



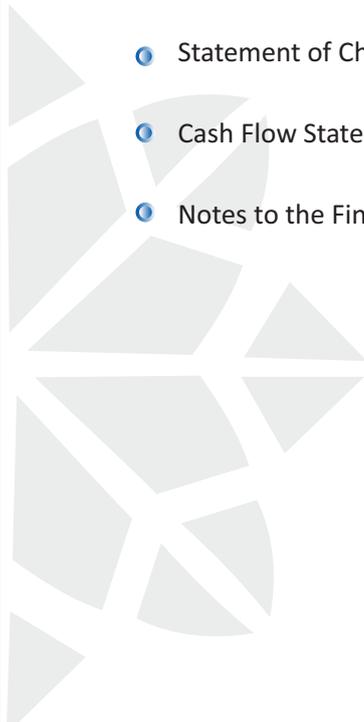
Condensed Interim
FINANCIAL INFORMATION
For the Period Ended March 31, 2020



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FINANCIAL INFORMATION
For the Period ended March 31,2020

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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	
Atif Rehman	Member
Javed Akhtar	Member
Rashid Ali Khan	Member

Board Human Resource & Remuneration Committee

Maqsood Ismail Ahmad	Chairman
Asad Muhammad Iqbal	Member
Managing Director	Member

Board Risk Management Committee

Maqsood Ismail Ahmad	Chairman
Javed Akhtar	Member
Atif Rehman	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
Shaharyar Ahmad	Member
Javed Akhtar	Member

Chief Financial Officer

Mahmood Ahmed Qureshi

Company Secretary

Zahid 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 .

Director' Review

On behalf of the Board of Directors of the Bank of Khyber, I am pleased to present the condensed interim financial information of the Bank for the 1st quarter ended March 31, 2020. The results are inclusive of Islamic Banking Operations.

Financial Highlights

The financial results of the Bank of Khyber for the 1st quarter ended March 31, 2020 are as under:

	(Rs. in Million)	
	<u>March 31 2020</u>	<u>December 31 2019</u>
Total Assets	299,860	306,305
Deposits	158,666	182,168
Advances (Gross)	116,756	113,976
Investments (Net)	150,742	146,911

	(Rs. in Million)	
	<u>Period Ended 2020</u>	<u>March 31 2019</u>
Operating Profit	1,024	399
Provision against non-performing advances/others	(140)	54
Profit before taxation	884	345
Taxation	(335)	(158)
Profit after tax	548	187

Performance Review

In the current circumstances amid COVID-19 pandemic, all sectors of economy are under pressure and banking is not an exception. The State Bank has shown its readiness to take whatever actions become necessary in response to the evolving economic impact of the Coronavirus. Resultantly, in the January – March quarter, the central bank has taken a host of measures including constantly reduction in policy rate whereas the banking sector was struggling to maintain its profitability.

In the backdrop of this situation, the Bank of Khyber has managed to show good results and posted Rs.548 million profit after tax for the first quarter of the year 2020 as compare to Rs.187 million for the same period of 2019.

The deposits settled at Rs.158,666 million whereas with a slight increase from the year end 2019, advances stood at Rs.116,756 million. Investments were at Rs.150,742 million.



Future Outlook

Due to global outbreak of Corona virus, economies of the developing countries, including Pakistan will be suffered severely. In light of the tight monetary measures adopted by the central bank, the Bank of Khyber remains cognizant of the challenging business environment and stands committed to its strategy of steady growth through diversification in products, services and outreach. The Bank is focusing on increasing its customer base and mobilizing cost effective deposit mix with an emphasis on prudent lending to maintain trend of stable profitability.

The Bank was operating with 169 branches and 3 sub-branches throughout the country out of which 84 branches were functioning as dedicated Islamic Banking Branches.

Credit Rating

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has 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 Pakistan Credit Rating Agency Limited (PACRA) has also maintained the long term and short term entity ratings of the Bank at "A" (Single A) and "A1" (A One). Rating outlook is "Stable".

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

Acknowledgement

The Board would like to acknowledge the support and guidance provided by the State Bank of Pakistan and other regulatory authorities. We would also like to thank the Bank's valued customers for their patronage and continued confidence in the Bank.

For and on behalf of the Board of Directors

Ihsan Ullah Ihsan
Managing Director (Acting)

Peshawar: May 20, 2020

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020**

		Un-Audited	Audited
	Note	March 31, 2020	December 31, 2019
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	6	11,230,795	12,137,805
Balances with other banks	7	3,299,263	8,230,072
Lendings to financial institutions	8	8,414,294	13,863,449
Investments	9	150,741,584	146,911,102
Advances	10	112,382,434	109,742,292
Fixed assets	11	3,240,920	3,334,670
Intangible assets	12	279,421	286,255
Deferred tax asset	13	147,786	1,031,154
Other assets	14	10,123,664	10,768,453
		299,860,161	306,305,252
LIABILITIES			
Bills payable	15	685,552	1,172,155
Borrowings	16	114,114,517	94,656,461
Deposits and other accounts	17	158,666,249	182,167,572
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Other liabilities	18	10,395,456	14,107,711
		283,861,774	292,103,899
NET ASSETS			
		15,998,387	14,201,353
REPRESENTED BY			
Share capital		10,002,524	10,002,524
Reserves		3,014,337	2,904,691
Surplus/(Deficit) on revaluation of assets	19	968,321	(780,670)
Unappropriated profit		2,013,205	2,074,808
		15,998,387	14,201,353

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 37 form an integral part of these financial information.



