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# Corporate Information

## Board of Directors

Mr Mohammad Jehanzeb Khan	Director
Mr Muhammad Abdullah Khan Sumbal	Director
Dr Muhammad Amjad Saqib	Director
Syed Ghazanfar Abbas Jilani	Director
Mr Shaharyar Ahmad	Director
Khawaja Farooq Saeed	Director
Mr Saeed Anwar	Director
Mr Zafar Masud	President / CEO
Mr Kamran Hafeez	Secretary to the Board

## Board Audit Committee

Mr Saeed Anwar	Chairman
Mr Mohammad Jehanzeb Khan	Member
Syed Ghazanfar Abbas Jilani	Member
Mr Shaharyar Ahmad	Member

## Risk Management, Compliance and NPL Review Committee

Mr Shaharyar Ahmad	Chairman
Dr Muhammad Amjad Saqib	Member
Syed Ghazanfar Abbas Jilani	Member
Khawaja Farooq Saeed	Member

## Human Resource, Compensation and Nomination Committee

Khawaja Farooq Saeed	Chairman
Mr Mohammad Jehanzeb Khan	Member
Mr Muhammad Abdullah Khan Sumbal	Member
Dr Muhammad Amjad Saqib	Member
Syed Ghazanfar Abbas Jilani	Member

## Strategy, Islamic and Priority Sector Finance Committee

Dr Muhammad Amjad Saqib	Chairman
Mr Muhammad Abdullah Khan Sumbal	Member
Mr Shaharyar Ahmad	Member
Mr Saeed Anwar	Member

## Information Technology and Communications Committee

Mr Mohammad Jehanzeb Khan	Chairman
Mr Muhammad Abdullah Khan Sumbal	Member
Khawaja Farooq Saeed	Member
Mr Saeed Anwar	Member

## Auditors

EY Ford Rhodes, Chartered Accountants

## Registered Office

BOP Tower, 10-B, Block-E-II,  
Main Boulevard, Gulberg-III, Lahore.  
Telephones: +92 42 35783700-10  
Fax No. +92 42 35783975  
UAN: 111 200 100

## Registrar

M/s. Corplink (Pvt) Limited  
Wings Arcade, 1-K, Commercial,  
Model Town, Lahore.  
Telephones: +92 42 35916714, 35916719, 35839182  
Fax No. +92 42 35869037

## Website

[www.bop.com.pk](http://www.bop.com.pk)

## Directors' Review

### Half Yearly Financial Statements fi June 30, 2020

On behalf of the Board of Directors, I am pleased to present Un-audited Condensed Interim Financial Statements of The Bank of Punjab for the six months period ended June 30, 2020.

The COVID-19 related lockdown which began during third quarter of FY20 has started taking its toll on an otherwise favorable macroeconomic trajectory following the necessary stabilization measures of recent times. Both production and retail activities came near to a standstill which led to a significant contraction in economic activity. Such was the severity of the COVID-19 shock that after 68 years, Pakistan's real GDP is provisionally estimated to record a negative growth of 0.4 percent for FY20.

This contraction in Pakistan's GDP is due to a decline in output of industrial and services sectors. Prior to the lockdowns, the Industrial sector's performance continued to improve on account of gradual improvements in large scale manufacturing (LSM). However, COVID-19 related disruptions adversely affected the promising recovery in LSM. Nevertheless, the agriculture sector remained largely immune from the impact of COVID-19 and posted positive growth during FY20. Besides substantial reduction in policy rate, State Bank of Pakistan has taken various measures to counter the adverse impact of COVID-19 on Country's economy. The measures include launch of Refinance Schemes to support employment, relaxation in credit requirement for Exporters & Importers and restructuring of loans facilities.

Despite above economic background, the Bank has been able to achieve following financial results during 1st half of the year 2020:

Financial Highlights:	Rs. in Million
Profit before taxation	6,340.497
Taxation	2,691.035
Profit after taxation	3,649.462
Earnings per share (Rupees)	1.38

During 1st half of the year 2020, the Bank was able to minimize the impact of adverse economic conditions by opting investment strategy which resulted in substantial capital gains accrued on books of the Bank. Whereas, Net Interest Margin (NIM) remained at Rs. 11.5 billion as against Rs. 13.1 billion during corresponding period last year. However, Non-Markup/ Interest Income increased to Rs. 6.9 billion as against Rs. 1.8 billion showing a substantial increase over corresponding period last year. During 1st half of the year, pre-provision profit improved to Rs. 9.8 billion as against Rs. 8.0 billion during corresponding period last year thereby registering a rise of 23%. However, the Bank posted after tax profit of Rs. 3.6 billion as against Rs. 4.0 billion earned during 1st half of year 2019. Earnings per Share (EPS) for the 1st half of year 2020 remained at the level of Rs. 1.38 per share.

Bank's Total Assets crossed the level of Rs. 1.0 Trillion as at June 30, 2020 and stood at Rs. 1,018.4 billion as against Rs. 868.9 billion as of December 31, 2019. The Deposits of the Bank touched the level of Rs. 805.7 billion, while Investments and Gross Advances were recorded at Rs. 497.7 billion and Rs. 431.4 billion, respectively. The Tier-I equity remained at Rs. 43.0 billion and Capital Adequacy Ratio (CAR) also improved to highly comfortable level of 17.82% from 14.80% as on December 31, 2019. As on June 30, 2020, the Bank stands fully compliant with the SBP's prescribed requirement of CAR with substantial positive margin.

The Bank has been assigned long term entity rating of "AA" by M/s PACRA with short term rating being at the highest rank of "A1+". The Bank currently has a network of 624 online branches, including 100 Taqwa Islamic Banking Branches and 17 sub-branches, strategically located across the Country.

I express my gratitude to our valued customers and shareholders for their continuous support and assure that all efforts shall be made to maintain growth trends in prevalent tough economic conditions. I also wish to thank the Government of the Punjab and State Bank of Pakistan for their support and guidance. Further, efforts of Bank's management and staff for provision of banking services in prevalent COVID-19 situation is also highly appreciated.

For and on behalf of the Board

**Chairman**

## ڈائریکٹرز رپورٹ

دی بینک آف پنجاب کے ششماہی مالیاتی نتائج 30 جون 2020ء

یہ بات میرے لیے باعث مسرت ہے کہ میں دی بینک آف پنجاب کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2020ء کو اختتام پذیر ہونے والی ششماہی کے غیر آڈٹ شدہ حسابات پیش کر رہا ہوں۔

جب معیشت مالی سال 20ء کی تیسری سہ ماہی میں داخل ہوئی تو کورونا وائرس کی وبا کی بنا پر ہونے والی بندشوں نے منفی اثرات ڈالنا شروع کر دیے ورنہ حالیہ دور میں استحکام کے ضروری اقدامات کے بعد معاشی پیش رفت سازگارتھی۔ سہ ماہی کے اواخر کے قریب پیداواری اور ریشیل سرگرمیاں دونوں معطل ہو کر رہ گئیں اور معاشی سرگرمی میں نمایاں سکڑاؤ آیا۔ کووڈ-19 کا دھچکا اتنا شدید تھا کہ 68 سال بعد پاکستان کی حقیقی جی ڈی پی کا عبوری تخمینہ مالی سال 20ء کے لیے 0.4 فیصد منفی منوگا یا گیا۔

پاکستان کی جی ڈی پی میں یہ سکڑاؤ صنعتی اور خدمات کے شعبوں کی پیداوار میں زوال کی بنا پر ہے۔ لاک ڈاؤن سے پہلے بڑے پیمانے پر اشیاء سازی (ایل ایس ایم) میں بتدریج بہتری کے باعث صنعتی شعبے کی کارکردگی مسلسل بہتر ہو رہی تھی۔ تاہم مالی سال 20ء کے دوران کورونا وائرس کی وبا کی بنا پر قحط سے ایل ایس ایم میں ہونے والی ابتدائی بحالی پر منفی اثر پڑا۔ تاہم شعبہ زراعت کووڈ-19 سے زیادہ تر محفوظ رہا اور مالی سال 20ء کے دوران اس میں مثبت نمو دیکھی گئی۔ پالیسی ریفٹ کی شرح میں خاطر خواہ کمی کے علاوہ اسٹیٹ بینک آف پاکستان نے ملک کی معیشت پر کووڈ-19 کے منفی اثرات کو روکنے کے لیے مختلف اقدامات اٹھائے ہیں۔ ان اقدامات میں ملازمت کی حمایت کے لیے ری فنانس سکیم کا اجراء، برآمد کنندگان اور درآمد کنندگان کے لیے قرضوں کی ضرورت میں نرمی اور قرضوں کی سہولیات کی تنظیم نو شامل ہیں۔

مشکل معاشی پس منظر میں بینک اپنی مالی حیثیت کو برقرار رکھنے میں کامیاب رہا جیسا کہ یہاں ذکر کیا گیا ہے:

مالیاتی نتائج	روپیہ ملین میں
قبل از ٹیکس منافع	6,340.497
ٹیکس	2,691.035
بعد از ٹیکس منافع	3,649.462
فی حصص منافع (روپیہ)	1.38

سال 2020ء کی پہلی ششماہی کے دوران بینک نامساعد معاشی صورتحال کے اثر کو زائل کرنے میں کامیاب رہا اور سرمایہ کاری کی حکمت عملی کے ذریعے خاطر خواہ کیپیٹل گین جمع ہوئے جبکہ بینک کا نیٹ انٹرسٹ مارجن 11.5 ارب روپے رہا جو کہ گزشتہ سال کی اسی مدت کے دوران 13.1 ارب روپے تھا۔ اسی طرح بینک کی نان انٹرسٹ/مارک اپ آمدن قابل ذکر اضافے کے ساتھ 6.9 ارب روپے ہو گئی جو کہ سال 2019ء کی پہلی ششماہی کے دوران 1.8 ارب روپے تھی۔ سال 2020ء کی پہلی ششماہی کے دوران بینک نے 23% اضافہ کے ساتھ 9.8 ارب روپے کا قبل از پروویژن منافع کمایا جو کہ گزشتہ سال کی اسی مدت کے دوران 8.0 ارب روپے تھا۔ جبکہ بینک کا بعد از ٹیکس منافع 3.6 ارب روپے رہا جو کہ سال 2019ء کی پہلی ششماہی کے دوران 4.0 ارب روپے تھا۔ بینک کی فی حصص آمدن 1.38 روپے فی حصص رہی۔

30 جون 2020ء کو بینک کے اثاثہ جات ایک کھرب کی سطح کو عبور کر گئے اور 1,018.4 ارب روپے کی سطح پر رہے جو کہ 31 دسمبر 2019ء کو 868.9 ارب روپے تھے۔ بینک کے ڈیپازٹ 805.7 ارب روپے کی سطح پر پہنچ گئے جبکہ سرمایہ کاری اور قرضہ جات بالترتیب 497.7 ارب روپے اور 431.4 ارب روپے رہے۔ بینک کی ٹیژورن اکیویٹی 43.0 ارب روپے رہی جبکہ کلیٹل ایڈیوکیسی ریشو (CAR) 17.82 فیصد کی انتہائی اطمینان بخش سطح پر رہی جو کہ 31 دسمبر 2019ء کی 14.80 فیصد تھی۔ اس طرح بینک ایک قابل ذکر مارجن کے ساتھ اسٹیٹ بینک آف پاکستان کی متعین کردہ CAR کی مطلوبہ سطح پوری کر چکا ہے۔

پاکستان کریڈٹ ریٹنگ ایجنسی نے بینک کو طویل مدت ریٹنگ "AA" دی ہے جبکہ مختصر مدت کے لیے "A1+" کی ریٹنگ بلند ترین سطح پر ہے۔ بینک نے اپنے برانچ نیٹ ورک میں مزید توسیع کا فیصلہ کیا ہے۔ اس وقت بینک کی 624 آن لائن برانچز بشمول 100 تقویٰ اسلامک بینکنگ برانچز اور 17 سب برانچز ملک بھر میں موجود ہیں۔

میں اپنے معزز صارفین اور حصص داران کے تعاون پر مشکور ہوں اور اس بات کا یقین دلاتا ہوں کہ ترقی کی موجودہ رفتار کو ان حالات میں بھی برقرار رکھا جائے گا۔ میں حکومت پنجاب اور اسٹیٹ بینک آف پاکستان کے مسلسل تعاون اور معاونت کا تہہ دل سے شکر گزار ہوں۔ میں بینک کی انتظامیہ اور تمام ملازمین کی انتھک محنت کا معترف ہوں جس کی وجہ سے بینک نے COVID-19 کی مشکل صورتحال میں قابل ذکر کارکردگی کا مظاہرہ کیا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

جیویر مین



# Unconsolidated Condensed Interim Financial Statements

For the six months ended June 30, 2020



# Unconsolidated Condensed Interim Statement of Financial Position

As at June 30, 2020

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>ASSETS</b>			
Cash and balances with treasury banks	7	68,702,886	53,414,628
Balances with other banks	8	8,436,025	10,310,569
Lendings to financial institutions	9	9,088,599	4,059,771
Investments - net	10	497,663,816	361,452,930
Advances - net	11	382,955,818	383,313,380
Fixed assets	12	14,708,890	15,218,893
Intangible assets	13	783,838	793,285
Deferred tax assets - net	14	3,491,186	6,567,783
Other assets - net	15	32,614,790	33,796,541
		1,018,445,848	868,927,780
<b>LIABILITIES</b>			
Bills payable	17	3,094,701	3,421,083
Borrowings	18	102,792,458	77,044,955
Deposits and other accounts	19	805,717,152	691,017,447
Liabilities against assets subject to finance lease		-	-
Subordinated debts	20	6,793,060	8,794,420
Deferred tax liabilities		-	-
Other liabilities	21	44,952,984	41,967,541
		963,350,355	822,245,446
<b>NET ASSETS</b>		55,095,493	46,682,334
<b>REPRESENTED BY</b>			
Share capital - net		26,173,766	26,173,766
Reserves		6,640,276	6,640,276
Surplus on revaluation of assets - net of tax	22	12,073,232	5,371,207
Unappropriated profit		10,208,219	8,497,085
		55,095,493	46,682,334

## CONTINGENCIES AND COMMITMENTS

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

Chief Financial Officer

President

Director



# Unconsolidated Condensed Interim Profit and Loss Account For the Six Months Ended June 30, 2020 (Un-audited)

	Note	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
		Rupees in '000'			
Mark-up / return / interest earned	24	22,655,011	18,031,462	46,867,262	34,118,455
Mark-up / return / interest expensed	25	17,006,768	11,294,999	35,319,883	21,034,761
Net mark-up / interest income		5,648,243	6,736,463	11,547,379	13,083,694
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	26	959,976	907,834	1,811,603	1,675,016
Dividend income		22,508	29,616	64,288	57,821
Foreign exchange income		133,157	33,451	205,837	30,761
Income / (loss) from derivatives		-	-	-	-
Gain on securities - net	27	3,761,213	19,928	4,765,316	33,918
Other income - net	28	12,575	35,147	44,750	40,058
Total non-markup / interest income		4,889,429	1,025,976	6,891,794	1,837,574
Total income		10,537,672	7,762,439	18,439,173	14,921,268
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	29	3,957,674	3,509,283	8,158,227	6,957,802
Workers welfare fund		103,765	-	161,738	-
Other charges	30	653	1,642	288,319	2,663
Total non-markup / interest expenses		4,062,092	3,510,925	8,608,284	6,960,465
Profit before provisions		6,475,580	4,251,514	9,830,889	7,960,803
Provisions and write offs - net	31	2,803,488	783,751	3,490,392	1,033,913
Extra ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		3,672,092	3,467,763	6,340,497	6,926,890
Taxation - net	32	1,523,533	1,354,019	2,691,035	2,917,827
<b>PROFIT AFTER TAXATION</b>		2,148,559	2,113,744	3,649,462	4,009,063
<b>Basic earnings per share - Rupees</b>	33	0.81	0.80	1.38	1.52
<b>Diluted earnings per share - Rupees</b>	34	0.81	0.80	1.38	1.52

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

Chief Financial Officer

President

Director

# Unconsolidated Condensed Interim Statement of Comprehensive Income For the Six Months Ended June 30, 2020 (Un-audited)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	Rupees in '000'			
Profit after taxation for the period	2,148,559	2,113,744	3,649,462	4,009,063
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>				
Remeasurement loss on defined benefit obligations	-	-	-	-
Movement in surplus on revaluation of fixed / non-banking assets - net of tax	-	-	(9,167)	-
	-	-	(9,167)	-
	2,148,559	2,113,744	3,640,295	4,009,063
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
Movement in surplus / (deficit) on revaluation of investments - net of tax	2,943,322	(752,363)	6,755,633	(767,968)
<b>Total comprehensive income for the period</b>	<b>5,091,881</b>	<b>1,361,381</b>	<b>10,395,928</b>	<b>3,241,095</b>

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

Chief Financial Officer

President

Director

## Unconsolidated Condensed Interim Statement of Changes in Equity For the Six Months Ended June 30, 2020 (Un-audited)

	Share capital	Discount on issue of shares	Share capital - net	Share premium	Rupees in '000'			Surplus / (Deficit) - net of tax on revaluation of		Total
					Share capital - net	Share premium	Statutory reserve	Investments	Fixed / non banking assets	
<b>Balance as on January 01, 2019 - audited</b>	26,436,924	(263,158)	26,173,766	2,215,040	2,775,530	(11,369)	3,271,681	3,295,643	37,720,291	
Profit after taxation for the six months ended June 30, 2019	-	-	-	-	-	(767,968)	-	4,009,063	4,009,063	
Other comprehensive loss	-	-	-	-	-	(767,968)	-	-	(767,968)	
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	(767,968)	-	4,009,063	3,241,095	
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(21,520)	21,520	-	
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(8,536)	8,536	-	
Transfer from surplus on revaluation of non banking assets to unappropriated profit / (accumulated loss) on disposal	-	-	-	-	-	-	(5,083)	5,083	-	
<b>Transactions with owners recognized directly in equity:</b>	-	-	-	-	-	-	-	-	-	
Final cash dividend - December 31, 2018 declared subsequent to year end at 7.5% per share	-	-	-	-	-	-	-	(1,982,769)	(1,982,769)	
<b>Balance as on June 30, 2019</b>	26,436,924	(263,158)	26,173,766	2,215,040	2,775,530	(779,337)	3,236,542	5,357,076	38,978,617	
Profit after taxation for the six months ended December 31, 2019	-	-	-	-	-	3,006,251	-	4,239,466	4,239,466	
Other comprehensive income / (loss)	-	-	-	-	-	3,006,251	-	(54,429)	3,447,365	
Total comprehensive income for the six months ended December 31, 2019	-	-	-	-	-	3,006,251	-	4,185,037	7,686,831	
Transfer to statutory reserve	-	-	-	-	1,649,706	-	-	(1,649,706)	-	
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(21,341)	21,341	-	
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(8,523)	8,523	-	
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	-	(58,120)	574,814	16,694	
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	-	132	-	132	
<b>Balance as on December 31, 2019 - audited</b>	26,436,924	(263,158)	26,173,766	2,215,040	4,425,236	2,226,914	3,144,293	8,497,085	46,882,334	
Profit after taxation for the six months ended June 30, 2020	-	-	-	-	-	6,755,633	-	3,649,462	3,649,462	
Other comprehensive income / (loss)	-	-	-	-	-	6,755,633	(9,167)	-	6,746,466	
Total comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	6,755,633	(9,167)	3,649,462	10,395,928	
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(93,312)	33,912	-	
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(4,729)	4,729	-	
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	-	(6,400)	6,400	-	
<b>Transactions with owners recognized directly in equity:</b>	-	-	-	-	-	-	-	-	-	
Final cash dividend - December 31, 2019 declared subsequent to year end at 7.5% per share	-	-	-	-	-	-	-	(1,982,769)	(1,982,769)	
<b>Balance as on June 30, 2020</b>	26,436,924	(263,158)	26,173,766	2,215,040	4,425,236	8,982,547	3,090,685	10,208,219	55,095,493	

