



The Bank of Khyber



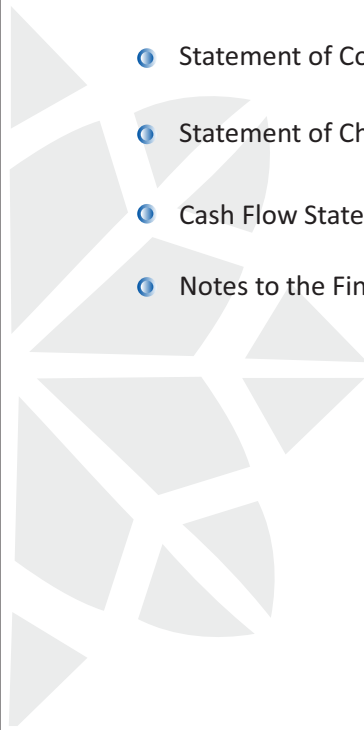
Condensed Interim
FINANCIAL INFORMATION
For the Period Ended June 30,2020



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FINANCIAL INFORMATION
For the Period ended June 30,2020

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CORPORATE INFORMATION

Board of Directors

Shakeel Qadir Khan	Chairman / Non - Executive Director
Atif Rehman	Non - Executive Director
Maqsood Ismail Ahmad	Non - Executive Director
Asad Muhammad Iqbal	Independent Director
Javed Akhtar	Independent Director
Rashid Ali Khan	Independent Director

Managing Director / CEO (Acting)

Ihsan Ullah Ihsan

Shariah Board

Mufti Muhammad Zahid	Chairman Shariah Board
Mufti Muhammad Ibrahim Essa	Member Shariah Board
Qazi Abdul Samad	Resident Shariah Board Member (RSBM)

Board Audit Committee

Asad Muhammad Iqbal	Chairman
Atif Rehman	Member
Javed Akhtar	Member
Rashid Ali Khan	Member

Board Human Resource & Remuneration Committee

Maqsood Ismail Ahmad	Chairman
Rashid Ali Khan	Member
Asad Muhammad Iqbal	Member
Managing Director	Member

Board Risk Management Committee

Maqsood Ismail Ahmad	Chairman
Atif Rehman	Member
Javed Akhtar	Member
Rashid Ali Khan	Member
Managing Director	Member



Board I.T Steering Committee

Atif Rehman	Chairman
Asad Muhammad Iqbal	Member
Rashid Ali Khan	Member
Managing Director	Member

Board Compliance Committee

Rashid Ali Khan	Chairman
Maqsood Ismail Ahmad	Member
Javed Akhtar	Member

Chief Financial Officer (Acting)

Rahat Gul

Company Secretary

Zahid Hussain Sahibzada

Registered Office / Head Office

The Bank of Khyber

24 – The Mall, Peshawar Cantt.

1st Floor, State Life Building, 34 – The Mall,
Peshawar Cantt. , Pakistan
UAN# 00-92-91-111 95 95 95
URL: www.bok.com.pk

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisors

Mr. Nisar Ahmed Khan, Advocate, Peshawar
M/s . Mohsin Tayebaly & Co., Karachi

Registrar and Share Registration Office

THK Associates (Pvt) Ltd.
1st Floor, 40-C, Block 6
P.E.C.H.S, Karachi – 75530
Pakistan .

Directors' Review

On behalf of the Board of Directors of the Bank of Khyber, I am pleased to present the condensed Interim Financial Statements of the Bank along with Auditors' Review Report for the half year ended June 30, 2020. The results are inclusive of Islamic Banking Operations:

Financial Highlights

The financial results of the Bank of Khyber for the half year ended June 30, 2020 are as under:

	(Rs. in Million)	
	June 30 2020	December 31 2019
Total Assets	318,195	306,305
Deposits	221,126	182,168
Advances (Gross)	118,026	113,976
Investments (Net)	158,026	146,911

	(Rs. in Million)	
	Period Ended June 30	
	2020	2019
Operating Profit	3,205	784
Provision against non-performing advances/others	(1,172)	146
Profit before taxation	2,033	638
Taxation	(827)	(140)
Profit after tax	1,206	498

Performance Review

Overall economic activity during the first half of the year was marred by COVID-19 situation as a consequence of which all major sectors of economy came under strain. However, due to weaker demand, lower oil prices and slow activity, a worthwhile reduction in inflation was recorded. In order to cope with the situation, the State Bank of Pakistan took many initiatives to dampen the effects of COVID-19 and allowed certain relaxations and relief to borrowers as well as banks to tide over the difficult business conditions. Furthermore, the economic initiatives taken by the Government are expected to boost activity in various sectors and have a positive impact.

Despite non conducive business environment, the Bank of Khyber has demonstrated strong financial performance which is result of proactive management and prudent approach towards pandemic circumstances. In order to cater to unforeseen deterioration in asset quality, the bank has taken measures and created necessary buffer in the balance sheet.

For the half year ended June 30, 2020, the Bank posted Rs.2,033 million profit before tax whereas profit after tax stood at Rs.1,206 million as compared to Rs.498 million for the same period of 2019 – an increase of 142%. Better profitability was achieved through increase in Mark-up / Interest earned and Capital gains whereas expenses were kept at a minimum. Further, costly deposits were shed to consolidate Bank's position.



The total assets of the Bank rose to Rs.318,195 million from Rs.306,305 million at the year-end 2019. With an increase of 21%, deposits stood at Rs.221,126 million whereas with a slight increase from the year end 2019, advances stood at Rs.118,026 million. Investments with an increase of 8% stood at Rs.158,026 million.

At the end of the half year 2020, the Bank was operating with 169 branches and 3 sub-branches throughout the country wherein 84 branches were working as dedicated Islamic Banking Branches.

Future Outlook

The economy is likely to continue to be faced with high uncertainty owing to the challenges posed by the COVID-19 pandemic on several economic fronts. However, there are visible prospects of gradual improvement in the economy as the government is easing the lockdown and allowing many sectors to resume activities. This is expected to result in improved business environment paving the way to regain economic momentum.

In these circumstances, the Bank of Khyber is repositioning itself with better understanding of the situation and taking necessary measures for moving ahead.

Credit Rating

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) and The Pakistan Credit Rating Agency Limited (PACRA) have maintained the medium to long term and short term entity ratings of the Bank at "A" (Single A) and "A-1" (A One) respectively. Outlook on the assigned rating is "Stable".

The ratings denote low expectation of credit risk emanating from strong capacity for timely payment of financial commitments.

Acknowledgement

On behalf of the Board, I would like to express gratitude towards Provincial Government, State Bank of Pakistan and other regulatory authorities for their guidance and support. I am also grateful to our valued customers for their patronage and continued confidence in the Bank and the staff members for their hard work and consistent performance.

For and on behalf of the Board of Directors

Ihsan Ullah Ihsan
Managing Director (Acting)

Peshawar: August 19, 2020



EY Ford Rhodes
Chartered Accountants
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Blue Area , P.O. Box 2388
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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF THE BANK OF KHYBER REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of The Bank of Khyber ("the Bank") as at 30 June 2020, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim cash flow statement, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

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

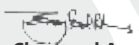
Conclusion

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

Other matters

The figures for the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three months period ended 30 June 2020 and 2019 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended 30 June 2020.