Managing Director



Chief Financial Officer



Director



Director



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

	FOR THE QUARTER		YEAR-TO-DATE	
	January 01 to March 31, 2020	January 01 to March 31, 2019	January 01 to March 31, 2020	January 01 to March 31, 2019
	Rupees in '000			
Profit after taxation	548,229	186,731	548,229	186,731
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	2,690,755 (941,764)	365,849 (128,047)	2,690,755 (941,764)	365,849 (128,047)
Related deferred tax	1,748,991	237,802	1,748,991	237,802
Total comprehensive income	2,297,220	424,533	2,297,220	424,533

The annexed notes 1 to 37 form an integral part of these financial information.


Managing Director


Chief Financial Officer


Director


Director


Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
			Investments	Assets		
Rupees in '000						
Balance as at January 1, 2019	10,002,524	2,643,483	(2,878,875)	774,183	1,163,269	11,704,584
Total Comprehensive Income	-	-	-	-	186,731	186,731
Profit after taxation for the three months ended March 31, 2019	-	-	237,802	-	-	237,802
Other comprehensive income - net of tax	-	-	237,802	-	186,731	424,533
Transfer to statutory reserves	-	37,346	-	-	(37,346)	-
Balance as at March 31, 2019	10,002,524	2,680,829	(2,641,073)	774,183	1,312,654	12,129,117
Total Comprehensive Income	-	-	-	-	1,119,308	1,119,308
Profit after taxation for the nine months ended December 31, 2019	-	-	1,086,220	-	(133,292)	952,928
Other comprehensive income - net of tax	-	-	1,086,220	-	986,016	2,072,236
Transfer to statutory reserve	-	223,862	-	-	(223,862)	-
Balance as at December 31, 2019 (audited)	10,002,524	2,904,691	(1,554,853)	774,183	2,074,808	14,201,353
Total Comprehensive Income	-	-	-	-	548,229	548,229
Profit after taxation for the three months ended March 31, 2020	-	-	1,748,991	-	-	1,748,991
Other comprehensive income - net of tax	-	-	1,748,991	-	548,229	2,297,220
Transfer to statutory reserve	-	109,646	-	-	(109,646)	-
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 March 31, 2020 (un-audited)	10,002,524	3,014,337	194,138	774,183	2,013,205	15,998,387

The annexed notes 1 to 37 form an integral part of these financial information.



Managing Director



Chief Financial Officer



Director



Director



Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

	Three months ended March 31, 2020	Three months ended March 31, 2019
Note	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	883,588	344,638
Less: Dividend income	2,030	-
	<u>881,558</u>	<u>344,638</u>
Adjustments:		
Depreciation - Property and equipment	71,749	78,929
Depreciation - Non banking assets acquired in satisfaction of claims	13,276	-
Depreciation - Right-of-use assets	82,345	-
Amortization	9,346	13,456
Provisions and write offs-net	139,908	54,128
Mark-up expense on lease liability against right-of-use assets	35,504	-
Gain on sale of fixed assets	(61)	(203)
	<u>352,067</u>	<u>146,310</u>
	<u>1,233,625</u>	<u>490,948</u>
(Increase)/decrease in operating assets		
Lendings to financial institutions	5,449,156	3,798,491
Held-for-trading securities	(101,756)	-
Advances	(2,780,050)	(10,944,593)
Others assets (excluding advance taxation)	409,534	(2,566,063)
	<u>2,976,884</u>	<u>(9,712,165)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	(486,603)	(190,286)
Borrowings from financial institutions	19,458,056	(2,534,626)
Deposits	(23,501,323)	464,386
Other liabilities	(4,230,308)	2,521,001
	<u>(8,760,178)</u>	<u>260,475</u>
Income taxes paid	(104,399)	(31,288)
Net cash used in operating activities	<u>(4,654,068)</u>	<u>(8,992,030)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(2,945,402)	4,330,249
Net investments in held-to-maturity securities	1,907,431	63,560
Dividends received	2,030	-
Investments in operating fixed assets	(62,850)	(63,063)
Proceeds from sale of fixed assets	61	238
Net cash (used in)/generated from investing activities	<u>(1,098,730)</u>	<u>4,330,983</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	(27)
Payment against lease liabilities	(85,021)	-
Net cash used in financing activities	<u>(85,021)</u>	<u>(27)</u>
Net decrease in cash and cash equivalents	<u>(5,837,819)</u>	<u>(4,661,074)</u>
Cash and cash equivalents at beginning of the year	<u>20,367,877</u>	<u>16,056,813</u>
Cash and cash equivalents at end of the year	<u>14,530,058</u>	<u>11,395,739</u>

The annexed notes 1 to 37 form an integral part of these financial information.


 Managing Director


 Chief Financial Officer


 Director


 Director


 Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 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 BASIS OF PRESENTATION

- 2.1** 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.
- 2.2** 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.
- 2.3** 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.
- 2.4** The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 05 dated March 22, 2019 and International Accounting Standard 34, Interim Financial Reporting. They do not include all disclosures required for annual financial statements and this condensed interim financial information should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2019.
- 2.5** In this condensed interim financial information, investments in associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using the equity method of accounting.