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

Chief Financial Officer

President

Director

## Unconsolidated Condensed Interim Cash Flow Statement

### For the Six Months Ended June 30, 2020 (Un-audited)

		Six Months Ended June 30, 2020	June 30, 2019
	Note	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		6,340,497	6,926,890
Less: Dividend income		(64,288)	(57,821)
		6,276,209	6,869,069
Adjustments:			
Depreciation on fixed assets	29	547,439	515,262
Depreciation on non banking assets acquired in satisfaction of claims	29	29,654	37,052
Depreciation on ijarah assets under IFAS - 2	29	82,529	151,036
Depreciation on right of use assets	29	429,986	367,927
Amortization on intangible assets	29	97,171	84,878
Amortization of discount on debt securities - net		(2,005,318)	(433,391)
Mark-up on lease liability against right of use assets	25	448,814	329,336
Unrealized gain / (loss) on revaluation of investments classified as held for trading	27	(22)	10,230
Provision and write-offs - net	31	3,490,392	1,033,913
Gain on termination of lease liability against right of use asset	28	(192)	-
Gain on sale of fixed assets - net	28	(20,254)	(34,108)
Gain on sale of non banking assets - net	28	(18,535)	(67)
Gain on securities - net	27	(4,765,294)	(44,148)
Provision for employees compensated absences		6,949	5,231
Provision for gratuity		78,677	57,399
		(1,598,004)	2,080,550
		4,678,205	8,949,619
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		(5,028,828)	(360,350)
Held for trading securities		9,951,255	314,862
Advances - net		(2,634,827)	191,795
Others assets - net		30,725	(4,145,009)
		2,318,325	(3,998,702)
Increase / (Decrease) in operating liabilities:			
Bills Payable		(326,382)	576,967
Borrowings from financial institutions		25,622,067	8,148,103
Deposits		114,699,705	69,582,500
Other liabilities		2,813,489	2,470,193
		142,808,879	80,777,763
Income tax paid		(2,449,978)	(1,749,546)
<b>Net cash flow generated from operating activities</b>		<b>147,355,431</b>	<b>83,979,134</b>

	Note	Six Months Ended June 30, 2020 Rupees in '000'	June 30, 2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		(129,286,881)	(45,785,488)
Net investments in held to maturity securities		-	(19,606,306)
Dividends received		62,058	51,040
Investments in fixed assets		(311,643)	(427,536)
Investments in intangible assets		(87,724)	(51,559)
Proceeds from sale of fixed assets		23,714	34,854
Proceeds from sale of non banking assets		38,988	63,612
<b>Net cash used in investing activities</b>		<b>(129,561,488)</b>	<b>(65,721,383)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of subordinated debts		(2,001,360)	(1,360)
Dividend paid		(1,982,769)	(1,962,008)
Payment against lease liability against right of use assets		(521,536)	-
<b>Net cash used in financing activities</b>		<b>(4,505,665)</b>	<b>(1,963,368)</b>
<b>Increase in cash and cash equivalents</b>		<b>13,288,278</b>	<b>16,294,383</b>
Cash and cash equivalents at beginning of the period		63,586,009	49,180,556
Cash and cash equivalents at end of the period		76,874,287	65,474,939
<b>Cash and cash equivalents:</b>			
Cash and balances with treasury banks		68,702,886	54,574,947
Balances with other banks		8,436,025	11,022,377
Overdrawn nostro accounts		(264,624)	(122,385)
		76,874,287	65,474,939

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

Chief Financial Officer

President

Director

# Notes to the Unconsolidated Condensed Interim Financial Statements

For the Six Months Ended June 30, 2020 (Un-audited)

## 1. STATUS AND NATURE OF BUSINESS

The Bank of Punjab (the Bank) was constituted in Pakistan pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-II, Main Boulevard, Gulberg III, Lahore. The Bank has 624 branches including 17 sub branches and 100 Islamic banking branches (December 31, 2019: 624 branches including 17 sub branches and 100 Islamic banking branches) in Pakistan and Azad Jammu and Kashmir (AJK) at the period end. The Bank is listed on Pakistan Stock Exchange. The majority shares of the Bank are held by Government of the Punjab (GoPb).

## 2. BASIS OF PRESENTATION

In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks from their customers and immediate resale to them at appropriate marked-up price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

These unconsolidated condensed interim financial statements are separate financial statements of the Bank in which the investment in subsidiaries is stated at cost less impairment losses (if any) and has not been accounted for on the basis of reported results and net assets of the investee. Consolidated condensed interim financial statements of the Group are being issued separately.

The financial results of Islamic Banking business have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking business are disclosed in note 39 of these unconsolidated condensed interim financial statements.

### 2.1 Statement of compliance

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

- Directives issued by the SBP and the Securities Exchange Commission of Pakistan (SECP).
- Requirements of The Bank of Punjab Act, 1989;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017.

Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Act, 2017 differ with the requirements of these IFRS or IFAS, the requirements of the said directives, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Act, 2017 take precedence.



**2.1.2** The disclosures made in these unconsolidated condensed interim financial statements have been limited based on SBP BPRD Circular Letter No. 05 of 2019 and IAS 34 "Interim Financial Reporting". Accordingly, these unconsolidated condensed interim financial statements do not include all the information and disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended December 31, 2019.

**2.1.3** SBP as per BSD Circular No. 10, dated August 26, 2002 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 till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements.

**2.1.4** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard - 3 for Profit & Loss Sharing on Deposits (IFAS 3) issued by the Institute of Chartered Accountants of Pakistan and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IFS). The standard will result in certain new disclosures in these unconsolidated condensed interim financial statements of the Bank.

**2.1.5 New accounting standards/ amendments and IFRS interpretations that are effective for the current period:**

During the period, certain amendments to standards, interpretations and improvements to accounting standards became effective, however the amendments, interpretations and improvements 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 condensed interim financial statements.

**2.1.6 New accounting standards and IFRS interpretations that are not yet effective:**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. The Bank considers that the following standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than IFRS 9.

The SBP vide BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial Instruments' as January 01, 2021. IFRS 9, 'Financial Instruments' has replaced IAS 39, 'Financial Instruments: Recognition and Measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Bank which are exposed to credit risk.

**Standard or Interpretations**

**Effective date (accounting periods beginning on or after)**

IFRS 9	Financial instruments	January 01, 2021
IFRS 17	Insurance contracts	January 01, 2023

**3. BASIS OF MEASUREMENT**

**3.1** These unconsolidated condensed interim financial statements have been prepared under the historical cost convention, except for revaluation of freehold land and buildings on freehold land, revaluation of non banking assets acquired in satisfaction of claims, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and right of use assets, lease liability and certain staff retirement benefits at present value.

**3.2** These unconsolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The basis for accounting judgments and key estimates adopted in preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the annual unconsolidated financial statements of the Bank for the year ended December 31, 2019.

#### 6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Bank are consistent with those disclosed in the annual unconsolidated financial statements of the Bank for the year ended December 31, 2019. These risk management policies continue to remain robust and the Bank is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

The COVID-19 pandemic outbreak has resulted in consequences on economy, health and society. The COVID-19 pandemic has significantly impacted the markets around the globe and may continue to do so in the coming months of 2020, affecting the earnings and cash flows of businesses.

The State Bank of Pakistan (SBP) has also responded to the crisis by reducing the Policy Rate by 225 basis points to 11% in March 2020, 200 basis points to 9% on April 16, 2020, 100 basis points to 8% on May 15, 2020 and by another 100 basis points to 7% on June 25, 2020. Besides, numerous other regulatory measures have been announced by the SBP to support business and economic activity which include, inter-alia, the following:

- Allowing banks to defer borrowers' principal loan payments by one year;
- Relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief on account of the principal repayment exceeding one year and / or mark-up.
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs.180 million;
- Providing concessionary refinance facilities to Hospitals for financing equipment;
- To control unemployment, offered refinance facilities to customers for meeting their salary expense; and
- Besides, various other steps have been announced to dampen the effects of Covid-19.

COVID-19 is likely to impact banks in Pakistan on many fronts. This includes significant increase in overall credit risk and contraction of fee income due to overall slowdown in economic activity. Furthermore, since significant number of Bank's staff is working from home, there is increased operational risk in respect of business operations including enhanced cyber-security threat as increased number of customers are diverting to meet their banking needs through the digital channels.

##### **Credit risk management and asset quality**

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of COVID-19. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak. The Bank's Management has created a buffer against unforeseen loan losses and to preserve the quality of the Credit portfolio.

The Bank is assessing the situation as it develops and is in the process of accounting for the same in its loan loss provision

### Liquidity risk management

In view of the relaxation granted by SBP for deferral of principal and rescheduling of loans there will be an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

### Equity risk management

There is no significant impact of COVID-19 on the listed equity securities of the Bank classified as available-for-sale. The carrying amount of the Bank's investment in listed equity securities classified as available-for-sale, amounting to Rs. 2,090,823 thousand as at June 30, 2020. Impairment against these securities has already been recognized in the financial statements, as applicable in accordance with SBP circular. The bank has obtained relief of Rs. 134,311 thousand during the quarter on account of deferral of impairment.

### Operational risk management

The Bank is closely monitoring the situation and has invoked required actions to ensure the Health and safety of Bank staff alongside uninterrupted service to customers. The senior management of the Bank is continuously monitoring the situation in order to take timely decisions.

Business Continuity Plans (BCP) for respective areas are in place and tested. The remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Bank is communicating with its customers on how they can avail the services from its digital/online channels also.

The Bank staff is working tirelessly to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored so that the Bank continues to meet the expectations of all stakeholders.

### Capital adequacy ratio (CAR)

In order to encourage banks to continue lending despite anticipated pressure on profits, credit risk and liquidity, the SBP has relaxed the Capital Conservation Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements.

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>		
In hand:		
Local currency	17,435,907	10,744,173
Foreign currencies	2,648,612	1,862,526
	20,084,519	12,606,699
With SBP in:		
Local currency current accounts	34,786,321	24,791,197
Foreign currency current accounts	470,542	531,902
Foreign currency deposit accounts	959,794	1,587,930
	36,216,657	26,911,029
With National Bank of Pakistan in:		
Local currency current account	12,381,332	13,526,747
Prize bonds	20,378	370,153
	68,702,886	53,414,628

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan :			
Current accounts		8,013,756	7,261,938
Deposit accounts		119,416	2,763,609
		8,133,172	10,025,547
Outside Pakistan:			
Current accounts		282,199	205,569
Deposit accounts		20,654	79,453
		302,853	285,022
		8,436,025	10,310,569
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (Reverse Repo)	9.2	8,088,599	564,771
Placements	9.3	1,000,000	3,495,000
		9,088,599	4,059,771
<b>9.1 Particulars of lending</b>			
In local currency		9,088,599	4,059,771
In foreign currencies		-	-
		9,088,599	4,059,771

## 9.2 Securities held as collateral against repurchase agreement lendings (reverse repo)

	(Un-audited) June 30, 2020			(Audited) December 31, 2019		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Rupees in '000'						
Market treasury bills	6,879,231	-	6,879,231	-	-	-
Pakistan investment bonds	1,209,368	-	1,209,368	564,771	-	564,771
	8,088,599	-	8,088,599	564,771	-	564,771

Market value of securities held as collateral as at June 30, 2020 amounted to Rs. 8,126,072 thousand (December 31, 2019: Rs. 564,464 thousand). These carry mark-up at rate ranging from 7.10% to 9.00% per annum (December 31, 2019: 13.75% per annum) with maturities upto July 06, 2020.

- 9.3** These carry profit rates ranging from 8.00% to 10.00% per annum (December 31, 2019: 11.00% to 13.75% per annum) with maturities upto August 20, 2020.

## 10. INVESTMENTS - NET

### 10.1 Investments by type:

(Un-audited) June 30, 2020					(Audited) December 31, 2019				
		Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value
Note		R u p e e s   i n   ' 0 0 0 '							
<b>Held-for-trading securities</b>									
Federal government securities	10.1.1	-	-	-	-	9,896,210	-	(1,710)	9,894,500
Ordinary shares		6,584	-	22	6,606	65,836	-	(2,497)	63,339
		6,584	-	22	6,606	9,962,046	-	(4,207)	9,957,839
<b>Available-for-sale securities</b>									
Federal government securities	10.1.1 & 10.2	406,160,090	-	13,802,994	419,963,084	279,471,832	-	3,305,176	282,777,008
Shares and certificates		3,563,028	(1,332,883)	(54,319)	2,175,826	2,605,974	(1,169,906)	119,326	1,555,394
Non government debt securities		17,819,685	(2,486,481)	70,628	15,403,832	9,755,954	(2,360,803)	1,519	7,396,671
Foreign securities		4,019	-	-	4,019	4,019	-	-	4,019
		427,546,822	(3,819,364)	13,819,303	437,546,761	291,837,779	(3,530,709)	3,426,021	291,733,091
<b>Held-to-maturity securities</b>									
Federal government securities	10.1.1 & 10.4	60,110,449	-	-	60,110,449	59,762,000	-	-	59,762,000
WAPDA bonds		400	(400)	-	-	400	(400)	-	-
		60,110,849	(400)	-	60,110,449	59,762,400	(400)	-	59,762,000
<b>Subsidiaries</b>		164,945	(164,945)	-	-	164,945	(164,945)	-	-
<b>Total investments</b>		487,829,200	(3,984,709)	13,819,325	497,663,816	361,727,170	(3,696,054)	3,421,815	361,452,930

10.1.1 Market treasury bills and Pakistan investment bonds are eligible for re-discounting with SBP.

10.1.2 Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

		(Un-audited) June 30, 2020	(Audited) December 31, 2019
		Rupees in '000'	
<b>10.2 Investments given as collateral</b>			
Pakistan investment bonds		-	41,022,618
Market treasury bills		71,580,681	11,378,650
		71,580,681	52,401,268
<b>10.3 Provision for diminution in value of investments</b>			
10.3.1 Opening balance		3,696,054	3,393,101
Charge / reversals:			
Charge for the period / year		288,655	404,485
Reversals for the period / year		-	-
		288,655	404,485
Reversal on disposal during the period / year		-	(101,532)
Closing balance		3,984,709	3,696,054

### 10.3.2 Particulars of provision against debt securities

Category of classification	(Un-audited) June 30, 2020		(Audited) December 31, 2019	
	NPI	Provision	NPI	Provision
Rupees in '000'				
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	308,606	125,678
Loss	2,544,131	2,486,881	2,235,525	2,235,525
<b>Total</b>	<b>2,544,131</b>	<b>2,486,881</b>	<b>2,544,131</b>	<b>2,361,203</b>

The Bank has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing investments as allowed vide BSD Circular No.1 dated October 21, 2011. This has resulted in decrease in provision against non-performing investments by Rs. 57,251 thousand (December 31, 2019: Rs 28,625 thousand). The FSV benefit availed is not available for cash or stock dividend.

**10.4** Market value of held to maturity investments amounted to Rs. 74,527,204 thousand (December 31, 2019: Rs. 64,466,364 thousand).

### 11. ADVANCES - NET

	Performing		Non Performing		Total	
	(Un-audited) June 30, 2020	(Audited) December 31, 2019	(Un-audited) June 30, 2020	(Audited) December 31, 2019	(Un-audited) June 30, 2020	(Audited) December 31, 2019
Rupees in '000'						
Loans, cash credits, running finances, etc.	325,019,993	319,953,398	57,276,048	51,027,036	382,296,041	370,980,434
Net book value of assets in ijarah under IFAS 2 - In Pakistan	1,834,046	1,522,428	215,000	215,000	2,049,046	1,737,428
Islamic financing and related assets	32,248,324	25,688,577	1,733,099	90,734	33,981,423	25,779,311
Bills discounted and purchased	13,037,914	30,318,260	33,828	30,521	13,071,742	30,348,781
Advances - gross	372,140,277	377,482,663	59,257,975	51,363,291	431,398,252	428,845,954
Provision against advances:						
- Specific	-	-	(48,040,272)	(45,119,933)	(48,040,272)	(45,119,933)
- General	(402,162)	(412,641)	-	-	(402,162)	(412,641)
	(402,162)	(412,641)	(48,040,272)	(45,119,933)	(48,442,434)	(45,532,574)
Advances - net of provision	371,738,115	377,070,022	11,217,703	6,243,358	382,955,818	383,313,380

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
Rupees in '000'		
<b>11.1 Particulars of advances (gross)</b>		
In local currency	431,186,193	428,085,025
In foreign currencies	212,059	760,929
	<b>431,398,252</b>	<b>428,845,954</b>

- 11.2** 'Advances include Rs. 59,257,975 thousand (December 31, 2019: Rs. 51,363,291 thousand) which have been placed under non-performing status as detailed below:

	(Un-audited) June 30, 2020		(Audited) December 31, 2019	
	Non performing loans	Provision	Non performing loans	Provision
Rupees in '000'				
<b>Domestic</b>				
Other assets especially mentioned	307,440	14,626	185,320	9,079
Substandard	7,019,814	1,297,882	1,131,078	139,457
Doubtful	8,423,938	5,572,047	8,204,461	4,808,487
Loss	43,506,783	41,155,717	41,842,432	40,162,910
<b>Total</b>	<b>59,257,975</b>	<b>48,040,272</b>	<b>51,363,291</b>	<b>45,119,933</b>

**11.3 Particulars of provision against advances**

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
Rupees in '000'						
Opening balance	45,119,933	412,641	45,532,574	43,530,419	348,299	43,878,718
Charge for the period / year	3,239,997	-	3,239,997	3,790,075	64,342	3,854,417
Reversals for the period / year	(319,658)	(10,479)	(330,137)	(2,199,509)	-	(2,199,509)
	2,920,339	(10,479)	2,909,860	1,590,566	64,342	1,654,908
Amounts written off	-	-	-	(1,052)	-	(1,052)
Closing balance	48,040,272	402,162	48,442,434	45,119,933	412,641	45,532,574

**11.3.1 Particulars of provision against advances with respect to currencies**

In local currency	47,975,471	402,162	48,377,633	45,055,132	412,641	45,467,773
In foreign currencies	64,801	-	64,801	64,801	-	64,801
	48,040,272	402,162	48,442,434	45,119,933	412,641	45,532,574

- 11.3.2** General provision represents provision against consumer financing portfolio as required by Prudential Regulations issued by the SBP.

- 11.3.3** The Bank has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing advances as allowed vide BSD Circular No.1 dated October 21, 2011. This has resulted in decrease in provision against non-performing advances by Rs. 3,292,387 thousand (December 31, 2019: Rs 2,527,122 thousand). The FSV benefit availed is not available for cash or stock dividend.