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


Chartered Accountants
Place: Islamabad
Date: 25 August 2020

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020**

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
Note	----- Rupees in '000 -----	
ASSETS		
Cash and balances with treasury banks	6 15,845,840	12,137,805
Balances with other banks	7 8,829,590	8,230,072
Lendings to financial institutions	8 9,604,764	13,863,449
Investments	9 158,025,601	146,911,102
Advances	10 112,620,046	109,742,292
Fixed assets	11 3,171,005	3,334,670
Intangible assets	12 347,690	286,255
Deferred tax asset	17 -	1,031,154
Other assets	13 9,750,381	10,768,453
	318,194,917	306,305,252
LIABILITIES		
Bills payable	14 1,051,962	1,172,155
Borrowings	15 67,404,973	94,656,461
Deposits and other accounts	16 221,126,170	182,167,572
Liabilities against assets subject to finance lease	-	-
Subordinated debt	-	-
Deferred tax liability	17 20,346	-
Other liabilities	18 10,832,796	14,107,711
	300,436,247	292,103,899
NET ASSETS	17,758,670	14,201,353
REPRESENTED BY		
Share capital	10,002,524	10,002,524
Reserves	3,145,925	2,904,691
Surplus / (deficit) on revaluation of assets	19 2,070,661	(780,670)
Unappropriated profit	2,539,560	2,074,808
	17,758,670	14,201,353
CONTINGENCIES AND COMMITMENTS	20	

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.



Managing Director



Chief Financial Officer



Director



Director



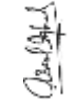



Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

Note	Quarter ended			Period ended	
	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 -----				
21	6,892,883	5,408,135	14,826,368	10,272,226	
22	5,147,713	4,227,959	11,592,403	7,810,267	
	1,745,170	1,180,176	3,233,965	2,461,959	
NON MARK-UP/INTEREST INCOME					
23	78,336	106,247	158,889	195,388	
	2,589	5,435	4,618	5,435	
	83,096	67,014	259,267	89,197	
24	-	-	-	-	
25	1,387,329	(3,362)	1,749,177	2,192	
	29,893	25,814	59,771	59,760	
	1,581,243	201,148	2,231,722	351,972	
	3,326,413	1,381,324	5,465,687	2,813,931	
NON MARK-UP/INTEREST EXPENSES					
26	1,124,773	918,556	2,192,246	1,952,307	
27	19,520	77,382	67,826	77,472	
	1,144,293	995,938	2,260,072	2,029,779	
28	2,182,120	385,386	3,205,615	784,152	
	1,032,326	91,517	1,172,234	145,645	
	1,149,794	293,869	2,033,381	638,507	
29	491,850	(17,564)	827,209	140,343	
	657,944	311,433	1,206,172	498,164	
30	0.66	0.31	1.21	0.50	

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.

			
Managing Director	Director	Director	Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

	Quarter ended		Period ended	
	Three months ended	Three months ended	Six months ended	Six months ended
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	----- Rupees in '000 -----			
Profit after taxation	657,944	311,433	1,206,172	498,164
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Net change in fair value of available for sale securities	1,695,912	(787,178)	4,386,667	(421,329)
Related deferred tax	(593,572)	275,512	(1,535,336)	147,465
	1,102,340	(511,666)	2,851,331	(273,864)
Total comprehensive income	1,760,284	(200,233)	4,057,503	224,300

Profit after taxation

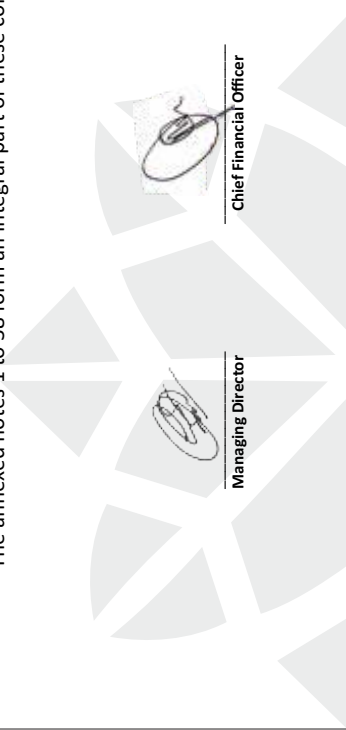
Other comprehensive income

Items that may be reclassified to profit and loss account in subsequent periods:

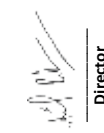
Net change in fair value of available for sale securities

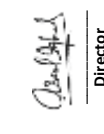
Related deferred tax

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.




Managing Director


Director


Director


Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
			Investments	Assets		
	Rupees in '000					
Balance as at December 31, 2018 (audited)	10,002,524	2,643,483	(2,878,875)	774,183	1,163,269	11,704,584
Profit after taxation for the six months ended June 30, 2019	-	-	-	-	498,164	498,164
Other comprehensive loss - net of tax	-	-	(273,864)	-	(133,292)	(273,864)
Transfer to statutory reserves	-	99,633	(273,864)	-	498,164	224,300
Balance as at June 30, 2019 (un-audited)	10,002,524	2,743,116	(3,152,739)	774,183	1,561,800	11,928,884
Profit after taxation for the six months ended December 31, 2019	-	-	-	-	807,875	807,875
Other comprehensive income - net of tax	-	-	1,597,886	-	(133,292)	1,464,594
Transfer to statutory reserve	-	161,575	1,597,886	-	674,583	2,272,469
Balance as at December 31, 2019 (audited)	10,002,524	2,904,691	(1,554,853)	774,183	2,074,808	14,201,353
Profit after taxation for the six months ended June 30, 2020	-	-	-	-	1,206,172	1,206,172
Other comprehensive income - net of tax	-	-	2,851,331	-	(851,331)	2,851,331
Transfer to statutory reserve	-	241,234	2,851,331	-	1,206,172	4,057,503
Transactions with owners recorded directly in equity						
Final cash dividend for the year ended December 31, 2019 (Rs.0.50 per share)	-	-	-	-	(500,186)	(500,186)
Balance as at June 30, 2020 (un-audited)	10,002,524	3,145,925	1,296,478	774,183	2,331,560	17,756,670

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.



Managing Director



Chief Financial Officer



Director



Director



Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

	Six months ended June 30, 2020	Six months ended June 30, 2019
	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	2,033,381	638,507
Less: Dividend income	4,618	5,435
	<u>2,028,763</u>	<u>633,072</u>
Adjustments:		
Depreciation - Fixed assets	141,739	158,543
Depreciation - Non banking assets acquired in satisfaction of claims	26,557	-
Depreciation - Right-of-use assets	166,513	94,826
Amortization	17,913	21,073
Provisions and write offs-net	1,172,234	145,645
Mark-up expense on lease liability against right-of-use assets	67,826	75,185
Unrealized gain on securities	(51,576)	-
Gain on sale of fixed assets	(61)	(204)
Gain on early culmination of lease modification	(4,664)	-
	<u>1,536,481</u>	<u>495,068</u>
	<u>3,565,244</u>	<u>1,128,140</u>
Decrease / (Increase) in operating assets		
Lendings to financial institutions	4,258,685	4,364,295
Held-for-trading securities	(5,871,755)	-
Advances	(4,049,988)	(16,976,675)
Others assets (excluding advance taxation)	806,324	(3,270,490)
	<u>(4,856,734)</u>	<u>(15,882,870)</u>
Decrease / (Increase) in operating liabilities		
Bills payable	(120,193)	(51,285)
Borrowings from financial institutions	(27,251,488)	(17,182,330)
Deposits	38,958,598	24,100,930
Other liabilities (excluding current taxation)	(3,889,526)	4,374,706
	<u>7,697,391</u>	<u>11,242,021</u>
Income tax paid	(375,953)	(153,422)
Net cash flow generated from / (used in) operating activities	<u>6,029,948</u>	<u>(3,666,131)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(2,827,547)	2,637,439
Net investments in held-to-maturity securities	1,971,470	125,008
Dividends received	4,618	5,435
Investments in operating fixed assets	(181,904)	(179,474)
Proceeds from sale of fixed assets	61	240
Net cash flow (used in) / generated from investing activities	<u>(1,033,302)</u>	<u>2,588,648</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(500,186)	(36)
Payments of lease obligations	(188,907)	(195,041)
Net cash flow used in financing activities	<u>(689,093)</u>	<u>(195,077)</u>
Increase / (decrease) in cash and cash equivalents	<u>4,307,553</u>	<u>(1,272,560)</u>
Cash and cash equivalents at beginning of the period	20,367,877	16,056,813
Cash and cash equivalents at end of the period	<u>24,675,430</u>	<u>14,784,253</u>