3 STATEMENT OF COMPLIANCE

- 3.1** 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.
- 3.2** 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.
- 3.3** 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

4 BASIS OF MEASUREMENT

Accounting convention

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.

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 new and amended standards, interpretations and amendments 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)

5.2.1 Amendments to IAS 1 & IAS 8

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS.

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

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2021:

- 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.

Furthermore, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

- IFRS 1 - First time adoption of IFRSs
- IFRS 17 - Insurance Contracts

IASB effective date (annual periods beginning on or after)
January 01, 2014
January 01, 2021

Except for IFRS 9, the bank expects that adoption of amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application.

5.4 Critical accounting estimates and judgments

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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

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 following additional considerations narrated below.

Regulatory Reliefs due to COVID-19

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 an 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 and by another 200 basis points to 9% on April 16, 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 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 digital channels.

5.5.1 Credit Risk Management

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. Banks Management intends to create a buffer against unforeseen loan losses and preserve the quality of the Credit portfolio.

5.5.2 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.

5.5.3 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.

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.

5.5.4 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 MARCH 31, 2020**

	March 31, 2020	December 31, 2019
	Rupees in '000	
6 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	3,451,717	2,157,981
Foreign currency	114,529	356,957
	3,566,246	2,514,938
With State Bank of Pakistan in		
Local currency current account	7,008,680	5,894,936
Foreign currency current account	55,098	42,353
Foreign currency deposit account	100,066	90,458
	7,163,844	6,027,747
With National Bank of Pakistan in		
Local currency current account	497,571	571,912
Local currency deposit account	634	3,002,591
Foreign currency deposit account	425	13,385
	498,630	3,587,888
Prize bonds	2,075	7,232
	11,230,795	12,137,805
7 BALANCES WITH OTHER BANKS		
In Pakistan		
In current account	1,368,968	2,427,921
In deposit account	402,950	4,683,413
	1,771,918	7,111,334
Outside Pakistan		
In current account	289,334	935,782
In deposit account	1,248,039	192,984
	1,537,373	1,128,766
Provision for doubtful placement with the bank	(10,028)	(10,028)
	3,299,263	8,230,072
8 LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	1,500,000	-
Repurchase agreement lendings (Reverse Repo)	4,914,294	9,032,102
Bai Muajjal receivable with State Bank of Pakistan	-	2,831,347
Placements with financial institutions	2,238,944	2,238,944
	8,653,238	14,102,393
Less: provision held against lending to financial institutions	(238,944)	(238,944)
Lending to financial institutions - net of provision	8,414,294	13,863,449

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

	March 31, 2020	December 31, 2019
	Rupees in '000	
	742,125	842,005
	-	-
	-	(99,880)
	-	(99,880)
	742,125	742,125

9.3 Provision for diminution in value of investments

Opening balance	-
Charge / reversals	-
Charge for the year	-
Reversals for the year	(99,880)
Reversal on disposals	-
Closing balance	742,125

9.4 Particulars of provision against debt securities

	March 31, 2020	December 31, 2019
	Rupees in '000	
Category of classification	Provision	NPI
	Rupees in '000	
Domestic	-	-
Other assets especially mentioned	-	-
Substandard	-	-
Doubtful	-	-
Loss	175,999	175,999
Overseas	175,999	175,999
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

9.5 The market value of securities classified as held-to-maturity amounted to Rs. 15,716 million as at March 31, 2020 (December 31, 2019: Rs. 17,036 million).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

10 ADVANCES

	Performing		Non performing		Total	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
	Rupees in '000					
Loans, cash credits, running finances, etc.	63,223,580	63,059,355	4,513,754	4,546,955	67,737,334	67,606,310
Islamic financing and related assets	46,891,691	45,669,716	256,756	260,133	47,148,447	45,929,849
Bills discounted and purchased	1,650,791	220,563	219,630	219,630	1,870,421	439,993
Advances - gross	111,766,062	108,949,434	4,990,140	5,026,718	116,756,202	113,976,152
Provision against advances						
- Specific	-	-	4,175,090	4,190,185	4,175,090	4,190,185
- General	198,678	43,675	-	-	198,678	43,675
Advances - net of provision	198,678	43,675	4,175,090	4,190,185	4,373,768	4,233,860
	111,567,384	108,993,759	815,050	836,533	112,382,434	109,742,292
			March 31, 2020		December 31, 2019	
			Rupees in '000		Rupees in '000	
			116,756,202		113,976,152	

10.1 Particulars of advances (gross)

In local currency
In foreign currency

10.2 Advances include Rs. 4,990,140 million (December 31, 2019; Rs. 5,026,718 million) which have been placed under non-performing status as detailed below:-

Category of classification

Category of classification	March 31, 2020		December 31, 2019	
	Non performing loans	Provision	Non performing loans	Provision
	Rupees in '000			
Domestic				
Other assets especially mentioned	20,756	-	31,358	-
Substandard	64,178	4,263	96,415	3,676
Doubtful	217,739	27,251	220,469	22,501
Loss	4,687,467	4,143,576	4,678,476	4,164,008
	4,990,140	4,175,090	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	4,990,140	4,175,090	5,026,718	4,190,185

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	March 31, 2020			December 31, 2019		
	Specific	General	Total	Specific	General	Total
10.3 Particulars of provision against advances						
	Rupees in '000					
Opening balance	4,190,185	43,675	4,233,860	4,119,221	35,851	4,155,072
Charge for the year	24,825	155,738	180,563	404,232	7,824	412,056
Reversals	(39,920)	(735)	(40,655)	(333,268)	-	(333,268)
	(15,095)	155,003	139,908	70,964	7,824	78,788
Amounts written off	-	-	-	-	-	-
Closing balance	4,175,090	198,678	4,373,768	4,190,185	43,675	4,233,860

10.3.1 General provision represents provision against customer advances, it also includes provision against consumer finance portfolio as required by the Prudential Regulations issued by the SBP.