	Note	(Un-audited) June 30, 2020	(Audited) December 31, 2019
		Rupees in '000'	
<b>12. FIXED ASSETS</b>			
Capital work-in-progress	12.1	163,975	192,270
Right of use assets		6,071,419	6,342,167
Property and equipment		8,473,496	8,684,456
		14,708,890	15,218,893
<b>12.1 Capital work-in-progress</b>			
Civil works		163,975	192,270



	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
	Rupees in '000'	
<b>12.2 Additions / (transfers) to fixed assets</b>		
The following additions / (transfers) have been made to fixed assets during the period:		
<b>Capital work-in-progress</b>	(28,295)	(105,598)
<b>Addition to right of use assets / impact of adoption of IFRS - 16</b>	165,221	5,501,495
<b>Property and equipment:</b>		
Building on freehold land	-	93,519
Furniture and fixture	24,470	20,712
Office equipment	53,695	123,486
Computer equipment	32,525	67,458
Lease hold improvements	164,587	214,128
Vehicles	64,661	13,831
	339,938	533,134
	476,864	5,929,031

<b>12.3 Termination of right of use assets</b>	5,984	-
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<b>12.4 Disposal of property and equipment:</b>		
The net book value of property and equipment disposed off during the period is as follows:		
Furniture and fixture	183	281
Office equipment	1,845	465
Computer equipment	1,432	-
Vehicles	-	-
	3,460	746

Gross carrying amount of vehicles disposed off during the period was Rs. 24,943 thousand (June 30, 2019: Rs. 40,704 thousand).

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>13. INTANGIBLE ASSETS</b>		
Intangible in progress	180,944	126,421
Softwares	602,894	666,864
	783,838	793,285

	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
	Rupees in '000'	
<b>13.1 Additions to intangible assets</b>		
The following additions have been made to intangible assets during the period:		
Intangible in progress	54,523	26,303
Intangible assets purchased	33,201	25,256
	87,724	51,559

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>14. DEFERRED TAX ASSETS - NET</b>			
Deductible temporary differences on :			
Right of use assets		254,839	129,797
Provision against advances, off balance sheet etc.		9,150,202	8,763,726
		9,405,041	8,893,523
Taxable temporary differences on:			
Surplus on revaluation of fixed assets		(699,561)	(717,498)
Accelerated tax depreciation		(278,228)	(306,240)
Surplus on revaluation of investments		(4,836,756)	(1,199,107)
Surplus on revaluation of non banking assets		(99,310)	(102,895)
		(5,913,855)	(2,325,740)
		3,491,186	6,567,783
<b>15. OTHER ASSETS - NET</b>			
Income / mark-up accrued in local currency		18,802,845	19,788,030
Income / mark-up accrued in foreign currency		6,429	3,786
Profit paid in advance on pehlay munafa scheme		997	321
Advances, deposits, advance rent and other prepayments		443,635	474,409
Advance taxation (payments less provisions)		998,226	1,799,299
Non-banking assets acquired in satisfaction of claims		7,221,236	7,257,669
Acceptances		3,656,484	2,913,345
Branch adjustment account		51,605	180,250
Mark to market gain on forward foreign exchange contracts		127,023	-
Stock of stationery		173,131	147,340
Suspense account		11,469	5,387
Zakat recoverable from NITL		36,790	36,790
Unrealized gain on revaluation of foreign bills and trade loans		113,447	37,999
Fraud and forgeries		481,393	193,559
Unearned income on sale of sukuk on bai-muajjal basis		514,705	691,120
Others		724,894	700,998
		33,364,309	34,230,302
Less: Provision held against other assets	15.1	(2,059,325)	(1,767,448)
Other assets (net of provision)		31,304,984	32,462,854
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		1,309,806	1,333,687
Other assets - total		32,614,790	33,796,541
<b>15.1 Provision held against other assets</b>			
Advances, deposits, advance rent & other prepayments		35,723	35,723
Non banking assets acquired in satisfaction of claims		1,198,555	1,198,555
Zakat recoverable from NITL		36,790	36,790
Fraud and forgeries		481,393	190,122
Others		306,864	306,258
		2,059,325	1,767,448

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>16. CONTINGENT ASSETS</b>		
Contingent assets	Nil	Nil
<b>17. BILLS PAYABLE</b>		
In Pakistan	3,094,701	3,421,083
Outside Pakistan	-	-
	3,094,701	3,421,083
<b>18. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP under:		
Export refinance scheme (ERF)	19,682,936	16,701,300
Long term financing facility (LTFF)	9,134,163	7,839,710
Finance facility for storage of agricultural produce (FFSAP)	50,785	37,048
Finance facility for renewable energy performance platform (REPP)	1,904,197	2,011,143
Refinancing facility for payment of salaries and wages	557,859	-
Refinancing facility for modernization of small and medium enterprises (SMES)	54,500	-
	31,384,440	26,589,201
Repurchase agreement borrowings	17,370,666	11,374,535
Call borrowings	53,772,728	38,942,031
<b>Total secured</b>	102,527,834	76,905,767
<b>Unsecured</b>		
Overdrawn nostro accounts	264,624	139,188
	102,792,458	77,044,955

## 19. DEPOSITS AND OTHER ACCOUNTS

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
<b>Customers:</b>						
Current deposits	148,081,580	2,810,556	150,892,136	128,760,062	2,777,676	131,537,738
Savings deposits	367,533,804	2,439,372	369,973,176	328,444,179	2,683,909	331,128,088
Term deposits	250,078,752	3,426,954	253,505,706	198,611,751	3,210,224	201,821,975
Others	20,472,232	-	20,472,232	16,222,707	-	16,222,707
	786,166,368	8,676,882	794,843,250	672,038,699	8,671,809	680,710,508
<b>Financial institutions:</b>						
Current deposits	6,468,369	468,800	6,937,169	5,068,904	550,472	5,619,376
Savings deposits	3,134,440	219	3,134,659	3,295,307	209	3,295,516
Term deposits	600,500	-	600,500	405,000	864,050	1,269,050
Others	201,574	-	201,574	122,997	-	122,997
	10,404,883	469,019	10,873,902	8,892,208	1,414,731	10,306,939
	796,571,251	9,145,901	805,717,152	680,930,907	10,086,540	691,017,447

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>20. SUBORDINATED DEBTS</b>			
Loan from GoPb	20.1	-	2,000,000
Privately placed term finance certificates - I	20.2	2,496,500	2,497,000
Privately placed term finance certificates - II	20.3	4,296,560	4,297,420
		6,793,060	8,794,420

#### 20.1 Loan from GoPb

During the period, the Bank exercised call option for premature repayment and repaid Rs. 2,000,000 thousand to GoPB. Accordingly, the total liability against GoPb subordinated loan stands fully settled. The salient features of the loan were as follows:

Tenor:	07 Years.
Issue date	December 31, 2014
Maturity date	December 30, 2021
Rating	Unrated
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Average SBP discount rate. (Average shall be calculated on daily basis)
Conversion option:	May be converted, subject to consent of the parties and necessary regulatory approvals, after a period of five years into ordinary shares at the rate of Rs. 15 per share.
Repayment:	Bullet repayment after lapse of 07 years.
Call / Put option:	Callable after a period of 05 years. However no put option is available to GoPb.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

#### 20.2 Privately placed term finance certificates - I

The Bank has issued rated, unsecured and subordinated term finance certificates under section 120 of the Companies Ordinance, 1984, in a set of twenty (20) scrips, corresponding to the redemption dates of the TFC and representing the TFC Holders entitlement to the redemption amount on the each such redemption date; and registered book entry securities in accordance with the CDC regulations, as outlined by SBP under BPRD Circular No. 06 dated August 15, 2013; with each TFC having a face value of PKR 100,000 or multiples thereof.

Issue amount:	Rupees 2,500,000 thousand
Issue date:	December 23, 2016
Maturity date:	December 22, 2026
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.

Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Floating rate of return at base rate plus 100 bps p.a. (Base rate will be the average rate 'Ask side of the six month Karachi Inter Bank Offered Rate set at 1 (one business) day prior to the redemption date for the redemption amount payable on the immediately following redemption date).
Repayment:	The TFC has been structured to redeem 0.02% of the issue amount semi-annually in the first 09 years after the issue and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Call / Put option:	Callable after a period of 05 years. However no put option is available to the investors.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

### 20.3 Privately placed term finance certificates - II

The Bank has issued rated, unsecured and subordinated term finance certificates under section 66 of the Companies Act, 2017, in a set of twenty (20) scrips, corresponding to the redemption dates of the TFC and representing the TFC Holders entitlement to the redemption amount on the each such redemption date and registered book entry securities in accordance with the CDC regulations, as outlined by SBP under BPRD Circular No. 06 dated August 15, 2013 with each TFC having a face value of PKR 100,000 or multiples thereof.

Issue amount:	Rupees 4,300,000 thousand
Issue date:	April 23, 2018
Maturity date:	April 23, 2028
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Floating rate of return at base rate plus 125 bps p.a. (Base rate will be the average rate 'Ask side of the six month Karachi Inter Bank Offered Rate set at 1 (one business) day prior to the redemption date for the redemption amount payable on the immediately following redemption date).
Repayment:	The TFC has been structured to redeem 0.02% of the issue amount semi-annually in the first 09 years after the issue and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Call / Put option:	Callable after a period of 05 years. However no put option is available to the investors.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>21. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		18,919,901	16,670,871
Mark-up / return / interest payable in foreign currency		56,938	82,589
Lease key money		12,530,742	12,541,675
Sundry creditors and accrued expenses		1,080,412	708,533
Acceptances		3,656,484	2,913,345
Mark-up payable on subordinated debts		81,255	130,626
Unclaimed dividends		2,588	2,588
Mark to market loss on forward foreign exchange contracts		-	155,671
Payable to gratuity fund		78,676	211,782
Gratuity payable to key management personnel		53,145	53,145
Provision against off-balance sheet obligations	21.1	62,183	62,183
Provision for employees compensated absences		117,432	111,612
Taxes / zakat / import fee payable		275,564	372,905
Lease liability against right of use assets		6,804,266	6,717,938
Deferred income on sale of sukuk on bai - muajjal basis		514,705	691,120
Workers welfare fund		446,699	284,961
Others		271,994	255,997
		44,952,984	41,967,541

<b>21.1 Provision against off-balance sheet obligations</b>	62,183	62,183
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The above provision has been made against letters of guarantee issued by the Bank.

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus / (deficit) on revaluation of :			
- Available for sale securities	10.1	13,819,303	3,426,021
- Fixed assets		2,579,750	2,630,999
- Non-banking assets acquired in satisfaction of claims	15	1,309,806	1,333,687
		17,708,859	7,390,707
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(4,836,756)	(1,199,107)
- Fixed assets		(699,561)	(717,498)
- Non-banking assets acquired in satisfaction of claims		(99,310)	(102,895)
		(5,635,627)	(2,019,500)
		12,073,232	5,371,207

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>23. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	23.1	60,187,676	57,676,022
Commitments	23.2	132,018,696	137,405,985
Other contingent liabilities	23.3	142,633	142,633
		192,349,005	195,224,640
<b>23.1 Guarantees:</b>			
Financial guarantees		18,490,356	18,399,059
Performance guarantees		17,493,908	16,411,708
Other guarantees		24,203,412	22,865,255
		60,187,676	57,676,022
<b>23.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		67,506,233	60,718,682
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	36,764,267	53,180,523
- forward lending	23.2.2	27,680,200	23,449,998
Commitments for acquisition of:			
- fixed assets		14,128	50,934
- intangible assets		53,868	5,848
		132,018,696	137,405,985
<b>23.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		20,346,153	28,416,586
Sale		16,418,114	24,763,937
		36,764,267	53,180,523
<b>23.2.2 Commitments in respect of forward lending</b>			
Undrawn formal standby facilities, credit lines and other commitments to lend	23.2.2.1	27,680,200	23,449,998

**23.2.2.1** 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. In addition, the Bank makes revocable commitments that do not attract any significant penalty or expense if the facility is unilaterally withdrawn.



	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>23.3 Other contingent liabilities</b>	23.3.1 & 23.3.2	142,633	142,633

**23.3.1** For the tax year 2007, the Income Tax Department concluded proceedings under section 161/205 and created a default of Rs. 8,975 thousand. The Bank filed appeal before CIR (A), however the same was not allowed. The Bank filed an appeal against the said order of CIR (A) with ATIR. The expected tax liability for the said year amounts to Rs. 8,975 thousand. However, the management of the Bank, as per opinion of its tax consultant, is confident that the decision for the aforementioned tax year will be decided in Bank's favor.

**23.3.2** The tax authorities of AJK made amendment under section 122(1) for tax year 2013 to 2018 and created an additional demand of Rs. 133,658 thousands against which the Bank has filed an appeal before Commissioner (Appeals) AJK. The management of the Bank, as per opinion of its tax consultant, is confident that the decision for aforementioned tax years will be decided in Bank's favour.

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>23.4 Claims against the Bank not acknowledged as debts</b>	23.4.1	53,723,496	53,806,237

**23.4.1** The amounts involved in the claims filed against the Bank are yet to be adjudicated by the concerned Courts as the same have been filed as outburst to our recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the Courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Un-audited) June 30, 2019
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>			
a) On loans and advances		22,841,194	21,201,465
b) On investments:			
Available for sale securities		18,376,219	9,365,702
Held for trading securities		836,509	1,134,167
Held to maturity securities		3,666,794	573,139
c) On lendings to financial institutions:			
Securities purchased under resale agreements		983,999	1,553,197
Call lending		94	2,062
Letters of placement		131,441	229,076
d) On balances with banks		31,012	59,647
		46,867,262	34,118,455
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits and other accounts		29,720,021	18,993,734
Borrowings:			
Securities sold under repurchase agreements		1,468,075	244,194
Foreign placements		-	27,525
Call borrowings		2,841,441	714,923
SBP refinance borrowing		286,129	219,855
Subordinated debts:			
Mark-up on subordinated loan from GoPb		106,644	112,055
Mark-up on privately placed term finance certificates		448,759	393,139
Mark-up on lease liability against right of use assets		448,814	329,336
		35,319,883	21,034,761
<b>26. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		249,948	306,925
Consumer finance related fees		97,699	117,262
Card related fees		278,977	249,870
Credit related fees		417,377	231,862
Branchless banking fees		48,513	44,010
Commission on trade		292,567	262,204
Commission on guarantees		105,576	122,052
Commission on cash management		39,737	50,178
Commission on remittances including home remittances		131,682	122,597
Commission on bancassurance		27,580	45,512
Commission on wheat financing		-	1,257
SMS banking income		121,947	121,287
		1,811,603	1,675,016
<b>27. GAIN ON SECURITIES - NET</b>			
Realized gain on sale of securities - net	27.1	4,765,294	44,148
Unrealized gain / (loss) - held for trading		22	(10,230)
		4,765,316	33,918

	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
	Rupees in '000'	
<b>27.1 Realized gain on sale of securities - net:</b>		
Federal government	4,737,633	6,312
Shares and certificates	27,661	28,579
Term finance certificates	-	9,257
	4,765,294	44,148
<b>28. OTHER INCOME - NET</b>		
Rent on property	-	1,169
Gain on sale of fixed assets - net	20,254	34,108
Gain on sale of non banking assets - net	18,535	67
Gain on termination of lease liability against right of use assets	192	-
Notice pay on resignations	5,769	4,714
	44,750	40,058
<b>29. OPERATING EXPENSES</b>		
<b>Total compensation expense</b>	4,575,128	3,657,766
<b>Property expense:</b>		
Rent and taxes	4,484	32,422
Insurance	8,514	9,486
Utilities cost	268,004	241,870
Security	612	644
Repair and maintenance including janitorial charges	18,468	8,747
Depreciation	270,807	265,567
Depreciation on right of use assets	429,986	367,927
Others	108	2,851
	1,000,983	929,514
<b>Information technology expenses:</b>		
Software maintenance	211,721	163,578
Hardware maintenance	44,328	48,627
Depreciation on computer equipment	130,899	110,775
Amortization on intangible assets	97,171	84,878
Network charges	172,702	117,018
	656,821	524,876
<b>Other operating expenses:</b>		
Directors' fees and allowances	20,575	4,505
Fees and allowances to shariah board	1,740	2,335
Legal and professional charges	33,652	45,580
Subscription charges	18,483	9,142
Outsourced staff services costs	144,788	125,786
Travelling and conveyance	268,279	263,942
NIFT clearing charges	33,199	28,096
Depreciation	145,733	138,920
Depreciation on non banking assets	29,654	37,052
Depreciation on ijarah assets	82,529	151,036
Training and development	9,983	7,748
Postage and courier charges	98,462	57,470
Stationery and printing	97,737	107,399

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Un-audited) June 30, 2019
Marketing, advertisement and publicity		78,974	45,748
Donations	29.1	10,000	1,000
Insurance		57,055	63,755
Deposit protection fee		175,982	168,688
Repair and maintenance		60,833	79,441
Entertainment expenses		47,813	47,466
Fuel for generator		39,179	47,958
Commission and brokerage		124,229	68,652
Bank charges		26,016	44,109
SMS banking charges		15,297	13,825
ATM charges including ATM maintenance charges		58,643	67,446
Cash remittance charges		100,306	93,632
Branch license fee		13,627	12,855
CNIC verification / ECIB charges		23,638	19,929
COVID-19 related expenses		14,611	-
Miscellaneous expenses		94,278	92,131
		1,925,295	1,845,646
		8,158,227	6,957,802

**29.1** This represents donation paid to Akhuwat Corona Imdad Fund of Rs. 10,000 thousand (June 30, 2019: Institute of business Administration Rs. 1,000 thousand) in accordance with the approval of Board of Directors of the Bank. None of the directors had any interest in the donee, except for Mr. Dr. Amjad Saqib (Non Executive Director) is Founder / CEO in Akhuwat.

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Un-audited) June 30, 2019
<b>30. OTHER CHARGES</b>			
Penalties imposed by SBP		288,319	2,663
<b>31. PROVISIONS AND WRITE OFFS - NET</b>			
Provisions for diminution in value of investments	10.3.1	288,655	113,520
Provisions against advances	11.3	2,909,860	854,961
Provision against other assets - net	15.1	291,877	65,432
		3,490,392	1,033,913
<b>32. TAXATION</b>			
Current	32.1	3,251,051	2,346,672
Prior years		-	250,348
Deferred		(560,016)	320,807
		2,691,035	2,917,827

- 32.1** 'This includes provision for super tax for the period in accordance with Income Tax Ordinance, 2001.

	(Un-audited) June 30, 2020 Rupees in '000'	(Un-audited) June 30, 2019
<b>33. BASIC EARNINGS PER SHARE</b>		
Profit after taxation for the period (Rs in '000')	3,649,462	4,009,063
Weighted average number of ordinary shares (No.)	2,643,692,380	2,643,692,380
Basic earnings per share (Rs).	1.38	1.52

**34. DILUTED EARNINGS PER SHARE**

There is no dilution effect on basic earnings per share.

**35. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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 subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

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

- 35.1** The Bank measures fair value 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 measurement using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly. (i.e. derived from prices).