The annexed notes 1 to 38 form an integral part of these condensed interim financial statements.



Managing Director



Chief Financial Officer



Director



Director



Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020****1 STATUS AND NATURE OF BUSINESS**

The Bank of Khyber ("the Bank") was established under The Bank of Khyber Act, 1991 and is principally engaged in the business of commercial banking and related services. The Bank acquired the status of a scheduled bank in 1994 and is listed on the Pakistan Stock Exchange Limited. The registered office of the Bank is situated at 24-The Mall, Peshawar Cantt, Peshawar and it has been temporarily shifted to 1st Floor, State Life Building, 34 - The Mall, Peshawar Cantt. The Bank operates 169 branches including 84 Islamic banking branches (2019: 169 branches including 84 Islamic banking branches). The long term credit ratings of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS are 'A' and 'A' respectively and the short-term credit ratings assigned are 'A-1' (A-One) and 'A-1' (A-One) respectively.

2 STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

2.2 The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to a notification of SECP issued vide SRO 411 (I)/2008 dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Moreover SBP vide BPRD circular No. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standard (IFAS) 3, Profit and Loss Sharing on Deposits. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through its various circulars.

2.3 SECP vide its notification SRO 633 (I)/ 2014 dated July 10, 2014, adopted IFRS-10, Consolidated Financial Statements, effective from the periods starting from June 30, 2014. However, vide its notification SRO 56 (I)/ 2016 dated January 28, 2016, it has been notified that the requirements of IFRS-10 and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under Trust structure.

2.4 IFRS 9 has been applicable in several overseas jurisdictions from January 1, 2018 and is progressively being adopted in others. The requirements of this standard are incorporated in the Bank's financial statements for the jurisdictions where IFRS 9 has been adopted. As per SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021. The impact of The application of IFRS 9 in Pakistan on the Bank's financial statements is being assessed.

2.5 The disclosures made in these condensed interim unconsolidated financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim unconsolidated financial statements do not include all the information and disclosures required for annual unconsolidated financial statements and should be read in conjunction with the unconsolidated financial statements for the year ended December 31, 2019.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020****3 BASIS OF PREPARATION**

- 3.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for Murabaha financings accounted for under Islamic Financial Accounting Standard - 1 "Murabaha") are not reflected in this condensed interim financial information as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up in price thereon. However, the Islamic banking branches of the Bank have complied with the requirements as set out in the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of Companies Act, 2017.
- 3.2** These financial statements have been prepared under the historical cost convention except that certain operating fixed assets are stated at revalued amounts, certain investments and derivative financial instruments are stated at fair value and the recognition of certain employees benefits at present value, as disclosed in their respective notes.
- 3.3** This condensed interim financial information has been presented in Pakistani Rupee, which is the Bank's functional and presentation currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.
- 3.4** In this condensed interim financial information, investments in associate are reported on the basis of direct equity interest and are not consolidated or accounted for by using the equity method of accounting.
- 3.5** The financial results of the Islamic Banking Group have been included in this condensed interim financial information for reporting purpose, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Group are disclosed in note 35 to these financial information.

4 EFFECTS OF COVID-19 ON THE BANK

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To counter its impact on businesses and economies, regulators /governments have introduced a host of measures on both the fiscal and economic fronts.

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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020****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 expects that several borrowers will be severely impacted by the pandemic. Therefore, many of such borrowers have availed the SBP enabled deferment / restructuring and rescheduling. However, the full potential effect of the economic stress is difficult to predict given the uncertain economic environment. Hence, management estimates that it is appropriate to maintain a general provision on the funded corporate advances at the rate 2.15% excluding:

- (a) Government Sector Advances;
- (b) Non-Performing loans; and
- (c) Consumer and Small Enterprises.

Management also provided for additional 1.15% general provision on Consumer and Small Enterprises. These provisions are based on management's best estimate and in the current period an additional provision of Rs. 1,023 million has been recognized in the condensed interim profit and loss account.

The Bank is reviewing the potential impact of the COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts in ECL estimates. The Bank is assessing the situation as it develops and is in the process of accounting for the same in its ECL estimates.

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, amounts to Rs. 386 million as at June 30, 2020. Impairment against these securities has already been recognized in the financial statements, as applicable. No relief has been obtained 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 Bank has enhanced monitoring of cyber-security risks during these times. 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 for all Tiers.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020****5 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS AND FINANCIAL RISK MANAGEMENT POLICIES****5.1 Significant Accounting Policies**

The accounting policies, underlying estimates and judgments and method of computation followed in the preparation of these condensed interim financial statements are same as those applied in preparing the most recent annual financial statements of the Bank for the year ended December 31, 2019.

5.2 Standards, interpretations and amendments to approved accounting standards that are effective in the current period

There are certain amendments in standards that are mandatory for the Bank's current accounting period but are considered not to be relevant or do not have any significant effect on the Bank's operations. These include:

IAS 1 - Presentation of Financial Statements (Amendments)

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)

IFRS 3 - Definition of a Business (Amendments)

5.3 Standards amendments to approved accounting standards that are not yet effective

Except for IFRS 9, the Bank expects that adoption of other amendments to approved accounting standards will not affect its financial statements in the period of initial application.

- IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated October 23, 2019 directed the banks in Pakistan to implement IFRS 9 with effect from January 01, 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impact of the application of IFRS 9 on the Bank's financial statements is being assessed.

- SBP vide BPRD Circular No. 15 of 2020 dated March 26, 2020 has deferred parallel run of IFRS 9 till July 01, 2020 which was previously starting from January 01, 2020 and has also deferred the submission of IFRS 9 compatible proforma financial statements for the year ended December 31, 2019 till August 31, 2020 which was previously due by April 30, 2020.