10.3.2 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 March 31, 2020 the Bank has availed cumulative benefit of forced sale values of Rs. 584.735 million (2019: Rs. 572.478 million). Increase in unappropriated profit net of tax amounting to Rs. 380.08 million (2019: Rs. 372.11 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

10.3.3 Certain customers have formally approached SBP under COVID 19 Relief scheme for restructuring and deferment. Accordingly, such customers have been categorized as regular in conformity with the relief afforded by the SBP in this respect.

	Note	March 31, 2020	December 31, 2019
11 FIXED ASSETS		Rupees in '000	
Capital work-in-progress	11.1	552,499	503,430
Property and equipment		1,698,820	1,759,294
Right of use assets		989,601	1,071,946
		3,240,920	3,334,670
11.1 Capital work-in-progress			
Civil works		368,229	389,264
Equipments		8,652	8,080
Advances to suppliers		175,618	106,086
		552,499	503,430

11.2 ADDITIONS TO FIXED ASSETS

Following additions have been made to fixed assets during the period ended March 31, 2020:

	March 31, 2020	December 31, 2019
	Rs in '000	
Capital work-in-progress	49,069	211,783
Property and equipment		
Renovation	4,967	44,947
Furniture and fixture	414	10,264
Electrical office and computer equipment	5,888	96,641
Vehicles	-	121
Books	-	39
	11,269	152,012
	60,338	363,795

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

11.3 DISPOSALS OF FIXED ASSETS

The net book value of fixed assets disposed off during the period ended March 31, 2020 is as follows:

	March 31, 2020	December 31, 2019
	Rs in '000	
Furniture and fixture	-	87
Electrical office and computer equipment	-	73
Renovation	-	-
	-	160

12 INTANGIBLE ASSETS

Capital work in progress	227,982	226,693
Licenses and computer softwares	51,439	59,562
	279,421	286,255

12.1 Additions to intangible assets

Following additions have been made to intangible assets during the period ended March 31, 2020:

	March 31, 2020	December 31, 2019
	Rs in '000	
Directly purchased	1,223	32,461

13 DEFERRED TAX ASSET / (LIABILITY) - NET

Deferred tax asset 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	96,243	85,276
Islamic Pool Management reserve	49,560	47,810
Deficit on revaluation of investments	-	837,233
Provision against loans and advances - net	56,533	10,854
	252,317	1,031,154

Deferred tax liability arising in respect of:

Surplus on revaluation of investments	(104,531)	-
	147,786	1,031,154

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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Note	March 31, 2020	December 31, 2019
	Rs in '000	
14 OTHER ASSETS		
Income/ mark-up accrued in local currency	5,559,004	5,875,454
Profit receivable on Bai Muajjal	2,540,079	2,833,733
Advances, deposits and prepayments	67,123	51,940
Advance taxation (payments less provisions)	-	235,255
Branch adjustment account	-	280,825
Pre-IPO investment	600,000	600,000
Stationary and stamps on hand	40,468	36,590
Assets acquired in satisfaction of claims	356,063	369,339
Mark to market gain on forward foreign exchange contracts	607,288	88,606
Employees benefits	388,700	407,700
Others	109,365	133,437
	<u>10,268,090</u>	<u>10,912,879</u>
Less: Provision held against other assets		
Total	14.1 <u>(144,426)</u>	<u>(144,426)</u>
	<u>10,123,664</u>	<u>10,768,453</u>
14.1 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>
15 BILLS PAYABLE		
In Pakistan	685,552	1,172,155
Outside Pakistan	-	-
	<u>685,552</u>	<u>1,172,155</u>
16 BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan (SBP)		
Under export refinance scheme	3,210,831	3,165,914
Due to SBP LTFF	1,792,321	1,531,984
Due to SBP-Livestock Dairy	88,484	75,966
	<u>5,091,636</u>	<u>4,773,864</u>
Bai Muajjal Borrowing	29,576,224	26,668,034
Repurchase agreement borrowings	69,746,657	60,714,563
	<u>99,322,881</u>	<u>87,382,597</u>
Unsecured		
Call borrowings	9,700,000	2,500,000
Total	<u>114,114,517</u>	<u>94,656,461</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

17 DEPOSITS AND OTHER ACCOUNTS

	March 31, 2020			December 31, 2019		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
Rupees in '000						
Customers						
Current deposits	33,362,488	354,347	33,716,835	34,537,778	349,580	34,887,358
Saving deposits	76,508,681	54,195	76,562,876	69,985,691	215,904	70,201,595
Term deposits	38,357,107	-	38,357,107	67,682,671	-	67,682,671
Others	10,016,968	-	10,016,968	8,319,314	-	8,319,314
	158,245,244	408,542	158,653,786	180,525,454	565,484	181,090,938
Financial Institutions						
Current deposits	881	-	881	114,724	-	114,724
Saving deposits	11,582	-	11,582	961,910	-	961,910
	12,463	-	12,463	1,076,634	-	1,076,634
	158,257,707	408,542	158,666,249	181,602,088	565,484	182,167,572