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

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

June 30, 2020 (Un-audited)					
	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Rupees in '000'					
On balance sheet financial instruments					
Financial assets measured at fair value:					
Government securities	419,963,084	-	419,963,084	-	419,963,084
Shares and certificates	2,182,432	2,097,429	-	85,003	2,182,432
Non-Government debt securities	10,435,198	-	10,435,198	-	10,435,198
Foreign securities	4,019	-	-	4,019	4,019
Subsidiary company	-	-	-	-	-
Financial assets disclosed but not measured at fair value:					
Government securities	60,110,449	-	74,527,204	-	74,527,204
Financial liabilities measured at fair value:					
Payable to gratuity fund	78,676	-	78,676	-	78,676
Provision for employees compensated absences	117,432	-	117,432	-	117,432
Off balance sheet financial instruments:					
Forward purchase of foreign exchange contracts	20,740,777	-	20,740,777	-	20,740,777
Forward sale of foreign exchange contracts	16,685,715	-	16,685,715	-	16,685,715

December 31, 2019 (Audited)					
	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Rupees in '000'					
<b>On balance sheet financial instruments</b>					
<b>Financial assets measured at fair value :</b>					
Government securities	292,671,508	-	292,671,508	-	292,671,508
Shares and certificates	1,618,733	1,533,730	-	85,003	1,618,733
Non-Government debt securities	1,978,127	-	1,978,127	-	1,978,127
Foreign securities	4,019	-	-	4,019	4,019
Subsidiary Company	-	-	-	-	-
<b>Financial assets disclosed but not measured at fair value :</b>					
Government securities	59,762,000	-	64,466,364	-	64,466,364
<b>Financial liabilities measured at fair value:</b>					
Payable to gratuity fund	211,782	-	211,782	-	211,782
Provision for employees compensated absences	111,612	-	111,612	-	111,612
<b>Off balance sheet financial instruments:</b>					
Forward purchase of foreign exchange contracts	27,819,676	-	27,819,676	-	27,819,676
Forward sale of foreign exchange contracts	24,322,698	-	24,322,698	-	24,322,698

### 35.2 Fair value of non financial assets

June 30, 2020 (Un-audited)					
	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Rupees in '000'					
<b>Non Financial assets measured at fair value :</b>					
Fixed assets (land & building)	5,800,543	-	5,800,543	-	5,800,543
Non banking assets acquired in satisfaction of claims	7,332,487	-	7,332,487	-	7,332,487
December 31, 2019 (Audited)					
	Fair value				
	Carrying value	Level 1	Level 2	Level 3	Total
Rupees in '000'					
<b>Non Financial assets measured at fair value :</b>					
Fixed assets (land & building)	5,906,710	-	5,906,710	-	5,906,710
Non banking assets acquired in satisfaction of claims	7,392,801	-	7,392,801	-	7,392,801

## 36. SEGMENT INFORMATION

### 36.1 Segment details with respect to business activities

(Un-audited) June 30, 2020							
	Corporate Banking	Retail Banking	Retail Finance Lending	Treasury	Islamic	Others	Total
Rupees in '000'							
<b>Profit &amp; loss</b>							
Net mark-up / return / profit	17,693,519	-	3,291,143	22,911,017	2,762,967	208,616	46,867,262
Inter segment revenue - net	(15,084,075)	37,449,180	(2,160,714)	(19,001,875)	(48,662)	(1,153,854)	-
Non mark-up / return / interest income	277,650	711,153	84,800	5,731,341	42,913	43,937	6,891,794
Total income	2,887,094	38,160,333	1,215,229	9,640,483	2,757,218	(901,301)	53,759,056
Segment total expenses	432,717	32,581,988	416,163	4,484,217	2,253,784	3,759,298	43,928,167
Profit before provisions and tax	2,454,377	5,578,345	799,066	5,156,266	503,434	(4,660,599)	9,830,889
Provisions	2,347,964	290,448	372,570	288,655	187,379	3,376	3,490,392
Profit / (loss) before tax	106,413	5,287,897	426,496	4,867,611	316,055	(4,663,975)	6,340,497
<b>Balance sheet</b>							
Cash & bank balances	-	45,322,944	-	26,585,560	5,230,407	-	77,138,911
Investments - net	2,492,080	-	-	479,918,317	15,253,419	-	497,663,816
Net inter segment lending	-	722,019,384	-	-	-	36,865,873	758,885,257
Lendings to financial institutions	-	-	-	8,088,599	1,000,000	-	9,088,599
Advances - performing	285,058,655	-	47,041,660	-	34,082,370	5,555,430	371,738,115
- non-performing - net	7,784,218	-	1,904,799	-	1,515,775	12,911	11,217,703
Others	11,055,890	5,310,688	1,177,086	8,074,145	4,430,031	21,550,864	51,598,704
Total assets	306,390,843	772,653,016	50,123,545	522,666,621	61,512,002	63,985,078	1,777,331,105
Borrowings	31,381,828	-	-	71,408,018	2,612	-	102,792,458
Subordinated debts	-	-	-	-	-	6,793,060	6,793,060
Deposits & other accounts	-	752,226,688	-	-	53,490,464	-	805,717,152
Net inter segment borrowing	271,352,531	-	37,178,386	449,787,900	566,440	-	758,885,257
Others	3,656,484	20,426,328	12,945,159	1,470,703	3,346,671	6,202,340	48,047,685
Total liabilities	306,390,843	772,653,016	50,123,545	522,666,621	57,406,187	12,995,400	1,722,235,612
Equity	-	-	-	-	-	-	55,095,493
Total equity & liabilities	-	-	-	-	-	-	1,777,331,105
Contingencies & commitments	136,229,032	-	7,883,990	36,764,267	11,261,087	210,629	192,349,005



	(Un-audited) June 30, 2019						
	Corporate Banking	Retail Banking	Retail Finance Lending	Treasury	Islamic	Others	Total
Rupees in '000'							
<b>Profit &amp; loss</b>							
Net mark-up / return / profit	16,897,594	9,673	3,109,586	12,024,099	2,066,196	11,307	34,118,455
Inter segment revenue - net	(13,045,568)	26,986,446	(2,308,323)	(10,341,816)	(7,993)	(1,282,746)	-
Non mark-up / return / interest income	317,529	642,656	76,617	722,705	39,576	38,491	1,837,574
Total income	4,169,555	27,638,775	877,880	2,404,988	2,097,779	(1,232,948)	35,956,029
Segment total expenses	499,320	21,680,299	63,139	1,050,172	1,567,823	3,134,473	27,995,226
Profit before provisions and tax	3,670,235	5,958,476	814,741	1,354,816	529,956	(4,367,421)	7,960,803
Provisions	781,581	63,832	72,437	113,520	13,506	(10,963)	1,033,913
Profit / (loss) before tax	2,888,654	5,894,644	742,304	1,241,296	516,450	(4,356,458)	6,926,890
(Audited) December 31, 2019							
<b>Balance sheet</b>							
Cash & bank balances	-	36,534,123	-	20,093,277	7,097,797	-	63,725,197
Investments - net	2,569,293	-	-	349,947,441	8,936,196	-	361,452,930
Net inter segment lending	-	625,626,216	-	-	2,342,604	24,456,858	652,425,678
Lendings to financial institutions	-	-	-	664,771	3,395,000	-	4,059,771
Advances - performing	290,116,157	-	54,477,738	-	27,211,005	5,265,122	377,070,022
- non-performing	5,302,696	-	862,781	-	59,967	17,914	6,243,358
Others	14,081,124	5,727,520	1,169,369	7,888,965	4,221,371	23,288,153	56,376,502
<b>Total assets</b>	312,069,270	667,887,859	56,509,888	378,594,454	53,263,940	53,028,047	1,521,353,458
Borrowings	26,589,201	-	-	50,455,754	-	-	77,044,955
Subordinated debts	-	-	-	-	-	8,794,420	8,794,420
Deposits & other accounts	-	644,928,438	-	-	46,089,009	-	691,017,447
Net inter segment borrowing	282,566,724	-	43,904,084	325,954,870	-	-	652,425,678
Others	2,913,345	22,959,421	12,605,804	2,183,830	3,419,840	1,306,384	45,388,624
<b>Total liabilities</b>	312,069,270	667,887,859	56,509,888	378,594,454	49,508,849	10,100,804	1,474,671,124
Equity	-	-	-	-	-	-	46,682,334
<b>Total equity &amp; liabilities</b>	-	-	-	-	-	-	1,521,353,458
<b>Contingencies &amp; commitments</b>	124,290,688	-	746,379	53,180,523	16,807,634	199,416	195,224,640

### 37. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders / members. The Bank in the normal course of business carries out transactions with various related parties on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. In addition key management personnel are paid terminal and short-term terminal benefits.

	(Un-audited) June 30, 2020					(Audited) December 31, 2019				
	Directors	Key manage- ment personnel	Subsidiary companies and managed modaraba	Employee Funds	Other related parties	Directors	Key manage- ment personnel	Subsidiary companies and managed modaraba	Employee Funds	Other related parties
----- Rupees in '000' -----										
<b>Lendings to financial institutions :</b>										
Opening balance	-	-	400,000	-	-	-	-	400,000	-	-
Addition during the period	-	-	2,000,000	-	-	-	-	1,600,000	-	-
Repaid during the period	-	-	1,400,000	-	-	-	-	1,600,000	-	-
Closing balance	-	-	1,000,000	-	-	-	-	400,000	-	-
<b>Investments (gross)</b>	-	-	164,945	-	-	-	-	164,945	-	-
Provision for diminution in value of investments	-	-	164,945	-	-	-	-	164,945	-	-
<b>Advances (gross):</b>										
Opening balance	-	311,603	1,258,526	-	-	-	197,801	1,287,780	-	-
Addition during the period	-	26,118	1,640,772	-	-	-	223,695	1,300,324	-	-
Repaid during the period	-	107,062	2,191,086	-	-	-	109,893	1,329,578	-	-
Closing balance	-	230,659	708,212	-	-	-	311,603	1,258,526	-	-
Provision held against advances	-	-	59,922	-	-	-	-	56,301	-	-
<b>Financial guarantees</b>	-	-	7,000	-	-	-	-	7,000	-	-

	(Un-audited) June 30, 2020					(Audited) December 31, 2019				
	Directors	Key management personnel	Subsidiary companies and managed modaraba	Employee Funds	Other related parties	Directors	Key management personnel	Subsidiary companies and managed modaraba	Employee Funds	Other related parties
----- Rupees in '000' -----										
Other assets - markup receivable	-	14,683	45,212	-	-	-	14,331	54,577	-	-
Right of use assets	-	-	-	-	90,808	-	-	-	-	93,381
Lease liability against right of use assets	-	-	-	-	40,300	-	-	-	-	38,502
Deposits and other accounts:										
Opening balance	61	13,746	1,588	2,564,910	876	651	37,858	19,999	2,398,389	7,753
Received during the period	1,529	255,347	1,730,366	703,792	38,345	3,036	530,706	1,474,110	1,148,293	85,894
Withdrawn during the period	1,009	213,224	1,729,103	201,961	36,714	3,626	554,818	1,492,521	981,772	92,771
Closing balance	581	55,869	2,851	3,066,741	2,507	61	13,746	1,588	2,564,910	876

	(Un-audited) June 30, 2020					(Un-audited) June 30, 2019				
	----- Rupees in '000' -----									
<b>Income:</b>										
Mark-up / return / interest earned	-	8,407	99,925	-	-	-	5,348	92,114	-	-
<b>Expense:</b>										
Mark-up / return / interest paid	12	170	-	144,557	43	18	817	-	130,129	740
Depreciation on right of use assets	-	-	-	-	2,573	-	-	-	-	2,531
Mark-up on lease liability against right of use assets	-	-	-	-	2,659	-	-	-	-	2,203
Compensation expense	-	201,339	-	-	-	-	164,968	-	-	-
Commission expense	-	-	30	-	-	-	-	36	-	-
<b>Provision:</b>										
Charge of provision - investment	-	-	-	-	-	-	-	1,698	-	-
Charge of provision - advances	-	-	3,621	-	-	-	-	7,484	-	-

**37.1** Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the closing balance. The same are accounted for through movement presented above.

**37.2** The GoPb holds controlling interest (57.47% shareholding) in the Bank and therefore entities which are owned and / or controlled by the GoPb, or where the GoPb may exercise significant influence, are related parties of the Bank. The Bank in the ordinary course of business enters into transaction with Government- related entities. Such transactions include lending to, deposits from and provision of other banking services to Government-related entities.

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to GoPb and its related entities amounted to Rs. 53,518,834 thousand (December 31, 2019: Rs. 43,767,706 thousand), Rs. 403,247,003 thousand (December 31, 2019: Rs. 357,426,911 thousand) and Rs. 30,558,597 thousand (December 31, 2019: Rs. 29,655,042 thousand) respectively.

During the period, the Bank incurred markup expense of Rs. 106,644 thousand (June 30, 2019: Rs. 112,055 thousand) on subordinated debt of Rs. 2,000,000 thousand received from GoPb. Further, the subordinated loan received from GoPb amounting to Rs. 2,000,000 thousand has also been fully repaid by the Bank.

**37.3** The Bank made contribution of Rs. 115,835 thousand (June 30, 2019: Rs. 85,914 thousand) to employees provident fund during the period.

**37.4** First Punjab Modaraba and Punjab Modaraba Services (Pvt) Limited are using owned premises of The Bank of Punjab free of cost.

**37.5** Advances to employees as at June 30, 2020, other than key management personnel, amounted to Rs. 5,898,557 thousand (December 31, 2019: Rs. 5,494,198 thousand) with markup receivable of Rs 540,967 thousand (December 31, 2019: Rs 514,567 thousand).

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>38. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	28,388,806	28,388,806
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	42,159,580	37,926,403
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	42,159,580	37,926,403
Eligible Tier 2 Capital	15,542,212	11,742,487
Total Eligible Capital (Tier 1 + Tier 2)	57,701,792	49,668,890
Risk Weighted Assets (RWAs):		
Credit risk	273,967,950	286,447,542
Market risk	4,204,357	3,381,838
Operational risk	45,712,499	45,712,499
Total	323,884,806	335,541,879
Common equity tier I capital adequacy ratio	13.02%	11.30%
Tier I CAR (%)	13.02%	11.30%
Total CAR (%)	17.82%	14.80%
<b>38.1 Leverage Ratio (LR):</b>		
Eligible Tier-I Capital	42,159,580	37,926,403
Total exposures	1,217,168,339	1,063,176,213
LR (%)	3.46%	3.57%
<b>38.2 Liquidity Coverage Ratio (LCR):</b>		
Total high quality liquid assets	496,642,883	346,077,837
Total net cash outflow	370,005,576	293,511,879
LCR (%)	134.23%	117.91%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total available stable funding	533,504,430	474,402,901
Total required stable funding	448,218,180	441,990,495
NSFR (%)	119.03%	107.33%

### 39. ISLAMIC BANKING BUSINESS

The Bank has started Islamic banking operations in the year 2013. As at close of the June 30, 2020, the Bank is operating 98 Islamic banking branches and 02 sub Islamic banking branches (December 31, 2019: 98 Islamic banking branches and 02 sub Islamic banking branches).

## STATEMENT OF FINANCIAL POSITION

As At June 30, 2020

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>ASSETS</b>			
Cash and balances with treasury banks		4,860,790	3,742,675
Balances with other banks		369,617	3,355,122
Due from financial institutions	39.1	1,000,000	3,395,000
Investments - net	39.2	15,253,419	8,936,196
Islamic financing and related assets - net	39.3	35,598,145	27,270,972
Fixed assets		1,666,640	1,757,599
Intangible assets		4,650	4,428
Due from head office		-	2,342,604
Other assets		2,758,741	2,459,344
<b>Total assets</b>		<b>61,512,002</b>	<b>53,263,940</b>
<b>LIABILITIES</b>			
Bills payable		256,009	250,213
Due to financial institutions		2,612	-
Deposits and other accounts	39.4	53,490,464	46,089,009
Due to head office		566,440	-
Subordinated debt		-	-
Other liabilities		3,090,662	3,169,627
		<b>57,406,187</b>	<b>49,508,849</b>
<b>NET ASSETS</b>		<b>4,105,815</b>	<b>3,755,091</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,500,000	1,500,000
Reserves		15,578	32,768
Surplus on revaluation of assets		119,557	67,698
Unappropriated profit	39.5	2,470,680	2,154,625
		<b>4,105,815</b>	<b>3,755,091</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	39.6		

# ISLAMIC BANKING BUSINESS

## Profit and Loss Account

### For the Six Months Ended June 30, 2020 (Un-audited)

		Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	Note	Rupees in '000'			
Profit / return earned	39.7	1,271,831	1,093,398	2,762,967	2,066,196
Profit / return expensed	39.8	710,471	462,149	1,501,187	886,064
Net profit / return		561,360	631,249	1,261,780	1,180,132
Fee and commission income		17,596	18,428	40,517	37,809
Dividend income		-	-	-	-
Foreign exchange income		281	753	1,688	839
Income / (loss) from derivatives		-	-	-	-
Loss on securities		-	-	-	(634)
Other income		248	(6)	708	1,562
		18,125	19,175	42,913	39,576
Total income		579,485	650,424	1,304,693	1,219,708
Other expenses					
Operating expenses		393,189	347,604	801,239	689,057
Workers welfare fund		-	-	-	-
Other charges		-	10	20	695
		393,189	347,614	801,259	689,752
Profit before provisions		186,296	302,810	503,434	529,956
Reversals and write offs - net		187,586	15,098	187,379	13,506
Profit before taxation		(1,290)	287,712	316,055	516,450

### 39.1 DUE FROM FINANCIAL INSTITUTIONS

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
Placements	1,000,000	-	1,000,000	3,395,000	-	3,395,000

### 39.2 INVESTMENTS - NET

	(Un-audited) June 30, 2020				(Audited) December 31, 2019			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value
	Rupees in '000'							
<b>Investments by segment:</b>								
Federal government securities:								
-Ijarah sukuk	-	-	-	-	1,985,749	-	(5,749)	1,980,000
-Sale of sukuk- bai muajjal	2,756,196	-	-	2,756,196	2,756,196	-	-	2,756,196
	2,756,196	-	-	2,756,196	4,741,945	-	(5,749)	4,736,196
Non government debt securities								
-Sukuk	8,553,890	-	46,111	8,600,001	-	-	-	-
-Unlisted	3,897,222	-	-	3,897,222	4,200,000	-	-	4,200,000
	12,451,112	-	46,111	12,497,223	4,200,000	-	-	4,200,000
<b>Total investments</b>	<b>15,207,308</b>	<b>-</b>	<b>46,111</b>	<b>15,253,419</b>	<b>8,941,945</b>	<b>-</b>	<b>(5,749)</b>	<b>8,936,196</b>

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>39.3 ISLAMIC FINANCING AND RELATED ASSETS</b>		
Ijarah	2,049,046	1,737,428
Murabaha	928,131	1,272,740
Musharaka	12,384,758	10,684,948
Diminishing musharaka	15,967,806	10,599,650
Payment against documents	55,304	55,303
Istisna	4,645,424	3,166,670
<b>Gross islamic financing and related assets</b>	<b>36,030,469</b>	<b>27,516,739</b>
Less: provision against islamic financings		
- Specific	432,324	245,767
- General	-	-
	432,324	245,767
<b>Islamic financing and related assets - net of provision</b>	<b>35,598,145</b>	<b>27,270,972</b>

### 39.4 DEPOSITS AND OTHER ACCOUNTS

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
<b>Customers :</b>						
Current deposits	9,694,625	257,991	9,952,616	9,093,509	330,022	9,423,531
Savings deposits	38,683,580	42,522	38,726,102	33,025,303	98,310	33,123,613
Term deposits	1,330,758	-	1,330,758	1,092,240	-	1,092,240
Others	2,630,151	-	2,630,151	1,125,855	-	1,125,855
	52,339,114	300,513	52,639,627	44,336,907	428,332	44,765,239
<b>Financial institutions:</b>						
Current deposits	196,854	-	196,854	200,243	-	200,243
Savings deposits	643,384	-	643,384	1,122,998	-	1,122,998
Others	10,599	-	10,599	529	-	529
	850,837	-	850,837	1,323,770	-	1,323,770
	53,189,951	300,513	53,490,464	45,660,677	428,332	46,089,009

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>39.5 UNAPPROPRIATED PROFIT - ISLAMIC BANKING BUSINESS</b>		
Opening balance	2,154,625	869,194
Islamic banking profit for the period / year	316,055	1,285,431
Closing balance	2,470,680	2,154,625
<b>39.6 CONTINGENCIES AND COMMITMENTS</b>		
-Guarantees	1,625,511	1,095,316
-Commitments	9,635,576	15,712,318
	11,261,087	16,807,634
	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
	Rupees in '000'	
<b>39.7 PROFIT / RETURN EARNED OF FINANCING, INVESTMENTS AND PLACEMENT</b>		
Profit earned on:		
Financing	1,788,434	1,336,866
Investments	835,922	512,521
Placements	125,917	206,774
Deposits with financial institutions	12,694	10,035
	2,762,967	2,066,196
<b>39.8 PROFIT ON DEPOSITS AND OTHER DUES EXPENSED</b>		
Deposits and other accounts	1,364,536	821,645
Markup on lease liability against right of use assets	87,989	56,426
Profit on deposits from conventional head office	48,662	7,993
	1,501,187	886,064

**39.9** During the period, Special Pool XVI (SP-XVI) has been created. The main characteristics of the pool are as under:

- i) Profit sharing ratio between Mudarib and Rab-ul-mal is 20:80.
- ii) Profit equalization reserve upto 2% of net income will be created, if needed.
- iii) Investment risk reserve upto 1% of distributable profit of depositors will be created, if needed.

