluation of			Unap- pro-riated profit	Total
	Share capital	Preference shares	Statutory reserve *	Exchange translation reserve	Investments	Fixed Assets	Non Banking Assets		
	Rupees in '000								
Balance as at December 31, 2017 - audited	8,619,242	1,500,000	1,528,769	12,219	(78,310)	473,539	95,050	4,518,820	16,669,329
Total comprehensive income for the nine months period ended September 30, 2018 - un-audited									
Profit after taxation	-	-	-	-	-	-	-	756,170	756,170
Other comprehensive income / (loss) - net of tax	-	-	-	31,878	(1,439,982)	384,273	-	-	(1,023,831)
	-	-	-	31,878	(1,439,982)	384,273	-	756,170	(267,661)
Transfer to statutory reserve	-	-	151,234	-	-	-	-	(151,234)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax									
Fixed assets	-	-	-	-	-	(9,705)	-	9,705	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	(161)	161	-
Transaction with owners recorded directly in equity									
Issuance of ordinary shares on conversion of preference shares during the period	2,250,000	-	-	-	-	-	-	-	2,250,000
Discount on issue of ordinary shares during the period	(750,000)	-	-	-	-	-	-	-	(750,000)
	1,500,000	-	-	-	-	-	-	-	1,500,000
Preference shares cancelled on conversion into ordinary shares during the period	-	(1,500,000)	-	-	-	-	-	-	(1,500,000)
Preference dividend for the year ended December 31, 2017 @ 12% p.a	-	-	-	-	-	-	-	(180,000)	(180,000)
Balance as at September 30, 2018 - un-audited (restated)	10,119,242	-	1,680,003	44,097	(1,518,292)	848,107	94,889	4,953,622	16,221,668
Total comprehensive income for the period ended December 31, 2018									
Loss after taxation	-	-	-	-	-	-	-	(193,832)	(193,832)
Other comprehensive (loss) / income - net of tax	-	-	-	26,837	(661,821)	208,670	(2,086)	17,590	(410,810)
	-	-	-	26,837	(661,821)	208,670	(2,086)	(176,242)	(604,642)
Transfer to statutory reserve	-	-	(38,766)	-	-	-	-	38,766	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax									
Fixed assets	-	-	-	-	-	(5,111)	-	5,111	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	55	(55)	-
Balance as at December 31, 2018 - audited	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 nine months period ended September 30, 2019 - un-audited									
Loss after taxation	-	-	-	-	-	-	-	(577,915)	(577,915)
Other comprehensive income - net of tax	-	-	-	38,935	828,888	-	-	-	867,823
	-	-	-	38,935	828,888	-	-	(577,915)	289,908
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax									
Fixed assets	-	-	-	-	-	(18,025)	-	18,025	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	(61)	61	-
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 September 30, 2019 - un-audited	10,119,242	-	1,641,237	109,869	(1,351,225)	1,033,641	92,797	4,237,209	15,882,770

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

The annexed notes from 1 to 39 form an integral part of these unconsolidated condensed interim financial statements.

President and Chief Executive Officer	Chief Financial Officer	Director	Director	Chairman
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# Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2019

	Note	September 30, 2019	September 30, 2018
		----- Rupees in '000 -----	(Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / profit before taxation		(798,724)	1,227,195
Less: Dividend income		(57,095)	(72,483)
		(855,819)	1,154,712
<b>Adjustments</b>			
Depreciation		589,022	506,934
Depreciation on non-banking assets		628	975
Depreciation - Right of Use Assets		520,691	-
Amortisation of intangible assets		68,169	50,707
Mark-up / return / interest expensed on lease liability against right-of-use assets		327,771	-
Charge for defined benefit plan		115,816	128,244
Unrealised loss on revaluation of investments classified as held-for-trading - net		435	7,673
Provisions and write offs - net	31	501,495	39,658
Provision for Workers' Welfare Fund		-	24,544
Unrealised gain on revaluation of derivative instruments - net		(30,265)	(16,130)
Unrealised loss on revaluation of forward foreign exchange contracts		242,665	37,554
Gain on sale of fixed assets - net	27	(93,252)	(85,672)
		2,243,175	694,487
		1,387,356	1,849,199
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		711,310	1,285,591
Held-for-trading securities		(15,094,668)	(528,868)
Advances		13,155,267	(47,804,180)
Other assets (excluding advance taxation)		(1,112,189)	(1,865,638)
		(2,340,280)	(48,913,095)
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		(345,851)	162,458
Borrowings		(36,286,020)	(11,019,735)
Deposits		5,650,650	20,209,335
Other liabilities		(414,527)	690,718
		(31,395,748)	10,042,776
		(32,348,672)	(37,021,120)
		(102,494)	(175,118)
Gratuity paid			
Mark-up / return / interest expensed on lease liability against right-of-use assets paid		(327,771)	-
Income tax paid		(329,516)	(1,064,810)
<b>Net cash used in operating activities</b>		<b>(33,108,453)</b>	<b>(38,261,048)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		16,119,414	38,372,406
Net investments in held-to-maturity securities		8,195,552	319,210
Investment in associated companies		(21,239)	(180,000)
Dividend income received		57,095	71,576
Investments in fixed assets		(1,545,631)	(916,579)
Investments in intangible assets		(170,176)	(218,978)
Proceeds from sale of fixed assets		149,020	126,009
Effect of translation of net investment in foreign branch		38,935	31,878
<b>Net cash flows from investing activities</b>		<b>22,822,970</b>	<b>37,605,522</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid on preference shares		(24,164)	(180,000)
Payment of lease liability against right of use assets		(184,929)	-
Sub-ordinated loans		(1,000)	(1,000)
<b>Net cash used in financing activities</b>		<b>(210,093)</b>	<b>(181,000)</b>
<b>Decreased in cash and cash equivalents</b>		<b>(10,495,576)</b>	<b>(836,526)</b>
Cash and cash equivalents at beginning of the period		32,577,913	18,169,058
<b>Cash and cash equivalents at end of the period</b>		<b>22,082,337</b>	<b>17,332,532</b>

The annexed notes from 1 to 39 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 Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 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 344 (December 31, 2018: 344) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (December 31, 2018: 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 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.

## 2. BASIS OF PRESENTATION

### 2.1 Statement Of Compliance

- 2.1.1 These unconsolidated condensed interim financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan.

The accounting and reporting standards comprise of:

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

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

- 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 State Bank Pakistan (SBP) and the Securities & Exchange Commission of Pakistan (SECP) from time to time.

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

**2.1.2** 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. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

**2.1.3** 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 that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS-10 "Consolidated Financial Statements" are not applicable in case of investment by companies in mutual funds established under trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

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

**2.3** These unconsolidated condensed interim financial statements are presented in Pakistani Rupee, which is the Bank's functional and presentation currency.

**2.4** The unconsolidated condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended December 31, 2018.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

consistent with those applied in the preparation of the audited annual financial statements of the Bank for the year ended December 31, 2018.

## 3.1 Changes in accounting policies

### 3.1.1 Change in reporting format

The SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 specified the new reporting format for the quarterly and half yearly financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the nine months period ended September 30, 2019 which has resulted in certain additional disclosures and reclassifications of the items in these unconsolidated condensed interim financial statements.

### 3.1.2 Adoption of IFRS 16 - Leases

International Accounting Standards Board (IASB) has issued IFRS 16 'Leases' in January 2016 which supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The new standard sets out the principles for:

- Lessees to account for all leases under a single on-balance sheet model and governs recognition, measurement, presentation and disclosure of leases; and
- Lessor accounting which is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

Therefore, IFRS 16 did not have an impact for leases where the Bank is a lessor.

The Bank has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as January 01, 2019. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard, recognised at the date of initial application. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period.

Upon adoption of IFRS 16, the lessees are required to recognise a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. Under IAS 17, leased assets, under operating lease mode, were not recognised on bank's balance sheets and it only required lessees to recognise a periodic lease expense (rent) on a straight-line basis over the term for leases tenure and relevant lease commitments were disclosed.

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

#### **Right-of-use (RoU) assets**

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

## Lease liability

At the commencement date of the lease, the Bank recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

The effect of adoption of IFRS 16 as at January 01, 2019 (increase / (decrease)) is as follows:

January 01, 2019  
Rupees in '000

## Assets

Right-of-use (RoU) asset	4,098,619
Prepayments	(268,495)
Total Assets	3,830,124

## Liabilities

Lease liability	3,830,124
-----------------	-----------

The carrying amounts of the Bank's right-of-use assets, lease liabilities and the movements during the period is as below:

	RoU asset	Lease liability
	----- Rupees in '000 -----	
As at January 1, 2019	4,098,619	3,830,124
Additional impact arised during the period - net	1,011,978	1,011,978
Depreciation	(520,691)	-
Borrowing cost	-	327,771
Payments	-	(512,700)
As at September 30, 2019	4,589,906	4,657,173

Had this standard not been applied, assets and liabilities would have been lower by Rs. 4,589.906 million and Rs.4,657.173 million respectively. Rent expense would have been higher by Rs. 622.812 million and depreciation charge and mark-up expense would have been lower by Rs. 520.691 million and Rs. 327.771 million respectively.



# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

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

### 3.2.1 IFRS 16 - Leases has become effective for annual reporting periods commencing on or after January 01, 2019. The impact of the adoption of IFRS 16 on the Bank's condensed interim financial statements is disclosed in note 3.1.2 below.

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 01, 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated financial statements.

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

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

	Effective date (reporting periods beginning on or after)
- IFRS 3, Business Combinations (Amendments)	January 01, 2020
- IAS 1, Presentation of Financial Statements (Amendments)	January 01, 2020
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020
	Effective date (reporting periods ending on or after)
- IFRS 9, Financial Instruments (note 3.3.1)	June 30, 2019

### 3.3.1 Through S.R.O. 229 (I)/2019, dated February 14, 2019, the SECP has notified that IFRS 9 - Financial Instruments, has replaced the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" which are applicable from reporting periods on or after June 30, 2019. However, State Bank of Pakistan has deferred the applicability of IFRS 9 through email dated July 23, 2019. Therefore, the Bank has not considered the impact for adoption of IFRS 9 for its Pakistan operations in these unconsolidated condensed interim 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 suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

The adoption of the IFRS 9 by the overseas branch as per the requirement of regulatory regime, has resulted in net reversal of ECL provisioning requirement of Rs. 61.967 million during nine months period ended September 30, 2019.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements is the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2018.

## 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, 2018.

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	----- Rupees in '000 -----	
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>		
<b>In hand</b>		
Local currency	4,915,968	4,415,520
Foreign currencies	764,300	488,292
	<u>5,680,268</u>	<u>4,903,812</u>
<b>With State Bank of Pakistan in:</b>		
Local currency current account	10,283,387	22,166,628
Foreign currency current account - non remunerative	1,067,194	785,958
Foreign currency deposit account - remunerative	3,215,824	2,409,442
	<u>14,566,405</u>	<u>25,362,028</u>
<b>With National Bank of Pakistan in:</b>		
Local currency current accounts	668,395	1,839,396
<b>National Prize Bonds</b>	178,863	5,604
	<u><u>21,093,931</u></u>	<u><u>32,110,840</u></u>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Note	----- Rupees in '000 -----	
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current accounts		43,195	124,962
In deposit accounts		67	67
		<u>43,262</u>	<u>125,029</u>
<b>Outside Pakistan</b>			
In current accounts		551,954	733,889
In deposit accounts		545,282	109,784
		<u>1,097,236</u>	<u>843,673</u>
		<u>1,140,498</u>	<u>968,702</u>
Less: General provision under IFRS 9	7.1	(83)	(127)
Balances with other banks - net of provision		<u><u>1,140,415</u></u>	<u><u>968,575</u></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		833,949	1,758,917
Due against bills re-discounting		-	182,742
Repurchase agreement lendings (Reverse Repo)		396,400	-
		<u>1,230,349</u>	<u>1,941,659</u>
Less: General provision under IFRS 9	8.1	(1,245)	(4,312)
Lending to financial institutions - net of provision		<u><u>1,229,104</u></u>	<u><u>1,937,347</u></u>

8.1 This represents general provision held under IFRS 9 by Bahrain branch of the Bank.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		(Un-audited) September 30, 2019				(Audited) December 31, 2018			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
9. INVESTMENTS		Rupees in '000							
9.1	Investments by type								
	Held-for-trading securities								
	Federal Government Securities	57,664,703	-	(435)	57,664,268	41,381,420	-	(12,906)	41,368,514
	Available-for-sale securities								
	Federal Government Securities	40,841,407	-	(1,500,531)	39,340,876	55,434,989	-	(2,893,867)	52,541,122
	Shares	3,471,945	(605,561)	(559,847)	2,306,537	3,141,015	(478,346)	(94,766)	2,567,903
	Non Government Debt Securities	3,592,441	(370,051)	(7,177)	3,215,213	1,898,582	(373,594)	606	1,525,594
	Foreign Securities	1,574,653	-	(51,286)	1,523,367	6,326,797	-	(456,009)	5,870,788
	Held-to-maturity securities	49,480,446	(975,612)	(2,118,841)	46,385,993	66,801,383	(851,940)	(3,444,036)	62,505,407
	Federal Government Securities	34,521,380	-	-	34,521,380	42,716,932	-	-	42,716,932
	Associates	201,239	-	-	201,239	180,000	-	-	180,000
	Subsidiaries	1,919,121	-	-	1,919,121	1,919,121	-	-	1,919,121
	<b>Total Investments</b>	<b>143,786,889</b>	<b>(975,612)</b>	<b>(2,119,276)</b>	<b>140,692,001</b>	<b>152,998,856</b>	<b>(851,940)</b>	<b>(3,456,942)</b>	<b>148,689,974</b>
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
9.2 Investments by segments:		Rupees in '000							
	Held-for-trading securities								
	Federal Government Securities								
	Market Treasury Bills	57,664,703	-	(435)	57,664,268	41,376,995	-	(12,844)	41,364,151
	Pakistan Investment Bonds	-	-	-	-	4,425	-	(62)	4,363
		57,664,703	-	(435)	57,664,268	41,381,420	-	(12,906)	41,368,514
	Available-for-sale securities								
	Federal Government Securities								
	Market Treasury Bills	1,534,103	-	(285)	1,533,818	3,010,920	-	(13)	3,010,907
	Pakistan Investment Bonds	39,307,304	-	(1,500,246)	37,807,058	52,424,069	-	(2,893,854)	49,530,215
		40,841,407	-	(1,500,531)	39,340,876	55,434,989	-	(2,893,867)	52,541,122
	Shares:								
	Listed Companies								
	Ordinary shares	3,296,623	(468,972)	(559,847)	2,267,804	2,993,426	(341,757)	(94,766)	2,556,903
	Preference shares	136,589	(136,589)	-	-	136,589	(136,589)	-	-
	Unlisted Companies								
	Ordinary shares	11,000	-	-	11,000	11,000	-	-	11,000
	Preference shares	27,733	-	-	27,733	-	-	-	-
		3,471,945	(605,561)	(559,847)	2,306,537	3,141,015	(478,346)	(94,766)	2,567,903
	Non Government Debt Securities								
	Listed								
	Term Finance Certificates	305,183	(155,169)	(14)	150,000	308,727	(158,712)	(15)	150,000
	Sukuk Certificates	440,833	-	(7,163)	433,670	529,000	-	621	529,621
	Unlisted								
	Term Finance Certificates	1,379,758	(214,882)	-	1,164,876	779,188	(214,882)	-	564,306
	Sukuk Certificates	1,466,667	-	-	1,466,667	281,667	-	-	281,667
		3,592,441	(370,051)	(7,177)	3,215,213	1,898,582	(373,594)	606	1,525,594
	Foreign Securities								
	Government Debt Securities	234,847	-	(1,798)	233,049	3,434,089	-	(202,645)	3,231,444
	Non Government Debt Securities	1,337,400	-	(49,488)	1,287,912	2,890,302	-	(253,364)	2,636,938
	Ordinary shares	2,406	-	-	2,406	2,406	-	-	2,406
		1,574,653	-	(51,286)	1,523,367	6,326,797	-	(456,009)	5,870,788
	Held-to-maturity securities								
	Federal Government Securities								
	Pakistan Investment Bonds	34,521,380	-	-	34,521,380	42,716,932	-	-	42,716,932
	Associates								
	Omar Jibran Engineering Industries Limited	180,000	-	-	180,000	180,000	-	-	180,000
	Veda Transit Solutions Private Limited	972	-	-	972	-	-	-	-
	Intercity Touring Company Private Limited	20,267	-	-	20,267	-	-	-	-
		201,239	-	-	201,239	180,000	-	-	180,000
	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
	<b>Total Investments</b>	<b>143,786,889</b>	<b>(975,612)</b>	<b>(2,119,276)</b>	<b>140,692,001</b>	<b>152,998,856</b>	<b>(851,940)</b>	<b>(3,456,942)</b>	<b>148,689,974</b>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

**9.2.1** Included herein are the investments in related parties amounting to Rs. 2,090.268 million (December 31, 2018: Rs.1,899.088 million) having market value of Rs. 1,682.194 million (December 31, 2018: Rs.1,931.604 million).

**9.2.2** This represents investment in related party amounting to Rs. 27.733 million (December 31, 2018: Rs.Nil).

**9.2.3** Included herein is the investment of Rs. 65.022 million (December 31, 2018: 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** The market value of securities classified as held-to-maturity as at September 30, 2019 amounted to Rs. 32,320.548 million (December 31, 2018: Rs.39,836.881 million).

**9.2.5** During the period, the Bank has invested in the equity securities of Veda Transit Solutions Private Limited (8.0% shareholding) and Intercity Touring Company Private Limited (9.12% shareholding), a public unlisted companies. The Bank has classified these investment as associates on account of it's significant influence over the investee companies.

	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Cost	Market value	Cost	Market value
----- Rupees in '000 -----				
<b>9.2.6 Investments given as collateral</b>				
<b>Held-for-trading securities</b>				
<b>Federal Government Securities</b>				
Market Treasury Bills	27,906,480	27,906,844	19,927,891	19,922,073
Pakistan Investment Bonds	-	-	4,123	4,066
	27,906,480	27,906,844	19,932,014	19,926,139
<b>Available-for-sale securities</b>				
<b>Federal Government Securities</b>				
Pakistan Investment Bonds	9,805,682	9,282,588	49,667,336	46,935,112
<b>Foreign Debt Securities</b>				
Government Debt Securities	-	-	2,243,194	2,113,551
Non Government Debt Securities	-	-	425,354	416,293
	-	-	2,668,548	2,529,844
	37,712,162	37,189,432	72,267,898	69,391,095
<b>9.3 Provision for diminution in value of investments</b>			(Un-audited) September 30, 2019	(Audited) December 31, 2018
----- Rupees in '000 -----				
<b>9.3.1 Opening balance</b>			851,940	1,071,851
Charge			251,675	30,032
Reversal on disposals / redemptions			(128,003)	(249,943)
Net charge for the period			123,672	(219,911)
Closing Balance			975,612	851,940

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 9.3.2 Particulars of provision against debt securities

Category of classification	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	NPI	Provision	NPI	Provision
----- Rupees in '000 -----				
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	370,051	370,051	373,594	373,594
	<u>370,051</u>	<u>370,051</u>	<u>373,594</u>	<u>373,594</u>

9.3.3 In addition to the above, overseas branch hold a general provision of Rs. 38.140 million (December 31, 2018: Rs.90.015 million) in accordance with the requirements of IFRS 9.