18 OTHER LIABILITIES

	March 31, 2020	December 31, 2019
Rupees in '000		
Mark-up/ return/ interest payable in local currency	5,067,347	9,374,207
Mark-up/ return/ interest payable in foreign currency	128	555
Unearned income - Bai Muajjal Sukuk	1,634,924	1,872,952
Lease liability against right-of-use assets	1,041,231	1,090,747
Unearned commission and income on bills discounted	59,359	68,810
Deferred income on government schemes	29,270	33,790
Deferred income murabaha	141,983	151,809
Income reserve	14,174	14,009
Islamic pool management reserves	141,602	136,602
Accrued expenses	128,230	210,364
Unclaimed dividends	29,002	29,003
Final cash dividend for the year 2019	500,186	-
Share subscription money refund	1,091	1,091
Retention money	27,740	25,164
Bills payment system over the counter (BPS-OTC)	96,925	442,718
Mark up in suspense	38,929	38,927
Charity fund	26,165	21,593
Security deposits against ijarah	317,599	345,116
Branch adjustment account	348,527	-
Tax payable	54,103	-
Mark to market loss on forward foreign exchange contracts	552,263	162,430
Others	144,677	87,824
	10,395,456	14,107,711

19 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

Surplus/(Deficit) on revaluation of		
- Available for sale (AFS) securities	298,669	(2,392,086)
- Deferred tax on AFS securities	(104,531)	837,233
	194,138	(1,554,853)
- Fixed assets	774,183	774,183
	968,321	(780,670)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

20	CONTINGENCIES AND COMMITMENTS	Note	March 31, 2020	December 31, 2019
		Rs in '000		
	-Guarantees	20.1	15,361,477	15,054,505
	-Commitments	20.2	33,352,791	36,682,215
			<u>48,714,268</u>	<u>51,736,720</u>
20.1	Guarantees:			
	Financial guarantees		1,720,375	2,030,105
	Performance guarantees		13,437,502	12,820,129
	Other guarantees		203,600	204,271
			<u>15,361,477</u>	<u>15,054,505</u>
20.2	Commitments:			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		6,428,231	6,920,481
	Commitments in respect of:			
	- Forward government securities transactions	20.3	-	10,000,000
	- forward foreign exchange contracts	20.4	26,082,967	19,026,323
	Commitments for acquisition of:			
	- operating fixed assets		500,553	416,496
	- intangible assets		341,040	318,915
			<u>33,352,791</u>	<u>36,682,215</u>
20.3	Commitments in respect of forward government securities transactions			
	Forward purchase - Pakistan Investment Bonds (PIBs)		-	10,000,000
			<u>-</u>	<u>10,000,000</u>
20.4	Commitments in respect of forward foreign exchange contracts			
	Purchase		12,459,562	9,069,099
	Sale		13,623,405	9,957,224
			<u>26,082,967</u>	<u>19,026,323</u>
20.5	The income tax assessments of the Bank have been finalized up to tax year 2019.			
20.6	During financial year 2011, the tax authorities issued an amended order for the tax year 2009 disallowing certain expenditure on account of lack of evidence for such expenditure resulting in an additional tax demand of Rs. 308.900 million. The Bank filed an appeal as well as rectification application against the said order. Based on rectification application, the order was amended and accordingly the additional demand was reduced to Rs. 256.349 million. During 2012, the Commissioner Inland Revenue (Appeals) [CIR (A)] through an order dated June 01, 2012 has deleted certain additions on account of disallowances except for the additions under certain heads of expenses having tax impact of approximately Rs. 23 million. The Bank had filed an appeal against the order of the Appellate Tribunal Inland Revenue (ATIR) in respect of remaining additions which also decided in favor of the Bank. Subsequently, CIR went in to appeal in Peshawar High Court. The management is confident that matter will be decided in Bank's favor.			

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

	For the three months ended	
	March 31, 2020	March 31, 2019
Note	Rupees in '000	
21 MARK-UP/RETURN/INTEREST EARNED		
On:		
a) Loans and advances	3,769,704	2,604,539
b) Investments	3,844,707	2,004,912
c) Balances with banks	76,915	8,962
d) Lendings to Financial Institutions	242,159	245,678
	<u>7,933,485</u>	<u>4,864,091</u>
22 MARK-UP/RETURN/INTEREST EXPENSED		
Deposits	3,935,716	3,076,616
Borrowings	2,508,974	505,692
	<u>6,444,690</u>	<u>3,582,308</u>
23 FEE AND COMMISSION INCOME		
Branch banking customer fees	8,585	9,289
Consumer finance related fees	1,295	1,769
Debit card related fees	11,291	8,781
Credit card related fees	15,263	15,573
Investment banking fees	5,978	3,262
Commission on trade	2,449	1,718
Commission on guarantees	30,586	41,074
Commission on cash management	36	-
Commission on remittances including home remittances	4,075	4,174
Others	995	3,501
	<u>80,553</u>	<u>89,141</u>
24 (LOSS)/GAIN ON SECURITIES		
Realised	24.1 358,312	5,554
Unrealised	3,536	-
	<u>361,848</u>	<u>5,554</u>
24.1 Realised (loss) / gain on:		
Federal Government Securities	362,711	5,554
Shares	(4,399)	-
	<u>358,312</u>	<u>5,554</u>
25 OTHER INCOME		
Postal, Swift and other services	26,816	20,151
Rent on property	762	6,651
Gain on sale fixed assets	61	204
Service income on Government schemes	391	1,579
Rebate from financial institutions	1,848	5,361
	<u>29,878</u>	<u>33,946</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