5.4 Critical accounting estimates and judgements

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

5.5 Financial risk management

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the most recent financial statements of the Bank for the year ended December 31, 2019 except for changes as mentioned in note 4.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
6 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	3,017,009	2,157,981
Foreign currency	134,780	356,957
	3,151,789	2,514,938
With State Bank of Pakistan in		
Local currency current account	11,199,137	5,894,936
Foreign currency current account	48,486	42,353
Foreign currency deposit account	50,459	90,458
	11,298,082	6,027,747
With National Bank of Pakistan in		
Local currency current account	1,392,151	571,912
Local currency deposit account	998	3,002,591
Foreign currency deposit account	282	13,385
	1,393,431	3,587,888
Prize bonds	2,538	7,232
	15,845,840	12,137,805
7 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	3,374,106	2,427,921
In deposit accounts	2,403,363	4,683,413
	5,777,469	7,111,334
Outside Pakistan		
In current accounts	2,771,358	935,782
In deposit accounts	290,791	192,984
	3,062,149	1,128,766
Provision for doubtful placement with the bank	(10,028)	(10,028)
	8,829,590	8,230,072
8 LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)	9,104,764	9,032,102
Bai Muajjal receivable with State Bank of Pakistan	-	2,831,347
Placements with financial institutions	738,944	2,238,944
	9,843,708	14,102,393
Less: Provision held against Lending to Financial Institutions	(238,944)	(238,944)
Lending to Financial Institutions - net of provision	9,604,764	13,863,449

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
9.3 Provision for diminution in value of investments		
Opening balance	742,125	842,005
Charge/ reversals		
Charge for the period/ year	-	-
Reversals for the period/ year	-	(99,880)
Reversal on disposals	-	-
Closing balance	742,125	742,125

Category of classification	(Un-audited) June 30, 2020		(Audited) December 31, 2019	
	NPI	Provision	NPI	Provision
	----- Rupees in '000 -----			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	175,999	175,999	175,999	175,999
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
Total	175,999	175,999	175,999	175,999

9.5 The market value of securities classified as held-to-maturity amounted to Rs. 16,388 million as at June 30, 2020 (December 31, 2019: Rs. 17,036 million).

	Performing		Non performing		Total	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
	----- Rupees in '000 -----					
Loans, cash credits, running finances, etc.	67,661,833	63,059,355	5,332,477	4,546,955	72,994,310	67,606,310
Islamic financing and related assets	42,892,173	45,669,716	242,952	260,133	43,135,125	45,929,849
Bills discounted and purchased	1,677,075	220,363	219,630	219,630	1,896,705	439,993
Advances - gross	112,231,081	108,949,434	5,795,059	5,026,718	118,026,140	113,976,152
Provision against advances						
- Specific	-	-	4,340,055	4,190,185	4,340,055	4,190,185
- General	1,066,039	43,675	4,340,055	4,190,185	5,406,094	4,233,860
Advances - net of provision	111,165,042	108,905,759	1,455,004	836,533	112,620,046	109,742,292

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
10.1 Particulars of advances (gross)		
In local currency	118,026,140	113,976,152
In foreign currency	-	-
	118,026,140	113,976,152

10.2 Advances include Rs. 5,795.059 million (December 31, 2019: Rs. 5,026.718 million) which have been placed under non-performing status as detailed below:-

Category of classification	(Un-audited) June 30, 2020		(Audited) December 31, 2019	
	Non performing loans	Provision	Non performing loans	Provision
	----- Rupees in '000 -----			
Domestic				
Other assets especially mentioned	25,194	365	31,358	-
Substandard	647,967	21,926	96,415	3,676
Doubtful	330,883	108,799	220,469	22,501
Loss	4,791,015	4,208,965	4,678,476	4,164,008
	5,795,059	4,340,055	5,026,718	4,190,185
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
Total	5,795,059	4,340,055	5,026,718	4,190,185

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

10.3	Particulars of provision against advances	(Un-audited) June 30, 2020			(Audited) December 31, 2019		
		Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----							
	Opening balance	4,190,185	43,675	4,233,860	4,119,221	35,851	4,155,072
	Charge for the period / year	204,123	1,024,627	1,228,750	404,232	7,824	412,056
	Reversals	(54,253)	(2,263)	(56,516)	(333,268)	-	(333,268)
	Closing balance	149,870	1,022,364	1,172,234	70,964	7,824	78,788
		4,340,055	1,066,039	5,406,094	4,190,185	43,675	4,233,860

- 10.3.1** State Bank of Pakistan through BSD Circular No.1 dated October 21, 2011 has allowed benefit of the forced sales value (FSV) of plant & machinery under charge, pledged stocks & mortgaged residential, commercial and industrial properties (land and building only) held as collateral against Non-Performing Loans (NPLs) for a maximum of five years from the date of classification. As at June 30, 2020 the Bank has availed cumulative benefit of Forced sales value of Rs.725.167 million (2019: Rs. 572.478 million). Increase in unappropriated profit amounting to Rs. 471.359 million (2019: Rs. 372.11 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.
- 10.3.2** Till December 31, 2019, the Bank was maintaining general provision against its portfolio of loans and advances in accordance with Prudential Regulations which require a general provision only against the consumer finance and small enterprises. In the current period, the Bank has also made additional general provision as disclosed in note 4.
- 10.3.3** The Bank has approved deferment in respect of funded loans and advance facilities. Similarly, the Bank has also approved restructuring/ rescheduling to dampen the effects of COVID-19 as per regulatory relief announced by SBP. Accordingly, these advances continued to be categorized as performing advances.

11	FIXED ASSETS	Note	(Un-audited)	(Audited)
			June 30, 2020	December 31, 2019
----- Rupees in '000 -----				
	Capital work-in-progress	11.1	573,996	503,430
	Property and equipment		1,649,544	1,759,294
	Right of use assets		947,465	1,071,946
	Total		3,171,005	3,334,670
11.1	Capital work-in-progress			
	Civil works		469,385	389,264
	Equipments		24,474	8,080
	Advances to suppliers		80,137	106,086
	Total		573,996	503,430

- 11.2** **Additions to fixed assets**
Following additions have been made to fixed assets during the period ended June 30, 2020:

	(Un-audited)	(Audited)
	June 30, 2020	December 31, 2019
----- Rupees in '000 -----		
Capital work-in-progress	70,566	211,783
Property and equipment		
Furniture and fixture	720	10,264
Electrical office and computer equipment	5,133	96,641
Vehicles	-	121
Books	-	39
Renovation	26,138	44,947
	31,991	152,012
Total	102,557	363,795

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
11.3 Disposals of fixed assets		
The net book value of fixed assets disposed off during the period ended June 30, 2020 is as follows:		
Furniture and fixture	-	87
Electrical office and computer equipment	-	73
Total	<u>-</u>	<u>160</u>
12 INTANGIBLE ASSETS		
Capital work in progress	301,763	226,693
Licenses and computer softwares	45,927	59,562
	<u>347,690</u>	<u>286,255</u>
12.1 Additions to intangible assets		
Following additions have been made to intangible assets during the period ended June 30, 2020:		
Directly purchased	4,277	32,461
Additions to CWIP	75,070	226,693
Transfer from CWIP	-	(8,299)
	<u>79,347</u>	<u>250,855</u>
13 OTHER ASSETS		
Income / mark-up accrued in local currency	5,202,101	5,875,454
Profit receivable on Bai Muajjal	2,541,006	2,833,733
Advances, deposits and prepayments	139,985	51,940
Advance taxation (payments less provisions)	-	235,255
Branch adjustment account	6,674	280,825
Pre-IPO investment	600,000	600,000
Stationary and stamps on hand	51,780	36,590
Assets acquired in satisfaction of claims	342,782	369,339
Mark to market gain on forward foreign exchange contracts	410,662	88,606
Employees benefits	347,700	407,700
Others	252,117	133,437
	<u>9,894,807</u>	<u>10,912,879</u>
Less: Provision held against other assets	(144,426)	(144,426)
Other Assets - Total	<u>9,750,381</u>	<u>10,768,453</u>
13.1 Provision held against other assets		
Advances for Pre-IPO	100,000	100,000
Others	44,426	44,426
	<u>144,426</u>	<u>144,426</u>
14 BILLS PAYABLE		
In Pakistan	1,051,962	1,172,155
Outside Pakistan	-	-
	<u>1,051,962</u>	<u>1,172,155</u>
15 BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
- Export refinance scheme	3,304,065	3,165,914
- Long term financing facility	1,763,152	1,531,984
- Livestock dairy	86,969	75,966
- Salary refinance scheme	22,555	-
	<u>5,176,741</u>	<u>4,773,864</u>
Bai Muajjal Borrowing	29,760,505	26,668,034
Repurchase agreement borrowings	27,167,727	60,714,563
	<u>56,928,232</u>	<u>87,382,597</u>
Unsecured		
Call borrowings	5,300,000	2,500,000
Total	<u>67,404,973</u>	<u>94,656,461</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