		Performing		Non Performing		Total		
		(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018	
10.	ADVANCES	Note	----- Rupees in '000 -----					
	Loans, cash credits, running finances, etc.		221,512,749	232,162,303	10,279,801	8,309,467	231,792,550	240,471,770
	Bills discounted and purchased		10,199,081	14,675,443	-	-	10,199,081	14,675,443
	Advances - gross		231,711,830	246,837,746	10,279,801	8,309,467	241,991,631	255,147,213
	Provision against advances							
	General		(157,385)	(155,661)	-	-	(157,385)	(155,661)
	General provision - under IFRS-9	10.3.2	(11,654)	(10,746)	-	-	(11,654)	(10,746)
	Specific		-	-	(3,429,721)	(2,989,888)	(3,429,721)	(2,989,888)
		10.3	(169,039)	(166,407)	(3,429,721)	(2,989,888)	(3,598,760)	(3,156,295)
	Advances - net of provision		231,542,791	246,671,339	6,850,080	5,319,579	238,392,871	251,990,918
						(Un-audited) September 30, 2019	(Audited) December 31, 2018	
10.1	Particulars of advances (gross)		----- Rupees in '000 -----					
	In local currency						232,641,959	247,577,882
	In foreign currencies						9,349,672	7,569,331
							241,991,631	255,147,213

10.2 Advances include Rs. 10,279.801 million (December 31, 2018: Rs.8,309.467 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
----- Rupees in '000 -----				
<b>Domestic</b>				
Other Assets Especially Mentioned	955,542	920	231,430	-
Substandard	1,108,729	67,818	1,488,616	83,945
Doubtful	2,664,827	414,447	3,189,709	146,592
Loss	5,550,703	2,946,536	3,399,712	2,759,351
<b>Total</b>	<u>10,279,801</u>	<u>3,429,721</u>	<u>8,309,467</u>	<u>2,989,888</u>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 10.3 Particulars of provision against advances

	(Un-audited) September 30, 2019				(Audited) December 31, 2018			
	Specific	General	General provision - under IFRS-9	Total	Specific	General	General provision - under IFRS-9	Total
----- Rupees in '000 -----								
Opening balance	2,989,888	155,661	10,746	3,156,295	2,638,960	100,353	-	2,739,313
Exchange adjustments	-	-	1,331	1,331	-	-	1,321	1,321
Charge for the period	787,202	1,724	-	788,926	422,994	55,308	9,425	487,727
Reversals for the period	(347,369)	-	(423)	(347,792)	(72,066)	-	-	(72,066)
	439,833	1,724	(423)	441,134	350,928	55,308	9,425	415,661
Amount written off from the opening balance	-	-	-	-	-	-	-	-
Closing balance	3,429,721	157,385	11,654	3,598,760	2,989,888	155,661	10,746	3,156,295

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:

	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Secured portfolio		Unsecured portfolio	
	----- Percentages -----			
Consumer financing	1%	1%	4%	4%
Housing finance	0.5%	0.5%	-	-

10.3.2 This represents general provision held on adoption of IFRS 9 by Bahrain branch of the Bank.

10.3.3 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 period of five years from the date of classification. As at September 30, 2019, the Bank has availed cumulative benefit of FSV of Rs. 3,803.799 million (December 31, 2018: Rs.2,386.448 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have reduced by Rs. 2,472.469 million (December 31, 2018: Rs.1,551.191 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

11. FIXED ASSETS	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		----- Rupees in '000 -----	
Capital work-in-progress	11.1	130,553	162,193
Property and equipment		7,015,616	6,083,135
Right-of-use Assets	3.1.2	4,589,906	-
		11,736,075	6,245,328
11.1 Capital work-in-progress			
Civil works		104,455	133,928
Advance for purchase of furniture and fixtures		432	4,479
Advance for purchase of vehicles		20,206	14,182
Advance for purchase of equipment		5,460	9,604
		130,553	162,193



# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 11.2 Additions to fixed assets

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

		Un-audited September 30, 2019	September 30, 2018
	Note	----- Rupees in '000 -----	
Capital work-in-progress - net		-	86,322
<b>Property and equipment</b>			
Building on lease hold land	11.2.1	640,700	50,000
Lease hold improvements		157,146	142,820
Furniture and fixture		69,760	58,462
Electrical, office and computer equipment		353,420	301,698
Vehicles		320,893	288,826
		<b>1,541,919</b>	<b>841,806</b>
		<b>1,541,919</b>	<b>928,128</b>

11.2.1 During the period, the Bank purchased an office premises on June 03, 2019 from JS Investments Limited (a Subsidiary Company) for cash consideration of Rs. 607.299 million. The cost of acquisition amounting to Rs.33.401 million has also been capitalized in its cost.

## 11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

Lease hold improvements	1,789	9,917
Furniture and fixture	1,079	1,234
Electrical, office and computer equipment	7,064	3,806
Vehicles	45,836	22,452
	<b>55,768</b>	<b>37,409</b>

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Note	----- Rupees in '000 -----	
<b>12. INTANGIBLE ASSETS</b>			
Capital work-in-progress	12.1	85,898	75,760
Goodwill		1,463,625	1,463,625
Computer software		722,361	630,492
		<b>2,271,884</b>	<b>2,169,877</b>
<b>12.1 Capital work-in-progress</b>			
Advance for purchase software		<b>85,898</b>	<b>75,760</b>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 12.2 Additions to intangible assets

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

		Un-audited	
		September 30, 2019	September 30, 2018
		----- Rupees in '000 -----	
Capital work-in-progress - net		10,138	29,983
Directly purchased - computer software		156,561	194,229
		<u>166,699</u>	<u>224,212</u>
		(Un-audited)	(Audited)
		September 30, 2019	December 31, 2018
		----- Rupees in '000 -----	
13.	DEFERRED TAX ASSETS - NET	Note	
Deferred tax debits arising from:			
	Unused tax losses	59,488	-
	Provision against investments	57,149	57,149
	Provision against loans and advances	44,726	34,278
	Other assets	618,984	124,078
	General provision under IFRS-9	18,556	36,820
	Intangible other than Goodwill	2,496	2,246
	Mark to market gain on forward foreign exchange contracts	84,933	(74,177)
	Unrealised loss on revaluation of investments classified as held for trading	152	4,517
	Deficit on revaluation of investments classified as available for sale	727,582	1,173,907
		<u>1,614,066</u>	<u>1,358,818</u>
Deferred tax credits arising due to:			
	Fixed assets	(159,646)	(225,855)
	Goodwill	(512,268)	(512,268)
	Surplus on revaluation of operating fixed assets	(318,373)	(328,079)
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	(979)	(1,010)
	Unrealized gain on revaluation of derivative instruments	(10,844)	(4,544)
		<u>(1,002,110)</u>	<u>(1,071,756)</u>
		<u>611,956</u>	<u>287,062</u>

**13.1** Adjustability of minimum tax (in future years) is provided under section 113(2)(c) of the Income Tax Ordinance, 2001 (the Ordinance). The said provision provides that the excess of minimum tax over 'actual carried forward for adjustment against tax liability (up to five years). However, the Sindh High Court (SHC) passed an order against the issue which had arisen where 'actual tax payable for the year is Nil, and whole amount of minimum

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

tax was considered for adjustment in future. The SHC passed an order that 'actual tax payable should be an absolute amount, and cannot be zero or nil; therefore minimum tax paid in such a situation is not eligible for adjustment in future, in terms of section 113(2) (c) of the Ordinance. Aforesaid decision of the SHC has been further appealed, and issue is now subjudiced before the Supreme Court of Pakistan (SCP). Management and its tax advisors are of the opinion that, based on valid legal grounds, favourable outcome is expected. Accordingly, till the finalization of matter at the SCP, the Bank will continue to carry forward the tax paid.

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Note	----- Rupees in '000 -----	
<b>14. OTHER ASSETS</b>			
Income/ Mark-up accrued in local currency - net of provision		7,615,053	5,586,015
Income/ Mark-up accrued in foreign currencies		117,818	133,707
Advances, deposits, advance rent and other prepayments	3.1.2	501,398	535,055
Taxation (payments less provision)		715,239	936,133
Receivable against bancassurance / bancatakaful		20,991	75,056
Stationery and stamps in hand		26,210	18,536
Receivable from other banks in respect of remittance		422,962	283,469
Non-banking assets acquired in satisfaction of claims	14.1	870,851	91,421
Mark to market gain on forward foreign exchange contracts		-	211,933
Mark to market gain on derivative instruments		30,984	12,983
Advance for subscription of TFC - unsecured		149,161	845,917
ATM settlement account		112,231	195,927
Acceptances		2,072,792	3,217,002
Others		263,368	132,992
		<u>12,919,058</u>	<u>12,276,146</u>
Less: Provision held against other assets	14.2	(13,778)	(15,860)
Other assets (net of provisions)		<u>12,905,280</u>	<u>12,260,286</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		93,775	93,869
		<u>12,999,055</u>	<u>12,354,155</u>

## 14.1 Movement of Non banking assets acquired in satisfaction of claims at market value:

Opening balance	185,290	203,339
Addition during the period / year	779,964	1,295
Transferred during the period / year	-	(18,771)
Depreciation during the period / year	(628)	(573)
Closing balance	<u>964,626</u>	<u>185,290</u>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
----- Rupees in '000 -----		
<b>14.2 Movement in provision held against other assets</b>		
Opening balance	15,860	55,667
Charge for the period / year	-	2,561
Reversal for the period / year	(2,082)	(42,368)
Net charge for the period / year	(2,082)	(39,807)
Closing balance	13,778	15,860
<b>15. BILLS PAYABLE</b>		
In Pakistan	2,957,181	3,326,595
Outside Pakistan	216,892	193,329
	3,174,073	3,519,924
<b>16. BORROWINGS</b>		
<b>Secured</b>		
<b>Borrowings from State Bank of Pakistan under:</b>		
Export Refinancing Scheme (ERF)	16,422,945	15,329,309
Long-Term Finance Facility (LTFF)	1,586,522	1,055,928
Financing Facility for Storage of Agricultural Produce (FFSAP)	162,938	121,922
Repurchase agreement borrowings	27,866,992	12,609,714
	46,039,397	29,116,873
<b>Borrowing from financial institutions</b>		
Repurchase agreement borrowings	9,149,648	57,228,252
Refinancing facility for mortgage loans	1,974,658	-
	11,124,306	57,228,252
<b>Total secured</b>	<b>57,163,703</b>	<b>86,345,125</b>
<b>Unsecured</b>		
Call borrowings	1,126,022	8,323,290
Due against bills re-discounting	1,481,289	1,388,619
Overdrawn nostro accounts	152,092	501,629
<b>Total unsecured</b>	<b>2,759,403</b>	<b>10,213,538</b>
	<b>59,923,106</b>	<b>96,558,663</b>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 17. DEPOSITS AND OTHER ACCOUNTS

	(Un-audited) September 30, 2019			(Audited) December 31, 2018		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- Rupees in '000 -----					
<b>Customers</b>						
Current deposits	61,363,695	6,695,676	68,059,371	71,824,038	5,321,812	77,145,850
Savings deposits	57,478,779	3,386,318	60,865,097	61,444,549	2,576,579	64,021,128
Term deposits	128,642,530	15,990,822	144,633,352	118,807,475	11,430,120	130,237,595
Margin accounts	4,567,197	6,862	4,574,059	3,566,455	4,937	3,571,392
	252,052,201	26,079,678	278,131,879	255,642,517	19,333,448	274,975,965
<b>Financial Institutions</b>						
Current deposits	647,929	208,044	855,973	860,111	-	860,111
Savings deposits	22,362,111	-	22,362,111	27,428,098	-	27,428,098
Term deposits	25,713,950	-	25,713,950	16,608,212	1,540,877	18,149,089
	48,723,990	208,044	48,932,034	44,896,421	1,540,877	46,437,298
	<u>300,776,191</u>	<u>26,287,722</u>	<u>327,063,913</u>	<u>300,538,938</u>	<u>20,874,325</u>	<u>321,413,263</u>

## 18. SUBORDINATED DEBT

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Note	----- Rupees in '000 -----	
Term Finance Certificates - First Issue	18.1 <u>2,997,000</u>	2,997,600
Term Finance Certificates - Second Issue	18.2 <u>1,998,800</u>	1,999,200
Term Finance Certificates - Third Issue	18.3 <u>2,500,000</u>	2,500,000
	<u>7,495,800</u>	<u>7,496,800</u>

- 18.1** 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

**Tenor:** Seven years from the Issue date.

**Maturity Date:** December 14, 2023

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

Rating	A + (Single A Plus)
Profit Rate:	Floating rate of return at Base rate + 1.40 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.
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.

**18.2** 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.
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# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

Issue date	December 29, 2017
Tenor:	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 + 1.40 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.
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.



# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

**18.3** 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 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 Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## Loss absorbency 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 Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
<b>19. OTHER LIABILITIES</b>	Note	----- Rupees in '000 -----	
Mark-up / return / interest payable in local currency		3,481,207	2,638,441
Mark-up / return / interest payable in foreign currencies		124,323	107,641
Accrued expenses		350,898	575,943
Unclaimed dividends		4,214	4,214
Mark to market gain on forward foreign exchange contracts		242,665	-
Payable in respect of defined benefit obligation - net		115,816	102,494
Government duties		227,562	159,236
Donation payable		-	14,500
Lease key money deposit		4,370,891	4,568,145
Workers' Welfare Fund		72,712	72,712
Payable against remittance		465,424	442,811
Visa debit card payable		219,616	80,202
Retention money payable		37,792	35,053
Acceptances		2,072,792	3,217,002
Lease liability	3.1.2	4,657,173	-
Others		184,545	130,006
		<b>16,627,630</b>	<b>12,148,400</b>

## 20. DEFICIT ON REVALUATION OF ASSETS

### (Deficit) / surplus on revaluation of:

Available-for-sale securities - net	9.1 & 20.1	(2,078,807)	(3,354,020)
Fixed assets		1,352,013	1,379,744
Non-banking assets acquired in satisfaction of claims		93,775	93,869
		<b>(633,019)</b>	<b>(1,880,407)</b>

### Deferred tax on (deficit) / surplus on revaluation of:

Available-for-sale securities - net		727,582	1,173,907
Fixed assets		(318,372)	(328,078)
Non-banking assets acquired in satisfaction of claims		(978)	(1,011)
		<b>408,232</b>	<b>844,818</b>
		<b>(224,787)</b>	<b>(1,035,589)</b>

20.1 This is net off against general provision held under IFRS 9 of Rs. 40.034 million (December 31, 2018: Rs.90.015 million) through profit and loss account.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		----- Rupees in '000 -----	
<b>21. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	21.1	43,525,025	41,116,520
Commitments	21.2	70,139,325	58,341,132
		<u>113,664,350</u>	<u>99,457,652</u>
<b>21.1 Guarantees:</b>			
Financial guarantees		2,702,581	3,552,003
Performance guarantees		22,974,164	19,549,043
Other guarantees		17,848,280	18,015,474
	21.1.1	<u>43,525,025</u>	<u>41,116,520</u>
<b>21.1.1</b> Included herein the outstanding guarantees of Rs. 15.401 million (December 31, 2018: Rs.19.201 million) of related parties.			
<b>21.2 Commitments:</b>			
<b>Documentary credits and short-term trade-related transactions</b>			
- Letters of credit	21.2.1	9,980,877	14,957,752
<b>Commitments in respect of:</b>			
- Forward foreign exchange contracts	21.2.2	49,474,590	34,627,442
- Forward government securities transactions	21.2.3	3,646,259	1,703,671
- Interest rate swaps (notional principal)	21.2.4	4,729,766	3,992,763
- Options (notional principal)	21.2.4	2,064,023	2,631,433
- Forward lending	21.2.5	157,945	284,137
<b>Commitments for acquisition of:</b>			
- Fixed assets	21.2.6	85,865	143,934
		<u>70,139,325</u>	<u>58,341,132</u>

**21.2.1** Included herein the outstanding letter of credits of Rs. 12.904 million (December 31, 2018: Rs.44.016 million) of related parties.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	----- Rupees in '000 -----	
<b>21.2.2 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	31,209,048	21,521,180
Sale	18,265,542	13,106,262
	<u>49,474,590</u>	<u>34,627,442</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.		
<b>21.2.3 Commitments in respect of forward government securities</b>		
Purchase	3,646,259	209,471
Sale	-	1,494,200
	<u>3,646,259</u>	<u>1,703,671</u>
<b>21.2.4 Commitments in respect of derivative instruments</b>		
Interest rate swaps (notional principal)	4,729,766	3,992,763
Options (notional principal)	2,064,023	2,631,433
	<u>6,793,789</u>	<u>6,624,196</u>
<b>21.2.5 Commitments in respect of forward lending</b>		
Undrawn formal standby facilities, credit lines and other commitments to lend	<u>157,945</u>	<u>284,137</u>
<b>21.2.5.1</b> 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.		
<b>21.2.6 Commitments for acquisition of fixed assets</b>	<u>85,865</u>	<u>143,934</u>
<b>21.2.7</b> There are no changes in contingent liabilities since the date of annual unconsolidated audited financial statements for the year ended December 31, 2018 except as disclosed above and notes 32.1 and 32.2.		

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 22. Derivative Instruments

Derivative instruments, such as Forward Securities 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 customers 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 47 to the unconsolidated annual financial statements for the year ended December 31, 2018.

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, 2018.