		For the three months ended	
Note	March 31, 2020	March 31, 2019	
Rupees in '000			
26 OPERATING EXPENSES			
Total compensation expense	568,685	569,007	
Property expense			
Rent & taxes	27.1 266	95,361	
Utilities cost	34,750	29,376	
Security (including guards)	36,924	33,027	
Repair & Maintenance	788	830	
Depreciation - Right of use assets	27.1 82,345	-	
Depreciation - Non banking assets acquired in satisfaction of claims	13,276	-	
Depreciation	33,972	36,525	
	202,321	195,119	
Information technology expenses			
Software maintenance	25,078	4,839	
Hardware maintenance	5,309	4,290	
Depreciation	30,697	35,125	
Amortization	9,346	13,456	
Network charges	7,984	1,875	
ATM charges	24,372	22,861	
	102,786	82,446	
Other operating expenses			
Directors' fees and allowances	2,395	4,033	
Fees and allowances to Shariah Board	10	226	
Outsourced service cost	23,801	21,768	
Legal and professional charges	11,538	8,439	
Travelling & conveyance	20,754	19,599	
Cash Carriage Charges	9,227	9,879	
NIFT clearing charges	3,969	2,986	
Depreciation	7,080	7,279	
Communication	13,265	17,343	
Postage & courier charges	4,552	4,636	
Stationery and printing	13,233	15,296	
Advertisement and publicity	15,127	12,827	
Repair and maintenance	4,269	3,878	
Insurance Expense	10,890	9,724	
Auditors remunerations	4,898	2,890	
Brokerage & Commission	12,048	5,500	
Rent & Taxes	494	385	
Entertainment	7,641	7,560	
News papers and periodicals	535	503	
Training & Development	4,458	3,975	
Fees & Subscription	478	1,000	
Deposit Protection Premium	14,139	20,418	
Others	8,880	7,035	
	193,681	187,179	
	1,067,473	1,033,751	

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

	Note	For the three months ended	
		March 31, 2020	March 31, 2019
Rupees in '000			
27 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		12,802	90
Others - mark-up expense on lease liability against right-of-use assets	27.1	35,504	-
		<u>48,306</u>	<u>90</u>
27.1			
<p>The Bank has adopted IFRS 16, Leases while preparing its annual financial statements for the year ended December 31, 2019. However, for the comparative period presented in these condensed interim financial statements, the State Bank of Pakistan (SBP) vide its BPRD Circular No.08 of 2019 dated April 30, 2019 had deferred the adoption of IFRS 16 particularly for that period. Therefore the condensed interim financial statements for the three months ended March 31, 2019 did not include the impact of adoption of this standard.</p>			
28 PROVISIONS & WRITE OFFS - NET			
Provisions / (reversal) for diminution in value of investments	9.3	-	-
Provisions against loans & advances	10.3	139,908	54,128
		<u>139,908</u>	<u>54,128</u>
29 TAXATION			
Current		393,755	134,409
Deferred		(58,396)	23,498
		<u>335,359</u>	<u>157,907</u>
29.1			
<p>Includes super tax, levied through Finance Act, 2020, at the rate of 4% on the taxable income for the period ended March 31, 2020.</p>			
30 BASIC & DILUTED EARNING PER SHARE			
Profit for the period - Rupees		548,228,932	186,730,590
Weighted average number of ordinary shares		1,000,252,485	1,000,252,485
Basic earnings per share - rupee/share		<u>0.55</u>	<u>0.19</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

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).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	March 31, 2020 (Un-audited)			Total
	Level 1	Level 2	Level 3	
Rupees in '000				
31.2 On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	128,456,657	-	128,456,657
Shares	340,507	-	-	340,507
Term Finance Certificates	-	1,381,975	-	1,381,975
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	16,183,798	-	16,183,798
Shares	-	56,258	-	56,258
Non-Government Debt Securities	-	4,281,886	-	4,281,886
Associates	-	40,504	-	40,504
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	12,459,562	-	12,459,562
Forward sale of foreign exchange	-	13,623,405	-	13,623,405
	December 31, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
Rupees in '000				
On balance sheet financial instruments				
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
- Term Finance Certificates (TFCs)	-	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 Sukuks Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options and Forward Exchange Contracts.

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

Fair values of GoP Ijarah Sukuks 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 Sukuk certificates

Investments in debt securities (comprising term finance certificates, bonds, Sukuk 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.