16 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited) June 30, 2020			(Audited) December 31, 2019		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
----- Rupees in '000 -----						
Customers						
Current deposits	36,941,524	562,169	37,503,693	34,537,778	349,580	34,887,358
Saving deposits	141,236,471	50,954	141,287,425	69,985,691	215,904	70,201,595
Term deposits	33,654,041	-	33,654,041	67,682,671	-	67,682,671
Others	7,505,223	-	7,505,223	8,319,314	-	8,319,314
	219,337,259	613,123	219,950,382	180,525,454	565,484	181,090,938
Financial Institutions						
Current deposits	197,764	-	197,764	114,724	-	114,724
Saving deposits	978,024	-	978,024	961,910	-	961,910
	1,175,788	-	1,175,788	1,076,634	-	1,076,634
	220,513,047	613,123	221,126,170	181,602,088	565,484	182,167,572

	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	----- Rupees in '000 -----	
17 DEFERRED TAX ASSETS / (LIABILITIES) - NET		
Deferred tax assets arising in respect of:		
Provision for balances with other banks	3,510	3,510
Provision for diminution in value of investments	43,023	43,023
Provision for other assets	3,448	3,448
Accelerated tax depreciation	118,326	85,276
Islamic Pool Management reserve	61,044	47,810
Deficit on revaluation of investments	-	837,233
Provision against loans and advances - net	448,406	10,854
	677,757	1,031,154
Deferred tax liability arising in respect of:		
Surplus on revaluation of investments	(698,103)	-
	(20,346)	1,031,154

18 OTHER LIABILITIES

Mark-up/ return/ interest payable in local currency	5,595,197	9,374,207
Mark-up/ return/ interest payable in foreign currency	142	555
Unearned income - Bai Muajjal Sukuk	1,424,837	1,872,952
Lease liability against right-of-use assets	1,005,524	1,090,747
Unearned commission and income on bills discounted	62,380	68,810
Deferred income on government schemes	70,264	33,790
Deferred income on Islamic financing	141,004	151,809
Income reserve	14,211	14,009
Islamic pool management reserves	156,525	136,602
Accrued expenses	207,558	210,364
Unclaimed dividends	28,997	29,003
Share subscription money refund	1,091	1,091
Retention money	15,437	25,164
Bills payment system over the counter (BPS-OTC)	483,834	442,718
Mark up in suspense	38,992	38,927
Charity fund	8,643	21,593
Security deposits against ijarah	311,151	345,116
Tax payable	699,840	-
Mark to market loss on forward foreign exchange contracts	289,169	162,430
Intercity collection accounts	8,913	212
Others	269,087	87,612
	10,832,796	14,107,711

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

		(Un-audited) June 30, 2020	(Audited) December 31, 2019
	Note	----- Rupees in '000 -----	
19	SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS		
	Surplus/ (deficit) on revaluation of		
	- Available for sale securities	1,994,581	(2,392,086)
	- Fixed assets	774,183	774,183
		<u>2,768,764</u>	<u>(1,617,903)</u>
	Deferred tax on (surplus)/ deficit on revaluation of:		
	- Available for sale securities	(698,103)	837,233
	- Fixed assets	-	-
		<u>(698,103)</u>	<u>837,233</u>
	Surplus on revaluation of assets - net of tax	<u>2,070,661</u>	<u>(780,670)</u>
20	CONTINGENCIES AND COMMITMENTS		
	-Guarantees	15,558,321	15,054,505
	-Commitments	36,223,693	36,682,215
		<u>51,782,014</u>	<u>51,736,720</u>
20.1	Guarantees:		
	Financial guarantees	1,494,260	2,030,105
	Performance guarantees	13,706,049	12,820,129
	Other guarantees	358,012	204,271
		<u>15,558,321</u>	<u>15,054,505</u>
20.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	- Letters of credit	4,083,227	6,920,481
	Commitments in respect of:		
	- Forward foreign exchange contracts	30,499,268	19,026,323
	- Forward government securities transactions	1,050,000	10,000,000
	Commitments for acquisition of:		
	- Operating fixed assets	483,046	416,496
	- Intangible assets	108,152	318,915
		<u>36,223,693</u>	<u>36,682,215</u>
20.3	Commitments in respect of forward foreign exchange contracts		
	Purchase	13,687,944	9,069,099
	Sale	16,811,324	9,957,224
		<u>30,499,268</u>	<u>19,026,323</u>
20.4	Commitments in respect of forward government securities transactions		
	Purchase - Pakistan Investment Bonds	1,000,000	10,000,000
	Sale - Pakistan Investment Bonds	50,000	-
		<u>1,050,000</u>	<u>10,000,000</u>
20.5	The income tax assessments of the Bank have been finalized up to tax year 2019.		
20.6	During the previous year, the Assistant Commissioner Inland Revenue (IR) Peshawar passed an impugned order dated September 30, 2019 for the tax year 2014 under section 122(1) of the Income Tax Ordinance, 2001 by disallowing the entire amount of mark-up expense and others alleging section 21 (C) and ignoring section 165(2), wherein, all required information was already submitted with the Income tax department. Being aggrieved, the bank has filed appeal with Commissioner Inland Revenue (Appeals) and stay has been accomplished. We are sanguine that the demand of Rs.1.73 billion has no lawful grounds and justifications therein, therefore may not be sustainable before the law being devoid of merit.		

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

		(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
		----- Rupees in '000 -----	
21	MARK-UP/RETURN/INTEREST EARNED		
	On:		
	a) Loans and advances	6,768,909	5,614,928
	b) Investments	6,844,848	3,424,458
	c) Lendings to Financial Institutions	320,084	576,206
	d) Balances with banks	95,619	17,760
	e) Profit on Sukuk bonds	796,908	638,874
		<u>14,826,368</u>	<u>10,272,226</u>
22	MARK-UP/RETURN/INTEREST EXPENSED		
	On:		
	a) Deposits	7,021,910	6,736,119
	b) Borrowings	4,570,493	1,074,148
		<u>11,592,403</u>	<u>7,810,267</u>
23	FEE AND COMMISSION INCOME		
	Branch banking customer fees	15,670	20,622
	Consumer finance related fees	1,696	3,043
	Card related fees (debit and credit cards)	44,217	49,371
	Investment banking fees	9,922	13,186
	Commission on trade	3,192	8,016
	Commission on guarantees	67,137	84,942
	Commission on cash management	36	4
	Commission on remittances including home remittances	15,109	13,779
	Others	1,910	2,425
		<u>158,889</u>	<u>195,388</u>
24	GAIN ON SECURITIES		
	Realised	1,697,601	2,192
	Unrealised - held-for-trading	51,576	-
		<u>1,749,177</u>	<u>2,192</u>
24.1	Realised gain / (loss) on:		
	Federal Government Securities	1,679,803	2,829
	Shares	1,631	1,111
	Non-Government Securities	-	(1,748)
	Mutual funds	16,167	-
		<u>1,697,601</u>	<u>2,192</u>
25	OTHER INCOME		
	Postal, swift and other services	46,872	40,826
	Rent on property	1,205	14,006
	Gain on sale of fixed assets - net	61	204
	Gain on early culmination of lease modification	4,664	-
	Service income on Government schemes	3,573	2,198
	Rebate from financial institutions	3,396	2,526
		<u>59,771</u>	<u>59,760</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