### 22.1 Product analysis

Product analysis

		(Un-audited) September 30, 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		4,729,766	15,927	-	-	-	-
Market making		-	-	2,064,023	13,524	3,646,259	1,533
With FIs other than banks							
Hedging		-	-	-	-	-	-
Market making		-	-	-	-	-	-
Total							
Hedging		4,729,766	15,927	-	-	-	-
Market making		-	-	2,064,023	13,524	3,646,259	1,533

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

(Un-audited) December 31, 2018					
Interest Rate Swaps		Options		Forward securities	
Notional principal	Mark to market	Notional principal	Mark to market	Notional principal	Mark to market
----- Rupees in '000 -----					
<b>With Banks for</b>					
Hedging	3,992,763	16,931	-	-	-
Market making	-	-	2,631,433	(3,652)	1,703,671
					(296)
<b>With FIs other than banks</b>					
Hedging	-	-	-	-	-
Market making	-	-	-	-	-
<b>Total</b>					
Hedging	3,992,763	16,931	-	-	-
Market making	-	-	2,631,433	(3,652)	1,703,671
					(296)

		----- Un-audited -----	
		September 30, 2019	September 30, 2018
		----- Rupees in '000 -----	
<b>23. MARK-UP / RETURN / INTEREST EARNED</b>	Note		
On:			
Loans and advances		22,627,960	13,613,134
Investments		6,850,722	7,785,018
Lendings to financial institutions		45,588	86,348
Balances with other banks		45,631	7,873
Securities purchased under resale agreements		689,213	120,395
		<u>30,259,114</u>	<u>21,612,768</u>
<b>24. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		20,202,045	10,333,670
Borrowings	24.1	1,290,757	486,411
Securities sold under repurchase agreements		2,403,709	3,853,076
Sub-ordinated loans		749,378	295,557
Lease liability against right-of-use assets	3.1.2	327,771	-
		<u>24,973,660</u>	<u>14,968,714</u>
<b>24.1 Borrowings</b>			
Export Refinancing Scheme (ERF)		251,418	190,446
Long-Term Finance Facility (LTFF)		24,513	7,566
Financing Facility for Storage of Agricultural Produce (FFSAP)		2,621	1,572
Other short term borrowings		1,012,205	286,827
		<u>1,290,757</u>	<u>486,411</u>

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		Un-audited	
		September 30, 2019	September 30, 2018
		----- Rupees in '000 -----	
25.	<b>FEE AND COMMISSION INCOME</b>		
	Branch banking customer fees	132,572	127,220
	Consumer finance related fees	14,847	27,348
	Card related fees (debit and credit cards)	362,542	206,969
	Credit related fees	210,403	182,178
	Investment banking fees	42,565	330,924
	Commission on trade	395,736	341,754
	Commission on guarantees	249,142	234,933
	Commission on cash management	4,388	3,061
	Commission on remittances including home remittances	81,095	77,144
	Commission on bancassurance	105,814	104,774
	Commission on distribution of mutual funds	94,070	129,157
	Commission on online services	132,694	123,443
	Postage & courier income	14,964	10,295
	Rebate income	160,997	97,950
	Rebate on primary dealership	6,918	4,117
		<u>2,008,747</u>	<u>2,001,267</u>
26.	<b>LOSS ON SALE OF SECURITIES - NET</b>		
	Realised	(563,669)	(523,509)
	Unrealised - held for trading	(435)	(7,673)
		<u>(564,104)</u>	<u>(531,182)</u>
26.1	<b>Realised (loss) / gain on:</b>		
	<b>Federal government securities</b>		
	Market treasury bills	3,850	(5,771)
	Pakistan investment bonds	(402,443)	(275,445)
	Ijara sukuk certificates	633	362
	<b>Shares</b>		
	Listed companies	(159,776)	(223,112)
	<b>Mutual fund units</b>	482	247
	Foreign currency bonds	(6,415)	(23,755)
	Sukuk certificates	-	3,965
		<u>(563,669)</u>	<u>(523,509)</u>



# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		Un-audited	
		September 30, 2019	September 30, 2018
		----- Rupees in '000 -----	
27.	<b>OTHER INCOME - NET</b>	Note	
	Gain on sale of operating fixed assets - net	93,252	85,672
28.	<b>OPERATING EXPENSES</b>		
	<b>Total compensation expense</b>	3,851,929	3,779,334
	<b>Property expense</b>		
	Rent & taxes	220,375	828,110
	Insurance	7,913	6,108
	Utilities cost	232,185	190,458
	Security (including guards)	261,971	264,037
	Repair & maintenance (including janitorial charges)	177,286	160,842
	Depreciation	187,039	162,186
	Depreciation - Right of Use Assets	520,691	-
	Depreciation on non banking assets	628	975
		1,608,088	1,612,716
	<b>Information technology expenses</b>		
	Software maintenance	128,225	79,124
	Hardware maintenance	161,991	110,001
	Depreciation	126,403	105,149
	Amortisation	68,169	50,707
	Network charges	81,351	75,964
		566,139	420,945
	<b>Other operating expenses</b>		
	Directors' fees and allowances	6,050	9,250
	Legal & professional charges	94,730	41,912
	Insurance	135,490	91,294
	Outsourced services costs	105,285	96,201
	Travelling & conveyance	65,074	63,463
	NIFT clearing charges	28,932	25,894
	Depreciation	275,580	239,600
	Training & development	21,942	27,165
	Postage & courier charges	61,111	51,135
	Communication	81,125	63,742
	Stationery & printing	184,295	152,105
	Marketing, advertisement & publicity	207,031	273,895
	Donations	-	24,500
	Auditors remuneration	5,126	9,905
	Staff auto fuel & maintenance	174,842	118,873
	Bank charges	47,475	37,237
	Stamp duty	33,019	20,636
	Online verification charges	14,122	16,902
	Brokerage, fee and commission	23,382	41,538
	Card related fees (debit and credit cards)	6,317	4,915
	CDC and other charges	4,075	4,451
	Consultancy fee	26,158	45,662
	Deposit protection corporation	104,821	29,868
	Entertainment expenses	46,657	42,172
	Fee and subscription	35,705	43,497
	Employees social security	5,722	5,543
	Generator fuel & maintenance	57,824	59,232
	Others	24,282	22,618
		1,876,172	1,663,205
		7,902,328	7,476,200

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

- 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, 2018 are amounting to Rs.87,350.615 million on which total premium is payable of Rs.139.761 million per annum (Rs.34.940 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. Due to loss before taxation, no provision has been recognized by the Bank.

		----- Un-audited -----	
		September 30, 2019	September 30, 2018
		----- Rupees in '000 -----	
<b>30. OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan	242	-	
Others	892	732	
	<u>1,134</u>	<u>732</u>	
<b>31. PROVISIONS AND WRITE OFFS - NET</b>			
Provisions / (reversals) for diminution in value of investments	123,672	(191,116)	
Provisions against loans & advances - specific	439,833	173,703	
Provisions against loans & advances - general	1,724	-	
Other reversals	(2,082)	(42,368)	
General (reversals) / provisions - under IFRS-9	(61,967)	99,439	
Bad debts written off directly	315	-	
	<u>501,495</u>	<u>39,658</u>	
<b>32. TAXATION</b>			
Current	(550,410)	(540,626)	
Prior years	-	-	
Deferred	771,219	69,601	
	<u>220,809</u>	<u>(471,025)</u>	

## 32.1 Income Tax

### 32.1.1 Pakistan Operations

During the period, the assessment for tax years 2016 and 2017 were amended by Additional Commissioner Inland Revenue (ADCIR) by issuing orders under section

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

122(5A) of the Income Tax Ordinance 2001. The assessment was amended by raising various factual and legal issues which the ADCIR considered erroneous and prejudicial to the interest of revenue, and on that basis proceeded to raise a tax demand of Rs.433,889,875 and Rs.508,802,914 for tax years 2016 and 2017 respectively. The Bank not agreeing with the view of ADCIR preferred to file appeals before Commissioner Inland Revenue-Appeals (CIRA). The CIRA disposed off the appeals by considering the Bank's contention and deciding favorably in respect of majority issues. However, certain disallowances have been decided in favor of the Tax Department having tax impact of Rs. 280,090,809 and Rs.144,266,655 for both years respectively. Currently, the matter is being contested by the Bank and the Department in appeals before the Appellate Tribunal Inland Revenue (ATIR), which are pending for hearing and adjudication and the Bank expects a favourable outcome.

## 32.1.2 Azad Jammu & Kashmir Operations

The Bank has commenced operations in Azad Jammu & Kashmir from tax year 2009 and has filed returns for the tax years 2009 to 2018 with the tax authorities of such region. The Commissioner has issued notices for amendment of assessment under section 122 of the Income Tax Ordinance, 2001 (as adopted in AJK Region) for the tax year 2011 to 2017. All assessments orders were rectified with Nil demand. However, such assessments are further amended under section 122(5A) of the Income Tax Ordinance, 2001 (as adopted in AJK and hereinafter refers to as 'the Ordinance') by the Commissioner Inland Revenue, CIR, for the tax year 2013 to 2017 and raised demand of Rs. 55.880 million. Based on the further amendments in tax years 2013 to 2017, CIR has increased mark-up earned on local advances and surplus funds, and dis-allowed fifty percent of allocated head office expense in each tax year, besides creating demand of Super Tax and Education Cess.

For said tax years, the Bank has not accepted further amendments and filed rectification application with CIR on grounds that amendments were made without considering the brought forward losses of Rs.128.223 million. Simultaneously, the Bank has also filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA) where it is pending for hearing and decision. The management is confident that the appeals filed in respect of above years will be decided in the Bank's favor and accordingly no demand for payment would arise.

## 32.2.2 Sales tax

The Bank as a registered person under Sindh Sales Tax on Services Act, 2011 was issued an Order by the Assistant Commissioner Sindh Revenue Board AC-SRB creating a demand of Rs.48.838 million besides penalty of Rs.4.440 million against the Bank for alleged non-payment of Sindh sales tax on certain services / incomes (i.e. Bancassurance, Home Remittances under Pakistan Remittance Initiative Scheme, SBP rebates on Government securities, Rebates from foreign correspondent Banks, and FX gain on remittance by Western Union)' on total amounting to Rs.277.488 million for the tax periods July 2011 to December 2013.

An appeal was filed before Commissioner (Appeals) Sindh Revenue Board, CA-SRB against the decision of AC-SRB which was decided in favor of the tax department

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

except tax imposed on FX gain on remittance by Western Union. Thereafter, both the Bank and AC-SRB filed appeals before the Appellate Tribunal SRB against the decision of CA-SRB. Through its Order dated April 18, 2019, the Appellate Tribunal SRB quashed the demand raised by deciding the Bank's appeal in the Bank's favour and dismissing the AC-SRB's appeal.

		----- Un-audited -----			
		Quarter ended		Nine months period ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		----- Rupees in '000 -----			
33.	<b>BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE</b>				
	(Loss) / profit after taxation for the period - attributable to ordinary equity holders of the Bank for diluted earnings	(136,238)	71,875	(577,915)	756,170
	Preference dividend paid for the year December 31, 2018 @ 12% p.a (2017: @ 12% p.a.)	-	-	(24,164)	(180,000)
	(Loss) / profit after taxation for the period - attributable to ordinary equity holders of the Bank for basic earnings	(136,238)	71,875	(602,079)	576,170
		----- Numbers -----			
	Weighted average number of outstanding ordinary shares during the year for basic earnings	1,297,464,262	1,297,464,262	1,297,464,262	1,257,079,647
		----- Rupee -----			
	Basic and diluted (loss) / earnings per share	(0.11)	0.06	(0.46)	0.46

**33.1** During September 2018, the diluted earnings per share increased for the nine months period ended when taking the convertible preference shares into account, therefore the convertible preference shares are anti-dilutive and are excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share. Further, no impact of dilution has been taken for the quarter ended September 30, 2018, due to conversions of preference shares.

## 34. FAIR VALUE MEASUREMENTS

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost.

The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined at lower of cost and the break-up value in accordance with the requirements of prudential regulations issued by SBP. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements.

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

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 4.7.1 to the annual financial statements of the Bank for the year ended December 31, 2018.

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.

## 34.1 Fair value of financial assets

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

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

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

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

### 34.1.1 Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
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.
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.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV rates (Reuters page).

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

Term Finance Certificates and Bonds	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.
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.

## 34.2 Fair value of non-financial assets

### 34.2.1 Valuation techniques used in determination of fair values within 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 (level 3 measurement) based on their assessment of the market values as disclosed in notes 11 and 14 respectively. 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	

**34.3** The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the period ended September 30, 2019.

**34.4** The following table provides an analysis of financial and non financial assets that are

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

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.

----- Un-audited ----- September 30, 2019			
Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----			
<b>On balance sheet financial instruments</b>			
Financial assets classified as 'held-for-trading securities'			
Financial assets - measured at fair value			
Investments			
Federal Government Securities	-	57,664,268	- 57,664,268
Financial assets classified as 'available-for-sale securities'			
Financial assets - measured at fair value			
Investments			
Federal Government Securities	-	39,340,876	- 39,340,876
Shares	2,267,804	-	- 2,267,804
Non Government Debt Securities	-	583,670	- 583,670
Foreign Securities	-	1,520,961	- 1,520,961
2,267,804	41,445,507	-	43,713,311
Financial assets - disclosed but not measured at fair value			
Investments			
Federal Government Securities	-	32,320,548	- 32,320,548
2,267,804	131,430,323	-	133,698,127
Non-Financial Assets			
Revalued fixed assets	-	- 3,805,614	3,805,614
Non-banking assets acquired in satisfaction of claims	-	- 964,626	964,626
-	-	4,770,240	4,770,240
<b>Off balance sheet financial instruments</b>			
Commitments in respect of:			
Forward foreign exchange contracts			
Purchase	-	30,799,707	- 30,799,707
Sale	-	18,098,867	- 18,098,867
Forward government securities			
Purchase	-	3,647,792	- 3,647,792
Sale	-	-	-
Derivative instruments			
Cross currency swaps (notional principal)	-	6,701,063	- 6,701,063
Options (notional principal)	-	2,077,547	- 2,077,547

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For the nine months period ended September 30, 2019

----- Audited ----- December 31, 2018			
Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----			
<b>On balance sheet financial instruments</b>			
Financial assets classified as 'held-for-trading securities'			
Financial assets - measured at fair value			
Investments			
Federal Government Securities	-	41,368,514	- 41,368,514
Financial assets classified as 'available-for-sale securities'			
Financial assets - measured at fair value			
Investments			
Federal Government Securities	-	52,541,122	- 52,541,122
Shares	2,556,903	-	- 2,556,903
Non Government Debt Securities	-	679,621	- 679,621
Foreign Securities	-	5,868,382	- 5,868,382
2,556,903	59,089,125	-	61,646,028
Financial assets - disclosed but not measured at fair value			
Investments			
Federal Government Securities	-	39,836,881	- 39,836,881
2,556,903	140,294,520	-	142,851,423
<b>Non-Financial Assets</b>			
Revalued fixed assets	-	- 3,209,693	3,209,693
Non-banking assets acquired in satisfaction of claims	-	- 185,290	185,290
-	-	3,394,983	3,394,983
<b>Off balance sheet financial instruments</b>			
Commitments in respect of:			
Forward foreign exchange contracts			
Purchase	-	21,946,624	- 21,946,624
Sale	-	13,319,774	- 13,319,774
Forward government securities			
Purchase	-	209,530	- 209,530
Sale	-	1,494,554	- 1,494,554
Derivative instruments			
Cross currency swaps (notional principal)	-	5,254,792	- 5,254,792
Options (notional principal)	-	2,627,781	- 2,627,781



# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 35. SEGMENT INFORMATION

### 35.1 Segment Details with respect to Business Activities

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Others	Total
<b>September 30, 2019 (Un-audited)</b>	Rupees in '000					
<b>Profit &amp; Loss</b>						
Net mark-up/return/profit	-	1,537,131	(2,723,969)	6,472,292	-	5,285,454
Inter segment revenue - net	-	(4,503,195)	7,886,625	(3,383,430)	-	-
Non mark-up / return / interest income	49,042	184,624	1,401,399	592,462	93,252	2,320,779
<b>Total Income</b>	<b>49,042</b>	<b>(2,781,440)</b>	<b>6,564,055</b>	<b>3,681,324</b>	<b>93,252</b>	<b>7,606,233</b>
Segment direct expenses	79,332	96,751	4,266,672	636,260	405,625	5,484,640
Inter segment expense allocation	-	226,305	1,279,466	913,051	-	2,418,822
<b>Total expenses</b>	<b>79,332</b>	<b>323,056</b>	<b>5,546,138</b>	<b>1,549,311</b>	<b>405,625</b>	<b>7,903,462</b>
Provisions	-	211,385	92,382	197,728	-	501,495
<b>Profit before tax</b>	<b>(30,290)</b>	<b>(3,315,881)</b>	<b>925,535</b>	<b>1,934,285</b>	<b>(312,373)</b>	<b>(798,724)</b>
<b>September 30, 2019 (Un-audited)</b>						
<b>Balance Sheet</b>						
Cash & Bank balances	-	15,663,558	6,570,788	-	-	22,234,346
Investments	-	140,692,001	-	-	-	140,692,001
Net inter segment lending	-	-	135,064,611	-	489,036	135,553,647
Lendings to financial institutions	-	1,229,104	-	-	-	1,229,104
Advances - performing	-	-	92,844,661	138,867,169	-	231,711,830
Advances - non-performing	-	-	2,843,872	7,435,929	-	10,279,801
Advances - (Provisions)/reversals - Net	-	-	(645,373)	(2,953,387)	-	(3,598,760)
	-	-	95,043,160	143,349,711	-	238,392,871
Others	-	4,293,679	2,779,461	4,338,088	16,207,742	27,618,970
<b>Total Assets</b>	<b>-</b>	<b>161,878,342</b>	<b>239,458,020</b>	<b>147,687,799</b>	<b>16,696,778</b>	<b>565,720,939</b>
Borrowings	-	39,800,332	5,031,596	15,091,178	-	59,923,106
Subordinated debt	-	7,495,800	-	-	-	7,495,800
Deposits & other accounts	-	-	227,775,877	99,288,036	-	327,063,913
Net inter segment borrowing	-	130,941,523	-	33,934,730	-	164,876,253
Others	-	379,171	6,650,547	2,325,369	10,446,616	19,801,703
<b>Total liabilities</b>	<b>-</b>	<b>178,616,826</b>	<b>239,458,020</b>	<b>150,639,313</b>	<b>10,446,616</b>	<b>579,160,775</b>
Equity	-	-	-	-	15,882,770	15,882,770
<b>Total Equity &amp; liabilities</b>	<b>-</b>	<b>178,616,826</b>	<b>239,458,020</b>	<b>150,639,313</b>	<b>26,329,386</b>	<b>595,043,545</b>
Contingencies & Commitments	-	60,072,583	35,455,162	18,050,740	85,865	113,664,350