**40. DATE OF AUTHORIZATION FOR ISSUE**

These unconsolidated condensed interim financial statements were authorized for issue on August 27, 2020 by the Board of Directors of the Bank.

**41. GENERAL**

**41.1** Figures have been rounded off to the nearest thousand rupees.

**41.2** Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However, no significant reclassification has been made.

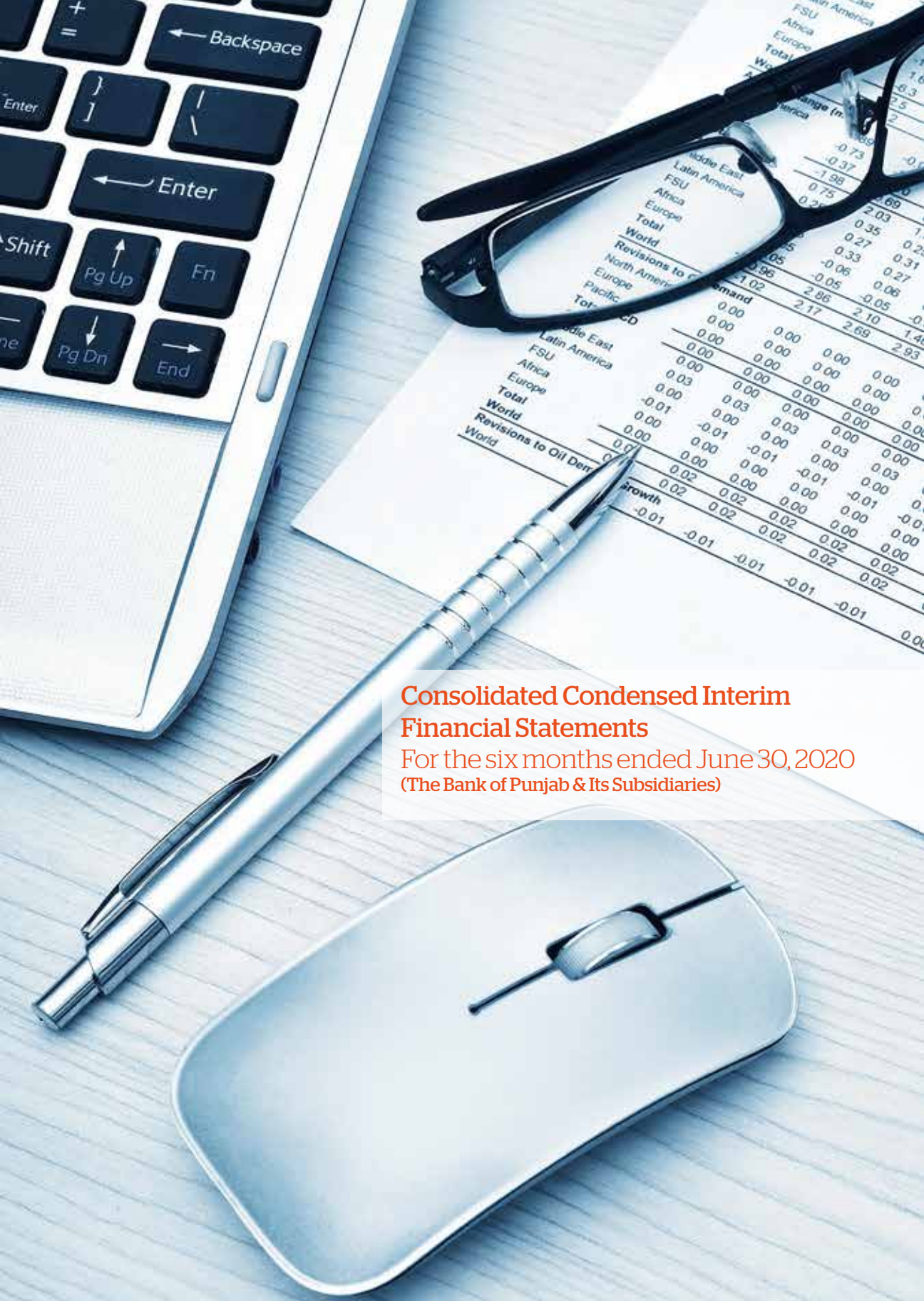
\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
President

\_\_\_\_\_  
Director







## Consolidated Condensed Interim Financial Statements

For the six months ended June 30, 2020  
(The Bank of Punjab & Its Subsidiaries)

# Consolidated Condensed Interim Statement of Financial Position

As at June 30, 2020

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>ASSETS</b>			
Cash and balances with treasury banks	7	68,702,886	53,414,645
Balances with other banks	8	8,504,282	10,374,371
Lendings to financial institutions	9	8,088,599	3,959,771
Investments - net	10	497,678,708	361,467,822
Advances - net	11	383,843,811	383,646,616
Fixed assets	12	14,713,272	15,223,601
Intangible assets	13	790,978	800,425
Deferred tax assets - net	14	3,555,585	6,632,182
Other assets - net	15	33,014,930	34,162,404
		1,018,893,051	869,681,837
<b>LIABILITIES</b>			
Bills payable	17	3,094,701	3,421,083
Borrowings	18	102,806,169	77,358,612
Deposits and other accounts	19	805,714,301	691,015,859
Liabilities against assets subject to finance lease		-	-
Subordinated debts	20	6,793,060	8,794,420
Deferred tax liabilities		-	-
Other liabilities	21	45,235,868	42,225,055
		963,644,099	822,815,029
<b>NET ASSETS</b>		55,248,952	46,866,808
<b>REPRESENTED BY</b>			
Share capital - net		26,173,766	26,173,766
Reserves		6,725,228	6,725,228
Surplus on revaluation of assets - net of tax	22	12,073,232	5,371,207
Non controlling interest		487,302	445,331
Unappropriated profit		9,789,424	8,151,276
		55,248,952	46,866,808

## CONTINGENCIES AND COMMITMENTS

23

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

Chief Financial Officer

President

Director



# Consolidated Condensed Interim Profit and Loss Account For the Six Months Ended June 30, 2020 (Un-audited)

	Note	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
		Rupees in '000'			
Mark-up / return / interest earned	24	22,615,097	18,053,448	46,839,618	34,161,810
Mark-up / return / interest expensed	25	16,980,168	11,295,233	35,312,612	21,033,787
Net mark-up / interest income		5,634,929	6,758,215	11,527,006	13,128,023
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	26	968,448	913,166	1,827,892	1,687,554
Dividend income		22,508	29,616	64,288	57,821
Foreign exchange income		133,157	33,451	205,837	30,761
Income / (loss) from derivatives		-	-	-	-
Gain on securities - net	27	3,761,213	19,928	4,765,316	33,918
Other income - net	28	12,654	37,698	44,829	43,752
Total non-markup / interest income		4,897,980	1,033,859	6,908,162	1,853,806
Total income		10,532,909	7,792,074	18,435,168	14,981,829
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	29	3,975,546	3,546,559	8,189,110	7,025,982
Workers welfare fund		103,765	-	161,738	-
Other charges	30	653	1,642	288,319	2,663
Total non-markup / interest expenses		4,079,964	3,548,201	8,639,167	7,028,645
Profit before provisions		6,452,945	4,243,873	9,796,001	7,953,184
Provisions and write offs - net	31	2,801,476	774,738	3,486,786	1,020,731
Extra ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		3,651,469	3,469,135	6,309,215	6,932,453
Taxation - net	32	1,523,580	1,354,053	2,690,768	2,918,409
<b>PROFIT AFTER TAXATION</b>		2,127,889	2,115,082	3,618,447	4,014,044
<b>Basic earnings per share - Rupees</b>	33	0.81	0.80	1.37	1.52
<b>Diluted earnings per share - Rupees</b>	34	0.81	0.80	1.37	1.52
<b>PROFIT ATTRIBUTABLE TO:</b>					
Equity holders of the parent		2,095,467	2,086,555	3,576,476	3,957,990
Non-controlling interest		32,422	28,527	41,971	56,054
		2,127,889	2,115,082	3,618,447	4,014,044

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

Chief Financial Officer

President

Director

# Consolidated Condensed Interim Statement of Comprehensive Income For the Six Months Ended June 30, 2020 (Un-audited)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	Rupees in '000'			
Profit after taxation for the period	2,127,889	2,115,082	3,618,447	4,014,044
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>				
Remeasurement loss on defined benefit obligations	-	-	-	-
Movement in surplus on revaluation of fixed / non-banking assets - net of tax	-	-	(9,167)	-
	-	-	(9,167)	-
	2,127,889	2,115,082	3,609,280	4,014,044
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
Movement in surplus / (deficit) on revaluation of investments - net of tax	2,943,322	(752,363)	6,755,633	(767,968)
<b>Total comprehensive income for the period</b>	<b>5,071,211</b>	<b>1,362,719</b>	<b>10,364,913</b>	<b>3,246,076</b>

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

Chief Financial Officer

President

Director

## Consolidated Condensed Interim Statement of Changes in Equity For the Six Months Ended June 30, 2020 (Un-audited)

	Share capital	Discount on issue of shares	Share capital - net	Share premium	Statutory reserve	Investments	Fixed / non banking assets	Unappropriated profit / (accumulated loss)	Non-controlling interest	Total
	Rupees in '000'									
<b>Balance as on January 01, 2019 - audited</b>	26,436,924	(263,158)	26,173,766	2,215,040	2,859,890	(11,369)	3,271,681	3,038,684	328,052	37,875,744
Profit after taxation for the six months ended June 30, 2019	-	-	-	-	-	-	-	3,957,990	56,054	4,014,044
Other comprehensive loss	-	-	-	-	-	(767,968)	-	-	-	(767,968)
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	3,957,990	56,054	3,246,076
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(21,520)	(21,520)	21,520	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	(8,536)	(8,536)	8,536	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit / (accumulated loss) on disposal	-	-	-	-	-	-	(5,083)	5,083	-	-
<b>Transactions with owners recognized directly in equity:</b>										
Final cash dividend - December 31, 2018 declared subsequent to year end at 7.5% per share	-	-	-	-	-	-	-	(1,982,769)	-	(1,982,769)
<b>Balance as on June 30, 2019</b>	26,436,924	(263,158)	26,173,766	2,215,040	2,859,890	(779,337)	3,236,542	5,049,044	384,106	39,139,051
Profit after taxation for the six months ended December 31, 2019	-	-	-	-	-	-	-	4,202,281	61,225	4,263,506
Other comprehensive income / (loss)	-	-	-	-	-	3,006,251	495,543	(54,429)	-	3,447,365
Total comprehensive income for the six months ended December 31, 2019	-	-	-	-	-	-	-	4,147,852	61,225	7,710,871
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	(21,341)	21,341	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(8,523)	8,523	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit on disposal	-	-	-	-	-	-	(558,120)	574,814	-	16,694
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	-	132	-	-	192
<b>Balance as on December 31, 2019 - audited</b>	26,436,924	(263,158)	26,173,766	2,215,040	4,510,188	2,226,914	3,144,293	8,151,276	445,331	48,886,808
Profit after taxation for the six months ended June 30, 2020	-	-	-	-	-	-	-	3,576,476	41,971	3,618,447
Other comprehensive income / (loss)	-	-	-	-	-	6,755,633	(9,167)	-	-	6,746,466
Total comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	-	-	3,576,476	41,971	10,384,913
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(33,312)	(33,312)	33,312	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit - net of tax	-	-	-	-	-	(4,729)	(4,729)	4,729	-	-
Transfer from surplus on revaluation of non banking assets to unappropriated profit on disposal	-	-	-	-	-	-	(6,400)	6,400	-	-
<b>Transactions with owners recognized directly in equity:</b>										
Final cash dividend - December 31, 2019 declared subsequent to year end at 7.5% per share	-	-	-	-	-	-	-	(1,982,769)	-	(1,982,769)
<b>Balance as on June 30, 2020</b>	26,436,924	(263,158)	26,173,766	2,215,040	4,510,188	8,982,547	3,090,695	9,789,424	487,302	55,248,952

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

Chief Financial Officer

President

Director

## Consolidated Condensed Interim Cash Flow Statement

### For the Six Months Ended June 30, 2020 (Un-audited)

	Note	Six Months Ended June 30, 2020 Rupees in '000'	June 30, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		6,309,215	6,932,453
Less: Dividend income		(64,288)	(57,821)
		6,244,927	6,874,632
Adjustments:			
Depreciation on fixed assets	29	547,857	515,842
Depreciation on non banking assets acquired in satisfaction of claims	29	29,654	37,052
Depreciation on ijarah assets under IFAS - 2	29	82,529	187,456
Depreciation on right of use assets	29	429,986	367,927
Amortization on intangible assets	29	97,171	84,878
Amortization of discount on debt securities - net		(2,005,318)	(433,391)
Mark-up on lease liability against right of use assets	25	448,814	329,336
Unrealized gain / (loss) on revaluation of investments classified as held for trading	27	(22)	10,230
Provision and write-offs - net	31	3,486,786	1,020,731
Gain on termination of lease liability against right of use asset	28	(192)	-
Gain on sale of fixed assets - net	28	(20,254)	(37,802)
Gain on sale of non banking assets - net	28	(18,535)	(67)
Gain on securities - net	27	(4,765,294)	(44,148)
Provision for employees compensated absences		6,949	5,231
Provision for gratuity		78,677	57,399
		(1,601,192)	2,100,674
		4,643,735	8,975,306
(Increase) / Decrease in operating assets:			
Lendings to financial institutions		(4,128,828)	(360,350)
Held for trading securities		9,951,255	325,092
Advances - net		(3,185,978)	119,954
Others assets - net		(3,552)	(4,155,266)
		2,632,897	(4,070,570)
Increase / (Decrease) in operating liabilities:			
Bills Payable		(326,382)	576,967
Borrowings from financial institutions		25,322,121	8,185,583
Deposits		114,698,442	69,599,218
Other liabilities		2,838,859	2,482,756
		142,533,040	80,844,524
Income tax paid		(2,449,711)	(1,746,794)
<b>Net cash flow generated from operating activities</b>		<b>147,359,961</b>	<b>84,002,466</b>

	Six Months Ended	
	June 30, 2020	June 30, 2019
	Rupees in '000'	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(129,286,881)	(45,795,718)
Net investments in held to maturity securities	-	(19,606,306)
Dividends received	62,058	51,040
Investments in fixed assets	(311,735)	(427,657)
Investments in intangible assets	(87,724)	(51,824)
Proceeds from sale of fixed assets	23,714	38,547
Proceeds from sale of non banking assets	38,988	63,612
<b>Net cash used in investing activities</b>	<b>(129,561,580)</b>	<b>(65,728,306)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of subordinated debts	(2,001,360)	(1,360)
Dividend paid	(1,982,769)	(1,962,008)
Payment against lease liability against right of use assets	(521,536)	-
<b>Net cash used in financing activities</b>	<b>(4,505,665)</b>	<b>(1,963,368)</b>
<b>Increase in cash and cash equivalents</b>	<b>13,292,716</b>	<b>16,310,792</b>
Cash and cash equivalents at beginning of the period	63,649,828	49,216,809
Cash and cash equivalents at end of the period	76,942,544	65,527,601
<b>Cash and cash equivalents:</b>		
Cash and balances with treasury banks	68,702,886	54,574,949
Balances with other banks	8,504,282	11,075,037
Overdrawn nostro accounts	(264,624)	(122,385)
	76,942,544	65,527,601

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

Chief Financial Officer

President

Director



# Notes to the Consolidated Condensed Interim Financial Statements

For the Six Months Ended June 30, 2020 (Un-audited)

## 1. STATUS AND NATURE OF BUSINESS

The Bank of Punjab Group ("the Group") comprises of The Bank of Punjab ("the Bank") ("BOP") ("the Parent"), Punjab Modaraba services (Private) Limited ("PMSL") (the Management Company), First Punjab Modaraba ("FPM") ("the Modaraba"), Punjab Capital Securities (Private) Limited ("PCSL") (100% owned by First Punjab Modaraba). For the purpose of these financial statements, The Bank of Punjab and consolidated subsidiaries are referred to as the Group.

The Group consists of:

### 1.1 Parent

The Bank of Punjab

Subsidiary Companies	% age of holding-2020	% age of holding-2019
Punjab Modaraba services (Private) Limited	100.00%	100.00%
First Punjab Modaraba	39.16%	39.16%
Punjab Capital Securities (Private) Limited	39.16%	39.16%

The subsidiary company of the Group, Punjab Modaraba services (Private) Limited exercises control over First Punjab Modaraba, as its management company and also has a direct economic interest in it. Further, Punjab Capital Securities (Private) Limited is a 100% subsidiary of FPM. The Group has consolidated the financial statements of the modaraba and PCSL as the ultimate parent. The Group is principally engaged in commercial banking, modaraba management, leasing, brokerage, etc. Brief profile of the Bank and subsidiaries is as follows:

The Bank of Punjab (the Bank) was constituted in Pakistan pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-II, Main Boulevard, Gulberg III, Lahore. The Bank has 624 branches including 17 sub branches and 100 Islamic banking branches (December 31, 2019: 624 branches including 17 sub branches and 100 Islamic banking branches) in Pakistan and Azad Jammu and Kashmir (AJK) at the period end. The Bank is listed on Pakistan Stock Exchange. The majority shares of the Bank are held by Government of the Punjab (GoPb).