	(Un-audited) June 30,2020	(Un-audited) June 30,2019
	----- Rupees in '000 -----	
26 OPERATING EXPENSES	1,158,072	1,082,671
Total compensation expense	1,158,072	1,082,671
Property expense		
Rent & taxes	567	-
Utilities cost	65,372	65,664
Security (including guards)	73,139	67,826
Repair & Maintenance	1,150	1,963
Depreciation - Right of use assets	166,513	94,826
Depreciation - Non banking assets acquired in satisfaction of claims	26,557	-
Depreciation - Fixed assets	68,118	72,130
	401,416	302,409
Information technology expenses		
Software maintenance	46,137	38,130
Hardware maintenance	17,261	11,488
Depreciation	59,943	72,164
Amortization	17,913	21,073
Network charges	7,110	5,820
ATM charges	66,059	57,489
Others	-	974
	214,423	207,138
Other operating expenses		
Directors' fees and allowances	3,582	7,922
Fees and allowances to Shariah Board	10	296
Outsourced service cost	49,125	39,296
Legal and professional charges	23,470	24,332
Travelling and conveyance	27,661	30,521
Cash carriage charges	20,774	22,925
NIFT clearing charges	7,540	7,301
Depreciation	13,678	14,249
Communication	42,274	30,742
Postage and courier charges	14,310	10,719
Stationery and printing	26,537	27,115
Advertisement and publicity	33,089	22,271
Repair and maintenance	7,480	6,665
Insurance expense	22,677	22,148
Auditors remunerations	8,732	7,642
Brokerage and commission	29,195	18,717
Rent and taxes	918	657
Entertainment	12,298	12,335
Donations	500	-
News papers and periodicals	841	1,003
Training and development	4,233	5,089
Fees and subscription	1,911	2,341
Deposit protection premium	44,767	32,444
Others	22,733	13,359
	418,335	360,089
	<u>2,192,246</u>	<u>1,952,307</u>
27 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	-	2,287
Others - mark-up expense on lease liability against right-of-use assets	67,826	75,185
	<u>67,826</u>	<u>77,472</u>

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		(Un-audited) June 30,2020	(Un-audited) June 30,2019
		----- Rupees in '000 -----	
28	PROVISIONS & WRITE OFFS - NET		
	Provisions for diminution in value of investments	-	-
	Provisions against loans and advances	<u>1,172,234</u>	<u>145,645</u>
		<u>1,172,234</u>	<u>145,645</u>
29	TAXATION		
	Current	1,270,546	277,964
	Prior periods	40,500	-
	Deferred	<u>(483,837)</u>	<u>(137,621)</u>
		<u>827,209</u>	<u>140,343</u>
29.1	Includes Super Tax, levied through Finance Act, 2019, at the rate of 4% on the taxable income for the period ended June 30, 2020		
30	BASIC AND DILUTED EARNINGS PER SHARE	(Un-audited) June 30,2020	(Un-audited) June 30,2019
	Profit for the period - Rupees	<u>1,206,172,000</u>	<u>498,164,000</u>
	Weighted average number of ordinary shares (Number)	<u>1,000,252,485</u>	<u>1,000,252,485</u>
	Basic earnings per share - Rupees	<u>1.21</u>	<u>0.50</u>

31 FAIR VALUE MEASUREMENTS

The fair value of quoted investments other than those classified as held to maturity is based on quoted market prices. The fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per their latest available audited financial statements. The fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy.

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

31.1 Fair value of financial assets

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

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

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

	(Un-audited) June 30, 2020			
	Level 1	Level 2	Level 3	Total
31.2 On balance sheet financial instruments	Rupees in '000			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	135,736,303	-	135,736,303
Shares	385,643	-	-	385,643
Non-Government Debt Securities	-	1,383,000	-	1,383,000
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	16,119,759	-	16,119,759
Shares	-	56,258	-	56,258
Mutual funds	-	300,137	-	300,137
Non-Government Debt Securities	-	4,003,997	-	4,003,997
Associates	-	40,504	-	40,504
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	13,687,944	-	13,687,944
Forward sale of foreign exchange	-	16,811,324	-	16,811,324

	(Audited) December 31, 2019			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	Rupees in '000			
Financial assets measured at fair value				
Available-for-sale securities				
- Federal Government Securities	-	116,391,361	-	116,391,361
- Shares in listed companies	270,554	-	-	270,554
- Non-Government Debt Securities	-	1,376,000	-	1,376,000
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	24,479,940	-	24,479,940
Shares	-	56,258	-	56,258
Non-Government Debt Securities	-	4,296,485	-	4,296,485
Associates	-	40,504	-	40,504
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	9,069,099	-	9,069,099
Forward sale of foreign exchange	-	9,957,224	-	9,957,224

The valuation techniques used for above assets are same as disclosed in the most recent annual financial statements.

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

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuku Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

Valuation techniques and inputs used in determination of fair values within level 1

Fully paid-up ordinary shares

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

Valuation techniques and inputs used in determination of fair values within level 2

Pakistan Investment Bonds / Market Treasury Bills

Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).

Government of Pakistan (GoP) - Ijarah Sukuku

Fair values of GoP Ijarah Sukuku are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.

Term Finance, Bonds and Sukuku certificates

Investments in debt securities (comprising term finance certificates, bonds, Sukuku certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. In the determination of the rates, the MUFAP takes into account the holding pattern of these securities and categorises these as traded, thinly traded and non-traded securities.

Valuation techniques and inputs used in determination of fair values within level 3

Operating fixed assets (Leasehold land)

Leasehold land are revalued on regular basis using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.