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Others	Total
<b>September 30, 2018 (Un-audited)</b>	Rupees in '000					
<b>Profit &amp; Loss</b>						
Net mark-up/return/profit	-	3,620,636	(2,457,012)	5,480,430	-	6,644,054
Inter segment revenue - net	-	(4,222,509)	7,263,886	(3,041,377)	-	-
Non mark-up / return / interest income	332,101	127,628	1,063,460	515,414	85,672	2,124,275
<b>Total Income</b>	332,101	(474,245)	5,870,334	2,954,467	85,672	8,768,329
Segment direct expenses	81,333	133,060	3,664,248	1,161,422	525,677	5,565,740
Inter segment expense allocation	-	167,463	780,823	987,450	-	1,935,736
<b>Total expenses</b>	81,333	300,523	4,445,071	2,148,872	525,677	7,501,476
Provisions	-	(23,091)	337,104	(231,987)	(42,368)	39,658
<b>Profit before tax</b>	250,768	(751,677)	1,088,159	1,037,582	(397,637)	1,227,195
<b>December 31, 2018 (Audited)</b>						
<b>Balance Sheet</b>						
Cash & Bank balances	-	26,330,603	6,748,812	-	-	33,079,415
Investments	-	148,689,974	-	-	-	148,689,974
Net inter segment lending	-	-	142,567,445	-	6,556,733	149,124,178
Lendings to financial institutions	-	1,937,347	-	-	-	1,937,347
Advances - performing	-	-	93,802,563	155,702,540	-	249,505,103
Advances - non-performing	-	-	1,647,085	3,995,026	-	5,642,111
Advances - (Provisions)/reversals - Net	-	-	(527,295)	(2,629,001)	-	(3,156,296)
	-	-	94,922,353	157,068,565	-	251,990,918
Others	-	2,622,494	1,707,032	2,587,220	14,139,676	21,056,422
<b>Total Assets</b>	-	179,580,418	245,945,642	159,655,785	20,696,409	605,878,254
Borrowings	-	80,051,504	4,290,751	12,216,408	-	96,558,663
Subordinated debt	-	7,496,800	-	-	-	7,496,800
Deposits & other accounts	-	-	232,859,517	88,553,746	-	321,413,263
Net inter segment borrowing	-	91,475,842	-	57,648,336	-	149,124,178
Others	-	556,272	8,795,374	1,237,295	5,079,383	15,668,324
<b>Total liabilities</b>	-	179,580,418	245,945,642	159,655,785	5,079,383	590,261,228
Equity	-	-	-	-	15,617,026	15,617,026
<b>Total Equity &amp; liabilities</b>	-	179,580,418	245,945,642	159,655,785	20,696,409	605,878,254
<b>Contingencies &amp; Commitments</b>	-	43,239,446	34,959,767	21,114,506	143,933	99,457,652

# Notes to the Unconsolidated Condensed Interim Financial Statements

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## 36. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associates, parent, subsidiaries, companies having common directors, companies in which parent holds more than 20% shares, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiaries and associates are stated in note 10.2.10 to these unconsolidated financial statements.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with terms of the contribution plans. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these unconsolidated financial statements are as follows:

	As at September 30, 2019 (Un-audited)						As at December 31, 2018 (Audited)					
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)											
<b>Lendings to financial institutions</b>												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	-	-	-	-	-	-	1,600,000
Repaid during the year	-	-	-	-	-	-	-	-	-	-	-	(1,600,000)
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
<b>Investments</b>												
Opening balance	-	-	-	1,919,121	180,000	1,984,110	-	-	-	1,919,121	-	1,828,603
Investment made during the period / year	-	-	-	-	48,972	542,594	-	-	-	-	180,000	989,767
Investment redeemed / disposed off during the period / year	-	-	-	-	-	(351,413)	-	-	-	-	-	(854,260)
Closing balance	-	-	-	1,919,121	228,972	2,155,291	-	-	-	1,919,121	180,000	1,964,110
<b>Provision for diminution in value of investments</b>												
Opening balance	-	-	-	-	-	65,022	-	-	-	-	-	65,022
<b>Advances</b>												
Opening balance	-	5,230	446,575	-	-	2,823,598	-	5,505	394,773	-	-	2,114,695
Addition during the period / year	-	306	34,321	-	-	5,236,471	-	26,921	297,001	-	-	6,894,300
Repaid during the period / year	-	(4,425)	(74,952)	-	-	(6,054,408)	-	(25,203)	(259,373)	-	-	(6,351,154)
Transfer in / (out) - net	-	-	(9,552)	-	-	146,387	-	(1,933)	16,174	-	-	165,757
Closing balance	-	1,111	398,392	-	-	2,152,046	-	5,230	446,575	-	-	2,823,598
<b>Fixed Assets</b>												
Purchase of building	-	-	-	607,299	-	-	-	-	-	-	-	-
Purchase of Vehicle	-	-	-	-	-	-	-	-	7,223	-	-	-
Cost of disposal	-	-	-	-	-	-	-	-	4,546	-	-	-
Accumulated depreciation of disposal	-	-	-	-	-	-	-	-	(3,677)	-	-	-
WDV of disposal	-	-	-	-	-	-	-	-	869	-	-	-
<b>Other Assets</b>												
Interest mark-up accrued	-	59	277	-	-	66,802	-	241	612	-	-	72,735
Receivable against bancassurance / bancatakaful	-	-	-	-	-	20,991	-	-	-	-	-	74,935
Advance for subscription of TFC - unsecured	-	-	-	-	40,828	-	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	97,806	-	-	-	-	-	3,468
Other receivable	-	-	-	6,133	-	-	-	-	-	9,106	-	-
Provision against other assets	-	-	-	-	-	2,438	-	-	-	-	-	2,438
<b>Borrowings</b>												
Opening balance	-	-	-	-	-	4,800,000	-	-	-	-	-	4,000,000
Borrowings during the period / year	-	-	-	-	-	174,209,491	-	-	-	-	-	280,850,000
Settled during the period / year	-	-	-	-	-	(179,009,491)	-	-	-	-	-	(280,050,000)
Closing balance	-	-	-	-	-	-	-	-	-	-	-	4,800,000

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	As at September 30, 2019 (Un-audited)						As at December 31, 2018 (Audited)					
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)						(Rupees in '000)					
<b>Deposits and other accounts</b>												
Opening balance	336,515	24,308	74,950	1,606,413	-	9,656,833	1,502,578	75,080	42,502	1,712,553	-	8,227,301
Received during the period / year	3,855,101	127,200	1,031,829	424,034,696	798,782	204,587,819	7,208,060	397,578	1,762,689	409,842,869	-	160,708,700
Withdrawn during the period / year	(3,756,703)	(103,739)	(1,046,627)	(423,330,562)	(826,129)	(205,547,878)	(8,374,123)	(444,420)	(1,728,031)	(409,949,009)	-	(159,386,796)
Transfer in / (out) - net	-	(22,394)	(3,100)	-	41,874	237,853	-	(3,930)	(2,220)	-	-	117,628
Closing balance	414,913	25,375	57,052	2,310,547	14,527	8,914,627	336,515	24,308	74,950	1,606,413	-	9,656,833
<b>Subordinated loans</b>	-	-	-	-	-	889,666	-	-	-	-	-	389,744
<b>Other Liabilities</b>												
Interest / return / mark-up payable on deposits	137	6	36	1,713	4	98,914	-	6	333	129	-	42,582
Interest / return / mark-up payable on borrowings	-	-	-	-	-	-	-	-	-	-	-	1,355
Interest / return / mark-up payable on subordinated loans	-	-	-	-	-	35,419	-	-	-	-	-	1,541
Payable to defined benefit plan	-	-	-	-	-	115,816	-	-	-	-	-	102,494
Others payable	-	-	-	5,802	-	-	-	-	-	4,609	-	-
<b>Represented By</b>												
Share Capital	9,733,073	17,330	900	-	-	81,765	9,733,073	17,417	900	-	-	81,678
<b>Contingencies and Commitments</b>												
Letter of guarantee	-	-	-	-	-	15,401	-	-	-	-	-	19,201
Letter of credit	-	-	-	-	-	12,904	-	-	-	-	-	38,440
	For the period ended September 30, 2019 (Un-audited)						For the period ended September 30, 2018 (Un-audited)					
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
	(Rupees in '000)						(Rupees in '000)					
Mark-up / return / interest earned	-	211	9,269	-	-	273,743	-	875	17,429	-	-	205,035
Fee and commission income	-	29	243	-	-	223,746	-	22	170	21,000	-	246,825
Dividend income	-	-	-	-	-	57,095	-	-	-	-	-	12,703
Gain / (loss) on sale of securities - Net	-	-	-	-	-	560	-	-	-	-	-	497
Other income	-	-	-	1,594	-	-	-	-	-	5,934	-	-
Mark-up / return / interest paid	29,605	1,665	2,929	181,490	1,829	1,075,822	90,716	2,816	2,224	71,416	-	653,957
Remuneration paid	-	-	343,874	-	-	-	-	-	354,848	-	-	-
Commission / charges paid	-	-	-	-	-	-	-	-	-	-	-	-
Preference Dividend Paid	23,419	161	-	3,349	-	38	174,450	-	1,479	1,088	-	-
Non-executive directors' fee	-	5,700	-	-	-	-	-	9,250	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	-	157,763	-	-	-	-	-	132,896
Rental expense	-	-	-	-	-	115,816	1,275	-	-	-	-	128,244
Advisory fee	-	-	-	2,945	-	-	5,039	-	-	5,208	-	39,000
Reimbursement of expenses	1,211	622	-	1,089	-	15,000	-	500	-	1,419	-	-
Other expenses	-	-	-	-	-	1,929	-	-	-	786	-	803
Insurance premium paid	-	-	-	-	-	311,253	-	-	-	-	-	264,543
Insurance claims settled	-	-	-	-	-	8,036	-	-	-	-	-	10,701
Defined benefit plans paid	-	-	-	-	-	102,494	-	-	-	-	-	175,118

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	----- Rupees in '000 -----	
<b>37. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	10,119,242	10,119,242
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	13,462,490	13,417,429
Eligible Additional Tier 1 (ADT 1) Capital	2,500,000	2,500,000
Total Eligible Tier 1 Capital	15,962,490	15,917,429
Eligible Tier 2 Capital	4,100,234	4,260,437
Total Eligible Capital (Tier 1 + Tier 2)	20,062,724	20,177,866
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	147,017,493	148,178,402
Market Risk	1,304,857	1,895,587
Operational Risk	17,946,043	17,946,043
Total	166,268,393	168,020,032
Common Equity Tier 1 Capital Adequacy ratio	8.10%	7.99%
Tier 1 Capital Adequacy Ratio	9.60%	9.47%
Total Capital Adequacy Ratio	12.07%	12.01%
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	15,962,490	15,917,429
Total Exposures	494,100,699	484,967,925
Leverage Ratio	3.23%	3.28%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	74,378,594	55,404,403
Total Net Cash Outflow	57,232,429	52,473,282
Liquidity Coverage Ratio	130%	106%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	285,083,575	298,128,452
Total Required Stable Funding	264,736,911	280,794,715
Net Stable Funding Ratio	108%	106%

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 38. GENERAL

**38.1** These unconsolidated condensed interim 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.

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

## 39. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on October 24, 2019.

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President and  
Chief Executive Officer

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Chief Financial  
Officer

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Director

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Director

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Chairman

## Consolidated Condensed Interim Financial Statements

# Consolidated Condensed Interim Statement of Financial Position

As at September 30, 2019

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
		----- Rupees in '000 -----	
	Note		
<b>ASSETS</b>			
Cash and balances with treasury banks	6	21,094,250	32,111,176
Balances with other banks	7	1,559,509	978,024
Lendings to financial institutions	8	1,229,104	1,937,347
Investments	9	141,000,215	149,601,215
Advances	10	238,614,414	252,308,117
Fixed assets	11	12,707,552	6,947,725
Intangible assets	12	2,308,375	2,206,512
Deferred tax assets - net	13	760,823	408,992
Other assets	14	13,984,370	14,042,139
		433,258,612	460,541,247
<b>LIABILITIES</b>			
Bills payable	15	3,174,073	3,519,924
Borrowings	16	59,923,106	96,558,663
Deposits and other accounts	17	325,165,556	319,806,852
Liabilities against assets subject to finance lease		-	-
Subordinated debt	18	7,495,800	7,496,800
Deferred tax liabilities		-	-
Other liabilities	19	19,054,957	14,720,189
		414,813,492	442,102,428
<b>NET ASSETS</b>		<b>18,445,120</b>	<b>18,438,819</b>
<b>REPRESENTED BY</b>			
Share capital		10,119,242	10,119,242
Reserves		1,751,105	1,712,170
Surplus / (deficit) on revaluation of assets - net of tax	20	264,391	(822,532)
Unappropriated profit		5,204,115	5,825,742
		17,338,853	16,834,622
Non-controlling interest		1,106,267	1,604,197
		18,445,120	18,438,819
<b>CONTINGENCIES AND COMMITMENTS</b>	21		

The annexed notes from 1 to 39 form an integral part of these consolidated condensed interim financial statements.

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

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman



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

For the nine months period ended September 30, 2019

		Quarter ended		Nine months period ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Note		----- Rupees in '000 -----			
Mark-up / return / interest earned	23	11,228,560	7,622,799	30,335,091	21,668,456
Mark-up / return / interest expensed	24	9,598,520	5,326,393	24,919,550	14,910,805
Net mark-up / interest income		1,630,040	2,296,406	5,415,541	6,757,651
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income	25	780,525	696,963	2,387,111	2,509,199
Dividend income		14,705	27,021	140,829	124,028
Foreign exchange income		243,716	167,534	680,837	472,385
(Loss) / Income from derivatives - net		(12,382)	21,968	36,270	37,911
Loss on securities - net	26	(151,034)	(471,566)	(520,033)	(426,843)
Share of (loss) / profit from associates		(1,051)	796	12,753	4,982
Other income - net	27	25,992	42,606	107,151	117,151
Total non mark-up / interest income		900,471	485,322	2,844,918	2,838,813
Total Income		2,530,511	2,781,728	8,260,459	9,596,464
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	28	2,870,424	2,780,473	8,654,171	8,222,033
Workers' Welfare Fund	29	40	2,614	606	26,905
Other charges	30	886	200	1,134	732
Total non-mark-up / interest expenses		2,871,350	2,783,287	8,655,911	8,249,670
(Loss) / profit before provisions		(340,839)	(1,559)	(395,452)	1,346,794
Reversals/(provision) and write offs - net	31	91,831	132,820	(501,822)	1,083
Extraordinary / unusual items		-	-	-	-
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<b>(249,008)</b>	<b>131,261</b>	<b>(897,274)</b>	<b>1,347,877</b>
Taxation	32	67,331	(56,677)	140,951	(549,313)
<b>(LOSS) / PROFIT AFTER TAXATION</b>		<b>(181,677)</b>	<b>74,584</b>	<b>(756,323)</b>	<b>798,564</b>
<b>Attributable to:</b>					
Equity holders of the Bank		(204,465)	73,953	(727,858)	785,944
Non-controlling interest		22,788	631	(28,465)	12,620
		<b>(181,677)</b>	<b>74,584</b>	<b>(756,323)</b>	<b>798,564</b>
----- Rupee -----					
Basic and diluted (loss) / earnings per share	33	<b>(0.16)</b>	0.06	<b>(0.58)</b>	0.48

The annexed notes from 1 to 39 form an integral part of these consolidated condensed interim financial statements.

President and Chief Executive Officer	Chief Financial Officer	Director	Director	Chairman
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# Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine months period ended September 30, 2019

	Quarter ended		Nine months period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	----- Rupees in '000 -----			
	(Restated)		(Restated)	
(Loss) / profit after taxation for the period	(181,677)	74,584	(756,323)	798,564
Other comprehensive (loss) / income				
Items that may be reclassified to profit or loss account in subsequent periods:				
Effect of translation of net investment in foreign branch	(13,279)	580	38,935	31,878
Movement in surplus / (deficit) on revaluation of investments - net of tax	149,942	(653,341)	714,416	(1,566,282)
Movement in general provision under IFRS 9 - net of tax	(5,380)	3,749	(32,487)	59,368
	144,562	(649,592)	681,929	(1,506,914)
	131,283	(649,012)	720,864	(1,475,036)
Items that will not be reclassified to profit or loss account in subsequent periods:				
Movement in surplus on revaluation of operating fixed assets - net of tax	-	384,273	365,354	384,273
Share of other comprehensive income from associated companies - net of tax	-	-	31,727	-
	-	384,273	397,081	384,273
<b>Total comprehensive (loss) / income</b>	<b>(50,394)</b>	<b>(190,155)</b>	<b>361,622</b>	<b>(292,199)</b>
Attributable to:				
Equity holders of the Bank	54,530	(148,058)	420,155	(231,464)
Non-controlling interest	(104,924)	(42,097)	(58,533)	(60,735)
	<b>(50,394)</b>	<b>(190,155)</b>	<b>361,622</b>	<b>(292,199)</b>

The annexed notes from 1 to 39 form an integral part of these consolidated condensed interim financial statements.

President and  
Chief Executive Officer

Chief Financial  
Officer

Director

Director

Chairman

# Consolidated Condensed Interim Statement of Changes in Equity

For the nine months period ended September 30, 2019

	Attributable to shareholders of the Bank										
	Share capital	Reserves			Surplus / (Deficit) on revaluation of			Unappropriated profit	Sub-total	Non-controlling interest	Total
		Preference shares	Statutory reserve *	Exchange translation	Investments	Fixed assets	Non banking assets				
						Rupees in '000					
Balance as at December 31, 2017 - audited	8,619,242	1,500,000	1,528,768	12,219	190,759	589,839	95,050	5,463,357	17,999,234	1,668,680	19,667,914
Total comprehensive income for the nine months period ended September 30, 2018 - un-audited											
Profit after taxation	-	-	-	-	-	-	-	785,944	785,944	12,620	798,564
Other comprehensive income / (loss) - net of tax	-	-	-	31,878	(1,433,559)	384,273	-	-	(1,017,408)	(73,355)	(1,090,763)
	-	-	-	31,878	(1,433,559)	384,273	-	785,944	(231,464)	(60,735)	(292,199)
Transfer to statutory reserve	-	-	151,234	-	-	-	-	(151,234)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax											
Fixed assets	-	-	-	-	-	(16,580)	-	14,185	(2,395)	2,395	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	(161)	161	-	-	-
Transaction with owners recorded directly in equity											
Issuance of ordinary shares on conversion of preference shares during the period	2,250,000	-	-	-	-	-	-	-	2,250,000	-	2,250,000
Discount on issue of ordinary shares during the period	(750,000)	-	-	-	-	-	-	-	(750,000)	-	(750,000)
	1,500,000	-	-	-	-	-	-	-	1,500,000	-	1,500,000
Preference shares cancelled on conversion into ordinary shares during the period	-	(1,500,000)	-	-	-	-	-	-	(1,500,000)	-	(1,500,000)
Preference dividend for the year ended December 31, 2017 @ 12% p.a	-	-	-	-	-	-	-	(180,000)	(180,000)	-	(180,000)
Balance as at September 30, 2018 - un-audited (restated)	10,119,242	-	1,680,002	44,097	(1,242,800)	957,532	94,889	5,932,413	17,585,375	1,610,340	19,195,715
Total comprehensive income for the period ended December 31, 2018 (Loss) / profit after taxation	-	-	-	-	-	-	-	(170,792)	(170,792)	11,263	(159,529)
Other comprehensive income / (loss) - net of tax	-	-	-	26,837	(831,389)	208,670	(2,086)	18,806	(579,162)	(18,205)	(597,367)
	-	-	-	26,837	(831,389)	208,670	(2,086)	(151,986)	(749,954)	(6,942)	(756,896)
Transfer to statutory reserve	-	-	(38,766)	-	-	-	-	38,766	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax											
Fixed assets	-	-	-	-	-	(7,403)	-	6,604	(799)	799	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	55	(55)	-	-	-
Balance as at December 31, 2018 - audited	10,119,242	-	1,641,236	70,934	(2,074,189)	1,158,799	92,858	5,825,742	16,834,622	1,604,197	18,438,819
Total comprehensive income for the nine months period ended September 30, 2019 - un-audited											
Loss after taxation	-	-	-	-	-	-	-	(727,858)	(727,858)	(28,465)	(756,323)
Other comprehensive income - net of tax	-	-	-	38,935	734,673	374,397	-	8	1,148,013	(30,068)	1,117,945
	-	-	-	38,935	734,673	374,397	-	(727,850)	420,155	(58,533)	361,622
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax											
Fixed assets	-	-	-	-	-	(22,086)	-	22,086	-	-	-
Non-banking assets acquired in satisfaction of claims	-	-	-	-	-	-	(61)	61	-	-	-
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)
Buy-back of shares by subsidiary from NCI	-	-	-	-	-	-	-	-	-	(497,271)	(497,271)
Gain arising on buy back of shares by subsidiary	-	-	-	-	-	-	-	108,240	108,240	57,874	166,114
Balance as at September 30, 2019 - un-audited	10,119,242	-	1,641,236	109,869	(1,339,516)	1,511,110	92,797	5,204,115	17,338,853	1,106,267	18,445,120

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

The annexed notes from 1 to 39 form an integral part of these consolidated condensed interim financial statements.