### Punjab Modaraba Services (Private) Limited

Punjab Modaraba services (Private) Limited was incorporated in Pakistan on October 19, 1991 under the Companies Ordinance, 1984 as a private limited company. It is wholly owned by The Bank of Punjab and is primarily engaged in the business of floating and managing Modarabas.

### First Punjab Modaraba

First Punjab Modaraba was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of The Bank of Punjab). The Modaraba commenced its operations on 23 December 1992. The Modaraba is listed on Pakistan Stock Exchange.

### Punjab Capital Securities (Private) Limited

Punjab Capital Securities (Private) Limited is registered under the Companies Ordinance, 1984 as company limited by shares from the 29th day of November 2016. PCSL is mainly engaged in

business of brokerage services, portfolio management and consultancy services. The registered office of the company is situated at Room No 319, 3rd Floor, LSE Building, Lahore. The Company is wholly-owned subsidiary of First Punjab Modaraba.

## 1.2 Basis of Consolidation

Subsidiaries are all entities over which the bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent controls another entity. The Bank also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Bank's voting rights relative to the size and dispersion of holdings of other shareholders give the Bank the power to govern the financial and operating policies, etc.

The Group financial statements include the financial statements of the Bank and its subsidiaries.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases. The financial statements of subsidiaries have been consolidated on line by line basis. All significant inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

The Bank applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Bank recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. The Financial Statements of the Bank and its subsidiaries are prepared upto the same reporting date using consistent accounting policies.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income statement.

Any contingent consideration to be transferred by the Bank is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill, if any, is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in income statement. After initial recognition, is measured at carrying value i.e. cost at the date of acquisition less any accumulated impairment.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Bank ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for

the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Bank had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss

## 2. BASIS OF PRESENTATION

These consolidated condensed interim financial statements are the consolidated financial statements of the Group in which investments in subsidiaries is accounted for on the basis of acquisition method. Standalone financial statements of the Bank and its subsidiaries are prepared separately.

In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks from their customers and immediate resale to them at appropriate marked-up price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of Islamic Banking business have been consolidated in these consolidated financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic Banking business are disclosed in note 39 of these consolidated condensed interim financial statements.

### 2.1 Statement of compliance

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

- Directives issued by the SBP and the Securities Exchange Commission of Pakistan (SECP).
- Requirements of The Bank of Punjab Act, 1989;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017.

Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Act, 2017 differ with the requirements of these IFRS or IFAS, the requirements of the said directives, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Act, 2017 take precedence.

**2.1.2** The disclosures made in these consolidated condensed interim financial statements have been limited based on SBP BPRD Circular Letter No. 05 of 2019 and IAS 34 "Interim Financial Reporting". Accordingly, these consolidated condensed interim financial statements do not include all the information and disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2019.

**2.1.3** SBP as per BSD Circular No. 10, dated August 26, 2002 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 till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7

“Financial Instruments: Disclosures” has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements.

**2.1.4** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard - 3 for Profit & Loss Sharing on Deposits (IFAS 3) issued by the Institute of Chartered Accountants of Pakistan and notified by the SECP, vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IFS). The standard will result in certain new disclosures in these consolidated condensed interim financial statements of the Bank.

**2.1.5 New accounting standards/ amendments and IFRS interpretations that are effective for the current period:**

During the period, certain amendments to standards, interpretations and improvements to accounting standards became effective, however the amendments, interpretations and improvements are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these consolidated condensed interim financial statements.

**2.1.6 New accounting standards and IFRS interpretations that are not yet effective:**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. The Bank considers that the following standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than IFRS 9.

The SBP vide BPRD Circular No. 04 dated October 23, 2019 has notified the effective date of IFRS 9, 'Financial Instruments' as January 01, 2021. IFRS 9, 'Financial Instruments' has replaced IAS 39, 'Financial Instruments: Recognition and Measurement'. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'Expected Credit Losses' (ECL) approach rather than 'incurred credit losses' approach. The ECL has impact on all the assets of the Bank which are exposed to credit risk.

Standard or Interpretations		Effective date (accounting periods beginning on or after)
IFRS 9	Financial instruments	January 01, 2021
IFRS 17	Insurance contracts	January 01, 2021

**3. BASIS OF MEASUREMENT**

**3.1** These consolidated condensed interim financial statements have been prepared under the historical cost convention, except for revaluation of freehold land and buildings on freehold land, revaluation of non banking assets acquired in satisfaction of claims, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and right of use assets, lease liability and certain staff retirement benefits at present value.

**3.2** These consolidated condensed interim financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2019.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The basis for accounting judgments and key estimates adopted in preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2019.

## 6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies of the Bank are consistent with those disclosed in the annual consolidated financial statements of the Bank for the year ended December 31, 2019. These risk management policies continue to remain robust and the Bank is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

The COVID-19 pandemic outbreak has resulted in consequences on economy, health and society. The COVID-19 pandemic has significantly impacted the markets around the globe and may continue to do so in the coming months of 2020, affecting the earnings and cash flows of businesses.

The State Bank of Pakistan (SBP) has also responded to the crisis by reducing the Policy Rate by 225 basis points to 11% in March 2020, 200 basis points to 9% on April 16, 2020, 100 basis points to 8% on May 15, 2020 and by another 100 basis points to 7% on June 25, 2020. Besides, numerous other regulatory measures have been announced by the SBP to support business and economic activity which include, inter-alia, the following:

- Allowing banks to defer borrowers' principal loan payments by one year;
- Relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief on account of the principal repayment exceeding one year and / or mark-up.
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs.180 million;
- Providing concessionary refinance facilities to Hospitals for financing equipment;
- To control unemployment, offered refinance facilities to customers for meeting their salary expense; and
- Besides, various other steps have been announced to dampen the effects of Covid-19.

COVID-19 is likely to impact banks in Pakistan on many fronts. This includes significant increase in overall credit risk and contraction of fee income due to overall slowdown in economic activity. Furthermore, since significant number of Bank's staff is working from home, there is increased operational risk in respect of business operations including enhanced cyber-security threat as increased number of customers are diverting to meet their banking needs through the digital channels.

### Credit risk management and asset quality

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its credit review procedures in the light of COVID-19. The Bank is continuously reviewing the portfolio, to identify accounts susceptible to higher risk, resulting from the COVID-19 outbreak. The Bank's Management has created a buffer against unforeseen loan losses and to preserve the quality of the Credit portfolio.

The Bank is assessing the situation as it develops and is in the process of accounting for the same in its loan loss provision

### Liquidity risk management

In view of the relaxation granted by SBP for deferral of principal and rescheduling of loans there will be an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

### Equity risk management

There is no significant impact of COVID-19 on the listed equity securities of the Bank classified as available-for-sale. The carrying amount of the Bank's investment in listed equity securities classified as available-for-sale, amounting to Rs. 2,090,823 thousand as at June 30, 2020. Impairment against these securities has already been recognized in the financial statements, as applicable in accordance with SBP circular. The bank has obtained relief of Rs. 134,311 thousand during the quarter on account of deferral of impairment.

### Operational risk management

The Bank is closely monitoring the situation and has invoked required actions to ensure the Health and safety of Bank staff alongside uninterrupted service to customers. The senior management of the Bank is continuously monitoring the situation in order to take timely decisions.

Business Continuity Plans (BCP) for respective areas are in place and tested. The remote work capabilities were enabled for staff, where required, and related risk and control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Bank is communicating with its customers on how they can avail the services from its digital/online channels also.

The Bank staff is working tirelessly to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored so that the Bank continues to meet the expectations of all stakeholders.

### Capital adequacy ratio(CAR)

In order to encourage banks to continue lending despite anticipated pressure on profits, credit risk and liquidity, the SBP has relaxed the Capital Conservation Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements.

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>		
In hand:		
Local currency	17,435,907	10,744,190
Foreign currencies	2,648,612	1,862,526
	20,084,519	12,606,716
With SBP in:		
Local currency current accounts	34,786,321	24,791,197
Foreign currency current accounts	470,542	531,902
Foreign currency deposit accounts	959,794	1,587,930
	36,216,657	26,911,029
With National Bank of Pakistan in:		
Local currency current account	12,381,332	13,526,747
Prize bonds	20,378	370,153
	68,702,886	53,414,645

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan :			
Current accounts		8,060,759	7,300,725
Deposit accounts		140,670	2,788,624
		8,201,429	10,089,349
Outside Pakistan:			
Current accounts		282,199	205,569
Deposit accounts		20,654	79,453
		302,853	285,022
		8,504,282	10,374,371
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (Reverse Repo)	9.2	8,088,599	564,771
Placements	9.3	-	3,395,000
		8,088,599	3,959,771
<b>9.1 Particulars of lending</b>			
In local currency		8,088,599	3,959,771
In foreign currencies		-	-
		8,088,599	3,959,771

## 9.2 Securities held as collateral against repurchase agreement lendings (reverse repo)

	(Un-audited) June 30, 2020			(Audited) December 31, 2019		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Rupees in '000'						
Market treasury bills	6,879,231	-	6,879,231	-	-	-
Pakistan investment bonds	1,209,368	-	1,209,368	564,771	-	564,771
	8,088,599	-	8,088,599	564,771	-	564,771

Market value of securities held as collateral as at June 30, 2020 amounted to Rs. 8,126,072 thousand (December 31, 2019: Rs. 564,464 thousand). These carry mark-up at rate ranging from 7.10% to 9.00% per annum (December 31, 2019: 13.75% per annum) with maturities upto July 06, 2020.

**9.3** These carry profit rates ranging from 8.00% to 10.00% per annum (December 31, 2019: 11.00% to 13.75% per annum) with maturities upto August 20, 2020.

## 10. INVESTMENTS - NET

### 10.1 Investments by type:

		(Un-audited) June 30, 2020				(Audited) December 31, 2019			
		Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value
Rupees in '000'									
<b>Held-for-trading securities</b>	Note								
Federal government securities	10.1.1	-	-	-	-	9,896,210	-	(1,710)	9,894,500
Ordinary shares		6,584	-	22	6,606	65,836	-	(2,497)	63,339
		6,584	-	22	6,606	9,962,046	-	(4,207)	9,957,839
<b>Available-for-sale securities</b>									
Federal government securities	10.1.1 & 10.2	406,160,090	-	13,802,994	419,963,084	279,471,832	-	3,305,176	282,777,008
Shares and certificates		3,577,920	(1,332,883)	(54,319)	2,190,718	2,620,866	(1,169,906)	119,326	1,570,286
Non government debt securities		17,819,685	(2,486,481)	70,628	15,403,832	9,755,954	(2,360,803)	1,519	7,396,671
Foreign securities		4,019	-	-	4,019	4,019	-	-	4,019
		427,561,714	(3,819,364)	13,819,303	437,561,653	291,852,671	(3,530,709)	3,426,021	291,747,983
<b>Held-to-maturity securities</b>									
Federal government securities	10.1.1 & 10.4	60,110,449	-	-	60,110,449	59,762,000	-	-	59,762,000
WAPDA bonds		400	(400)	-	-	400	(400)	-	-
		60,110,849	(400)	-	60,110,449	59,762,400	(400)	-	59,762,000
<b>Total investments</b>		487,679,147	(3,819,764)	13,819,325	497,678,708	361,577,117	(3,531,109)	3,421,814	361,467,822

10.1.1 Market treasury bills and Pakistan investment bonds are eligible for re-discounting with SBP.

10.1.2 Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

		(Un-audited) June 30, 2020	(Audited) December 31, 2019
		Rupees in '000'	
<b>10.2 Investments given as collateral</b>			
Pakistan investment bonds		-	41,022,618
Market treasury bills		71,580,681	11,378,650
		71,580,681	52,401,268
<b>10.3 Provision for diminution in value of investments</b>			
10.3.1 Opening balance		3,531,109	3,261,903
Charge / reversals:			
Charge for the period / year		288,655	370,738
Reversals for the period / year		-	-
		288,655	370,738
Reversal on disposal during the period / year		-	(101,532)
Closing balance		3,819,764	3,531,109



### 10.3.2 Particulars of provision against debt securities

Category of classification	(Un-audited) June 30, 2020		(Audited) December 31, 2019	
	NPI	Provision	NPI	Provision
Rupees in '000'				
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	308,606	125,678
Loss	2,544,131	2,486,881	2,235,525	2,235,525
<b>Total</b>	<b>2,544,131</b>	<b>2,486,881</b>	<b>2,544,131</b>	<b>2,361,203</b>

The Bank has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing investments as allowed vide BSD Circular No.1 dated October 21, 2011. This has resulted in decrease in provision against non-performing investments by Rs. 57,251 thousand (December 31, 2019: Rs 28,625 thousand). The FSV benefit availed is not available for cash or stock dividend.

**10.4** Market value of held to maturity investments amounted to Rs. 74,527,204 thousand (December 31, 2019: Rs. 64,466,364 thousand).

### 11. ADVANCES - NET

	Performing		Non Performing		Total	
	(Un-audited) June 30, 2020	(Audited) December 31, 2019	(Un-audited) June 30, 2020	(Audited) December 31, 2019	(Un-audited) June 30, 2020	(Audited) December 31, 2019
Rupees in '000'						
Loans, cash credits, running finances, etc.	325,907,986	320,238,315	57,490,764	51,293,677	383,398,750	371,531,992
Net book value of assets in ijarah under IFAS 2 - In Pakistan	1,834,046	1,522,428	215,000	215,000	2,049,046	1,737,428
Islamic financing and related assets	32,248,324	25,688,577	1,733,099	90,734	33,981,423	25,779,311
Bills discounted and purchased	13,037,914	30,318,260	33,828	30,521	13,071,742	30,348,781
Advances - gross	373,028,270	377,767,580	59,472,691	51,629,932	432,500,961	429,397,512
Provision against advances:						
- Specific	-	-	(48,254,988)	(45,338,255)	(48,254,988)	(45,338,255)
- General	(402,162)	(412,641)	-	-	(402,162)	(412,641)
	(402,162)	(412,641)	(48,254,988)	(45,338,255)	(48,657,150)	(45,750,896)
Advances - net of provision	372,626,108	377,354,939	11,217,703	6,291,677	383,843,811	383,646,616

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>11.1 Particulars of advances (gross)</b>		
In local currency	432,288,902	428,636,583
In foreign currencies	212,059	760,929
	<b>432,500,961</b>	<b>429,397,512</b>

- 11.2** Advances include Rs. 59,472,691 thousand (December 31, 2019: Rs. 51,629,932 thousand) which have been placed under non-performing status as detailed below:

	(Un-audited) June 30, 2020		(Audited) December 31, 2019	
	Non performing loans	Provision	Non performing loans	Provision
Rupees in '000'				
<b>Domestic</b>				
Other assets especially mentioned	307,440	14,626	185,320	9,079
Substandard	7,019,814	1,297,882	1,179,397	139,457
Doubtful	8,423,938	5,572,047	8,204,461	4,808,487
Loss	43,721,499	41,370,433	42,060,754	40,381,232
<b>Total</b>	<b>59,472,691</b>	<b>48,254,988</b>	<b>51,629,932</b>	<b>45,338,255</b>

**11.3 Particulars of provision against advances**

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
Rupees in '000'						
Opening balance	45,338,255	412,641	45,750,896	43,763,990	348,299	44,112,289
Charge for the period / year	3,239,997	-	3,239,997	3,774,826	64,342	3,839,168
Reversals for the period / year	(323,264)	(10,479)	(333,743)	(2,199,509)	-	(2,199,509)
	2,916,733	(10,479)	2,906,254	1,575,317	64,342	1,639,659
Amounts written off	-	-	-	(1,052)	-	(1,052)
Closing balance	48,254,988	402,162	48,657,150	45,338,255	412,641	45,750,896

**11.3.1 Particulars of provision against advances with respect to currencies**

In local currency	48,190,187	402,162	48,592,349	45,273,454	412,641	45,686,095
In foreign currencies	64,801	-	64,801	64,801	-	64,801
	48,254,988	402,162	48,657,150	45,338,255	412,641	45,750,896

- 11.3.2** General provision represents provision against consumer financing portfolio as required by Prudential Regulations issued by the SBP.

- 11.3.3** The Bank has availed the benefit of Forced Sale Value (FSV) of collateral against non-performing advances as allowed vide BSD Circular No.1 dated October 21, 2011. This has resulted in decrease in provision against non-performing advances by Rs. 3,292,387 thousand (December 31, 2019: Rs 2,527,122 thousand). The FSV benefit availed is not available for cash or stock dividend.

		(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Note	Rupees in '000'	
<b>12. FIXED ASSETS</b>			
Capital work-in-progress	12.1	163,975	192,270
Right of use assets		6,071,419	6,342,167
Property and equipment		8,477,878	8,689,164
		14,713,272	15,223,601
<b>12.1 Capital work-in-progress</b>			
Civil works		163,975	192,270

	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
	Rupees in '000'	
<b>12.2 Additions to fixed assets</b>		
The following additions / (transfers) have been made to fixed assets during the period:		
<b>Capital work-in-progress</b>	(28,295)	(105,598)
<b>Addition to right of use assets / impact of adoption of IFRS - 16</b>	165,221	5,501,495
<b>Property and equipment:</b>		
Building on freehold land	-	93,519
Furniture and fixture	24,470	20,712
Office equipment	53,787	123,486
Computer equipment	32,525	67,458
Lease hold improvements	164,587	214,128
Vehicles	64,661	13,831
	340,030	533,134
	476,956	5,929,031

<b>12.3 Termination of right of use assets</b>	5,984	-
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<b>12.4 Disposal of property and equipment:</b>		
The net book value of property and equipment disposed off during the period is as follows:		
Furniture and fixture	183	281
Office equipment	1,845	464
Computer equipment	1,432	-
Vehicles	-	-
	3,460	745

Gross carrying amount of vehicles disposed off during the period was Rs. 24,943 thousand (June 30, 2019: Rs. 40,704 thousand).