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32 SEGMENT INFORMATION

32.1 Segment details with respect to business activities

	(Un-audited)				
	For the six months ended June 30, 2020				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Profit and loss					
Net mark-up/return/profit	1,424,040	458,042	154,465	1,197,418	3,233,965
Non mark-up / return / interest income	7,835	1,995,015	45,914	182,958	2,231,722
Total income	1,431,875	2,453,057	200,379	1,380,376	5,465,687
Segment direct expenses	834,549	985,492	49,805	390,226	2,260,072
Total expenses	834,549	985,492	49,805	390,226	2,260,072
Provisions / (reversals)	-	-	57,287	1,114,947	1,172,234
Profit before tax	597,326	1,467,565	93,287	(124,797)	2,033,381
	(Un-audited)				
	As at June 30, 2020				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Balance sheet					
Cash and bank balances	4,081,384	9,449,271	439,409	10,705,366	24,675,430
Lendings to financial institutions	-	9,604,764	-	-	9,604,764
Investments	16,119,759	141,865,338	-	40,504	158,025,601
Advances - performing	65,323,698	-	5,365,912	40,475,432	111,165,042
Advances - non performing	-	-	116,608	1,338,396	1,455,004
Operating fixed assets/intangible assets	1,231,543	527,804	527,804	1,231,544	3,518,695
Deferred tax assets	-	-	-	-	-
Others	4,767,720	2,813,331	328,251	1,841,079	9,750,381
Total assets	91,524,104	164,260,508	6,777,984	55,632,321	318,194,917
Bills payable	691,381	10,598	160,738	189,245	1,051,962
Borrowings	34,937,245	27,167,728	-	5,300,000	67,404,973
Deposits and other accounts	145,330,728	2,227,648	33,787,636	39,780,158	221,126,170
Deferred taxation	-	698,103	-	(677,757)	20,346
Others	7,302,726	958,477	1,101,692	1,469,901	10,832,796
Total liabilities	188,262,080	31,062,554	35,050,066	46,061,547	300,436,247
Equity	(96,737,976)	133,197,954	(28,272,082)	9,570,774	17,758,670
Total equity and liabilities	91,524,104	164,260,508	6,777,984	55,632,321	318,194,917
Contingencies and commitments	6,374,641	31,637,948	773,982	12,995,443	51,782,014
	(Un-audited)				
	For the six months ended June 30, 2019				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Profit and loss					
Net mark-up/return/profit	1,142,413	(411,592)	145,682	1,585,456	2,461,959
Non mark-up / return / interest income	156,318	107,758	12,106	75,790	351,972
Total Income	1,298,731	(303,834)	157,788	1,661,246	2,813,931
Segment direct expenses	1,394,801	188,427	28,535	418,016	2,029,779
Total expenses	1,394,801	188,427	28,535	418,016	2,029,779
Provisions / (reversals)	-	1,430,286	6,006	(1,290,647)	145,645
Profit before tax	(96,070)	(1,922,547)	123,247	2,533,877	638,507

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	(Audited)				
	As at December 31, 2019				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
Balance sheet	Rupees in 000				
Cash and bank balances	5,894,936	4,876,397	8,660,762	935,782	20,367,877
Lendings to financial institutions	-	13,863,449	-	-	13,863,449
Investments	13,546,197	133,364,905	-	-	146,911,102
Advances - performing	72,055,564	9,215,766	4,690,186	22,944,243	108,905,759
Advances - non performing	263,510	1,755,876	58,330	(1,241,183)	836,533
Operating fixed assets/intangible assets	-	-	-	3,620,925	3,620,925
Deferred tax assets	885,286	26,109	3,448	116,311	1,031,154
Others	5,964,368	496,990	291,879	4,015,216	10,768,453
Total assets	98,609,861	163,599,492	13,704,605	30,391,294	306,305,252
	(Audited)				
	As at December 31, 2019				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Bills payable	-	-	1,172,155	-	1,172,155
Borrowings	-	89,882,597	-	4,773,864	94,656,461
Deposits and other accounts	76,510,380	80,299,466	-	25,357,726	182,167,572
Others	5,925,239	6,218,679	-	1,963,793	14,107,711
Total liabilities	82,435,619	176,400,742	1,172,155	32,095,383	292,103,899
Equity	16,174,242	(12,801,250)	12,532,449	(1,704,089)	14,201,353
Total equity and liabilities	98,609,861	163,599,492	13,704,604	30,391,294	306,305,252
Contingencies and commitments	14,600,793	31,243,663	207,609	5,684,655	51,736,720

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED JUNE 30, 2020

33 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its majority shareholders (Government of Khyber Pakhtunkhwa and Ismail Industries Limited), associates, directors, key management personnel, staff retirement benefit plan and other related parties.

Banking transactions with related parties are carried out in the normal course of business at agreed terms. Contribution to and accruals in respect of staff retirement benefit plan are made in accordance with actuarial valuations. Remuneration to the executives are determined in accordance with terms of their appointments.

Details of transactions with related parties during the period/year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	(Un-Audited)				(Audited)			
	As at June 30, 2020		As at December 31, 2019		As at June 30, 2020		As at December 31, 2019	
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
	Rupees in '000							
Advances								
Opening balance	-	154,626	-	-	-	-	123,598	-
Addition during the period/year	-	24,360	-	-	-	-	39,859	-
Repaid during the period/year	-	(10,625)	-	-	-	-	(19,112)	-
Transfer (out)/in - net	-	(20,220)	-	-	-	-	10,281	-
Closing balance	-	148,141	-	-	-	-	154,626	-
Deposits and other accounts								
Opening balance	-	25,661	28,659	2,342,408	-	24,081	30,067	2,185,683
Received during the period/year	-	45,834	37,089	206,991	-	129,965	39,564	845,046
Withdrawn during the period/year	-	(44,817)	(34,982)	(159,929)	-	(128,382)	(40,972)	(688,321)
Transfer in / (out) - net	-	(640)	-	-	-	-	(3)	-
Closing balance	-	25,638	32,726	2,389,470	-	25,661	28,659	2,342,408
Other liabilities	-	329	1,413	110,752	-	289	1,718	58,716
Accrued markup	-	-	-	-	-	-	-	-
	(Un-audited)				(Un-audited)			
	For the six months ended June 30, 2020				For the six months ended June 30, 2019			
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
	Rupees in '000							
Income								
Markup / return / interest earned	-	1,380	-	-	-	-	2,457	-
Expense								
Markup / return / interest paid	-	350	1,413	152,247	-	1,160	1,250	118,947
Operating expenses	3,582	78,044	-	-	7,922	47,106	-	-

33.1 Government of Khyber Pakhtunkhwa (GoKP) holds 70.20% shareholding in the Bank and therefore entities which are owned and / or controlled by the GoKP, or where the GoKP may exercise significant influence, are also related parties of the Bank. The Bank in the ordinary course of its business enters into transaction with various departments of the GoKP and its related entities however, it is impracticable to disclose these transactions. Such transactions include deposits from and provision of other banking services to such departments and entities.

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	(Un-audited) June 30, 2020	(Audited) December 31, 2019
	---- Rupees in '000 ----	
34 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>10,002,524</u>	<u>10,002,524</u>
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	<u>14,804,777</u>	13,204,421
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	<u>14,804,777</u>	13,204,421
Eligible tier 2 capital	<u>2,786,921</u>	-
Total eligible capital (Tier 1 + Tier 2)	<u>17,591,698</u>	13,204,421
Risk weighted assets (RWAs):		
Credit risk	<u>64,225,382</u>	58,970,352
Market risk	<u>20,492,497</u>	16,711,426
Operational risk	<u>10,642,475</u>	10,642,475
Total	<u>95,360,354</u>	<u>86,324,253</u>
Common equity tier 1 capital adequacy ratio	<u>15.53%</u>	<u>15.30%</u>
Tier 1 capital adequacy ratio	<u>15.53%</u>	<u>15.30%</u>
Total capital adequacy ratio	<u>18.45%</u>	<u>15.30%</u>
National minimum capital requirements prescribed by SBP.		
CET1 minimum ratio	6.00%	6.00%
ADT-1 minimum ratio	1.50%	1.50%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
Capital conservation buffer (CCB- consisting of CET1 only)	1.50%	2.50%
Total capital plus CCB	11.50%	12.50%
Leverage Ratio (LR):		
Eligible tier-1 capital	14,804,777	13,204,421
Total exposures	<u>336,009,788</u>	<u>305,453,822</u>
Leverage ratio	<u>4.41%</u>	<u>4.32%</u>
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	75,773,057	60,536,707
Total net cash outflow	<u>59,196,391</u>	<u>48,785,693</u>
Liquidity coverage ratio	<u>128.00%</u>	<u>124.09%</u>
Net Stable Funding Ratio (NSFR):		
Total available stable funding	156,393,665	132,085,894
Total required stable funding	<u>111,586,941</u>	<u>111,614,902</u>
Net stable funding ratio	<u>140.15%</u>	<u>118.34%</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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35

ISLAMIC BANKING BUSINESS

The Bank is operating 84 (2019: 84) Islamic banking branches and 39 (2019: 39) Islamic banking windows as at June 30, 2020.