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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32 SEGMENT INFORMATION

32.1 Segment details with respect to business activities

	For the three months ended March 31, 2020 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Profit and loss					
Net mark-up/return/profit	(47,612)	1,654,807	(277,752)	159,352	1,488,795
Non mark-up / return / interest income	33,971	508,124	94,300	14,085	650,480
Total income	(13,641)	2,162,931	(183,452)	173,437	2,139,275
Segment direct expenses	370,083	47,471	171,838	526,387	1,115,779
Total expenses	370,083	47,471	171,838	526,387	1,115,779
Provisions / (reversals)	(433,243)	2,302,788	(611,168)	(1,118,469)	139,908
Profit before tax	49,519	(187,328)	255,878	765,519	883,588
	As at March 31, 2020 (Un-audited)				
Balance sheet					
Cash and bank balances	5,387,926	1,945,588	6,660,762	535,782	14,530,058
Lendings to financial institutions	-	8,414,294	-	-	8,414,294
Investments	13,546,197	137,195,387	-	-	150,741,584
Advances - performing	71,133,255	7,953,194	4,449,602	23,856,243	107,392,294
Advances - non performing	263,510	1,755,876	58,329	2,912,425	4,990,140
Operating fixed assets/intangible assets	-	-	-	3,520,341	3,520,341
Deferred tax assets	95,737	-	-	52,049	147,786
Others	6,249,098	810,098	452,412	2,612,056	10,123,664
Total assets	96,675,723	158,074,437	11,621,105	33,488,896	299,860,161
Bills payable	-	-	685,552	-	685,552
Borrowings	-	109,022,880	-	5,091,637	114,114,517
Deposits and other accounts	95,199,749	-	31,733,250	31,733,250	158,666,249
Others	3,133,799	5,293,131	394,998	1,573,528	10,395,456
Total liabilities	98,333,548	114,316,011	32,813,800	38,398,415	283,861,774
Equity	(1,657,828)	43,758,428	(21,192,694)	(4,909,519)	15,998,387
Total equity and liabilities	96,675,720	158,074,439	11,621,106	33,488,896	299,860,161
Contingencies and commitments	16,875,280	19,618,072	5,631,263	6,589,653	48,714,268
	For the three months ended March 31, 2019 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Profit and loss					
Net mark-up/return/profit	618,562	(115,839)	73,470	705,590	1,281,783
Non mark-up / return / interest income	77,800	33,238	5,063	34,723	150,824
Total Income	696,362	(82,601)	78,533	740,313	1,432,607
Segment direct expenses	654,383	169,420	12,168	197,870	1,033,841
Total expenses	41,979	(252,021)	66,365	542,443	398,766
Provisions / (reversals)	-	821	7,849	45,458	54,128
Profit before tax	41,979	(252,842)	58,516	496,985	344,638
	As at December 31, 2019 (Audited)				
Balance sheet					
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	71,792,054	7,909,726	4,647,170	20,366,624	104,715,574
Advances - non performing	263,510	1,755,876	58,329	2,949,003	5,026,718
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	98,346,351	162,293,452	13,661,588	32,003,861	306,305,252

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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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	15,910,732	(14,107,290)	12,489,433	(91,522)	14,201,353
Total equity and liabilities	98,346,351	162,293,452	13,661,588	32,003,861	306,305,252
Contingencies and commitments	14,600,793	31,243,663	207,609	5,684,655	51,736,720

32.2 Segment details with respect to geographical locations

Geographical segment analysis

	For the three months ended March 31, 2020 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Profit before tax					
In Pakistan	49,519	(187,328)	255,878	765,519	883,588
Outside Pakistan	-	-	-	-	-
	49,519	(187,328)	255,878	765,519	883,588
	As at March 31, 2020 (Un-audited)				
Total assets					
In Pakistan	96,675,723	158,074,437	11,621,105	33,488,896	299,860,161
Outside Pakistan	-	-	-	-	-
	96,675,723	158,074,437	11,621,105	33,488,896	299,860,161
Net assets employed					
In Pakistan	(1,657,828)	43,758,428	(21,192,694)	(4,909,519)	15,998,387
Outside Pakistan	-	-	-	-	-
	(1,657,828)	43,758,428	(21,192,694)	(4,909,519)	15,998,387
Total equity					
	16,875,280	19,618,072	5,631,263	6,589,653	48,714,268
Contingencies and commitments					
	For the three months ended March 31, 2019 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Profit before tax					
In Pakistan	41,979	(252,842)	58,516	496,985	344,638
Outside Pakistan	-	-	-	-	-
Total Income	41,979	(252,842)	58,516	496,985	344,638
	As at December 31, 2019 (Audited)				
Total assets					
In Pakistan	98,346,351	162,293,452	13,661,588	32,003,861	306,305,252
Outside Pakistan	-	-	-	-	-
	98,346,351	162,293,452	13,661,588	32,003,861	306,305,252
Net assets employed					
In Pakistan	15,910,732	(14,107,290)	12,489,433	(91,522)	14,201,353
Outside Pakistan	-	-	-	-	-
	15,910,732	(14,107,290)	12,489,433	(91,522)	14,201,353
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 MARCH 31, 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:

	As at March 31, 2020 (Un-Audited)				As at December 31, 2019 (Audited)			
	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	-	7,610	-	-	-	39,859	-	-
Repaid during the period/year	-	26,304	-	-	-	19,112	-	-
Transfer in / (out) - net	-	-	-	-	-	10,281	-	-
Closing balance	-	135,932	-	-	-	154,626	-	-
Deposits and other accounts								
Opening balance	-	25,021	28,659	2,342,408	-	24,081	30,067	2,185,683
Received during the period/year	-	54,341	4,515	84,439	-	128,446	39,564	845,046
Withdrawn during the period/year	-	67,456	1,760	51,616	-	127,389	40,972	688,321
Transfer in / (out) - net	-	(1,040)	-	-	-	(117)	-	-
Closing balance	-	10,866	31,414	2,375,231	-	25,021	28,659	2,342,408
Other liabilities								
Accrued markup	-	66	439	58,711	-	288	1,718	58,716

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

	For the three months ended March 31, 2020 (Un-audited)				For the three months ended March 31, 2019 (Un-audited)			
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
Income	Rupees in '000							
Mark-up / return / interest earned	-	841	-	-	-	4,392	-	-
Expense	-	146	754	71,837	-	1,258	842	59,798
Mark-up / return / interest paid	2,405	23,503	-	-	4,259	23,553	-	-
Operating expenses								

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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

	March31, 2020 (Un-audited)	December31, 2019 (Audited)
	Rupees in '000	
34 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	10,002,524	10,002,524
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	14,205,445	13,204,421
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	14,205,445	13,204,421
Eligible tier 2 capital	1,050,888	-
Total eligible capital (Tier 1 + Tier 2)	15,256,333	13,204,421
Risk weighted assets (RWAs):		
Credit risk	62,766,396	58,970,352
Market risk	20,221,338	16,711,426
Operational risk	10,642,475	10,642,475
Total	93,630,208	86,324,253
Common equity tier 1 capital adequacy ratio	15.17%	15.30%
Tier 1 capital adequacy ratio	15.17%	15.30%
Total capital adequacy ratio	16.29%	15.30%
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 conservaton 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	14,205,445	13,204,421
Total exposures	321,434,611	305,453,822
Leverage ratio	4.42%	4.32%
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	58,761,731	60,536,707
Total net cash outflow	47,262,379	48,785,693
Liquidity coverage ratio	124.33%	124.09%
Net Stable Funding Ratio (NSFR):		
Total available stable funding	122,234,000	132,085,894
Total required stable funding	111,072,000	111,614,902
Net stable funding ratio	110%	118.34%

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020**

35

ISLAMIC BANKING BUSINESS

The Bank is operating 84 (2019: 84) Islamic banking branches and 39 (2019: 39) Islamic banking Windows as at March 31, 2020.

	Note	Un-Audited	Audited
		March 31, 2020	December 31, 2019
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		3,405,917	6,807,574
Balances with other banks		846,066	6,289,995
Due from financial institutions	35.1	2,000,000	4,831,347
Investments	35.2	11,602,582	11,602,166
Islamic financing and related assets - net	35.3	46,960,268	45,791,558
Fixed assets		560,815	610,038
Intangible assets		2,821	3,426
Due from head office		1,226,245	325,575
Other assets		4,616,076	4,410,288
Total Assets		71,220,790	80,671,967
LIABILITIES			
Bills payable		239,809	285,589
Due to financial institutions		10,091,848	18,891,848
Deposits and other accounts	35.4	51,302,856	50,079,326
Other liabilities		3,434,121	4,937,087
Total Liabilities		65,068,634	74,193,850
NET ASSETS		6,152,156	6,478,117
REPRESENTED BY			
Islamic banking fund		460,000	460,000
Deficit on revaluation of assets		-	(15,000)
Unappropriated profit	35.8	5,692,156	6,033,117
		6,152,156	6,478,117
CONTINGENCIES AND COMMITMENTS	35.5		

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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The profit and loss account of the Bank's Islamic banking branches for the three months ended March 31, 2020 is as follows:

Note	Un-Audited 2020	Un-Audited 2019
	March 31, Rupees in '000	
Profit / return earned	35.6 2,071,445	1,318,371
Profit / return expensed	35.7 909,632	484,387
Net profit / return	1,161,813	833,984
OTHER INCOME		
Fee and commission income	22,072	20,726
Foreign exchange income	87,099	9,277
Gain on securities	-	4,928
Other income	13,928	13,634
	123,099	48,565
	1,284,912	882,549
OTHER CHARGES		
Operating expenses	490,643	374,651
Other charges	12,958	9,064
	503,601	383,715
Profit before provisions	781,311	498,834
Provisions and write offs	49,887	(161)
Profit before taxation	731,424	498,995
Taxation	285,254	194,608
Profit after taxation	446,170	304,387

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	March 31, 2020	December 31, 2019	Rs in '000
35.8 Islamic banking business unappropriated profit			
Opening balance	6,033,117	4,598,387	
Add: Islamic banking profit for the period/year	731,424	2,355,848	
Less: Transfer to head office	(4,072,385)	(921,118)	
Closing balance	5,692,156	6,033,117	

36 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on May 20, 2020.

37 GENERAL

37.1 Comparative information has been re-classified, re-arranged or additionally incorporated in these condensed interim financial statements for the purpose of better presentation.

37.2 Figures have been rounded to the nearest thousand rupees, unless, otherwise stated

37.3 Profit equalization reserve:

The profit equalization reserves amounting to Rs. 44.641 million (December 31, 2019: Rs. 42.141 million) has been classified in other liabilities above.



Managing Director



Chief Financial Officer



Director



Director



Director

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