President and  
Chief Executive Officer

Chief Financial  
Officer

Director

Director

Chairman

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

For the nine months period ended September 30, 2019

	Note	September 30, 2019	September 30, 2018
		----- Rupees in '000 -----	(Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(897,274)	1,347,877
Less: Dividend income		(140,829)	(124,028)
Share of profit from associates		(12,753)	(4,982)
		<b>(1,050,856)</b>	<b>1,218,867</b>
<b>Adjustments</b>			
Depreciation		651,210	551,946
Depreciation on non-banking assets		628	975
Depreciation - Right of Use Assets		583,847	-
Amortisation of intangible assets		71,641	53,182
Charge for defined benefit plan		115,816	128,244
Unrealised (gain) / loss on revaluation of investments classified as held-for-trading - net		(14,910)	7,673
Provisions and write offs - net	31	501,822	45,348
Provision for workers' welfare fund		606	26,905
Unrealised gain on revaluation of derivative instruments		(21,565)	(1,895)
Unrealised loss on revaluation of forward foreign exchange contracts		242,665	37,554
Mark-up / return / interest expensed on lease liability against right-of-use assets		382,477	6,116
Gain on sale of fixed assets - net	27	(98,048)	(97,040)
		<b>2,416,189</b>	<b>759,008</b>
		<b>1,365,333</b>	<b>1,977,875</b>
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		711,310	1,285,591
Held-for-trading securities		(15,669,657)	(1,244,630)
Advances		13,250,923	(48,132,626)
Other assets (excluding advance taxation)		(405,229)	(2,345,966)
		<b>(2,112,653)</b>	<b>(50,437,631)</b>
<b>Increase / (decrease) in operating liabilities</b>			
Bills payable		(345,851)	162,458
Borrowings		(36,286,020)	(11,019,735)
Deposits and other accounts		5,358,704	20,962,046
Other liabilities		(1,119,046)	1,603,392
		<b>(32,392,213)</b>	<b>11,708,161</b>
		<b>(33,139,533)</b>	<b>(36,751,595)</b>
Gratuity paid		(102,494)	(175,118)
Mark-up / return / interest expensed on lease liability against right-of-use assets paid		(382,477)	(6,116)
Income tax paid		(397,230)	(1,185,364)
<b>Net cash used in operating activities</b>		<b>(34,021,734)</b>	<b>(38,118,193)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		17,190,970	38,357,232
Net investment in held-to-maturity securities		8,195,552	319,210
Investment in associated companies		(21,239)	(180,000)
Dividend received		137,701	111,333
Investments in fixed assets		(1,017,349)	(1,103,131)
Investments in intangible assets		(173,504)	(226,816)
Effect of translation of net investment in foreign branch		38,935	31,878
Proceeds from sale of fixed assets		150,105	140,854
<b>Net cash flows from investing activities</b>		<b>24,501,171</b>	<b>37,450,560</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid on preference shares		(24,164)	(180,000)
Payment of lease liability against right of use assets		(209,064)	6,931
Sub-ordinated loans		(1,000)	(1,000)
Shares bought back from non-controlling interest		(331,157)	-
		<b>(565,385)</b>	<b>(174,069)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(10,085,948)</b>	<b>(841,702)</b>
Cash and cash equivalents at beginning of the period		32,587,698	18,184,611
<b>Cash and cash equivalents at end of the period</b>		<b>22,501,750</b>	<b>17,342,909</b>

The annexed notes from 1 to 39 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 Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 1. STATUS AND NATURE OF BUSINESS

### 1.1 The “Group” consists of:

#### 1.1.1 Holding Company: JS Bank Limited, Pakistan

JS Bank Limited (the Holding Company / 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 Holding Company is a scheduled bank, engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and is operating through 344 (December 31, 2018: 344) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (December 31, 2018: 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.

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 1.1.3 Composition of the Group

Subsidiary	Ownership interest and voting power held by			
	September 30, 2019		December 31, 2018	
	The Group	NCI	The Group	NCI
JS Global Capital Limited	67.16%	32.84%	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%
<b>Associates</b>				
Omar Jibran Engineering Industries Limited	9.60%	-	9.60%	-
Veda Transit Solutions (Private) Limited	8.00%	-	-	-
Intercity Touring Company (Private) Limited	9.12%	-	-	-

## 1.1.4 Subsidiary Companies

### JS Global Capital Limited (JSGCL)

JS Global Capital Limited, JSGCL, is principally owned by the Bank, holding 67.16% of its equity interest. The Bank acquired effective controlling interest in JSGCL on December 21, 2011 and April 15, 2016 of 51.05% and 16.11% respectively. The ownership interest has increased by 16.11%, without any change in the cost of investment, due to the fact that JSGCL has bought back its 11,993,000 ordinary shares out of its 50 million ordinary shares in 2016. JSGCL is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984. The shares of the JSGCL are listed on Pakistan Stock Exchange (PSX). Further, the JSGCL is a corporate member of PSX and member of Pakistan Mercantile Exchange. The principal business of the JSGCL is to carry out share brokerage, money market, forex and commodity brokerage, advisory and consultancy services. Other activities include investment in a mix of listed and unlisted equity and debt securities and reverse repurchase transactions. The registered office of the Company is situated at 17th Floor, The Centre, Plot No. 28, SB-5, Abdullah Haroon Road, Saddar, Karachi, Pakistan. The Company has ten branches (2018: eleven) in eight cities of Pakistan.

### JS Investments Limited (JSIL)

JS Investments Limited, JSIL, is principally owned by the Bank, holding 84.56% of its equity interest. The Bank acquired effective controlling interest in JSIL on November 01, 2012, December 22, 2015 and August 31, 2019 of 52.24%, 12.92% and 19.40% respectively. The ownership interest has increased by 32.32% without any change in the cost of investment, due to the fact that JSIL has bought back its 38,225,744 ordinary shares out of its 100 million ordinary shares. JSIL is a public listed company incorporated in Pakistan on February 22, 1995 under the repealed Companies Ordinance, 1984. The shares of the JSIL are listed on the Pakistan Stock Exchange (PSX), formerly since April 24, 2007. The registered office of the Company is situated at The Centre, 19th Floor, Plot No. 28, SB-5, Abdullah Haroon Road, Saddar, Karachi.

The JSIL has obtained the license of an “Investment Advisor” and “Asset Management Company” (AMC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, JSIL has also obtained registration to act as Pension Fund Manager under the Voluntary Pension System Rules, 2005.

JSIL is an asset management company of the following funds:

## Open end funds:

- JS Value Fund
- JS Growth Fund
- Unit Trust of Pakistan
- JS Income Fund
- JS Islamic Fund
- JS Aggressive Asset Allocation Fund
- JS Fund of Funds
- JS KSE-30 Index Fund
- JS Islamic Income Fund
- JS Cash Fund
- JS Large Cap. Fund
- JS Islamic Hybrid Fund of Funds(JSIHFOF)
- JS Islamic Hybrid Fund of Funds -2 (JSIHFOF2)
- JS Islamic Dedicated Equity Fund

## Pension fund

- JS Pension Savings Fund
- JS Islamic Pension Savings Fund

These funds have been treated as related parties in these consolidated condensed interim financial statements.

## JS ABAMCO Commodities Limited

JS Bank owns JS ABAMCO Commodities Limited, JSACL, indirectly through its subsidiary JS Investment Limited (JSIL) which has 100% holding in JSACL. JSACL was incorporated on September 25, 2007 as a public unlisted company under the repealed Companies Ordinance, 1984 and is a wholly owned subsidiary company of JSIL (a subsidiary of Holding Company). The principal activities of JSACL are to deal and effectuate commodity contracts; to become member of commodity exchange including National Commodity Exchange Limited (NCEL) and to carry on the business as brokers, advisory and consultancy services, dealers and representative of all kinds of commodity contracts and commodity backed securities. The registered office of the JS ABAMCO is situated at The Centre, 19th Floor, Plot No. 28, SB-5, Abdullah Haroon Road, Saddar, Karachi.

### 1.1.5 Associated Companies

#### Omar Jibran Engineering Industries Limited (OJEIL)

The Bank has invested in the shares of Omar Jibran Engineering Industries Limited (OJEIL), a public unlisted company. The Bank has classified the investment as an associate on account of its significant influence over the investee company. OJEIL was incorporated on June 25, 1987 in Pakistan as an unquoted public limited company under



# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

the repealed Companies Ordinance, 1984. The registered office of the OJEL is situated at DSU-10, Pakistan Steel Industries Estate Bin Qasim, Karachi. The OJEL is mainly engaged in the manufacture and sale of automotive parts and armoring of vehicles.

## **Veda Transit Solutions (Private) Limited**

The Bank has invested in the shares of VEDA Transit Solutions (Private) Limited (VEDA), a private limited company. The Bank has classified the investment as an associate on account of its significant influence over the investee company. VEDA was incorporated on June 10, 2016 in Pakistan as private limited company under the repealed Companies Ordinance, 1984. The registered office of the VEDA is situated at Raaziq Logistics Centre 16 KM, Multan Road, Near Dina Nath Stop, Lahore. The VEDA is mainly engaged in the rural / urban, intracity / intercity transportation of passenger and goods.

## **Intercity Touring Company (Private) Limited**

The Bank has invested in the shares of Intercity Touring Company (Private) Limited (ITC), a private limited company. The Bank has classified the investment as an associate on account of its significant influence over the investee company. ITC was incorporated on April 25, 2014 in Pakistan as private limited company under the repealed Companies Ordinance, 1984. The registered office of the ITC is situated at 147-P Gulberg III, Lahore. The ITC is mainly engaged in the transportation, touring, and logistics related services.

## **2. BASIS OF PRESENTATION**

### **2.1 Basis of Consolidation**

The basis of consolidation adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of annual consolidated financial statements for the year ended December 31, 2018.

### **2.2 Statement Of Compliance**

**2.1.1** These consolidated condensed interim financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. These are comprised 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 State Bank Pakistan (SBP) and the Securities & Exchange Commission of Pakistan (SECP) from time to time.

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



# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

of IFRS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

**2.1.2** 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. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

**2.1.3** 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 that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS-10 "Consolidated Financial Statements" are not applicable in case of investment by companies in mutual funds established under trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

**2.4.** These consolidated condensed interim financial statements are presented in Pakistani Rupee, which is the Group's functional and presentation currency.

**2.5.** The consolidated condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual consolidated financial statements for the financial year ended December 31, 2018.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and methods of computation adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Group for the year ended December 31, 2018.

### **3.1 Changes in accounting policies**

#### **3.1.1 Change in reporting format**

The SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 specified the new reporting format for the quarterly and half yearly financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the half year ended June 30, 2019 which has resulted in certain additional disclosures and reclassifications of the items in these consolidated condensed interim financial statements.

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 3.1.2 Adoption of IFRS 16 - Leases

International Accounting Standards Board (IASB) has issued IFRS 16 'Leases' in January 2016 which supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The new standard sets out the principles for:

- Lessees to account for all leases under a single on-balance sheet model and governs recognition, measurement, presentation and disclosure of leases; and
- Lessor accounting which is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

Therefore, IFRS 16 did not have an impact for leases where the Group is a lessor.

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as January 01, 2019. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard, recognised at the date of initial application. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period.

Upon adoption of IFRS 16, the lessees are required to recognise a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. Under IAS 17, leased assets, under operating lease mode, were not recognised on bank's balance sheets and it only required lessees to recognise a periodic lease expense (rent) on a straight-line basis over the term for leases tenure and relevant lease commitments were disclosed.

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

### **Right-of-use (RoU) assets**

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

### **Lease liability**

At the commencement date of the lease, the Group recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

The effect of adoption of IFRS 16 as at January 01, 2019 (increase / (decrease)) is as follows:

	January 01, 2019 Rupees in '000
<b>Assets</b>	
Right-of-use (RoU) asset	4,756,920
Fixed assets	(51,475)
Prepayments	(281,423)
Total Assets	<u>4,424,022</u>
<b>Liabilities</b>	
Lease liability	4,470,444
Liabilities against assets subject to finance lease	(46,422)
Total liabilities	<u>4,424,022</u>

The carrying amounts of the Group's right-of-use assets, lease liabilities and the movements during the period is as below:

	RoU asset	Lease liability
	----- Rupees in '000 -----	
As at January 1, 2019	4,756,920	4,470,444
Additional impact arised during the period - net	1,001,666	1,001,666
Depreciation	(583,847)	-
Borrowing cost	-	382,477
Payments	-	(591,541)
As at September 30, 2019	<u>5,174,739</u>	<u>5,263,046</u>

Had this standard not been applied, assets and liabilities would have been lower by Rs 5,174.739 million and Rs.5,263.046 million respectively. Depreciation charge and mark-up expense would have been lower by Rs.583.847 million and Rs.382.477 million respectively.

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

### 3.2.1 IFRS 16 - Leases has become effective for annual reporting periods commencing on or after January 01, 2019. The impact of the adoption of IFRS 16 on the Group's condensed interim financial statements is disclosed in note 3.1.2 above.

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 01, 2018 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated financial statements.

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

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

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

	Effective date (reporting periods beginning on or after)
- IFRS 3, Business Combinations (Amendments)	January 01, 2020
- IAS 1, Presentation of Financial Statements (Amendments)	January 01, 2020
- IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020
	Effective date (reporting periods ending on or after)
- IFRS 9, Financial Instruments (note 3.3.1)	June 30, 2019

### 3.3.1 Through S.R.O. 229 (I)/2019, dated February 14, 2019, the SECP has notified that IFRS 9 - Financial Instruments, has replaced the International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" which are applicable from reporting periods on or after June 30, 2019. However, State Bank of Pakistan has deferred the applicability of IFRS 9 through email dated July 23, 2019. Therefore, the Group has not considered the impact for adoption of IFRS 9 for its Pakistan operations in these consolidated condensed interim financial statements.

Further, the Group 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 suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this consolidated condensed interim financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

## 5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2018.

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		----- Rupees in '000 -----	
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		4,916,287	4,415,856
Foreign currencies		764,300	488,292
		<u>5,680,587</u>	<u>4,904,148</u>
<b>With State Bank of Pakistan in:</b>			
Local currency current account		10,283,387	22,166,628
Foreign currency current account - non remunerative		1,067,194	785,958
Foreign currency deposit account - remunerative		3,215,824	2,409,442
		<u>14,566,405</u>	<u>25,362,028</u>
<b>With National Bank of Pakistan in:</b>			
Local currency current accounts		668,395	1,839,396
<b>National Prize Bonds</b>		178,863	5,604
		<u>21,094,250</u>	<u>32,111,176</u>
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current accounts		47,931	130,055
In deposit accounts		414,425	4,423
		<u>462,356</u>	<u>134,478</u>
<b>Outside Pakistan</b>			
In current accounts		551,954	733,889
In deposit accounts		545,282	109,784
		<u>1,097,236</u>	<u>843,673</u>
		<u>1,559,592</u>	<u>978,151</u>
Less: General provision under IFRS 9	7.1	(83)	(127)
Balances with other banks - net of provision		<u>1,559,509</u>	<u>978,024</u>
<b>7.1</b>	This represents general provision held under IFRS 9 by Bahrain branch of the Bank.		
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		833,949	1,758,917
Due against bills re-discounting		-	182,742
Repurchase agreement lendings (Reverse Repo)		396,400	-
		<u>1,230,349</u>	<u>1,941,659</u>
Less: General provision under IFRS 9	8.1	(1,245)	(4,312)
Lending to financial institutions - net of provision		<u>1,229,104</u>	<u>1,937,347</u>
<b>8.1</b>	This represents general provision held under IFRS 9 by Bahrain branch of the Bank.		