Note	(Un-audited)	(Audited)
	June 30, 2020	December 31, 2019
---- Rupees in '000 ----		
ASSETS		
Cash and balances with treasury banks	4,385,945	6,807,574
Balances with other banks	6,456,181	6,289,995
Due from financial institutions	-	4,831,347
Investments	15,383,663	11,602,166
Islamic financing and related assets - net	42,616,475	45,791,558
Fixed assets	507,202	610,038
Intangible assets	2,217	3,426
Due from head office	279,963	325,575
Other assets	4,353,469	4,410,288
Total Assets	73,985,115	80,671,967
LIABILITIES		
Bills payable	299,064	285,589
Due to financial institutions	5,691,848	18,891,848
Deposits and other accounts	58,267,292	50,079,326
Other liabilities	3,467,891	4,894,946
Total Liabilities	67,726,095	74,151,709
NET ASSETS	6,259,020	6,520,258
REPRESENTED BY		
Islamic banking fund	460,000	460,000
Reserves	50,533	42,141
Surplus/(Deficit) on revaluation of assets	6,075	(15,000)
Unappropriated profit	5,742,412	6,033,117
	6,259,020	6,520,258
CONTINGENCIES AND COMMITMENTS		
35.6		

The profit and loss account of the Bank's Islamic banking branches for the six months ended June 30, 2020 is as follows:

Note	(Un-audited)	(Un-audited)
	June 30, 2020	June 30, 2019
---- Rupees in '000 ----		
Profit / return earned	3,676,228	2,938,757
Profit / return expensed	1,703,013	1,207,880
Net profit / return	1,973,215	1,730,877
OTHER INCOME		
Fee and commission income	44,263	52,500
Foreign exchange income	123,926	34,227
Gain on securities	21,540	4,306
Other income	29,856	18,426
	219,585	109,459
	2,192,800	1,840,336
OTHER CHARGES		
Operating expenses	974,646	800,224
Other charges	23,984	35
	998,630	800,259
Profit before provisions	1,194,170	1,040,077
Provisions and write offs	380,358	17,031
Profit before taxation	813,812	1,023,046
Taxation	317,387	398,988
Profit after taxation	496,425	624,058

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35.1 Due from financial institutions

Call lendings
Bai muajjal receivable from State Bank of Pakistan
Placement with other banks

	(Un-audited) June 30, 2020		(Audited) December 31, 2019	
	In local currency	In foreign currency	Total	Total
	-	-	2,000,000	2,000,000
	-	-	2,831,347	2,831,347
	-	-	4,831,347	4,831,347

35.2 Investments by segments:

	(Un-audited) June 30, 2020		(Audited) December 31, 2019	
	Provision for diminution	Surplus / (Deficit)	Cost	Carrying value
	-	6,075	1,500,000	1,485,000
	-	-	6,388,711	6,388,711
	-	-	2,000,000	-
	-	-	3,438,740	-
	300,137	-	300,137	3,728,455
	15,377,588	6,075	15,383,663	11,617,166

Federal Government Securities:

-Gof Ijarah sukuk
-Bai Muajjal sukuk
-Pakistan Energy Sukuk II
Other non-government debt securities
-Power/gas and other sukuk
-Mutual Funds

35.3 Islamic financing and related assets

Ijarah
Murabaha
Diminishing musharaka
Running musharaka
Qarza hasna
Istisna
Gross Islamic financing and related assets
Less: provision against Islamic financings
- Specific
- General
Islamic financing and related assets - net of provision

	(Un-audited) June 30, 2020		(Audited) December 31, 2019	
	Provision for diminution	Surplus / (Deficit)	Cost	Carrying value
	-	(15,000)	-	1,485,000
	-	-	-	6,388,711
	-	-	-	-
	-	-	-	-
	300,137	-	300,137	3,728,455
	15,377,588	6,075	15,383,663	11,617,166

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED JUNE 30, 2020**

35.4 Deposits	(Un-audited) June 30, 2020			(Audited) December 31, 2019		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
	----- Rupees in '000 -----					
Customers						
Current deposits	18,806,204	77,245	18,883,449	17,920,864	57,675	17,978,539
Savings deposits	32,570,559	-	32,570,559	26,336,004	-	26,336,004
Term deposits	3,194,084	-	3,194,084	3,087,502	-	3,087,502
Others	3,106,921	-	3,106,921	2,490,098	-	2,490,098
	57,677,768	77,245	57,755,013	49,834,468	57,675	49,892,143
Financial Institutions						
Current Deposits	-	-	-	499	-	499
Savings deposits	512,279	-	512,279	186,684	-	186,684
	58,190,047	77,245	58,267,292	50,021,651	57,675	50,079,326

35.5 Islamic banking business unappropriated profit	(Un-audited) June 30, 2020	(Audited) December 31, 2019
		----- Rupees in '000 -----
Opening balance	6,033,117	4,598,387
Add: Islamic banking profit for the period/year	813,812	2,355,848
Less: Transfer to head office	(1,104,518)	(921,118)
Closing balance	5,742,411	6,033,117

35.6 Contingencies and commitments	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
		----- Rupees in '000 -----
-Guarantees	9,815,445	5,270,767
-Commitments	1,061,692	1,028,102
	10,877,137	6,298,869

35.7 Profit/return earned of financing, investments and placement	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
		----- Rupees in '000 -----
Profit earned on:		
Financing	2,775,016	2,173,551
Investments	796,908	764,847
Placements	104,305	359
	3,676,229	2,938,757

35.8 Profit on deposits and other dues expensed	(Un-audited) June 30, 2020	(Un-audited) June 30, 2019
		----- Rupees in '000 -----
Deposits and other accounts	1,295,991	851,826
Due to Financial Institutions	407,022	356,054
	1,703,013	1,207,880



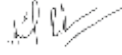
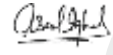

36 **Profit equalization reserve**
The profit equalization reserves amounting to Rs. 50.53 million (2019: Rs. 42.14 million) classified in other liabilities, which has been presented as reserves in note 35.

37 **GENERAL**
Comparative information has been re-classified, re-arranged or additionally incorporated in these condensed interim financial statements for the purpose of better presentation. The significant reclassification is as follows:

From	To	June 30, 2019 (Unaudited) Rupees in '000
Operating expenses - Other operating expenses	Other charges - Others - mark-up expense on lease liability against right-of-use assets	75,185

In addition to above, the effect of payment of lease obligation has now been separately disclosed in the condensed interim cash flow statement.

38 **DATE OF AUTHORIZATION FOR ISSUE**
These condensed interim financial statements were authorised for issue in the Board of Directors meeting of the bank held on 19 August, 2020.

 _____ Managing Director	 _____ Chief Financial Officer	 _____ Director	 _____ Director	 _____ Director
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