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>13. INTANGIBLE ASSETS</b>		
Intangible in progress	180,944	126,421
Softwares	610,034	674,004
	790,978	800,425

	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
	Rupees in '000'	
<b>13.1 Additions to intangible assets</b>		
The following additions have been made to intangible assets during the period:		
Intangible in progress	54,523	26,303
Intangible assets purchased	33,201	25,521
	87,724	51,824

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>14. DEFERRED TAX ASSETS - NET</b>			
Deductible temporary differences on:			
Right of use assets		254,839	129,797
Provision against advances, off balance sheet etc.		9,150,202	8,763,726
Business loss - Subsidiaries		64,399	64,399
		9,469,440	8,957,922
Taxable temporary differences on:			
Surplus on revaluation of fixed assets		(699,561)	(717,498)
Accelerated tax depreciation		(278,228)	(306,240)
Surplus on revaluation of investments		(4,836,756)	(1,199,107)
Surplus on revaluation of non banking assets		(99,310)	(102,895)
		(5,913,855)	(2,325,740)
		3,555,585	6,632,182
<b>15. OTHER ASSETS - NET</b>			
Income / mark-up accrued in local currency		19,102,286	20,059,765
Income / mark-up accrued in foreign currency		6,429	3,786
Profit paid in advance on pehlay munafa scheme		997	321
Advances, deposits, advance rent and other prepayments		533,938	610,934
Advance taxation (payments less provisions)		998,226	1,799,299
Non-banking assets acquired in satisfaction of claims		7,221,236	7,257,669
Acceptances		3,656,484	2,913,345
Branch adjustment account		51,605	180,250
Mark to market gain on forward foreign exchange contracts		127,023	-
Stock of stationery		173,131	147,340
Suspense account		11,469	5,387
Zakat recoverable from NITL		36,790	36,790
Unrealized gain on revaluation of foreign bills and trade loans		113,447	37,999
Fraud and forgeries		481,393	193,559
Unearned income on sale of sukuk on bai-muajjal basis		514,705	691,120
Others		735,290	658,601
		33,764,449	34,596,165
Less: Provision held against other assets	15.1	(2,059,325)	(1,767,448)
Other assets (net of provision)		31,705,124	32,828,717
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		1,309,806	1,333,687
Other assets - total		33,014,930	34,162,404
<b>15.1 Provision held against other assets</b>			
Advances, deposits, advance rent & other prepayments		35,723	35,723
Non banking assets acquired in satisfaction of claims		1,198,555	1,198,555
Zakat recoverable from NITL		36,790	36,790
Fraud and forgeries		481,393	190,122
Others		306,864	306,258
		2,059,325	1,767,448

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>16. CONTINGENT ASSETS</b>		
Contingent assets	Nil	Nil
<b>17. BILLS PAYABLE</b>		
In Pakistan	3,094,701	3,421,083
Outside Pakistan	-	-
	3,094,701	3,421,083
<b>18. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP under:		
Export refinance scheme (ERF)	19,682,936	16,701,300
Long term financing facility (LTFF)	9,134,163	7,839,710
Finance facility for storage of agricultural produce (FFSAP)	50,785	37,048
Finance facility for renewable energy performance platform (REPP)	1,904,197	2,011,143
Refinancing facility for payment of salaries and wages	557,859	-
Refinancing facility for modernization of small and medium enterprises (SMES)	54,500	-
	31,384,440	26,589,201
Repurchase agreement borrowings	17,384,377	11,688,192
Call borrowings	53,772,728	38,942,031
<b>Total secured</b>	102,541,545	77,219,424
<b>Unsecured</b>		
Overdrawn nostro accounts	264,624	139,188
	102,806,169	77,358,612

## 19. DEPOSITS AND OTHER ACCOUNTS

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
<b>Customers:</b>						
Current deposits	148,081,580	2,810,556	150,892,136	128,760,062	2,777,676	131,537,738
Savings deposits	367,533,804	2,439,372	369,973,176	328,444,179	2,683,909	331,128,088
Term deposits	250,078,752	3,426,954	253,505,706	198,611,751	3,210,224	201,821,975
Others	20,472,232	-	20,472,232	16,222,707	-	16,222,707
	786,166,368	8,676,882	794,843,250	672,038,699	8,671,809	680,710,508
<b>Financial institutions:</b>						
Current deposits	6,468,369	468,800	6,937,169	5,068,904	550,472	5,619,376
Savings deposits	3,131,589	219	3,131,808	3,293,719	209	3,293,928
Term deposits	600,500	-	600,500	405,000	864,050	1,269,050
Others	201,574	-	201,574	122,997	-	122,997
	10,402,032	469,019	10,871,051	8,890,620	1,414,731	10,305,351
	796,568,400	9,145,901	805,714,301	680,929,319	10,086,540	691,015,859

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>20. SUBORDINATED DEBTS</b>			
Loan from GoPb	20.1	-	2,000,000
Privately placed term finance certificates - I	20.2	2,496,500	2,497,000
Privately placed term finance certificates - II	20.3	4,296,560	4,297,420
		6,793,060	8,794,420

#### 20.1 Loan from GoPb

During the period, the Bank exercised call option for premature repayment and repaid Rs. 2,000,000 thousand to GoPB. Accordingly, the total liability against GoPb subordinated loan stands fully settled. The salient features of the loan were as follows:

Tenor:	07 Years.
Issue date	December 31, 2014
Maturity date	December 30, 2021
Rating	Unrated
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Average SBP discount rate. (Average shall be calculated on daily basis).
Conversion option:	May be converted, subject to consent of the parties and necessary regulatory approvals, after a period of five years into ordinary shares at the rate of Rs. 15 per share.
Repayment:	Bullet repayment after lapse of 07 years.
Call / Put option:	Callable after a period of 05 years. However no put option is available to GoPb.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

#### 20.2 Privately placed term finance certificates - I

The Bank has issued rated, unsecured and subordinated term finance certificates under section 120 of the Companies Ordinance, 1984, in a set of twenty (20) scrips, corresponding to the redemption dates of the TFC and representing the TFC Holders entitlement to the redemption amount on the each such redemption date; and registered book entry securities in accordance with the CDC regulations, as outlined by SBP under BPRD Circular No. 06 dated August 15, 2013; with each TFC having a face value of PKR 100,000 or multiples thereof.

Issue amount:	Rupees 2,500,000 thousand
Issue date:	December 23, 2016
Maturity date:	December 22, 2026
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.

Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Floating rate of return at base rate plus 100 bps p.a. (Base rate will be the average rate 'Ask side of the six month Karachi Inter Bank Offered Rate set at 1 (one business) day prior to the redemption date for the redemption amount payable on the immediately following redemption date).
Repayment:	The TFC has been structured to redeem 0.02% of the issue amount semi-annually in the first 09 years after the issue and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Call / Put option:	Callable after a period of 05 years. However no put option is available to the investors.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

### 20.3 Privately placed term finance certificates - II

The Bank has issued rated, unsecured and subordinated term finance certificates under section 66 of the Companies Act, 2017, in a set of twenty (20) scrips, corresponding to the redemption dates of the TFC and representing the TFC Holders entitlement to the redemption amount on the each such redemption date and registered book entry securities in accordance with the CDC regulations, as outlined by SBP under BPRD Circular No. 06 dated August 15, 2013 with each TFC having a face value of PKR 100,000 or multiples thereof.

Issue amount:	Rupees 4,300,000 thousand
Issue date:	April 23, 2018
Maturity date:	April 23, 2028
Rating:	AA-
Tenor:	10 Years.
Security:	Unsecured and subordinated to all other indebtedness of the Bank including deposits.
Profit payment & frequency:	Profit payable on half yearly basis in arrears on the outstanding principal amount.
Profit rate:	Floating rate of return at base rate plus 125 bps p.a. (Base rate will be the average rate 'Ask side of the six month Karachi Inter Bank Offered Rate set at 1 (one business) day prior to the redemption date for the redemption amount payable on the immediately following redemption date).
Repayment:	The TFC has been structured to redeem 0.02% of the issue amount semi-annually in the first 09 years after the issue and the remaining issue amount in two equal semi-annual installments of 49.82% each, in the 10th year.
Call / Put option:	Callable after a period of 05 years. However no put option is available to the investors.
Lock in clause:	Neither profit nor principal may be paid (even at maturity) if such payments would result in a shortfall in the Bank's Minimum Capital Requirement (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR or CAR.
Loss absorbency clause:	May be converted into ordinary shares or written off immediately (either partially or in full) at the discretion of the SBP, upon the occurrence of a point of non-viability ("PONV") event as defined in the Basel III guidelines, at the market value of the shares on the date of trigger of PONV as declared by the SBP.

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>21. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		18,926,797	16,670,871
Mark-up / return / interest payable in foreign currency		56,938	82,589
Lease key money		12,530,742	12,541,675
Sundry creditors and accrued expenses		1,338,863	851,407
Acceptances		3,656,484	2,913,345
Mark-up payable on subordinated debts		81,255	130,626
Unclaimed dividends		2,588	2,588
Mark to market loss on forward foreign exchange contracts		-	155,671
Payable to gratuity fund		78,676	211,782
Gratuity payable to key management personnel		53,145	53,145
Provision against off-balance sheet obligations	21.1	62,183	62,183
Provision for employees compensated absences		117,432	111,612
Taxes / zakat / import fee payable		275,564	372,905
Lease liability against right of use assets		6,804,266	6,717,938
Deferred income on sale of sukuk on bai - muajjal basis		514,705	691,120
Workers welfare fund		446,699	286,007
Others		289,531	369,591
		45,235,868	42,225,055

<b>21.1 Provision against off-balance sheet obligations</b>		62,183	62,183
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The above provision has been made against letters of guarantee issued by the Bank.

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus / (deficit) on revaluation of :			
- Available for sale securities	10.1	13,819,303	3,426,021
- Fixed assets		2,579,750	2,630,999
- Non-banking assets acquired in satisfaction of claims	15	1,309,806	1,333,687
		17,708,859	7,390,707
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(4,836,756)	(1,199,107)
- Fixed assets		(699,561)	(717,498)
- Non-banking assets acquired in satisfaction of claims		(99,310)	(102,895)
		(5,635,627)	(2,019,500)
		12,073,232	5,371,207



	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>23. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	23.1	60,187,676	57,676,022
Commitments	23.2	132,018,696	137,405,985
Other contingent liabilities	23.3	142,633	142,633
		192,349,005	195,224,640
<b>23.1 Guarantees:</b>			
Financial guarantees		18,490,356	18,399,059
Performance guarantees		17,493,908	16,411,708
Other guarantees		24,203,412	22,865,255
		60,187,676	57,676,022
<b>23.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		67,506,233	60,718,682
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	36,764,267	53,180,523
- forward lending	23.2.2	27,680,200	23,449,998
Commitments for acquisition of:			
- fixed assets		14,128	50,934
- intangible assets		53,868	5,848
		132,018,696	137,405,985
<b>23.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		20,346,153	28,416,586
Sale		16,418,114	24,763,937
		36,764,267	53,180,523
<b>23.2.2 Commitments in respect of forward lending</b>			
Undrawn formal standby facilities, credit lines and other commitments to lend	23.2.2.1	27,680,200	23,449,998

**23.2.2.1** 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. In addition, the Bank makes revocable commitments that do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>23.3 Other contingent liabilities</b>	23.3.1 & 23.3.2	142,633	142,633

**23.3.1** For the tax year 2007, the Income Tax Department concluded proceedings under section 161/205 and created a default of Rs. 8,975 thousand. The Bank filed appeal before CIR (A), however the same was not allowed. The Bank filled appeal against the said order of CIR (A) with ATIR. The expected tax liability for the said year amounts to Rs. 8,975 thousand. However, the management of the Bank, as per opinion of its tax consultant, is confident that the decision for the aforementioned tax year will be decided in Bank's favor.

**23.3.2** The tax authorities of AJK made amendment under section 122(1) for tax year 2013 to 2018 and created an additional demand of Rs. 133,658 thousands against which the Bank has filed appeal before Commissioner (Appeals) AJK. The management of the Bank, as per opinion of its tax consultant, is confident that the decision for aforementioned tax years will be decided in Bank's favour.

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>23.4 Claims against the Bank not acknowledged as debts</b>	23.4.1	53,723,429	53,806,237

**23.4.1** The amounts involved in the claims filed against the Bank are yet to be adjudicated by the concerned Courts as the same have been filed as outburst to our recovery suits. Uptill now, in no case, any claim has been adjudicated, determined or decreed by the Courts against the Bank. Moreover, there is no likelihood of decreeing the suits against the Bank because, the claims are frivolous.

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Un-audited) June 30, 2019
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>			
a) On loans and advances		22,813,550	21,267,121
b) On investments:			
Available for sale securities		18,376,219	9,365,702
Held for trading securities		836,509	1,134,167
Held to maturity securities		3,666,794	573,139
c) On lendings to financial institutions:			
Securities purchased under resale agreements		983,999	1,553,197
Call lending		94	2,062
Letters of placement		131,441	206,775
d) On balances with banks		31,012	59,647
		46,839,618	34,161,810
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits and other accounts		29,712,750	18,992,760
Borrowings:			
Securities sold under repurchase agreements		1,468,075	244,194
Foreign placements		-	27,525
Call borrowings		2,841,441	714,923
SBP refinance borrowing		286,129	219,855
Subordinated debts:			
Mark-up on subordinated loan from GoPb		106,644	112,055
Mark-up on privately placed term finance certificates		448,759	393,139
Mark-up on lease liability against right of use assets		448,814	329,336
		35,312,612	21,033,787
<b>26. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		250,013	311,364
Consumer finance related fees		97,699	118,179
Card related fees		278,977	249,870
Credit related fees		427,490	234,269
Branchless banking fees		48,513	44,010
Commission on trade		292,567	262,204
Commission on guarantees		105,576	122,052
Commission on cash management		39,737	50,178
Commission on remittances including home remittances		131,682	122,597
Commission on bancassurance		27,580	45,512
Commission on wheat financing		-	1,257
SMS banking income		121,947	121,287
Others		6,111	4,775
		1,827,892	1,687,554
<b>27. GAIN ON SECURITIES - NET</b>			
Realized gain on sale of securities - net	27.1	4,765,294	44,148
Unrealized gain / (loss) - held for trading		22	(10,230)
		4,765,316	33,918

	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
	Rupees in '000'	
<b>27.1 Realized gain on sale of securities - net:</b>		
Federal government	4,737,633	6,312
Shares and certificates	27,661	28,579
Term finance certificates	-	9,257
	4,765,294	44,148
<b>28. OTHER INCOME - NET</b>		
Rent on property	-	1,169
Gain on sale of fixed assets - net	20,254	37,802
Gain on sale of non banking assets - net	18,535	67
Gain on termination of lease liability against right of use assets	192	-
Notice pay on resignations	5,848	4,714
	44,829	43,752
<b>29. OPERATING EXPENSES</b>		
<b>Total compensation expense</b>	4,600,724	3,679,249
<b>Property expense:</b>		
Rent and taxes	4,484	32,829
Insurance	8,514	9,486
Utilities cost	268,390	242,432
Security	612	644
Repair and maintenance including janitorial charges	18,797	8,747
Depreciation	270,807	265,567
Depreciation on right of use assets	429,986	367,927
Others	108	2,851
	1,001,698	930,483
<b>Information technology expenses:</b>		
Software maintenance	211,721	163,578
Hardware maintenance	44,328	48,627
Depreciation on computer equipment	130,899	110,775
Amortization on intangible assets	97,171	84,878
Network charges	172,702	117,018
	656,821	524,876
<b>Other operating expenses:</b>		
Directors' fees and allowances	20,575	4,505
Fees and allowances to shariah board	1,740	2,335
Legal and professional charges	34,888	46,303
Subscription charges	19,306	10,888
Outsourced staff services costs	144,788	125,786
Travelling and conveyance	268,423	265,725
NIFT clearing charges	33,199	28,096
Depreciation	146,151	139,500
Depreciation on non banking assets	29,654	37,052
Depreciation on ijarah assets	82,529	187,456
Training and development	9,983	7,748
Postage and courier charges	98,612	57,707
Stationery and printing	97,956	107,798

		(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
		Rupees in '000'	
Marketing, advertisement and publicity		79,167	45,748
Donations	29.1	10,000	1,000
Insurance		57,799	64,554
Deposit protection fee		175,982	168,688
Repair and maintenance		60,983	79,890
Entertainment expenses		47,937	48,674
Fuel for generator		39,179	47,958
Commission and brokerage		124,431	69,032
Bank charges		26,016	44,109
SMS banking charges		15,297	13,825
ATM charges including ATM maintenance charges		58,643	67,446
Cash remittance charges		100,306	93,632
Branch license fee		13,627	12,855
CNIC verification / ECIB charges		23,638	19,929
COVID-19 related expenses		14,611	-
Miscellaneous expenses		94,447	93,135
		1,929,867	1,891,374
		8,189,110	7,025,982

**29.1** This represents donation paid to Akhuwat Corona Imdad Fund of Rs. 10,000 thousand (June 30, 2019: Institute of business Administration Rs. 1,000 thousand) in accordance with the approval of Board of Directors of the Bank. None of the directors had any interest in the donee, except for Mr. Dr. Amjad Saqib (Non Executive Director) is Founder / CEO in Akhuwat.

	Note	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
		Rupees in '000'	
<b>30. OTHER CHARGES</b>			
Penalties imposed by SBP		288,319	2,663
<b>31. PROVISIONS AND WRITE OFFS - NET</b>			
Provisions for diminution in value of investments	10.3.1	288,655	111,822
Provisions against advances	11.3	2,906,254	843,477
Provision against other assets - net	15.1	291,877	65,432
		3,486,786	1,020,731
<b>32. TAXATION</b>			
Current	32.1	3,250,784	2,347,254
Prior years		-	250,348
Deferred		(560,016)	320,807
		2,690,768	2,918,409

- 32.1** This includes provision for super tax for the period in accordance with Income Tax Ordinance, 2001.

	(Un-audited) June 30, 2020 Rupees in '000'	(Un-audited) June 30, 2019
<b>33. BASIC EARNINGS PER SHARE</b>		
Profit after taxation for the period (Rs in '000')	3,618,447	4,014,044
Weighted average number of ordinary shares (No.)	2,643,692,380	2,643,692,380
Basic earnings per share (Rs).	1.37	1.52

**34. DILUTED EARNINGS PER SHARE**

There is no dilution effect on basic earnings per share.

**35. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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 subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

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

- 35.1** The Bank measures fair value 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 measurement using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly. (i.e. derived from prices).