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		(Un-audited) September 30, 2019				(Audited) December 31, 2018			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
9.	INVESTMENTS - net	Note							
9.1	Investments by type	Rupees in '000							
	Held-for-trading securities								
	Federal Government Securities	57,664,703	-	(435)	57,664,268	41,381,420	-	(12,906)	41,368,514
	Shares	376,978	-	10,962	387,940	1,037,824	-	(44,012)	993,812
	Non Government Debt Securities	-	-	-	-	133,616	-	(260)	133,356
	Open end mutual funds	470,882	-	4,383	475,265	377,541	-	1,404	378,945
		58,512,563	-	14,910	58,527,473	42,930,401	-	(55,774)	42,874,627
	Available-for-sale securities								
	Federal Government Securities	40,841,407	-	(1,500,531)	39,340,876	55,434,989	-	(2,893,867)	52,541,122
	Shares	3,495,006	(605,561)	(564,337)	2,325,108	3,164,076	(478,346)	(87,928)	2,597,802
	Non Government Debt Securities	4,161,369	(696,507)	(7,805)	3,457,057	2,354,043	(700,050)	606	1,654,599
	Open end mutual funds	987,853	(26,023)	89,515	1,051,345	971,353	(26,023)	212,125	1,157,455
	Foreign Securities	1,574,653	-	(51,286)	1,523,367	6,326,797	-	(456,009)	5,870,788
		51,060,288	(1,328,091)	(2,034,444)	47,697,753	68,251,258	(1,204,419)	(3,225,073)	63,821,766
	Held-to-maturity securities								
	Federal Government Securities	34,521,380	-	-	34,521,380	42,716,932	-	-	42,716,932
	Associates	253,609	-	-	253,609	187,890	-	-	187,890
	Total Investments	144,347,840	(1,328,091)	(2,019,534)	141,000,215	154,086,481	(1,204,419)	(3,280,847)	149,601,215
9.2	Investments by segments:								
	Held-for-trading securities								
	Federal Government Securities								
	Market Treasury Bills	57,664,703	-	(435)	57,664,268	41,376,995	-	(12,844)	41,364,151
	Pakistan Investment Bonds	-	-	-	-	4,425	-	(62)	4,363
		57,664,703	-	(435)	57,664,268	41,381,420	-	(12,906)	41,368,514
	Shares:								
	Listed Companies								
	Ordinary shares	376,978	-	10,962	387,940	1,037,824	-	(44,012)	993,812
	Non Government Debt Securities								
	Listed								
	Term Finance Certificates	-	-	-	-	130,307	-	(45)	130,262
	Sukuk Certificates	-	-	-	-	3,309	-	(215)	3,094
		-	-	-	-	133,616	-	(260)	133,356
	Open End Mutual Funds	470,882	-	4,383	475,265	377,541	-	1,404	378,945
	Available-for-sale securities								
	Federal Government Securities								
	Market Treasury Bills	1,534,103	-	(285)	1,533,818	3,010,920	-	(13)	3,010,907
	Pakistan Investment Bonds	39,307,304	-	(1,500,246)	37,807,058	52,424,069	-	(2,893,854)	49,530,215
		40,841,407	-	(1,500,531)	39,340,876	55,434,989	-	(2,893,867)	52,541,122
	Shares:								
	Listed Companies								
	Ordinary shares	3,319,684	(468,972)	(564,337)	2,286,375	3,016,487	(341,757)	(87,928)	2,586,802
	Preference shares	136,589	(136,589)	-	-	136,589	(136,589)	-	-
	Unlisted Companies								
	Ordinary shares	11,000	-	-	11,000	11,000	-	-	11,000
	Preference shares	27,733	-	-	27,733	-	-	-	-
		3,495,006	(605,561)	(564,337)	2,325,108	3,164,076	(478,346)	(87,928)	2,597,802
	Non Government Debt Securities								
	Listed								
	Term Finance Certificates	445,183	(155,169)	(111)	289,903	323,727	(158,712)	(15)	165,000
	Sukuk Certificates	543,305	-	(7,694)	535,611	643,005	-	621	643,626
	Unlisted								
	Term Finance Certificates	1,706,214	(541,338)	-	1,164,876	1,105,644	(541,338)	-	564,306
	Sukuk Certificates-unlisted	1,466,667	-	-	1,466,667	281,667	-	-	281,667
		4,161,369	(696,507)	(7,805)	3,457,057	2,354,043	(700,050)	606	1,654,599
	Open End Mutual Funds	987,853	(26,023)	89,515	1,051,345	971,353	(26,023)	212,125	1,157,455
	Foreign Securities								
	Government Debt Securities	234,847	-	(1,798)	233,049	3,434,089	-	(202,645)	3,231,444
	Non Government Debt Securities	1,337,400	-	(49,488)	1,287,912	2,890,302	-	(253,364)	2,636,938
	Ordinary shares	2,406	-	-	2,406	2,406	-	-	2,406
		1,574,653	-	(51,286)	1,523,367	6,326,797	-	(456,009)	5,870,788
	Held-to-maturity securities								
	Federal Government Securities								
	Pakistan Investment Bonds	34,521,380	-	-	34,521,380	42,716,932	-	-	42,716,932
	Associates								
	Omar Jibran Engineering Industries Limited	232,370	-	-	232,370	187,890	-	-	187,890
	Veda Transit Solutions (Private) Limited	972	-	-	972	-	-	-	-
	Intercity Touring Company (Private) Limited	20,267	-	-	20,267	-	-	-	-
		253,609	-	-	253,609	187,890	-	-	187,890
	Total Investments	144,347,840	(1,328,091)	(2,019,534)	141,000,215	154,086,481	(1,204,419)	(3,280,847)	149,601,215

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

- 9.2.1** Surplus / (deficit) includes revaluation gain on available for sale investments of subsidiaries amounting to Rs.80.378 million (2018: Rs.80.378 million) which represents the pre-acquisition surplus and has been included here only for meeting with requirement of the prescribed format of Banks issued by the State Bank of Pakistan.
- 9.2.2** This represents the investments in related parties amounting to Rs.470.882 million (December 31, 2018: Rs.377.541 million) having market value of Rs.475.265 million (December 31, 2018: Rs.378.945 million).
- 9.2.3** Included herein are the investments in related parties amounting to Rs.2,090.268 million (December 31, 2018: Rs.1,899.088 million) having market value of Rs.1,682.194 million (December 31, 2018: Rs.1,931.604 million).
- 9.2.4** Included herein are the investments in related parties amounting to Rs. 27.733 million (December 31, 2018: Rs.Nil).
- 9.2.5** Included herein is the investment of Rs.391.478 million (December 31, 2018: Rs.391.478 million) in a related party at the rate of 6 months KIBOR + 1.75% to 11% matured on 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.
- 9.2.6** This represents the investments in related parties amounting to Rs.987.853 million (December 31, 2018: Rs.971.353 million) having market value of Rs.1,051.345 million (December 31, 2018: Rs.1,157.455 million).
- 9.2.7** The market value of securities classified as held-to-maturity as at September 30, 2019 amounted to Rs. 32,320.548 million (December 31, 2018: Rs. 39,836.881 million).
- 9.2.8** During the period, the Bank has invested in the equity securities of Veda Transit Solutions (Private) Limited (8.0% shareholding) and Intercity Touring Company (Private) Limited (9.12% shareholding), a public unlisted companies. The Bank has classified these investment as associates on account of it's significant influence over the investee companies.

	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Cost	Market value	Cost	Market value
<b>9.2.9 Investments given as collateral</b>	----- Rupees in '000 -----			
<b>Held-for-trading securities</b>				
<b>Federal Government Securities</b>				
Market Treasury Bills	27,906,480	27,906,844	19,927,891	19,922,073
Pakistan Investment Bonds	-	-	4,123	4,066
	27,906,480	27,906,844	19,932,014	19,926,139
<b>Available-for-sale securities</b>				
<b>Federal Government Securities</b>				
Pakistan Investment Bonds	9,805,682	9,282,588	49,667,336	46,935,112
<b>Foreign Debt Securities</b>				
Government Debt Securities	-	-	2,243,194	2,113,551
Non Government Debt Securities	-	-	425,354	416,293
	-	-	2,668,548	2,529,844
	<u>37,712,162</u>	<u>37,189,432</u>	<u>72,267,898</u>	<u>69,391,095</u>



# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	----- Rupees in '000 -----	
<b>9.3 Provision for diminution in value of investments</b>		
<b>9.3.1 Opening balance</b>	1,204,419	1,504,819
Charge	251,675	30,032
Reversal on disposals / redemptions	(128,003)	(330,432)
Net charge	123,672	(300,400)
Closing Balance	1,328,091	1,204,419

	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
Category of classification	NPI	Provision	NPI	Provision
	----- Rupees in '000 -----			
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	696,507	696,507	700,050	700,050
	696,507	696,507	700,050	700,050

**9.3.3** In addition to the above, Bank's overseas branches holds a general provision of Rs. 40.034 million (December 31, 2018: Rs.90.015 million) in accordance with the requirements of IFRS 9.

	Performing		Non Performing		Total	
	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	----- Rupees in '000 -----					
<b>10. ADVANCES</b>						
Loans, cash credits, running finances, etc.	221,734,292	232,479,502	10,279,801	8,309,467	232,014,093	240,788,969
Bills discounted and purchased	10,199,081	14,675,443	-	-	10,199,081	14,675,443
Advances - gross	231,933,373	247,154,945	10,279,801	8,309,467	242,213,174	255,464,412
<b>Provision against advances</b>						
General	(157,385)	(155,661)	-	-	(157,385)	(155,661)
General provision - under IFRS-9	(11,654)	(10,746)	-	-	(11,654)	(10,746)
Specific	-	-	(3,429,721)	(2,989,888)	(3,429,721)	(2,989,888)
	(169,039)	(166,407)	(3,429,721)	(2,989,888)	(3,598,760)	(3,156,295)
Advances - net of provision	231,764,334	246,988,538	6,850,080	5,319,579	238,614,414	252,308,117

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	----- Rupees in '000 -----	
<b>10.1 Particulars of advances (gross)</b>		
In local currency	232,863,502	247,895,081
In foreign currencies	9,349,672	7,569,331
	242,213,174	255,464,412



# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

- 10.2** Advances include Rs. 10,279.801 million (December 31, 2018: Rs.8,309.467 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Un-audited) September 30, 2019		(Audited) December 31, 2018	
	Non Performing Loans		Non Performing Loans	
	Loans	Provision	Loans	Provision
----- Rupees in '000 -----				
Domestic	955,542	920	231,430	-
Other Assets Especially Mentioned	1,108,729	67,818	1,488,616	83,945
Substandard	2,664,827	414,447	3,189,709	146,592
Doubtful	5,550,703	2,946,536	3,399,712	2,759,351
Loss	10,279,801	3,429,721	8,309,467	2,989,888
Total				

- 10.3** Particulars of provision against advances

	(Un-audited) September 30, 2019				(Audited) December 31, 2018			
	Specific	General	General provision - under IFRS-9	Total	Specific	General	General provision - under IFRS-9	Total
----- Rupees in '000 -----								
Opening balance	2,989,888	155,661	10,746	3,156,295	2,638,960	100,353	-	2,739,313
Exchange adjustments	-	-	1,331	1,331	-	-	1,321	1,321
Charge for the period / year	787,202	1,724	-	788,926	422,994	55,308	9,425	487,727
Reversals	(347,369)	-	(423)	(347,792)	(72,066)	-	-	(72,066)
	439,833	1,724	(423)	441,134	350,928	55,308	9,425	415,661
Amount written off from the opening balance	-	-	-	-	-	-	-	-
Closing balance	3,429,721	157,385	11,654	3,598,760	2,989,888	155,661	10,746	3,156,295

- 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:

	(Un-audited) September 30, 2019	(Audited) December 31, 2018	(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Secured portfolio		Unsecured portfolio	
	----- Percentages -----			
Consumer financing	1%	1%	4%	4%
Housing finance	0.5%	0.5%	-	-

- 10.3.2** This represents general provision held under IFRS 9 by Bahrain branch of the Bank.

- 10.3.3** 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 period of five years from the date of classification. As at September 30, 2019, the Bank has availed cumulative benefit of FSV of Rs. 3,803.799 million (December 31, 2018: Rs.2,386.448 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have reduced by Rs. 2,472.469 million (December 31, 2018: Rs.1,551.191 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Note	----- Rupees in '000 -----	
<b>11. FIXED ASSETS</b>			
Capital work-in-progress	11.1	134,504	439,199
Property and equipment		7,398,309	6,457,051
Right-of-use Assets		5,174,739	51,475
		<u>12,707,552</u>	<u>6,947,725</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		108,011	388,449
Advance for purchase of furniture and fixtures		432	4,479
Advance for purchase of vehicles		20,206	18,175
Advance for purchase of equipment		5,855	28,096
		<u>134,504</u>	<u>439,199</u>
		----- Un-audited -----	
		September 30, 2019	September 30, 2018
<b>11.2 Additions to fixed assets</b>		----- Rupees in '000 -----	

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

Capital work-in-progress - net	-	188,570
<b>Property and equipment</b>		
Building on lease hold land	33,401	50,000
Lease hold improvements	161,095	142,820
Furniture and fixture	126,946	61,075
Electrical office and computer equipment	384,900	312,873
Vehicles	329,893	297,826
	<u>1,036,235</u>	<u>814,594</u>
	<u>1,036,235</u>	<u>1,003,164</u>

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	----- Un-audited -----	
	September 30, 2019	September 30, 2018
Note	----- Rupees in '000 -----	

## 11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

Lease hold improvements	1,789	9,917
Furniture and fixture	753	1,239
Electrical, office and computer equipment	6,898	3,822
Vehicles	42,617	25,671
	<u>52,057</u>	<u>40,649</u>

## 12 INTANGIBLE ASSETS

Capital work-in-progress	12.1	96,656	86,801
Goodwill		1,463,625	1,463,625
Other intangible assets		748,094	656,086
		<u>2,308,375</u>	<u>2,206,512</u>

### 12.1 Capital work-in-progress

Advance for purchase software	96,656	86,801
-------------------------------	--------	--------

### 12.2 Additions to intangible assets

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

Capital work-in-progress - net	9,855	40,741
Directly purchased - computer software	160,172	203,089
	<u>170,027</u>	<u>243,830</u>

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
----- Rupees in '000 -----		
<b>13. DEFERRED TAX ASSETS - NET</b>		
<b>Deferred tax debits arising from:</b>		
Unused tax losses	59,489	46,933
Provision against investments	57,149	57,149
Provision against loans and advances	44,726	147,207
Provision against other assets	755,735	124,078
General provision under IFRS-9	18,556	36,820
Intangible other than Goodwill	2,497	2,235
Mark to market gain on forward foreign exchange contracts	84,933	(74,177)
Deficit on revaluation of investments classified as available for sale	729,435	1,188,415
Provision for donation	-	186
Provision for workers' welfare fund	19,955	17,114
	<b>1,772,475</b>	<b>1,545,960</b>
<b>Deferred tax credits arising due to:</b>		
Operating fixed assets	(168,130)	(232,731)
Goodwill	(512,268)	(512,268)
Surplus on revaluation of operating fixed assets	(318,372)	(390,391)
Unrealised (gain) / loss on revaluation of investments classified as held for trading	(1,059)	3,976
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	(979)	(1,010)
Unrealized gain on revaluation of derivative financial instruments	(10,844)	(4,544)
	<b>(1,011,652)</b>	<b>(1,136,968)</b>
	<b>760,823</b>	<b>408,992</b>

- 13.1** Adjustability of minimum tax (in future years) is provided under section 113(2)(c) of the Income Tax Ordinance, 2001 (the Ordinance). The said provision provides that the excess of minimum tax over 'actual carried forward for adjustment against tax liability (up to five years). However, the Sindh High Court (SHC) passed an order against the issue which had arisen where 'actual tax payable for the year is Nil, and whole amount of minimum tax was considered for adjustment in future. The SHC passed an order that 'actual tax payable should be an absolute amount, and cannot be zero or nil; therefore minimum tax paid in such a situation is not eligible for adjustment in future, in terms of section 113(2) (c) of the Ordinance. Aforesaid decision of the SHC has been further appealed, and issue is now subjudiced before the Supreme Court of Pakistan (SCP). Management and its tax advisors are of the opinion that, based on valid legal grounds, favourable outcome is expected. Accordingly, till the finalization of matter at the SCP, the Bank will continue to carry forward the tax paid.

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
	Note	----- Rupees in '000 -----	
<b>14. OTHER ASSETS - NET</b>			
Income/ Mark-up accrued in local currency - net of provision		7,633,079	5,598,744
Income/ Mark-up accrued in foreign currencies		117,818	133,707
Trade receivable from brokerage and advisory business - net		883,979	1,505,318
Advances, deposits, advance rent and other prepayments		640,360	723,901
Taxation (payments less provision)		952,062	1,147,526
Dividend receivable		3,128	1,865
Balances due from funds under management		109,627	112,825
Receivable against bancassurance / bancatakaful		20,991	75,056
Stationery and stamps in hand		26,210	18,536
Receivable from other banks in respect of remittance		422,962	283,469
Non-banking assets acquired in satisfaction of claims		870,851	91,421
Mark to market gain on forward foreign exchange contracts		-	211,933
Mark to market gain on derivative instruments		22,284	57,418
Advance for subscription of TFC - unsecured		149,161	845,917
ATM settlement account		112,231	195,927
Acceptances		2,072,792	3,217,002
Others		286,493	162,893
		<u>14,324,028</u>	<u>14,383,458</u>
Less: Provision held against other assets	14.2	(433,433)	(435,188)
Other assets (net of provisions)		<u>13,890,595</u>	<u>13,948,270</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		93,775	93,869
		<u>13,984,370</u>	<u>14,042,139</u>

## 14.1 Movement of Non banking assets acquired in satisfaction of claims at market value:

Opening balance	185,290	203,339
Addition during the period / year	779,964	1,295
Transferred during the period / year	-	(18,771)
Depreciation during the period / year	(628)	(573)
Closing balance	<u>964,626</u>	<u>185,290</u>

## 14.2 Provision held against other assets

Trade receivable from brokerage and advisory business - net	403,645	403,318
Others	29,788	31,870
	<u>433,433</u>	<u>435,188</u>

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
Note	----- Rupees in '000 -----	
<b>14.2.1 Movement in provision held against other assets</b>		
Opening balance	435,188	474,995
Charge	327	2,561
Reversal	(2,082)	(42,368)
Net charge for the period / year	(1,755)	(39,807)
Closing balance	433,433	435,188
<b>15. BILLS PAYABLE</b>		
In Pakistan	2,957,181	3,326,595
Outside Pakistan	216,892	193,329
	3,174,073	3,519,924
<b>16. BORROWINGS</b>		
<b>Secured</b>		
<b>Borrowings from State Bank of Pakistan under:</b>		
Export refinancing scheme (ERF)	16,422,945	15,329,309
Long-Term Finance Facility (LTFF)	1,586,522	1,055,928
Financing Facility for Storage of Agricultural produce (FFSAP)	162,938	121,922
Repurchase agreement borrowings	27,866,992	12,609,714
	46,039,397	29,116,873
<b>Borrowing from financial institutions</b>		
Repurchase agreement borrowings	9,149,648	57,228,252
Refinancing facility for mortgage loans	1,974,658	-
	11,124,306	57,228,252
<b>Total secured</b>	57,163,703	86,345,125
<b>Unsecured</b>		
Call borrowings	1,126,022	8,323,290
Due against bills re-discounting	1,481,289	1,388,619
Overdrawn nostro accounts	152,092	501,629
<b>Total unsecured</b>	2,759,403	10,213,538
	59,923,106	96,558,663

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 17. DEPOSITS AND OTHER ACCOUNTS

	(Un-audited)			(Audited)		
	September 30, 2019			December 31, 2018		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
----- Rupees in '000 -----						
<b>Customers</b>						
Current deposits	61,363,695	6,695,676	68,059,371	71,824,038	5,321,812	77,145,850
Savings deposits	57,478,779	3,386,318	60,865,097	61,444,549	2,576,579	64,021,128
Term deposits	128,642,530	15,990,822	144,633,352	118,807,475	11,430,120	130,237,595
Margin accounts	4,567,197	6,862	4,574,059	3,566,455	4,937	3,571,392
	<u>252,052,201</u>	<u>26,079,678</u>	<u>278,131,879</u>	<u>255,642,517</u>	<u>19,333,448</u>	<u>274,975,965</u>
<b>Financial Institutions</b>						
Current deposits	647,684	208,044	855,728	860,064	-	860,064
Savings deposits	21,263,999	-	21,263,999	26,021,734	-	26,021,734
Term deposits	24,913,950	-	24,913,950	16,408,212	1,540,877	17,949,089
	<u>46,825,633</u>	<u>208,044</u>	<u>47,033,677</u>	<u>43,290,010</u>	<u>1,540,877</u>	<u>44,830,887</u>
	<u>298,877,834</u>	<u>26,287,722</u>	<u>325,165,556</u>	<u>298,932,527</u>	<u>20,874,325</u>	<u>319,806,852</u>

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
<b>18. SUB-ORDINATED LOANS</b>	Note	----- Rupees in '000 -----	
Term Finance Certificates - First Issue	18.1	<u>2,997,000</u>	2,997,600
Term Finance Certificates - Second Issue	18.2	<u>1,998,800</u>	1,999,200
Term Finance Certificates - Second Issue	18.3	<u>2,500,000</u>	2,500,000
		<u>7,495,800</u>	<u>7,496,800</u>

- 18.1** 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
Tenor:	Seven years from the Issue date.

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

Maturity Date:	December 14, 2023
Rating	A + (Single A Plus)
Profit Rate:	Floating rate of return at Base rate + 1.40 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.
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.

**18.2** 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.
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# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

Issue date	December 29, 2017
Tenor:	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 + 1.40 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.
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.

- 18.3** 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:

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

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.

## 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:
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# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

- 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 Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
19. OTHER LIABILITIES	Note	----- Rupees in '000 -----	
Mark-up / return / interest payable in local currency		3,543,116	2,679,843
Mark-up / return / interest payable in foreign currencies		124,323	107,641
Accrued expenses		433,826	707,824
Trade payable from brokerage business		1,357,078	2,054,051
Mark to market gain on forward foreign exchange contracts		242,665	-
Payable in respect of defined benefit obligation - net		115,816	102,494
Unclaimed dividends		10,529	10,529
Donation payable		-	15,248
Lease key money deposit		4,370,891	4,568,145
Workers' Welfare Fund		180,396	179,890
Government duties		340,882	268,880
Payable against remittance		465,424	442,811
Retention money payable		37,792	35,053
Visa debit card payable		219,616	80,202
Acceptances		2,072,792	3,217,002
Lease liability against right-of-use assets		5,263,046	46,422
Others		276,765	204,154
		<u>19,054,957</u>	<u>14,720,189</u>

## 20. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX

### (Deficit) / surplus on revaluation of:

Available-for-sale securities	9.1 & 20.2	(2,074,788)	(3,215,435)
Fixed assets		1,918,175	1,628,992
Non-banking assets acquired in satisfaction of claims		93,775	93,869
		(62,838)	(1,492,574)

### Deferred tax on (deficit) / surplus on revaluation of:

Available-for-sale securities		729,435	1,188,153
Fixed assets		(318,372)	(403,434)
Non-banking assets acquired in satisfaction of claims		(978)	(1,011)
		410,085	783,708
		<u>347,247</u>	<u>(708,866)</u>

20.1 During the period, a subsidiary company has carried out the revaluation exercise by an independent valuer, which has resulted in additional surplus on building of Rs.290.762 million over their existing written down value of Rs. 279.495 million.

The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, and adjusted for any difference in nature, location or condition of the specific properties.

Had there been no revaluation, the carrying value of building would have been lower by Rs.534.443 million and incremental depreciation would have been lower by Rs. 5.567 million.

20.2 This is net off against general provision held under IFRS 9 of Rs. 40.034 million (December 31, 2018: Rs. 90.015 million) by Bahrain Branch of the Bank.

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	Note	(Un-audited) September 30, 2019	(Audited) December 31, 2018
		----- Rupees in '000 -----	
20.3	Group's share	264,391	(822,532)
	Non-controlling interest	82,857	113,666
		<u>347,248</u>	<u>(708,866)</u>
21.	CONTINGENCIES AND COMMITMENTS		
	Guarantees	43,525,025	41,116,520
	Commitments	70,985,824	59,868,869
		<u>114,510,849</u>	<u>100,985,389</u>
21.1	Guarantees:		
	Financial guarantees	2,702,581	3,552,003
	Performance guarantees	22,974,164	19,549,043
	Other guarantees	17,848,280	18,015,474
	21.1.1	<u>43,525,025</u>	<u>41,116,520</u>
21.1.1	Included herein the outstanding guarantees of Rs.15.401 million (December 31, 2018: Rs.19.201 million) of related parties.		
21.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	- Letters of credit	9,980,877	14,957,752
	Commitments in respect of:		
	- Forward foreign exchange contracts	49,474,590	34,627,442
	- Forward government and equity securities	4,028,443	2,707,039
	- Cross currency swaps (notional principal)	4,729,766	3,992,763
	- Options (notional principal)	2,064,023	2,631,433
	- Forward lending	157,945	284,137
	- Bank Guarantee from a commercial Bank in favor of National Clearing Company of Pakistan Limited	400,000	400,000
	- Outstanding settlements against margin financing contracts - net	15,246	12,348
	Commitments for acquisition of:		
	- Operating fixed assets	134,934	255,955
		<u>70,985,824</u>	<u>59,868,869</u>

21.2.1 Included herein the outstanding letter of credits of Rs.12.904 million (December 31, 2018: Rs.44.016 million) of related parties.

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		(Un-audited) September 30, 2019	(Audited) December 31, 2018
21.2.2	Commitments in respect of forward foreign exchange contracts	Note	----- Rupees in '000 -----
	Purchase	31,209,048	21,521,180
	Sale	18,265,542	13,106,262
		<u>49,474,590</u>	<u>34,627,442</u>
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.			
		(Un-audited) September 30, 2019	(Audited) December 31, 2018
		----- Rupees in '000 -----	
21.2.3	Commitments in respect of forward government and equity securities		
	Purchase	3,646,259	209,471
	Sale	382,184	2,497,568
		<u>4,028,443</u>	<u>2,707,039</u>
21.2.4	Commitments in respect of derivative instruments		
	Interest rate swaps (notional principal)	4,729,766	3,992,763
	Options (notional principal)	2,064,023	2,631,433
		<u>6,793,789</u>	<u>6,624,196</u>
21.2.5	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to lend	<u>157,945</u>	<u>284,137</u>
21.2.5.1	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.		
21.2.6	Bank Guarantee from a commercial Bank in favor of National Clearing Company of Pakistan Limited	<u>400,000</u>	<u>400,000</u>
21.2.7	Outstanding settlements against margin financing contracts - net	<u>15,246</u>	<u>12,348</u>
21.2.8	Commitments for acquisition of operating fixed assets	<u>134,934</u>	<u>255,955</u>
21.2.9	There are no changes in contingent liabilities since the date of annual consolidated audited financial statements for the year ended December 31, 2018 except as disclosed above and note 32.1.		

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 22. Derivative Instruments

Derivative instruments, such as Forward Securities 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.

The Holding company has entered into a Cross Currency Swap transaction with its customers 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 48 to the consolidated annual financial statements for the year ended December 31, 2018.

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, 2018.

### 22.1 Product analysis

		(Un-audited) September 30, 2019					
		Cross currency swaps		Options		Forward securities	
		Notional principal	Mark to market	Notional principal	Mark to Market	Notional principal	Mark to Market
----- Rupees in '000 -----							
<b>With Banks for</b>							
Hedging		4,729,766	15,927	-	-	-	-
Market making		-	-	2,064,023	13,524	4,028,443	(7,167)
<b>With FIs other than banks</b>							
Hedging		-	-	-	-	-	-
Market making		-	-	-	-	-	-
<b>Total</b>							
Hedging		4,729,766	15,927	-	-	-	-
Market making		-	-	2,064,023	13,524	4,028,443	(7,167)

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		(Audited) December 31, 2018					
		Cross currency 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		3,992,763	16,931	-	-	-	-
Market making		-	-	2,631,433	(3,652)	2,707,039	44,139
With FIs other than banks							
Hedging		-	-	-	-	-	-
Market making		-	-	-	-	-	-
Total							
Hedging		3,992,763	16,931	-	-	-	-
Market making		-	-	2,631,433	(3,652)	2,707,039	44,139

		----- Un-audited -----	
		September 30, 2019	September 30, 2018
		----- Rupees in '000 -----	
<b>23. MARK-UP / RETURN / INTEREST EARNED</b>	Note		
On:			
Loans and advances		22,670,654	13,660,510
Investments		6,875,243	7,792,600
Lendings to financial institutions		45,588	86,348
Balances with other banks		54,393	8,603
Securities purchased under resale agreements		689,213	120,395
		<u>30,335,091</u>	<u>21,668,456</u>
<b>24. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		20,093,229	10,273,437
Borrowings	24.1	1,290,757	486,411
Securities sold under repurchase agreements		2,403,709	3,853,076
Sub-ordinated loans		749,378	295,557
Lease liability against right-of-use assets	3.1.2	382,477	2,324
		<u>24,919,550</u>	<u>14,910,805</u>

## 24.1 Borrowings

Export Refinancing Scheme (ERF)	251,418	190,446
Long-Term Finance Facility (LTFF)	24,513	7,566
Financing Facility for Storage of Agricultural Produce (FFSAP)	2,621	1,572
Other short term borrowings	1,012,205	286,827
	<u>1,290,757</u>	<u>486,411</u>



# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		----- Un-audited -----	
		September 30, 2019	September 30, 2018
Note		----- Rupees in '000 -----	
<b>25.</b>	<b>FEE, COMMISSION AND BROKERAGE INCOME</b>		
	Branch banking customer fees	132,531	127,010
	Consumer finance related fees	14,847	27,348
	Card related fees (debit and credit cards)	362,542	206,969
	Credit related fees	210,403	182,178
	Investment banking fees	69,047	415,261
	Commission on trade	395,736	341,754
	Commission on guarantees	249,142	234,933
	Commission on cash management	4,388	3,061
	Commission on remittances including home remittances	81,095	77,144
	Commission on bancassurance	105,814	104,774
	Commission on distribution of mutual funds	94,070	129,157
	Commission on online services	132,694	123,443
	Postage & courier income	14,964	10,295
	Rebate income	160,997	97,950
	Rebate on primary dealership	6,918	4,117
	Brokerage income	201,975	271,637
	Management fee	149,948	152,168
		<u>2,387,111</u>	<u>2,509,199</u>
<b>26.</b>	<b>(LOSS) / GAIN ON SALE OF SECURITIES - NET</b>		
	Realised	26.1 (534,943)	(402,507)
	Unrealised - held for trading	14,910	(24,336)
		<u>(520,033)</u>	<u>(426,843)</u>

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		----- Un-audited -----	
		September 30, 2019	September 30, 2018
		----- Rupees in '000 -----	
26.1.	Realised (loss) / gain on:		
	<b>Federal government securities</b>		
	Market treasury bills	3,850	(5,771)
	Pakistan investment bonds	(401,449)	(275,157)
	Ijara sukuk certificates	633	362
	<b>Shares</b>		
	Listed companies	(154,154)	(192,344)
	Unlisted companies	-	4,488
	<b>Non Government Debt Securities</b>		
	Term finance certificates	8,050	5,114
	<b>Mutual fund units</b>	14,542	80,591
	<b>Foreign currency bonds</b>	(6,415)	(23,755)
	<b>Sukuk certificates</b>	-	3,965
		<u>(534,943)</u>	<u>(402,507)</u>
27.	<b>OTHER INCOME - NET</b>		
	Rent on property	3,897	12,236
	Gain on sale of fixed assets - net	98,048	97,040
	Others	5,206	7,875
		<u>107,151</u>	<u>117,151</u>

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

		----- Un-audited -----	
		September 30, 2019	September 30, 2018
		----- Rupees in '000 -----	
28.	OPERATING EXPENSES		
	Total compensation expense	4,202,198	4,143,731
	<b>Property expense</b>		
	Rent & taxes	234,758	928,753
	Insurance	7,916	6,456
	Utilities cost	245,194	203,604
	Security (including guards)	263,203	265,225
	Repair & maintenance (including janitorial charges)	198,325	179,071
	Depreciation	228,766	195,963
	Depreciation on right-of-use assets	576,367	-
	Depreciation on non banking assets	628	975
		1,755,157	1,780,047
	<b>Information technology expenses</b>		
	Software maintenance	134,183	82,727
	Hardware maintenance	172,870	116,172
	Depreciation	132,862	109,582
	Amortisation	71,641	53,182
	Network charges	88,140	80,853
		599,696	442,516
	<b>Other operating expenses</b>		
	Directors' fees and allowances	8,750	11,200
	Fee and allowances to Shariah Board	34	66
	Legal & professional charges	121,707	62,389
	Insurance	140,917	97,683
	Outsourced services costs	108,350	99,272
	Travelling & conveyance	103,637	101,820
	NIFT clearing charges	28,932	25,894
	Depreciation	289,582	240,291
	Depreciation on right-of-use assets	7,480	6,111
	Training & development	22,975	27,808
	Postage & courier charges	61,637	52,007
	Communication	92,785	74,273
	Stationery & printing	187,796	155,890
	Marketing, advertisement & publicity	216,273	291,816
	Donations	200	25,398
	Auditors remuneration	8,772	13,504
	Staff auto fuel & maintenance	177,602	121,694
	Bank charges	47,727	37,630
	Stamp duty	33,056	20,666
	Online verification charges	14,122	16,902
	Brokerage, fee and commission	25,609	44,246
	Card related fees (debit and credit cards)	6,317	4,915
	CDC and other charges	23,636	31,934
	Consultancy fee	30,733	53,232
	Deposit protection corporation	104,821	29,868
	Entertainment expenses	49,631	46,710
	Fee and subscription	82,129	70,201
	Royalty	22,500	20,000
	Employees social security	6,461	6,515
	Generator fuel & maintenance	57,940	59,278
	Others	26,157	24,413
		2,108,268	1,873,626
		8,665,319	8,239,920
	Less: Reimbursement of selling and distribution expenses	(11,148)	(17,887)
		8,654,171	8,222,033

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

- 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, 2018 are amounting to Rs. 87,350.615 million on which total premium is payable of Rs. 139.761 million per annum (Rs. 34.940 million per quarter).

- 28.2** The SECP vide Circular 40/2016 dated December 30, 2016, prescribed certain conditions on Asset Management Companies (AMC) for charging of selling and marketing expenses to open end equity funds, for opening of new branches in cities, except Karachi, Lahore, Islamabad and Rawalpindi. Expenses can be charged to the extent of 0.4% per annum of net assets of fund or actual expenses whichever is lower.

## **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.

		----- Un-audited -----	
		September 30, 2019	September 30, 2018
		----- Rupees in '000 -----	
<b>30. OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan	242	-	
Others	892	732	
	<b>1,134</b>	<b>732</b>	
<b>31. PROVISIONS AND WRITE OFFS - NET</b>			
(Provision)/reversal for diminution in value of investments	123,672	(231,857)	
Provisions against loans & advances - specific	439,833	173,703	
Provision against loans & advances - general	1,724	-	
Other reversals	(1,755)	(42,368)	
General (reversals)/provisions - under IFRS-9	(61,967)	99,439	
Bad debts written off directly	315	-	
	<b>501,822</b>	<b>(1,083)</b>	
<b>32. TAXATION</b>			
Current	(592,694)	(614,282)	
Prior years	-	(14,883)	
Deferred	733,645	79,852	
	<b>140,951</b>	<b>(549,313)</b>	

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 32.1 JS Bank Limited Pakistan Operations

### 32.1.1 Income Tax

During the period, the assessment for tax years 2016 and 2017 were amended by Additional Commissioner Inland Revenue (ADCIR) by issuing orders under section 122(5A) of the Income Tax Ordinance 2001. The assessment was amended by raising various factual and legal issues which the ADCIR considered erroneous and prejudicial to the interest of revenue, and on that basis proceeded to raise a tax demand of Rs.433,889,875 and Rs.508,802,914 for tax years 2016 and 2017 respectively. The Bank not agreeing with the view of ADCIR preferred to file appeals before Commissioner Inland Revenue-Appeals (CIRA). The CIRA disposed off the appeals by considering the Bank's contention and deciding favorably in respect of majority issues. However, certain disallowances have been decided in favor of the Tax Department having tax impact of Rs. 280,090,809 and Rs.144,266,655 for both years respectively. Currently, the matter is being contested by the Bank and the Department in appeals before the Appellate Tribunal Inland Revenue (ATIR), which are pending for hearing and adjudication and the Bank expects a favourable outcome.

### 32.1.2 Sales tax

The Bank as a registered person under Sindh Sales Tax on Services Act, 2011 was issued an Order by the Assistant Commissioner Sindh Revenue Board AC-SRB creating a demand of Rs.48.838 million besides penalty of Rs.4.440 million against the Bank for alleged non-payment of Sindh sales tax on certain services / incomes (i.e. Bancassurance, Home Remittances under Pakistan Remittance Initiative Scheme, SBP rebates on Government securities, Rebates from foreign correspondent Banks, and FX gain on remittance by Western Union) on total amounting to Rs.277.488 million for the tax periods July 2011 to December 2013.

An appeal was filed before Commissioner (Appeals) Sindh Revenue Board, CA-SRB against the decision of AC-SRB which was decided in favor of the tax department except tax imposed on FX gain on remittance by Western Union. Thereafter, both the Bank and AC-SRB filed appeals before the Appellate Tribunal SRB against the decision of CA-SRB. Through its Order dated April 18, 2019, the Appellate Tribunal SRB quashed the demand raised by deciding the Bank's appeal in the Bank's favour and dismissing the AC-SRB's appeal.

## 32.2 Azad Jammu & Kashmir Operations

### 32.2.1 Income Tax

The Bank has commenced operations in Azad Jammu & Kashmir from tax year 2009 and has filed returns for the tax years 2009 to 2018 with the tax authorities of such region. The Commissioner has issued notices for amendment of assessment under section 122 of the Income Tax Ordinance, 2001 (as adopted in AJK Region) for the tax year 2011 to 2017. All assessments orders were rectified with Nil demand. However, such assessments are further amended under section 122(5A) of the Income Tax Ordinance, 2001 (as adopted in AJK and hereinafter refers to as 'the Ordinance') by the

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For the nine months period ended September 30, 2019

Commissioner Inland Revenue, CIR, for the tax year 2013 to 2017 and raised demand of Rs. 55.880 million. Based on the further amendments in tax years 2013 to 2017, CIR has increased mark-up earned on local advances and surplus funds, and dis-allowed fifty percent of allocated head office expense in each tax year, besides creating demand of Super Tax and Education Cess.

For said tax years, the Bank has not accepted further amendments and filed rectification application with CIR on grounds that amendments were made without considering the brought forward losses of Rs.128.223 million. Simultaneously, the Bank has also filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA) where it is pending for hearing and decision. The management is confident that the appeals filed in respect of above years will be decided in the Bank's favor and accordingly no demand for payment would arise.