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

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

June 30, 2020 (Un-audited)					
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Rupees in '000'					
On balance sheet financial instruments					
Financial assets measured at fair value:					
Government securities	419,963,084	-	419,963,084	-	419,963,084
Shares and certificates	2,197,324	2,112,321	-	85,003	2,197,324
Non-Government debt securities	10,435,198	-	10,435,198	-	10,435,198
Foreign securities	4,019	-	-	4,019	4,019
Financial assets disclosed but not measured at fair value:					
Government securities	60,110,449	-	74,527,204	-	74,527,204
Financial liabilities measured at fair value:					
Payable to gratuity fund	78,676	-	78,676	-	78,676
Provision for employees compensated absences	117,432	-	117,432	-	117,432
Off balance sheet financial instruments:					
Forward purchase of foreign exchange contracts	20,740,777	-	20,740,777	-	20,740,777
Forward sale of foreign exchange contracts	16,685,715	-	16,685,715	-	16,685,715

December 31, 2019 (Audited)					
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
	Rupees in '000'				
On balance sheet financial instruments					
Financial assets measured at fair value :					
Government securities	292,671,508	-	292,671,508	-	292,671,508
Shares and certificates	1,633,625	1,533,730	-	99,895	1,633,625
Non-Government debt securities	1,978,127	-	1,978,127	-	1,978,127
Foreign securities	4,019	-	-	4,019	4,019
Financial assets disclosed but not measured at fair value:					
Government securities	59,762,000	-	64,466,364	-	64,466,364
Financial liabilities measured at fair value:					
Payable to gratuity fund	211,782	-	211,782	-	211,782
Provision for employees compensated absences	111,612	-	111,612	-	111,612
Off balance sheet financial instruments:					
Forward purchase of foreign exchange contracts	27,819,676	-	27,819,676	-	27,819,676
Forward sale of foreign exchange contracts	24,322,698	-	24,322,698	-	24,322,698

### 35.2 Fair value of non financial assets

June 30, 2020 (Un-audited)					
Fair value					
	Carrying value	Level 1	Level 2	Level 3	Total
Rupees in '000'					
Non Financial assets measured at fair value :					
Fixed assets (land & building)	5,800,543	-	5,800,543	-	5,800,543
Non banking assets acquired in satisfaction of claims	7,332,487	-	7,332,487	-	7,332,487
December 31, 2019 (Audited)					
Fair value					
	Carrying value	Level 1	Level 2	Level 3	Total
Rupees in '000'					
Non Financial assets measured at fair value :					
Fixed assets (land & building)	5,906,710	-	5,906,710	-	5,906,710
Non banking assets acquired in satisfaction of claims	7,392,801	-	7,392,801	-	7,392,801

## 36. SEGMENT INFORMATION

### 36.1 Segment details with respect to business activities

(Un-audited) June 30, 2020							
	Corporate Banking	Retail Banking	Retail Finance Lending	Treasury	Islamic	Others	Total
Rupees in '000'							
<b>Profit &amp; loss</b>							
Net mark-up / return / profit	17,665,875	-	3,291,143	22,911,017	2,762,967	208,616	46,839,618
Inter segment revenue - net	(15,084,075)	37,449,180	(2,160,714)	(19,001,875)	(48,662)	(1,153,854)	-
Non mark-up / return / interest income	294,018	711,153	84,800	5,731,341	42,913	43,937	6,908,162
Total income	2,875,818	38,160,333	1,215,229	9,640,483	2,757,218	(901,301)	53,747,780
Segment total expenses	456,329	32,581,988	416,163	4,484,217	2,253,784	3,759,298	43,951,779
Profit before provisions and tax	2,419,489	5,578,345	799,066	5,156,266	503,434	(4,660,599)	9,796,001
Provisions	2,344,358	290,448	372,570	288,655	187,379	3,376	3,486,786
Profit / (loss) before tax	75,131	5,287,897	426,496	4,867,611	316,055	(4,663,975)	6,309,215
<b>Balance sheet</b>							
Cash & bank balances	-	45,391,201	-	26,585,560	5,230,407	-	77,207,168
Investments - net	2,506,972	-	-	479,918,317	15,253,419	-	497,678,708
Net inter segment lending	-	721,948,276	-	-	-	38,019,332	759,967,608
Lendings to financial institutions	-	-	-	8,088,599	-	-	8,088,599
Advances - performing	285,946,648	-	47,041,660	-	34,082,370	5,555,430	372,626,108
- non-performing - net	7,784,218	-	1,904,799	-	1,515,775	12,911	11,217,703
Others	11,531,951	5,310,688	1,177,086	8,074,145	4,430,031	21,550,864	52,074,765
Total assets	307,769,789	772,650,165	50,123,545	522,666,621	60,512,002	65,138,537	1,778,860,659
Borrowings	31,381,828	-	-	71,421,729	2,612	-	102,806,169
Subordinated debts	-	-	-	-	-	6,793,060	6,793,060
Deposits & other accounts	-	752,223,837	-	-	53,490,464	-	805,714,301
Net inter segment borrowing	272,448,593	-	37,178,386	449,774,189	566,440	-	759,967,608
Others	3,939,368	20,426,328	12,945,159	1,470,703	3,346,671	6,202,340	48,330,569
Total liabilities	307,769,789	772,650,165	50,123,545	522,666,621	57,406,187	12,995,400	1,723,611,707
Equity	-	-	-	-	-	-	55,248,952
Total equity & liabilities	-	-	-	-	-	-	1,778,860,659
Contingencies & commitments	136,229,032	-	7,883,990	36,764,267	11,261,087	210,629	192,349,005



	(Un-audited) June 30, 2019						
	Corporate Banking	Retail Banking	Retail Finance Lending	Treasury	Islamic	Others	Total
Rupees in '000'							
<b>Profit &amp; loss</b>							
Net mark-up / return / profit	16,940,949	9,673	3,109,586	12,024,099	2,066,196	11,307	34,161,810
Inter segment revenue - net	(13,045,568)	26,986,446	(2,308,323)	(10,341,816)	(7,993)	(1,282,746)	-
Non mark-up / return / interest income	333,761	642,656	76,617	722,705	39,576	38,491	1,853,806
Total income	4,229,142	27,638,775	877,880	2,404,988	2,097,779	(1,232,948)	36,015,616
Segment total expenses	566,526	21,680,299	63,139	1,050,172	1,567,823	3,134,473	28,062,432
Profit before provisions and tax	3,662,616	5,958,476	814,741	1,354,816	529,956	(4,367,421)	7,953,184
Provisions	768,399	63,832	72,437	113,520	13,506	(10,963)	1,020,731
Profit / (loss) before tax	2,894,217	5,894,644	742,304	1,241,296	516,450	(4,356,458)	6,932,453
(Audited) December 31, 2019							
<b>Balance sheet</b>							
Cash & bank balances	-	36,597,942	-	20,093,277	7,097,797	-	63,789,016
Investments - net	2,569,293	-	-	349,962,333	8,936,196	-	361,467,822
Net inter segment lending	-	625,376,213	-	-	2,342,604	24,741,332	652,460,149
Lendings to financial institutions	-	-	-	664,771	3,295,000	-	3,959,771
Advances - performing	290,401,074	-	54,477,738	-	27,211,005	5,265,122	377,354,939
- non-performing	5,351,015	-	862,781	-	59,967	17,914	6,291,677
Others	14,081,124	6,169,630	1,169,369	7,888,965	4,221,371	23,288,153	56,818,612
<b>Total assets</b>	312,402,506	668,143,785	56,509,888	378,609,346	53,163,940	53,312,521	1,522,141,986
Borrowings	26,589,201	-	-	50,769,411	-	-	77,358,612
Subordinated debts	-	-	-	-	-	8,794,420	8,794,420
Deposits & other accounts	-	644,926,850	-	-	46,089,009	-	691,015,859
Net inter segment borrowing	282,899,960	-	43,904,084	325,656,105	-	-	652,460,149
Others	2,913,345	23,216,935	12,605,804	2,183,830	3,419,840	1,306,384	45,646,138
<b>Total liabilities</b>	312,402,506	668,143,785	56,509,888	378,609,346	49,508,849	10,100,804	1,475,275,178
Equity	-	-	-	-	-	-	46,866,808
<b>Total equity &amp; liabilities</b>	-	-	-	-	-	-	1,522,141,986
<b>Contingencies &amp; commitments</b>	124,290,688	-	746,379	53,180,523	16,807,634	199,416	195,224,640

### 37. RELATED PARTY TRANSACTIONS

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders / members. The Bank in the normal course of business carries out transactions with various related parties on arm's length basis. Amounts due from and due to related parties are shown under receivables and payables. In addition key management personnel are paid terminal and short-term terminal benefits.

	June 30, 2020 (Un-audited)				December 31, 2019 (Audited)			
	Directors	Key management personnel	Employee funds	Others related parties	Directors	Key management personnel	Employee funds	Others related parties
Rupees in '000'					Rupees in '000'			
<b>Advances (gross):</b>								
Opening balance	-	322,244	-	-	-	210,446	-	-
Addition during the period	-	26,118	-	-	-	225,070	-	-
Repaid during the period	-	107,678	-	-	-	113,272	-	-
Closing balance	-	240,684	-	-	-	322,244	-	-
<b>Markup receivable</b>	-	15,960	-	-	-	15,623	-	-
<b>Right of use assets</b>	-	-	-	90,808	-	-	-	93,381
Lease liability against right of use assets	-	-	-	40,300	-	-	-	38,502
<b>Deposits and other accounts:</b>								
Opening balance	61	13,961	2,564,910	876	651	38,348	2,398,389	7,753
Received during the period	1,529	263,396	703,792	38,345	3,036	547,232	1,148,293	85,894
Withdrawn during the period	1,009	219,968	201,961	36,714	3,626	511,619	981,772	92,771
Closing balance	581	57,389	3,066,741	2,507	61	13,961	2,564,910	876

	June 30, 2020 (Un-audited)				June 30, 2019 (Audited)			
	Directors	Key management personnel	Employee funds	Others related parties	Directors	Key management personnel	Employee funds	Others related parties
	Rupees in '000'				Rupees in '000'			
<b>Income :</b>								
Mark-up / return / interest earned	-	9,094	-	-	-	5,358	-	-
<b>Expense:</b>								
Mark-up / return / interest paid	12	176	144,557	43	18	822	130,129	740
Depreciation on right of use assets	-	-	-	2,573	-	-	-	2,531
Mark-up on lease liability against right of use assets	-	-	-	2,659	-	-	-	2,203
Compensation expense	-	201,339	-	-	-	164,968	-	-

**37.1** Balances pertaining to parties that were related at the beginning of the year but ceased to be so related during any part of the current period are not reflected as part of the closing balance. The same are accounted for through movement presented above.

**37.2** The GoPb holds controlling interest (57.47% shareholding) in the Bank and therefore entities which are owned and / or controlled by the GoPb, or where the GoPb may exercise significant influence, are related parties of the Bank. The Bank in the ordinary course of business enters into transaction with Government- related entities. Such transactions include lending to, deposits from and provision of other banking services to Government-related entities.

As at Statement of Financial Position date the loans and advances, deposits and contingencies relating to GoPb and its related entities amounted to Rs. 53,518,834 thousand (December 31, 2019: Rs. 43,767,706 thousand), Rs. 403,247,003 thousand (December 31, 2019: Rs. 357,426,911 thousand) and Rs. 30,558,597 thousand (December 31, 2019: Rs. 29,655,042 thousand) respectively.

During the period, the Bank incurred markup expense of Rs. 106,644 thousand (June 30, 2019: Rs. 112,055 thousand) on subordinated debt of Rs. 2,000,000 thousand received from GoPb. Further, the subordinated loan received from GoPb amounting to Rs. 2,000,000 thousand has also been fully repaid by the Bank.

**37.3** The Bank made contribution of Rs. 115,835 thousand (June 30, 2019: Rs. 85,914 thousand) to employees provident fund during the period.

**37.4** Advances to employees as at June 30, 2020, other than key management personnel, amounted to Rs. 5,898,557 thousand (December 31, 2019: Rs. 5,494,198 thousand) with markup receivable of Rs 540,967 thousand (December 31, 2019: Rs 514,567 thousand).

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>38. CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	28,388,806	28,388,806
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	41,818,588	37,567,213
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	41,818,588	37,567,213
Eligible Tier 2 Capital	15,390,897	11,742,487
Total Eligible Capital (Tier 1 + Tier 2)	57,209,485	49,309,700
<b>Risk Weighted Assets (RWAs):</b>		
Credit risk	275,229,509	287,094,506
Market risk	4,234,139	3,411,622
Operational risk	45,898,636	45,898,636
Total	325,362,284	336,404,764
Common equity tier I capital adequacy ratio	12.85%	11.17%
Tier I CAR (%)	12.85%	11.17%
Total CAR (%)	17.58%	14.66%
<b>38.1 Leverage Ratio (LR):</b>		
Eligible Tier-I Capital	41,818,588	37,567,213
Total exposures	1,217,649,122	1,063,747,831
LR (%)	3.43%	3.53%
<b>38.2 Liquidity Coverage Ratio (LCR):</b>		
Total high quality liquid assets	496,642,883	346,077,837
Total net cash outflow	370,005,576	293,511,879
LCR (%)	134.23%	117.91%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total available stable funding	533,504,430	474,402,901
Total required stable funding	448,218,180	441,990,495
NSFR (%)	119.03%	107.33%

### 39. ISLAMIC BANKING BUSINESS

The Bank has started Islamic banking operations in the year 2013. As at close of the June 30, 2020, the Bank is operating 98 Islamic banking branches and 02 sub Islamic banking branches (December 31, 2019: 98 Islamic banking branches and 02 sub Islamic banking branches).

## STATEMENT OF FINANCIAL POSITION

As At June 30, 2020

	Note	(Un-audited) June 30, 2020 Rupees in '000'	(Audited) December 31, 2019
<b>ASSETS</b>			
Cash and balances with treasury banks		4,860,790	3,742,675
Balances with other banks		369,617	3,355,122
Due from financial institutions	39.1	1,000,000	3,395,000
Investments - net	39.2	15,253,419	8,936,196
Islamic financing and related assets - net	39.3	35,598,145	27,270,972
Fixed assets		1,666,640	1,757,599
Intangible assets		4,650	4,428
Due from head office		-	2,342,604
Other assets		2,758,741	2,459,344
<b>Total assets</b>		<b>61,512,002</b>	<b>53,263,940</b>
<b>LIABILITIES</b>			
Bills payable		256,009	250,213
Due to financial institutions		2,612	-
Deposits and other accounts	39.4	53,490,464	46,089,009
Due to head office		566,440	-
Subordinated debt		-	-
Other liabilities		3,090,662	3,169,627
		<b>57,406,187</b>	<b>49,508,849</b>
<b>NET ASSETS</b>		<b>4,105,815</b>	<b>3,755,091</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,500,000	1,500,000
Reserves		15,578	32,768
Surplus on revaluation of assets		119,557	67,698
Unappropriated profit	39.5	2,470,680	2,154,625
		<b>4,105,815</b>	<b>3,755,091</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	39.6		

# ISLAMIC BANKING BUSINESS

## Profit and Loss Account

### For the Six Months Ended June 30, 2020 (Un-audited)

		Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	Note	Rupees in '000'			
Profit / return earned	39.7	1,271,831	1,093,398	2,762,967	2,066,196
Profit / return expensed	39.8	710,471	462,149	1,501,187	886,064
Net profit / return		561,360	631,249	1,261,780	1,180,132
Fee and commission income		17,596	18,428	40,517	37,809
Dividend income		-	-	-	-
Foreign exchange income		281	753	1,688	839
Income / (loss) from derivatives		-	-	-	-
Loss on securities		-	-	-	(634)
Other income		248	(6)	708	1,562
		18,125	19,175	42,913	39,576
Total income		579,485	650,424	1,304,693	1,219,708
Other expenses					
Operating expenses		393,189	347,604	801,239	689,057
Workers welfare fund		-	-	-	-
Other charges		-	10	20	695
		393,189	347,614	801,259	689,752
Profit before provisions		186,296	302,810	503,434	529,956
Reversals and write offs - net		187,586	15,098	187,379	13,506
Profit before taxation		(1,290)	287,712	316,055	516,450

### 39.1 DUE FROM FINANCIAL INSTITUTIONS

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
Placements	1,000,000	-	1,000,000	3,395,000	-	3,395,000

### 39.2 INVESTMENTS - NET

	(Un-audited) June 30, 2020				(Audited) December 31, 2019			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying value
	Rupees in '000'							
<b>Investments by segment:</b>								
Federal government securities:								
-Ijarah sukuk	-	-	-	-	1,985,749	-	(5,749)	1,980,000
-Sale of sukuk- bai muajjal	2,756,196	-	-	2,756,196	2,756,196	-	-	2,756,196
	2,756,196	-	-	2,756,196	4,741,945	-	(5,749)	4,736,196
Non government debt securities								
-Sukuk	8,553,890	-	46,111	8,600,001	-	-	-	-
-Unlisted	3,897,222	-	-	3,897,222	4,200,000	-	-	4,200,000
	12,451,112	-	46,111	12,497,223	4,200,000	-	-	4,200,000
<b>Total investments</b>	<b>15,207,308</b>	<b>-</b>	<b>46,111</b>	<b>15,253,419</b>	<b>8,941,945</b>	<b>-</b>	<b>(5,749)</b>	<b>8,936,196</b>

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>39.3 ISLAMIC FINANCING AND RELATED ASSETS</b>		
Ijarah	2,049,046	1,737,428
Murabaha	928,131	1,272,740
Musharaka	12,384,758	10,684,948
Diminishing musharaka	15,967,806	10,599,650
Payment against documents	55,304	55,303
Istisna	4,645,424	3,166,670
<b>Gross islamic financing and related assets</b>	<b>36,030,469</b>	<b>27,516,739</b>
Less: provision against islamic financings		
- Specific	432,324	245,767
- General	-	-
	432,324	245,767
<b>Islamic financing and related assets - net of provision</b>	<b>35,598,145</b>	<b>27,270,972</b>

### 39.4 DEPOSITS AND OTHER ACCOUNTS

	June 30, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000'					
<b>Customers :</b>						
Current deposits	9,694,625	257,991	9,952,616	9,093,509	330,022	9,423,531
Savings deposits	38,683,580	42,522	38,726,102	33,025,303	98,310	33,123,613
Term deposits	1,330,758	-	1,330,758	1,092,240	-	1,092,240
Others	2,630,151	-	2,630,151	1,125,855	-	1,125,855
	52,339,114	300,513	52,639,627	44,336,907	428,332	44,765,239
<b>Financial institutions:</b>						
Current deposits	196,854	-	196,854	200,243	-	200,243
Savings deposits	643,384	-	643,384	1,122,998	-	1,122,998
Others	10,599	-	10,599	529	-	529
	850,837	-	850,837	1,323,770	-	1,323,770
	53,189,951	300,513	53,490,464	45,660,677	428,332	46,089,009

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Rupees in '000'	
<b>39.5 UNAPPROPRIATED PROFIT - ISLAMIC BANKING BUSINESS</b>		
Opening balance	2,154,625	869,194
Islamic banking profit for the period / year	316,055	1,285,431
Closing balance	2,470,680	2,154,625
<b>39.6 CONTINGENCIES AND COMMITMENTS</b>		
-Guarantees	1,625,511	1,095,316
-Commitments	9,635,576	15,712,318
	11,261,087	16,807,634
	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
	Rupees in '000'	
<b>39.7 PROFIT / RETURN EARNED OF FINANCING, INVESTMENTS AND PLACEMENT</b>		
Profit earned on:		
Financing	1,788,434	1,336,866
Investments	835,922	512,521
Placements	125,917	206,774
Deposits with financial institutions	12,694	10,035
	2,762,967	2,066,196
<b>39.8 PROFIT ON DEPOSITS AND OTHER DUES EXPENSED</b>		
Deposits and other accounts	1,364,536	821,645
Markup on lease liability against right of use assets	87,989	56,426
Profit on deposits from conventional head office	48,662	7,993
	1,501,187	886,064

**39.9** During the period, Special Pool XVI (SP-XVI) has been created. The main characteristics of the pool are as under:

- i) Profit sharing ratio between Mudarib and Rab-ul-mal is 20:80.
- ii) Profit equalization reserve upto 2% of net income will be created, if needed.
- iii) Investment risk reserve upto 1% of distributable profit of depositors will be created, if needed.

**40. DATE OF AUTHORIZATION FOR ISSUE**

These consolidated condensed interim financial statements were authorized for issue on August 27, 2020 by the Board of Directors of the Bank.

**41. GENERAL**

**41.1** Figures have been rounded off to the nearest thousand rupees.

**41.2** Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. However, no significant reclassification has been made.

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

\_\_\_\_\_  
President

\_\_\_\_\_  
Director







## THE BANK OF PUNJAB

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