		----- Un-audited -----			
		Quarter ended		Nine months period ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
		----- Rupees in '000 -----			
33.	<b>BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE</b>				
	Profit after taxation for the period - attributable to ordinary equity holders of the Bank for diluted earnings	(204,465)	73,953	(727,858)	785,944
	Preference dividend for the year ended December 31, 2018 @ 12% p.a (2017: @ 12% p.a.)	-	-	(24,164)	(180,000)
	Profit after taxation for the period - attributable to ordinary equity holders of the Bank for basic earnings	<u>(204,465)</u>	<u>73,953</u>	<u>(752,022)</u>	<u>605,944</u>
		----- Numbers -----			
	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>1,257,079,647</u>
		----- Rupee -----			
	Basic and diluted (loss) / earnings per share	<u>(0.16)</u>	<u>0.06</u>	<u>(0.58)</u>	<u>0.48</u>

**33.1** During September 2018, the diluted earnings per share increased for the nine months period ended when taking the convertible preference shares into account, therefore the convertible preference shares are anti-dilutive and are excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share. Further, no impact of dilution has been taken for the quarter ended September 30, 2018, due to conversions of preference shares.

## 34. FAIR VALUE OF FINANCIAL INSTRUMENTS

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost.

# Notes to the Consolidated Condensed Interim Financial Statements

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The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined at lower of cost and the break-up value in accordance with the requirements of prudential regulations issued by SBP. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements.

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 Group's accounting policy as stated in note 4.7.1 to the annual consolidated financial statements of the Group for the year ended December 31, 2018.

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.

## 34.1 Fair value of financial assets

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

- Level 1 Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

## 34.2 Valuation techniques used in determination of fair values within level 2

Item	Valuation approach and input used
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.
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.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV rates (Reuters page).

# Notes to the Consolidated Condensed Interim Financial Statements

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Term Finance Certificates and Bonds	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.
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.

## 34.3 Fair value of non-financial assets

## 34.4 Valuation techniques used in determination of fair values within 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 (level 3 measurement) based on their assessment of the market values as disclosed in note 10 and 14 respectively. 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	

**34.5** The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the period ended June 30, 2019.

**34.6** The following table provides an analysis of financial and non 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.



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	(Un-audited) September 30, 2019			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<u>On balance sheet financial instruments</u>				
Financial assets classified as 'held-for-trading securities'				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	57,664,268	-	57,664,268
Shares	387,940	-	-	387,940
Non Government Debt Securities	-	-	-	-
Open end mutual funds	-	475,265	-	475,265
	387,940	58,139,533	-	58,527,473
Financial assets classified as 'available-for-sale securities'				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	39,340,876	-	39,340,876
Shares	2,286,375	-	-	2,286,375
Non Government Debt Securities	-	825,514	-	825,514
Open end mutual funds	-	1,051,345	-	1,051,345
Foreign Securities	-	1,520,961	-	1,520,961
	2,286,375	42,738,696	-	45,025,071
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	31,755,226	-	31,755,226
	-	31,755,226	-	31,755,226
	2,674,315	132,633,455	-	135,307,770
Non-Financial Assets				
Revalued fixed assets	-	-	3,805,614	3,805,614
Non-banking assets acquired in satisfaction of claims	-	-	964,626	964,626
	-	-	4,770,240	4,770,240
<u>Off balance sheet financial instruments</u>				
Commitments in respect of:				
Forward foreign exchange contracts				
Purchase	-	22,914,692	-	22,914,692
Sale	-	9,310,361	-	9,310,361
Forward government securities and equity securities				
Purchase	-	1,575,756	-	1,575,756
Sale	-	9,826,388	-	9,826,388
Derivative instruments				
Cross currency swaps (notional principal)	-	7,512,775	-	7,512,775
Options (notional principal)	-	2,102,227	-	2,102,227

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
<u>On balance sheet financial instruments</u>				
Financial assets classified as 'held-for-trading securities'				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	41,368,514	-	41,368,514
Shares	993,812	-	-	993,812
Non Government Debt Securities	-	133,356	-	133,356
Open end mutual funds	-	378,945	-	378,945
	993,812	41,880,815	-	42,874,627
Financial assets classified as 'available-for-sale securities'				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	52,541,122	-	52,541,122
Shares	2,586,797	-	-	2,586,797
Non Government Debt Securities	-	808,626	-	808,626
Open end mutual funds	-	1,157,455	-	1,157,455
Foreign Securities	-	5,868,382	-	5,868,382
	2,586,797	60,375,585	-	62,962,382
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	39,836,881	-	39,836,881
	-	39,836,881	-	39,836,881
	<u>3,580,609</u>	<u>142,093,281</u>	<u>-</u>	<u>145,673,890</u>
Non-Financial Assets				
Revalued fixed assets	-	-	3,209,693	3,209,693
Non-banking assets acquired in satisfaction of claims	-	-	185,290	185,290
	<u>-</u>	<u>-</u>	<u>3,394,983</u>	<u>3,394,983</u>
<u>Off balance sheet financial instruments</u>				
Commitments in respect of:				
Forward foreign exchange contracts				
Purchase	-	21,946,624	-	21,946,624
Sale	-	13,319,774	-	13,319,774
Forward government securities				
Purchase	-	209,530	-	209,530
Sale	-	1,494,554	-	1,494,554
Derivative instruments				
Cross currency swaps (notional principal)	-	5,254,792	-	5,254,792
Options (notional principal)	-	2,627,781	-	2,627,781

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

## 35. SEGMENT INFORMATION

### 35.1 Segment Details with respect to Business Activities

	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Brokerage	Asset management	Others	Total
<b>September 30, 2019 (Un-audited)</b>	Rupees in '000							
<b>Profit &amp; Loss</b>								
Net mark-up / return / profit	-	1,537,131	(2,723,969)	6,472,292	138,986	(8,899)	-	5,415,541
Inter segment revenue - net	-	(4,503,195)	7,886,625	(3,383,430)	-	-	-	-
Non mark-up / return / interest income	49,042	197,377	1,401,399	592,462	310,840	200,546	93,252	2,844,918
<b>Total Income</b>	<b>49,042</b>	<b>(2,768,687)</b>	<b>6,564,055</b>	<b>3,681,324</b>	<b>449,826</b>	<b>191,647</b>	<b>93,252</b>	<b>8,260,459</b>
Segment direct expenses	79,332	96,751	4,266,672	636,260	425,999	330,692	405,625	6,241,331
Inter segment expense allocation	-	226,305	1,279,466	913,051	(1,297)	(2,945)	-	2,414,580
<b>Total expenses</b>	<b>79,332</b>	<b>323,056</b>	<b>5,546,138</b>	<b>1,549,311</b>	<b>424,702</b>	<b>327,747</b>	<b>405,625</b>	<b>8,655,911</b>
Provisions	-	211,385	92,382	197,728	327	-	-	501,822
<b>Profit before tax</b>	<b>(30,290)</b>	<b>(3,303,128)</b>	<b>925,535</b>	<b>1,934,285</b>	<b>24,797</b>	<b>(136,100)</b>	<b>(312,373)</b>	<b>(897,274)</b>
<b>September 30, 2019 (Un-audited)</b>								
<b>Balance Sheet</b>								
Cash & Bank balances	-	15,663,558	6,570,788	-	416,008	3,405	-	22,653,759
Investments	-	140,744,371	-	-	(834,574)	1,090,418	-	141,000,215
Net inter segment lending	-	-	135,064,611	-	-	-	489,036	135,553,647
Lendings to financial institutions	-	1,229,104	-	-	-	-	-	1,229,104
Advances - performing	-	-	92,844,661	138,867,169	216,651	4,892	-	231,933,373
Advances - non-performing	-	-	2,843,872	7,435,929	-	-	-	10,279,801
Advances - provisions - net	-	-	(645,373)	(2,953,387)	-	-	-	(3,598,760)
	-	-	95,043,160	143,349,711	216,651	4,892	-	238,614,414
Others	-	4,293,679	2,779,461	4,338,088	1,413,231	728,918	16,207,743	29,761,120
<b>Total Assets</b>	<b>-</b>	<b>161,930,712</b>	<b>239,458,020</b>	<b>147,687,799</b>	<b>1,211,316</b>	<b>1,827,633</b>	<b>16,696,779</b>	<b>568,812,259</b>
Borrowings	-	39,800,332	5,031,596	15,091,178	-	-	-	59,923,106
Subordinated debt	-	7,495,800	-	-	-	-	-	7,495,800
Deposits & other accounts	-	-	227,775,877	99,288,036	(1,874,621)	(23,736)	-	325,165,556
Net inter segment borrowing	-	130,941,523	-	33,934,730	-	-	-	164,876,253
Others	-	379,171	6,650,547	2,325,369	1,854,829	572,497	10,446,617	22,229,030
<b>Total Liabilities</b>	<b>-</b>	<b>178,616,826</b>	<b>239,458,020</b>	<b>150,639,313</b>	<b>(19,792)</b>	<b>548,761</b>	<b>10,446,617</b>	<b>579,689,745</b>
Equity	-	-	-	-	-	-	18,445,120	18,445,120
<b>Total Equity &amp; Liabilities</b>	<b>-</b>	<b>178,616,826</b>	<b>239,458,020</b>	<b>150,639,313</b>	<b>(19,792)</b>	<b>548,761</b>	<b>28,891,737</b>	<b>598,134,865</b>
Contingencies & Commitments	-	60,072,583	35,455,162	18,050,740	846,499	-	85,865	114,510,849

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	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Brokerage	Asset management	Others	Total
<b>September 30, 2018 (Un-audited)</b>	Rupees in '000 -							
<b>Profit &amp; Loss</b>								
Net mark-up / return / profit	-	3,620,636	(2,457,012)	5,480,430	114,431	(834)	-	6,757,651
Inter segment revenue - net	-	(4,222,509)	7,263,886	(3,041,377)	-	-	-	-
Non mark-up / return / interest income	332,101	132,610	1,063,460	515,414	450,821	258,735	85,672	2,838,813
<b>Total Income</b>	<b>332,101</b>	<b>(469,263)</b>	<b>5,870,334</b>	<b>2,954,467</b>	<b>565,252</b>	<b>257,901</b>	<b>85,672</b>	<b>9,596,464</b>
Segment direct expenses	81,333	133,060	3,664,248	1,161,422	499,321	276,389	525,677	6,341,450
Inter segment expense allocation	-	167,463	780,823	987,450	(22,308)	(5,208)	-	1,908,220
<b>Total expenses</b>	<b>81,333</b>	<b>300,523</b>	<b>4,445,071</b>	<b>2,148,872</b>	<b>477,013</b>	<b>271,181</b>	<b>525,677</b>	<b>8,249,670</b>
Provisions	-	(23,091)	337,104	(231,987)	-	(40,741)	(42,368)	(1,083)
<b>Profit before tax</b>	<b>250,768</b>	<b>(746,695)</b>	<b>1,088,159</b>	<b>1,037,582</b>	<b>88,239</b>	<b>27,461</b>	<b>(397,637)</b>	<b>1,347,877</b>
<b>December 31, 2018 (Audited)</b>								
<b>Balance Sheet</b>								
Cash & Bank balances	-	26,330,603	6,748,812	-	7,357	2,428	-	33,089,200
Investments	-	146,741,243	-	-	1,161,072	1,698,900	-	149,601,215
Net inter segment lending	-	-	142,567,445	-	-	-	6,556,733	149,124,178
Lendings to financial institutions	-	1,937,347	-	-	-	-	-	1,937,347
Advances - performing	-	-	93,802,563	153,035,183	313,609	3,590	-	247,154,945
Advances - non-performing	-	-	1,647,085	6,662,382	-	-	-	8,309,467
Advances - Provisions - net	-	-	(527,295)	(2,629,000)	-	-	-	(3,156,295)
	-	-	94,922,353	157,068,565	313,609	3,590	-	252,308,117
Others	-	2,622,494	1,690,642	2,587,220	1,793,770	771,566	14,139,676	23,605,368
<b>Total Assets</b>	<b>-</b>	<b>177,631,687</b>	<b>245,929,252</b>	<b>159,655,785</b>	<b>3,275,808</b>	<b>2,476,484</b>	<b>20,696,409</b>	<b>609,665,425</b>
Borrowings	-	80,051,504	4,290,751	12,216,408	-	-	-	96,558,663
Subordinated debt	-	7,496,800	-	-	-	-	-	7,496,800
Deposits & other accounts	-	-	231,253,106	88,553,746	-	-	-	319,806,852
Net inter segment borrowing	-	91,475,842	-	57,648,336	-	-	-	149,124,178
Others	-	556,272	8,833,219	1,237,296	2,231,649	302,289	5,079,388	18,240,113
<b>Total Liabilities</b>	<b>-</b>	<b>179,580,418</b>	<b>244,377,076</b>	<b>159,655,786</b>	<b>2,231,649</b>	<b>302,289</b>	<b>5,079,388</b>	<b>591,226,606</b>
Equity	-	-	-	-	-	-	18,438,819	18,438,819
<b>Total Equity &amp; Liabilities</b>	<b>-</b>	<b>179,580,418</b>	<b>244,377,076</b>	<b>159,655,786</b>	<b>2,231,649</b>	<b>302,289</b>	<b>23,518,207</b>	<b>609,665,425</b>
Contingencies & Commitments	-	43,239,446	34,959,767	21,114,506	1,527,737	-	143,933	100,985,389

For the nine months period ended September 30, 2019

Contributions to the accounts in respect of staff retirement benefits are made in accordance with terms of the contribution plans. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are carried out as per agreed terms.

The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these unconsolidated financial statements are as follows:

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	As at September 30, 2019 (unaudited)					As at December 31, 2018 (Audited)				
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)					(Rupees in '000)				
<b>Deposits and other accounts</b>										
Opening balance	336,515	24,308	74,950	-	9,656,833	1,502,578	75,080	42,502	-	8,227,301
Received during the period / year	3,835,101	127,200	1,031,829	798,782	204,587,819	7,203,060	397,578	1,762,689	-	160,708,700
Withdrawn during the period / year	(3,756,703)	(103,739)	(1,046,627)	(826,129)	(205,547,878)	(8,374,123)	(444,420)	(1,728,031)	-	(159,396,796)
Transfer in / (out) - net	-	(4,095)	(3,100)	41,874	237,853	-	70	(2,220)	-	113,628
Closing balance	414,913	43,674	57,052	14,527	8,914,627	336,515	28,308	74,950	-	9,652,833
<b>Subordinated loans</b>	-	-	-	-	889,666	-	-	-	-	389,744
<b>Other Liabilities</b>										
Interest / return / mark-up payable on deposits	137	6	36	4	98,914	-	6	333	-	42,582
Interest / return / mark-up payable on borrowings	-	-	-	-	-	-	-	-	-	1,355
Interest / return / mark-up payable on subordinated loans	-	-	-	-	35,419	-	-	-	-	1,541
Trade payable from brokerage business	-	3,596	34	-	1,465	-	804	46	-	20,947
Accrued expenses	-	-	-	-	-	160	-	-	-	6,070
Payable to defined benefit plan	-	-	-	-	115,816	-	-	-	-	102,494
<b>Represented By</b>										
Share Capital	9,733,073	17,330	900	-	81,765	9,733,073	17,417	900	-	81,678
<b>Contingencies and Commitments</b>										
Letter of guarantee	-	-	-	-	15,401	-	-	-	-	19,201
Letter of Credit	-	-	-	-	12,904	-	-	-	-	38,440
	For the period ended September 30, 2019 (unaudited)					For the period ended September 30, 2018 (unaudited)				
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)					(Rupees in '000)				
Mark-up / return / interest earned	1,912	211	9,269	-	273,743	1,158	875	17,429	-	205,035
Fee, commission and brokerage income	1,303	54	243	-	385,151	12,756	100	170	-	412,220
Dividend income	-	-	-	-	75,690	-	-	-	-	15,021
Gain / (loss) on sale of securities - Net	-	-	-	-	16,577	-	-	-	-	123,352
Rental income	-	-	-	-	3,035	-	-	-	-	11,859
Mark-up / return / interest paid	29,605	1,665	2,929	1,829	1,075,822	90,716	2,816	2,224	-	653,957
Remuneration paid	-	-	418,828	-	-	-	-	509,448	-	-
Preference Dividend Paid	23,419	161	-	-	38	174,450	-	1,479	-	-
Non-executive directors' fee	-	7,000	-	-	675	-	10,750	-	-	450
Net charge for defined contribution plans	-	-	-	-	175,505	-	-	-	-	150,453
Net charge / (reversal) for defined benefit plans	-	-	-	-	115,816	-	-	-	-	128,244
Rental expense	-	-	-	-	-	1,275	-	-	-	-
Advisory fee	-	-	-	-	15,000	-	-	-	-	39,000
Reimbursement of expenses	1,211	622	-	-	-	5,039	500	-	-	-
Royalty	-	-	-	-	22,500	-	-	-	-	20,000
Other expenses	-	-	-	-	2,946	-	-	-	-	5,776
Insurance premium paid	-	-	-	-	331,262	-	-	-	-	279,380
Insurance claims settled	-	-	-	-	8,036	-	-	-	-	10,701
Defined benefit plans paid	-	-	-	-	102,494	-	-	-	-	175,118

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

	(Un-audited) September 30, 2019	(Audited) December 31, 2018
----- Rupees in '000 -----		
<b>37. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	10,119,242	10,119,242
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	15,585,658	15,179,478
Eligible Additional Tier 1 (ADT 1) Capital	2,355,795	2,332,784
Total Eligible Tier 1 Capital	17,941,453	17,512,262
Eligible Tier 2 Capital	4,446,991	4,678,095
Total Eligible Capital (Tier 1 + Tier 2)	22,388,443	22,190,357
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	147,246,367	147,074,100
Market Risk	4,684,477	6,442,937
Operational Risk	19,783,433	19,783,433
Total	171,714,277	173,300,470
Common Equity Tier 1 Capital Adequacy ratio	9.08%	8.76%
Tier 1 Capital Adequacy Ratio	10.45%	10.11%
Total Capital Adequacy Ratio	13.04%	12.80%
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	17,823,094	17,512,262
Total Exposures	521,559,086	523,980,031
Leverage Ratio	3.42%	3.34%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	74,378,594	55,404,403
Total Net Cash Outflow	57,234,521	52,473,282
Liquidity Coverage Ratio	130%	106%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	285,083,575	298,128,452
Total Required Stable Funding	264,736,911	280,794,715
Net Stable Funding Ratio	108%	106%

## 38. GENERAL

- 38.1** These consolidated condensed interim 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.

# Notes to the Consolidated Condensed Interim Financial Statements

For the nine months period ended September 30, 2019

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

## **39. DATE OF AUTHORISATION FOR ISSUE**

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Holding Company in their meeting held on October 24, 2019.

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President and  
Chief Executive Officer

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Chief Financial  
Officer

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Director

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Director

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Chairman







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